



76th Annual Report 2006-07

ING  Vysya
BANK



IVB way of life reflects our organizational values for practice among employees, in work life, to ensure individual and organizational success.

Success is better assured with Teamwork. A team that is driven by a goal, passionate of what it does, focused on the customer, with an openness to accept change and empathise with each other. More importantly, own with pride the outcome.



76th ANNUAL GENERAL MEETING

Venue : Dr. B.R. Ambedkar Bhavana,
Miller's Road, Vasanthanagar,
Bangalore - 560 052

Day / Date : Thursday, June 28, 2007

Time : 10.30 a.m.

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G M Rao
Chairman Emeritus

BOARD OF DIRECTORS

K R Ramamoorthy
Chairman

Vaughn Nigel Richtor
Managing Director & CEO

Aditya Krishna (from 21st December 2006)

Arun Thiagarajan

Joseph J Kestemont (till 26th September 2006)

Lars Kramer

Luc Vandewalle (till 30th June 2006)

Prakash G Apte (till 18th October 2006)

Peter Alexander Smyth

Philippe Damas

Ryan Andrew Padgett

Richard Cox (from 13th July 2006)

Subrahmanian K R V

Wilfred Nagel

COMPANY SECRETARY

K B V Narayan

STATUTORY AUDITORS

M/s BSR & 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 Agents

Karvy Computershare Private Limited

Unit: ING Vysya Bank Limited
"Karvy House", 46, Avenue 4,
Street No. 1, Banjara Hills,
Hyderabad – 500 034
Phone: 040-23420815
Fax: 040-23420814



SENIOR MANAGEMENT TEAM (as of May 18, 2007)

Vaughn Nigel Richter
Managing Director & CEO

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

Donald Koch
Chief Operating Officer (Ops & IT)

Bishwajit Mazumder
Chief - Corporate Audit Group

Janak Desai
Country Head –Wholesale Banking & Financial Markets

Jayant Mehrotra
Chief Financial Officer

Narayan K B V
Company Secretary

Ned Swarup
Chief Risk Officer

Prasad JM
Chief –Human Resources

Samir Bimal
Country Head –Private Banking

Anjaneyulu K S R
Regional CEO – AP

Radhakrishnan V S
Regional CEO – Se AP

Sankarshan Rao Y
Regional CEO –West

Sankar P
Officiating Regional CEO-N & E

DIRECTORS' REPORT

The Board of Directors have pleasure in presenting the Seventy Sixth Annual Report of your Bank together with the Audited Statements of accounts for the year ended March 31, 2007, Auditors' Report thereon and other documents and statements as are required.

Financial & Business Performance

For the year ended March 2007 the Bank posted a net profit of Rs. 89 crore compared to Rs. 9 crore for 2005-06. The pre-tax profit improved to Rs. 128 crore compared to Rs. 22 crore during the previous year.

The aggregate business of the Bank has crossed a new milestone of Rs. 25,000 crore mark to reach Rs. 27,395 crore as at March 31, 2007 compared to Rs. 23,566 crore as at March 31, 2006. The **Total Deposits** of the Bank increased to Rs. 15,419 crore registering a growth of 16%. The **Net Advances** increased to Rs. 11,976 crore by March 2007 compared to Rs. 10,232 crore at the end of the previous year. The Bank has complied with the regulatory requirements namely the target of 40% of adjusted net bank credit for priority sector lending achieving a level of 41% (previous year 36%). Export advances increased to Rs. 1,151 crore from 1,105 crore at the end of the previous year. The export credit as a percentage of adjusted net bank credit stood at 10.20%. As of March 31, 2007 the outstanding credit to SC/ST borrowers stood at Rs.48.75 crore (previous year Rs.17.70 crore) and the percentage of recovery to demand as on March 31, 2007 is 46% (previous year 46.24%) of the amounts fallen due.

The **Net Interest Income** for the year 2006-07 increased to Rs. 542 crore, registering an increase of 13%.

Operational Expenditure has decreased to Rs. 507 crore compared to Rs. 519 crore for the previous year.

The net NPA has been brought down to 0.95% as of March 2007 from 1.76% as of March 2006. Capital adequacy ratio has been maintained at 10.56% as on March 2007, a marginal decline from the 10.67% as of March 2006.

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 Reserve Bank of India, the Directors propose to transfer Rs. 22.23 crore (previous year Rs. 2.26 crore) to Statutory Reserve, Rs. 39.57 crore (previous year Rs. 26 crore) to Capital Reserve and Rs. 3.05 crore (previous year Nil) to Investment Reserve, for the year ended March 2007.

With the improved financial performance it is gratifying that the Bank is back on dividend track. Taking into account the Regulatory restrictions, the Board of Directors recommend the payment of dividend at 6.5% on the face value of fully paid-up shares. The outflow on account of this dividend, including the dividend tax would absorb Rs. 6.91 crore.

The dividend recommended, on approval would be paid to all those shareholders whose names appear as Beneficial Owners as at the end of May 29, 2007 as per the list to be furnished by Depositories (viz., NSDL & 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 May 29, 2007.

Consolidated Financial Statements

As required by AS 21 and AS 23 issued by the Institute of Chartered Accountants of India, the Bank's consolidated financial statements are included in this Annual Report incorporating the accounts of the subsidiary company viz. ING Vysya Financial Services Limited (IVFSL) and Associate viz. ING Investment Management (India) Private Limited, in line with the basis of consolidation as explained in the Notes to the said consolidated statements.

Employee Stock Option Scheme

The shareholders of the Bank, at the Annual General Meeting (AGM) held on September 29, 2001 approved earmarking of 5,00,000 shares of the Bank to be granted under the Employee Stock Option Scheme (ESOS), which options are to be granted in three tranches. As a result of issue of Rights shares by the Bank during 2005 in the ratio of three shares for every one share held, a proportionate adjustment was made to the number of options already granted (and not exercised) and to the exercise price. Further, the shareholders have approved a revised ESOS at the AGM in 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 above two schemes are furnished in Annexure -1 to this report.

Postal Ballot

The Shareholders of the Bank during May 2007, passed a special resolution by postal ballot regarding the introduction of a new Stock Option Scheme. The said special resolution was passed with 2,22,13,445 valid votes cast in favour of the resolution and 48,43,567 valid votes cast against the resolution.

As per the said approval, the Board of Directors is authorized to create, issue, offer and /or allot such number of stock options, to or for the benefit of such person or persons as are in the permanent employment of the Bank, including the wholetime directors, as may be decided by the Board of Directors, at any time, which give right to purchase or subscribe not exceeding 78,00,000 equity shares of the Bank or 9% of the issued capital of the Bank as on March 21, 2007 whichever is less, under an Employee Stock Option Scheme titled ESOS 2007, in one or more tranches, at such price at such point of time and on such terms and conditions as the Board of Directors may decide; each stock option shall be convertible into one equity share (of a face value of Rs.10/-per share) of the Bank .

Statutory Disclosures

The particulars of employees required under Section 217(2A) of the Companies Act, 1956 and the rules made there under, are given in the annexure appended hereto (Annexure- 2) and 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 the Company Secretary at the Registered Office of the Bank. The Bank had 5341 employees as on March 31, 2007, out of which, 30 employees employed throughout the year were in receipt of remuneration of not less than Rs. 24.00 lakhs per annum and 17 employees employed for part of the year were in receipt of remuneration of not less than Rs. 2 lakhs per month.

The provisions of Section 217(1)(e) of the Act relating to conservation of energy and technology absorption do not apply to the Bank. The Bank has, however, used information technology extensively in its operations.

Subsidiaries

ING Vysya Financial Services Limited (IVFSL) a 100% subsidiary of the Bank, engaged in marketing of the Bank's products and products of insurance and mutual funds earned a net profit of Rs. 5.88 crore for 2006-07, as against Rs.4.95 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.

Associates and Joint Ventures

In April 2007 the Bank sold its entire shareholding of 99,30,000 shares in ING Investment Management (India) Private Limited at the rate of Rs. 12/-per share, netting a gain of Rs 1.99 crore.

Delisting

Further to the approval of the Shareholders at the 75th Annual General Meeting on September 26, 2006, the shares of the Bank have been delisted from Bangalore Stock Exchange in view of the 'Nil' trading volumes in the Bank's shares over a continuous period of seven years.

Directors

Mr. Luc Vandewalle, Mr. Joseph Kestemont and Dr. Prakash Apte resigned from their positions as Directors on the Board during the year. The Board of Directors take this opportunity to place on record its appreciation and gratitude for the valuable contributions rendered by them during their tenure as Directors on the Board.

Mr. Richard Cox was appointed by the Board of Directors as Additional Director effective July 13, 2006, till date of AGM viz. September 26, 2006. He was appointed as Director liable to retire by rotation by the Bank at the AGM on September 26, 2006.

Mr. Aditya Krishna was appointed by the Board as Director in the casual vacancy caused by the resignation of Dr. Prakash Apte. Mr. Aditya Krishna will hold office upto the date upto which Dr. Apte would have held office but for such resignation.

Appointment of Chairman

Mr. K. R. Ramamoorthy has been appointed as Non-Executive Part-time Chairman of the Bank on honorary basis for a period of three years commencing from May 5, 2006 in terms of the approval of the RBI under Section 10B(1A)(i) of the Banking Regulation Act, 1949.

Retirement of Directors by rotation

Mr. K.R.V. Subrahmanian, Mr Arun K. Thiagarajan, and Mr. Aditya Krishna 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. A brief resume of each of these Directors is furnished in the Annexure to the Notice convening the Annual General Meeting.

Registrar & Share Transfer Agents

Karvy Computershare Pvt. Limited, Hyderabad continues to be the Registrar and Share Transfer Agents for the shares of the Bank.

Auditors

The Statutory Auditors viz. M/s. BSR & Co., Chartered Accountants who were first appointed as auditors of the Bank at the 72nd Annual General Meeting (AGM) held on September 15, 2003 and re-appointed at the successive AGMs thereafter would be retiring at the conclusion of the forthcoming Annual General Meeting. They have been 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 (RBI).

Subject to the approval of RBI, it is proposed to appoint M/s. SR Batliboi & Co., Chartered Accountants as Statutory Auditors of the Bank for the financial year 2007-08. Shareholders are requested to approve the appointment of said firm as auditors and authorize the Board of Directors to determine the remuneration payable to the said auditors and also to appoint Branch auditors and finalise 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 and Management Discussion & Analysis are included in the Annual Report to form part thereof.

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 March 31, 2007 on a going concern basis.

Acknowledgements

The Board is grateful to the Reserve Bank of India for its continued guidance and support. The Board places on record its gratitude to the Securities and Exchange Board of India and other government and regulatory authorities for their guidance and support.

The Board wishes to place on record its sincere thanks to IFC, financial institutions & FIs, stock exchanges, Indian Banks' Association, Indian Institute of Bankers, National Securities Depositories Limited, Central Depository Services (India) Limited, correspondent banks and rating agencies for their continued support.

The Board also placed on record its special thanks to ING Group in providing the necessary guidance and support, helping your Bank in its endeavours to upgrade its risk management and other processes to international standards.

The Board would like to take this opportunity to express sincere thanks to its valued clients and customers for their continued patronage. The Directors express their deep sense of appreciation of all the employees, whose outstanding professionalism, commitment and initiative has made the organisation's growth and success possible and continues to drive its progress. Finally, the Directors wish to express their gratitude to the Members for their trust and support.

For and on behalf of the Board



K R Ramamoorthy
Chairman

Date: May 18, 2007

ANNEXURE - 1 TO DIRECTORS' REPORT

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

	ESOS Scheme 2002 (as modified in 2005)		ESOS Scheme 2005
	Tranche 1	Tranche 2	Tranche 1
Options Granted			
- Pre Right Issue 2005	166,800	160,490	
- Post Right Issue 2005	327,980	429,524	462,712 (including sign on options)
Pricing Formula	Rs. 203 per share/for options granted pre-adjustment on rights Rs.84.50/share/for options granted post-adjustment on rights. Exercise price is equivalent to 75% of the average price of the shares during the past six months in the Stock Exchange where the Shares are traded in highest number.	Rs.255 per share/for options granted pre-adjustment on rights Rs.97.50/share/for options granted post-adjustment on rights. Exercise price is equivalent to 75% of the average price of the shares during the past six months in the Stock Exchange where the Shares are traded in highest number.	Rs.124 per share/for options granted Exercise price is equivalent to 75% of the average price of the shares during the past six months in the Stock Exchange where the Shares are traded in highest number.
Options Vested			
Pre Right Issue	60,450	28,868	
Post Right Issue	204,920	192,326	97,928
Options Exercised			
Pre Right Issue	59,740	27,568	
Post Right Issue	134,080	113,691	25,247
Total number of Shares arising as a result of exercise of Option			
Pre Right Issue	59,740	27,568	
Post Right Issue	134,080	113,691	25,247
Options Lapsed			
Pre Right Issue	25,065	25,541	
Post Right Issue	32,400	88,098	91,667
Variation of terms of options	NIL	NIL	NIL
Money realised by exercise of options	23,456,980	18,114,713	3,130,628
Total number of options in force	161,500	227,735	345,798
Employee wise details of grant to Senior Managerial Personnel			
Mr. B. Ashok Rao		11,900	5,000
Mr. Narayan K B V	8,470	11,900	3,000
Mr. Ravindra Kumar	-	-	10,000
Mr. Jayant Mehrotra	-	-	5,000
Mr. V S Radha Krishnan	-	-	9,500
Mr. Samir Bimal	-	-	7,000
Mr. Prasad J M	-	-	5,500
Mr. K S R Anjaneyulu	8,400	-	7,500
Mr. Sankarshan Rao Y	2,880	5,120	5,500
Mr. Shankar P	5,040	-	4,000
Any other employee who received a grant in any one year of the options amounting to 5% or more of the options granted during that year.	NIL	NIL	NIL
Identified employee 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	NIL

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 shall have been recognised if fair value of options had been used is explained below :

a) Employee Compensation Cost

Sl. No	Particulars	Amount in Rs.
1	Intrinsic Value	6,768,460.31
2	Black - Scholes*	10,295,200.71
	Excess to be Charged	3,526,740.40

b) Impact on Profit

Sl. No	Particulars	Amount in Rs.
1	Declared Profit	889,099,364.96
2	Less: Adjustment for additional charge due to Black Scholes	3,526,740.40
	Adjusted Profit	885,572,624.56

c) Impact on EPS

Sl. No	Particulars	Basic (Rs)	Diluted (Rs)
1	Declared in the financial Statements	9.80	9.73
2	Revised EPS	9.76	9.69

d) Weighted Average details for all the three Tranches

1	Exercise Price	Rs.105.15
2	Fair Value	Rs. 51.98

e) Significant assumptions: Weighted average information to estimate the fair value of options

Sl. No	Particulars	Tranche I	Tranche II	Tranche III
1	Risk Free Interest Rate	5.89%	4.78%	6.68%
2	Expected Life (excluding grant period of one year)	5 Yrs	4 Yrs	4Yrs
3	Expected Volatility	2.80%	2.40%	2.0%
4	Expected Dividends	40%	40%	-
5	The price of the underlying share in market at the time of option grant (as per NSE)	Rs 255.30	Rs 451.30	Rs 164.30
6	Share Prices adjusted after Rights issue	Rs 97.57	Rs 146.57	Rs 164.30

* 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.

The Black - Scholes Model for Option Valuation (Tranche - I)

Call option value calculated based on:

The current market value of the share is Rs.97.57 (as on 1st Oct, 2002) (After Rights issue adjust) (Rs.255.30 at the time of option grant i.e, without Rights issue adjust)

The exercise price is Rs.84.50 (After Rights issue adjust) (Rs.203 without Rights issue adjust)

The risk free rate of interest is the yield of 5-year gilt rate (5.89%)

The Standard deviation of the continuously compounded annual return on the share is 0.028. (i.e., Volatility is 2.8%)

The call option value for:

1 st Year	Rs. 17.91
2 nd Year	Rs. 22.47
3 rd Year	Rs. 26.76
4 th Year	Rs. 30.81
5 th Year	Rs. 34.63

The Black-Scholes Model for Option Valuation (Tranche - II)

Call option value calculated based on:

The current market value of the share is Rs.146.57 (as on 1st Oct, 2003)(After Rights issue adjust)

(Rs.451.30 at the time of option grant i.e, without Rights issue adjust)

The exercise price is Rs.97.50 (After Rights issue adjust) (Rs.255 without Rights issue adjust)

The risk free rate of interest is the yield of 5-year gilt rate (4.78%)

The Standard deviation of the continuously compounded annual return on the share is 0.024. (i.e., Volatility is 2.4%)

The call option value for:

1 st Year	Rs.53.63
2 nd Year	Rs.57.96
3 rd Year	Rs.62.10
4 th Year	Rs.66.04
5 th Year	Rs.69.80

The Black-Scholes Model for Option Valuation (Tranche - III)

Call option value calculated based on:

The current market value of the share is Rs.164.30 (as on 1st Jan, 2006)

The exercise price is Rs.124

The risk free rate of interest is the yield of 4-year gilt rate (6.68%)

The Standard deviation of the continuously compounded annual return on the share is 0.020. (ie. Volatility is 2.0%)

The call option value for:

1 st Year	Rs.48.31
2 nd Year	Rs.55.81
3 rd Year	Rs.62.82
4 th Year	Rs.69.38

As required under Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, a certificate issued by Auditors of the Bank indicating that the Scheme has been implemented in accordance with these guidelines and in accordance with the resolution of the Bank in General Meeting, will be placed at the Annual General Meeting of the shareholders.

Note :

1. The Shareholders have approved ESOS 2007 Scheme by passing the Special Resolution through the Postal Ballot for creation, issue, offer and / or allotment of 78, 00,000 equity shares of the bank or 9% of the issued capital (whichever is less) as on 21 March 2007.
2. The ESOS 2007 Scheme will be formulated and implemented by the Bank in due course of time.
3. The financial information furnished above is as on 31st March, 2007 to match with the audited accounts.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

MACRO ECONOMIC AND BANKING INDUSTRY DEVELOPMENTS

Real Gross Domestic Product ('GDP') growth for 2006-07 was placed at 9 percent in the advance estimates of the Central Statistical Organisation ('CSO') following 9 percent in 2005-06. These estimates have vindicated the overall optimism building around the performance of the Indian economy, which was also reflected in successive upward revisions in growth projections by various agencies during the course of 2006-07, including in the Reserve Bank's quarterly reviews. Industrial activity expanded strongly, with real GDP originating in industry estimated to have risen by 10 percent in 2006-07 as compared with 8 percent in the previous year. The Index of Industrial Production ('IIP') recorded an increase of 11 percent during April-February 2006-07 vis-à-vis 8 percent a year ago. The services sector registered a growth of 11 percent during 2006-07 as against 10 percent a year ago. Real GDP originating from agriculture and allied activities is estimated to have registered a growth of 3 percent in 2006-07, lower than 6 percent in the previous year.

The acceleration in real activity propelled a sizeable expansion in monetary and banking aggregates in 2006-07 for the fourth year in succession. Money supply (M3), on a year-on-year basis, increased by 21 percent (Rs.5,67,372 crore) in 2006-07 as compared with 17 percent (Rs. 3,96,881 crore) in 2005-06. Aggregate deposits of Scheduled Commercial Banks ('SCB') increased by 23 percent (Rs. 4,85,210 crore) during 2006-07 as against 18 percent (Rs.3,23,913 crore) in the previous year. Non-food credit extended by SCBs increased by 28 percent (Rs. 4,10,285 crore) on top of 32 percent (Rs. 3,54,193 crore) in the previous year, exhibiting some moderation from the sustained growth that characterised the period 2003-06. The system-level incremental non-food credit-deposit ratio edged down to 85 percent during 2006-07 from 109.3 percent in the previous year, albeit with significant variations among banks. Food credit of SCBs increased by Rs. 5,830 crore as compared with an increase of Rs. 675 crore in the previous year.

Inflation, measured by variations in the Wholesale Price Index ('WPI') on a year-on-year basis, increased from 4 percent at end-March 2006 to an intra-year peak of 7 percent at end-January 2007 and remained firm in the range of 6-7 percent in the succeeding weeks before moderating to 6 percent on 31 March 2007. On an average basis, annual inflation increased from 4 percent in 2005-06 to 5 percent in 2006-07.

Financial markets experienced generally stable conditions during the greater part of 2006-07, albeit with some volatility in the second half amidst heightened activity as volumes increased steadily and interest rates firmed up in all segments. Equity markets witnessed major swings during 2006-07. The BSE Sensex (1978-79=100) increased from 11,280 at end-March 2006 to peak at 12,612 on May 10, 2006 after which it declined to an intra-year trough of 8,929 on June 14, 2006. It rebounded in subsequent months on institutional buying support, robust macroeconomic fundamentals and high private corporate profitability. The Sensex rallied with intermittent corrections to reach a high of 14,652 on February 8, 2007 but subsequently moderated to 13,072 by end-March 2007. The Indian foreign exchange market has witnessed generally orderly conditions during 2006-07 and the current financial year so far with the exchange rate exhibiting two-way movements. During 2006-07, the rupee appreciated by 2 percent against the US dollar and 3 percent against the Japanese yen, but depreciated by 7 percent against the euro and by 9 percent against the pound sterling.

On the external front, the foreign exchange reserves, including valuation changes, recorded an increase of US \$ 26 billion during April-December 2006 and rose to reach a level of US \$ 199 billion by end-March 2007. India's external debt increased by US \$ 16 billion from end-March 2006 to US \$ 143 billion at end-December 2006. The increase was mainly under External Commercial Borrowings ('ECBs') (US \$ 9 billion) and Non-Resident India ('NRI') deposits (US \$ 3 billion).

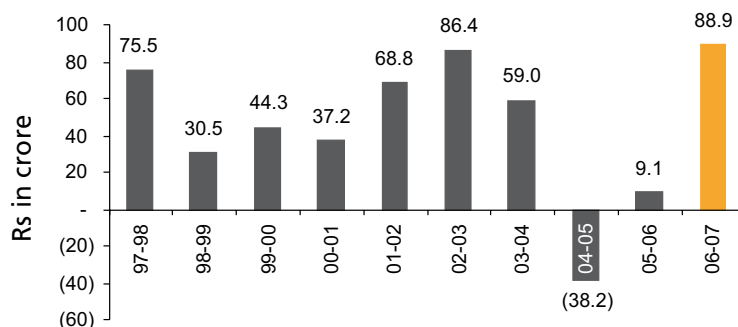
The distinguishing feature of India's macroeconomic performance in 2006-07 has been the strong acceleration of growth. The industry and services sector, comprising of 82 percent of the economy, registered double-digit growth. The step-up in the overall growth momentum, setbacks to agriculture notwithstanding, occurred inter alia in an environment of building international interest and rising business and consumer confidence domestically, in the strength and dynamism of the economy. The corporate sector performance continued to remain buoyant, with the early results for the fourth quarter of 2006-07 indicating that the underlying strength of corporate performance as reflected in sales and earnings growth has been sustained.

From fiscal 2007-08 the Reserve Bank of India ('RBI') withdrew its accommodative policy by hiking the Cash Reserve Ratio ('CRR'). The policy objective was to combat inflation. Further, RBI increased the provision for standard assets from the existing 0.4 percent to 2 percent for certain categories of assets. The increased risk weight on bank's exposure to commercial real estate and capital markets was also enhanced from 125 percent to 150 percent and Basel II implementation is to be completed by 31 March 2009. On the disclosure side the modified segment reporting will be effective from 31 March 2008 fiscal.

OVERVIEW OF FINANCIAL AND BUSINESS PERFORMANCE

The performance of the Bank showed a significant all round improvement during the financial year 2006-07. The key factors that contributed to the performance of the Bank during the year were continued focus on core income streams, sound treasury management and emphasis on improving efficiencies.

The Bank recorded a net profit after tax of Rs. 89 crore, increasing by 882 percent from Rs. 9 crore in the previous year, the current fiscal being the highest profit in the last year ten years of operation.

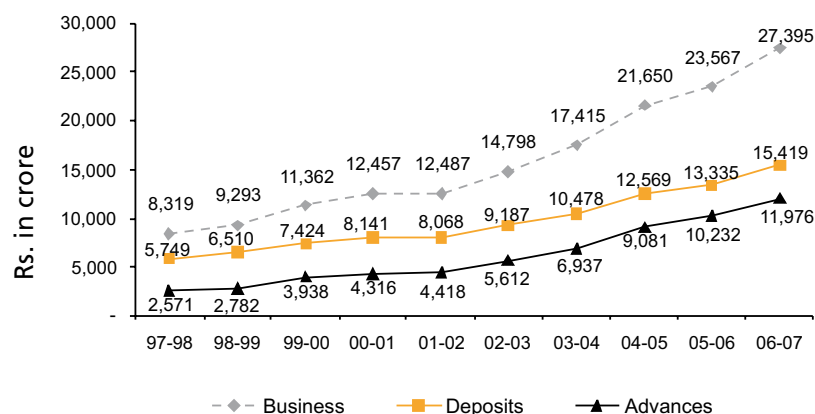


Net interest income grew by 13 percent, in line with the growth in advances and deposits. Other income (non-interest income) increased by 40 percent, the main drivers being commission, exchange and brokerage income and earnings from foreign exchange transactions. Operating expenses remained relatively flat at Rs. 507 crore compared to Rs. 519 crore in the previous fiscal. Staff expenses accounted for 47 percent of non-interest expenses, with the staff strength increasing to 5,341 from 5,312 as at the fiscal year end.

The capital adequacy ratio of the Bank stood at 10.6 per cent. The Board of Directors have recommended a dividend of 6.5 per cent for 2006-07. During the year the Bank has raised Rs. 78 crore in Tier II capital and Rs. 99 crore in upper Tier II capital.

Total deposits of the Bank aggregated to Rs.15,419 crore, an increase of Rs. 2,084 crore (16 per cent) over the previous fiscal, with low cost deposits comprising 29 per cent of the deposit base (previous year – 27 percent). Driven by the popularity of the Orange Savings and Current Account schemes, low cost deposits increased from Rs. 3,602 crore at March 2006 to Rs. 4,458 crore at March 2007, recording a growth rate of 24 per cent.

Total assets increased 15 percent to Rs. 19,286 crore from Rs. 16,767 crore at March 2006 with advances increasing 17 per cent to Rs. 11,976 crore and investments increasing 4 per cent to Rs. 4,528 crore. The growth trend in advances and deposits over the last ten fiscal years is depicted below.



The priority sector advances stood at Rs 4,672 crore and constituted 41 per cent of the Net Bank Credit as at 31 March 2007 (last reporting Friday) as against the norm of 40 per cent stipulated by the RBI.

Export credit increased by 4 per cent from Rs 1,105 crore as at 31 March 2006 to Rs 1,151 crore as at 31 March 2007. Export credit as a percentage of Net Bank Credit stood at 10 per cent.

The growth in the current fiscal was driven by a combination of growth in both retail and wholesale advances with the Business Banking segment being the primary contributor in Retail. Despite a tightening of overall liquidity leading to a hardening of interest rates in the fourth quarter, the Bank maintained reasonable margins.

INTERNAL CONTROL SYSTEMS

The Bank's internal controls have been developed so as to provide reasonable assurance that the organization's business objectives will be achieved and undesired risk events will be prevented or detected and corrected in a timely manner. The internal control of the Bank is aligned with various levels in the overall organizational structure. Apart from the basic operational controls as a Branch level, there are two further levels of controls : at each Regional office and subsequently at the Corporate office. In addition, management provides direction and follows up to ensure compliance with these internal control procedures. The internal audit department acts as an independent entity analyzing effectiveness and adequacy of the internal controls of the bank, by carrying out various audits and reviews.

The Bank has an adequate control system, which is reviewed by the Audit Committee of the Bank in line with Section 292A of the Companies Act periodically with the internal auditors and statutory auditors to ensure compliance. Appropriate action is taken if deficiencies are reported.

In order to improve the compliance culture and ensure a better understanding of the internal controls a number of workshops and education programs have been held for the Bank's employees.

BUSINESS REVIEW

An overview of various business segments along with their performance in 2006-07 and their future strategies is presented below.

RETAIL BANKING

With a view to increasing its position in the burgeoning retail financial services sector in the country, the Bank has continued to provide a sustained focus to retail banking. The retail banking business is organized into business banking, consumer banking, branch banking and agricultural and social banking.

Traditionally focused on the small and medium enterprises business, this business segment, now re-named "Business Banking" provides comprehensive financial solutions to individuals and corporates for both domestic and export credit requirements. Business Banking is a key value driver of the Bank and caters to enterprises with annual sales turnover not exceeding Rs 75 crore. Spread across 11 sub-regions of the Bank, Business Banking boasts of 14,000 relationships with fund based business of above Rs.2,900 crore and Rs.780 crore under non-fund based limits, registering a growth of 15 per cent and 17 per cent respectively in the current year. During the year, this business segment added M Power - SSI, a tailor-made product targeting the Small Scale Industry ('SSI') units engaged in manufacturing and processing. Our intention is to continue to develop structured products to this very important, growing and profitable segment.

Consumer banking offers structured loan products and other value-added products and services to salaried and self-employed individuals. Consumer banking clients are served through a select network of 11 locations across India with the portfolio standing at Rs.1,770 crore as at 31 March 2007. A retail lending software solution has been rolled out at all asset-processing locations, which will further assist loan management, standardize the application process and reduce turn around time.

As part of Branch Banking, the Bank seeks to provide all retail banking clients with novel solutions to meet their financial needs besides the traditional deposit products, combined with an ambience, service culture and expertise that will create a pleasant banking experience. With the continued attention on the growth of low cost deposits, share of low cost deposits in total deposits increased to 38 percent, taking the book size of low cost deposits to Rs 4,219 crore. The total customer base of the segment was 1.17 million at 31 March 2007. The aim is to be a major player in the retail banking space among all private sector banks and to meet this objective, the Bank has undertaken a business process re-engineering exercise to improve internal processes.

Furthermore, to provide our customers with greater flexibility and convenience as well as to reduce servicing costs, the Bank has invested in multiple distribution channels - branches, ATMs, phone banking, internet and mobile banking. The channels have been seeing increasing acceptance by customers as a result of which transaction volumes have increased manifold during the year. The branch network of the Bank grew to 440 (including 40 extension counters) as at 31 March 2007 with the number of ATMs across the country being 158 (including 11 Self Bank ATMs). The Bank has approximately 650,000 active debit and credit card customers with bilateral arrangements with Corporation Bank for the ATM network and network arrangements with Master Card International, Cashnet and VISA. A centralized 24-hour Customer Service Line in Bangalore caters to inbound customer queries.

Reaching out to the hinterlands of India, the redefined products of agriculture and social banking offer an umbrella of products and services. Providing a boost to the potential existing in the rural sector, term loans have been categorized into several segments, addressing the needs of its target customer group. The Bank achieved Rs. 275 crore in this segment, contributing to 11 per cent of the increase in net bank credit whilst meeting the priority sector target of 40 per cent. We have a network of approximately 80 rural branches and we intend to use this network to build on the growing rural wealth and assist us in meeting our priority sector obligations.

Through Private Banking, the Bank offers advisory-based non-discretionary portfolio management solutions to high networth individuals with assets to be invested in excess of Rs. 1 crore. Following the success of the launch of several new initiatives in the fiscal 2007, the Bank continues to devise and launch new strategies in the equity and debt spheres. New business has been initiated in Kolkatta and efforts are underway towards increasing our presence in the Private Banking space. During the year, Assets Under Management ('AUM') grew to Rs. 1,694 crore, a growth of 64% over the March 2006 fiscal year with the client base increasing to 386 families. The endeavor would be to introduce sophisticated products and strategies to clients, along with increasing our presence pan India.

ING Vysya Bank, through its 100 percent subsidiary ING Vysya Financial Services Limited ('IVFSL') caters to the investment needs of retail individual investors, small & medium enterprises, corporates, trusts and associations. Our Wealth Management services provide a full spectrum of integrated financial services to our clients who get access to an array of investment avenues like Insurance, Mutual Funds and Government of India Bonds. To enhance efficiencies and provide focus to this business stream, recently, Wealth Management resources have been moved to the Bank's headcount.

WHOLESALE BANKING

In the wholesale banking business, the Bank provides its corporates and institutional clients a wide range of commercial and transactional banking products, backed by high quality service and relationship management. Wholesale Bank, headquartered in Mumbai, manages relationships to the entire client base of Corporate and Investment Banking Group ('C&IB'), Emerging Corporates ('EC') and Banks and Financial Institutions ('BFIG') business groups.

C&IB services and caters to relationships with large corporates (typically with sales turnover exceeding Rs 400 crore), both in the private and public sector. The primary focus of this group is to offer lending and fee based products in areas such as Trade Finance, Cash Management Services, Investment Banking, treasury and advisory services, including cross-border products from the ING group and the cross-sell of products offered by other ING group entities in India, including ING Vysya Life Insurance and ING Vysya Mutual Fund. The group is focused on scaling up the Bank's wholesale operations with a strong focus on large local corporates and multinationals. Long term relationship building and structured value addition to our clients is a "way of life" in the group.

EC business is serviced from ten cities of the Bank's extensive network and focuses on managing relationships for manufacturing, processing and services sector with an annual sales turnover between Rs 75 crore and Rs 400 crore. A wide range of products are offered to meet the needs of the business community, with special focus on export credit, regular working capital finance, cash management services, term loans, non-fund based facilities including letters of credit, guarantees and structured finance products in addition to cross sell of ING group products. This business segment remains a key area of growth for the Wholesale segment.

BFIG is a dedicated group created to leverage the business opportunities available with private and public sector banks and financial institutions in India. The group has primary responsibility originating transactions, product and service delivery to the banks and financial institutions base of clients including funding products, correspondent bank relationships, treasury and trade products, asset purchases and sales and deposit products. The group has seen a rapid growth of its business and is positioned as a leading player in the market.

During the year, Wholesale segment concluded a clutch of landmark transactions in areas of debt/bond syndications and positioned itself as one of top ten debt placement houses. The funded loan book grew by 11 per cent to Rs. 5,644 crore and the non-funded book grew by 23 per cent to Rs. 3,000 crore.

FINANCIAL MARKETS ('FM')

The Bank manages an integrated treasury covering both domestic and foreign exchange markets. The FM sales unit helps effective management of currency and interest rate risks for its corporate clientele. The Sales teams, located in Mumbai, Chennai, Bangalore and Delhi are supported by a centralised product structuring team that enables structuring and smooth conduct of transactions, drawing on state of the art systems and tools for pricing, structuring and risk management. The trading and market making teams endeavor to provide liquidity and prices to the sales teams and other market participants, while also seeking value from opportunities that the markets may provide from time to time.

The Asset Liability Management ('ALM') unit of FM helps manage the balance sheet and is responsible for compliance with reserve requirements and management of market and liquidity risk. The Bank's government securities book is substantially insulated from market risk as it is held as per specified guidelines from the RBI.

FM strategy continues to be one where we build on the products and client franchise developed so far. With a relationship driven approach and efficient product delivery, FM will continue to add value within its chosen client set. FM efforts in this regard would be knowledge driven, as will be the efforts to exploit market opportunities that may be present from time to time. The ALM desk will look at adding value to the overall interest and liquidity risk management on the Balance Sheet.

RISK MANAGEMENT AND PORTFOLIO QUALITY

Risk is an integral part of every aspect of banking and the Bank aims at delivering superior shareholder value by achieving an appropriate trade off between risk and return. The risk management policy of the bank, monitored at the highest levels, is based on a thorough analysis of key areas such as Credit Risk, Market Risk and Operational Risk. During fiscal 2006-07, all risk functions in the Bank were brought into the fold of one umbrella, under the supervision of the Chief Risk Officer.

The identification, measurement, monitoring and management of risks remain a key focus area in the Bank. It has been the Bank's objective to continuously mitigate risk in its growing loan portfolio. The Credit Risk Management ('CRM') function brings together best practices across three core areas of credit risk management - risk methodology, risk policy and process and risk infrastructure. Credit risk, both on and off balance sheet is actively monitored in accordance with policies and procedures. For wholesale credit exposures, management of risk is done through target market definition, robust credit approval process and monitoring and remedial management procedures. Given the granularity of individual exposures, retail credit risk is managed largely on a portfolio basis, across various products and customer segments. CRM, in its role as a rule maker, prescribes policies through a detailed credit risk manual and an annual credit risk policy, which articulate the credit risk policy of the Bank. The credit risk manual is periodically amended to incorporate changes in the environment and regulatory guidelines. Given the importance of Basel II and the global move towards adopting the new standards, the Bank is also making progress in this regard. A roadmap, approved by the Board of Directors, has been drawn up to comply with the requirements set out by the regulator. The data consolidation project, initiated earlier in the year, has been completed for Wholesale Bank and is now being implemented for the other businesses and is expected to be complete during the current fiscal.

A new system launched last year for the approval, consolidation and management reporting of consumer banking products was completed during the year, which has resulted in a significant improvement in the turn around time for approvals and the quality of the portfolio.

The Bank has adhered to the stringent norms on income recognition, asset classification and provisioning specified by the RBI. All loans are classified per RBI guidelines into performing and non-performing. During the year, significant improvement was made in portfolio quality with low accretion to Non Performing Asset ('NPA's'). However, higher standard provisioning was applied due to the change in the RBI provisioning norms. As at 31 March 2007, the level of net NPAs decreased to 0.95 percent and gross NPAs to 2.5 percent. The Bank places significant emphasis on recovery of NPA's including written off accounts, with the current fiscal showing significant improvement over the previous year, in this regard.

Market risk is the loss resulting from changes in interest rates, foreign currency exchange rates, equity and commodity prices. Market risk is primarily controlled through a series of limits, which are used to align risk-taking activities based on the Bank's risk appetite. The Asset Liability Committee ('ALCO') has been operating to manage the capital position, liquidity and interest rate risks of the Bank's balance sheet. Market Risk Management Department provides ALCO with various tools to manage risks including value at risk, event risk and balance sheet simulations for impact of volume and rate changes and earnings at risk analysis. With these tools ALCO sets the ING Vysya Reference Rate ('IVRR') and spreads on IVRR for various products, based on the strategy of the Bank. The focus is to improve risk awareness within the business units and advise management on the optimal risk return per product and per line of business. This initiative is supported by an ALM software system that facilitates simulation of various market scenarios for rate and foreign currency shocks, growth expectations and their impact on the profitability of the Bank.

Operational risk is the inherent risk in each of the Bank's business units that can result from a variety of factors, failed internal processes, people and systems or from external events. Our approach to operational risk management is designed to mitigate risk by maintaining a comprehensive system of internal controls, establishing systems and procedures to monitor transactions and comprehensive business continuity planning. This objective is achieved by improving operational risk awareness through risk and control self assessment processes, increasing operational risk and loss transparency by incident reporting, improving early warning information through the implementation of key risk indicators, facilitating speedy resolution of audit findings by effectively tracking and follow-up and allocation of risk ownership and responsibilities. In ING Vysya Bank, operational risk is effectively managed through an Operational Risk Committee ('ORC'), reporting into the Risk Management Review Committee. The ORC comprises of the Managing Director and Chief Risk Officer of the Bank in addition to the heads of business and operating units. The Bank has adopted a "scorecard" approach to measure the quality of operational risk identification, assessment, monitoring and mitigation processes within each business. The scorecard measures the degree of implementation of an operational risk management process within an organization and in turn, within each business/operational units. Managing the scorecards effectively is important to the Bank, as a well-managed and controlled scorecard will propel the Bank to be ready for Basel II implementation. Further, a comprehensive exercise is underway to strengthen operational risk awareness in the Bank. Overall, risk is well managed and controlled in the Bank.

TECHNOLOGY, OPERATIONS AND DISTRIBUTION

During the financial year completed 31 March 2007, the Bank choose to combine into a single framework its Information Technology, Banking Operations and Alternative Channel capability to garner further synergies.

INFORMATION TECHNOLOGY ('IT')

Several milestone projects were completed and the fiscal 2007 witnessed the commencement of several new projects and programs aimed at sustaining and further supporting the Bank's growth ambitions. During this period, the Bank also re-affirmed and re-established the direction it had and will continue to drive through its IT business, which was witnessed by the creation of an IT blueprint. High profile achievements during this period include:

- Completion of the core banking system rollout, integrating all branches and extension counters;
- Update of the security infrastructure;
- Strengthening of governance around projects and programs;
- Evolution of management systems and the partners through a service delivery model;
- Independent benchmarking on measurable objectives; and;
- Core systems upgrades.

BANKING OPERATIONS

To sustain the Bank's growth savored in 2006-07 and to achieve the targeted growth plans, retail operations within the organisation self assessed itself and embarked on several improvement programs. The objectives established are clearly oriented towards strengthening the customer acquisition and customer satisfaction processes. During this period, the Bank achieved a significant milestone in transferring its treasury business and operations from Bangalore to Mumbai. This now positions our businesses geographically and logically together, to fast track opportunities, which will be seen in the Wholesale and Financial Markets businesses.

The Bank has also developed a blueprint for its operational activities. This focuses on core attributes of process, people and policy, along with location, time to market and clients to set the framework for what to perform, where to perform and how to perform to meet our business needs.

Key achievements during this period include:

- Centralisation of several retail banking operations and activities;
- Business process re-engineering in relation to sales and service operations;
- Migration of Treasury business and operations to Mumbai; and;
- Adherence with compliance and regulatory requirements.

DISTRIBUTION AND ALTERNATIVE CHANNELS

Aligned to the Bank's ambitious growth plans, Alternative Channels has been repositioned into ensuring self-service catering to clients 'Anytime, Anywhere, Anyhow'. Focus on service orientation and education to employees has been an emphasis during the period under review.

The Bank has developed a comprehensive blueprint for its Alternative Channel future, combining the Branch network, the ATM network, the growing contact centre and all electronic access mechanisms into a single framework, with the objective of meeting the needs of our clients (current and prospective) and the Bank's business strategy.

Achievements during this period include:

- Externalizing the ATM management systems to a partner;
- Growth of the Bank's ATM network by partnerships and organic growth of 50%;
- Completion of a pilot for successful self-bank model of transaction migrations;
- Growth in our contact centre by 50%; and
- Evolution of Mib@nk (internet capability) to cater to client requested functionalities.

The future of the Bank's IT, operations and distribution capabilities and its evolution have been charted through the business endorsed blueprints. The Bank will take care to ensure it evolves and knits these three complimentary support structures to assist the growth envisaged in the coming years.

INTERNAL AUDIT

The internal audit function in the Bank is an independent activity, which continuously ensures that operating and business units adhere to processes, procedures, regulatory and legal requirements. The scope of audit encompasses the examination and evaluation of adequacy and effectiveness of the Bank's internal control system. The function also pro-actively recommends quality enhancements measures in operational processes based on audit findings.

The audit function undertakes comprehensive audit of branches and business units following the Risk Based Audit approach and other best practices. An annual audit plan is drawn up on the basis of a risk profiling of branches and business units across all operations. In addition, concurrent audits are performed at branches handling large volumes of transactions, central processing units, treasury operations and centralised collection and payment hubs. Information systems audits are conducted besides coverage of branches under surprise revenue audits. Findings of the internal audits are placed before the Audit Committee of the Board, which oversees the functioning of the internal audit function.

COMPLIANCE

On the path to improve regulatory compliance and reporting, during fiscal 2007 the Bank strengthened its process of reporting, recording and updating legal cases in a central database. In line with international best practices recommended by the ING Group, a compliance implementation plan has been prepared loaded with technical support to strengthen the compliance framework within the Bank. In order to disseminate information and create awareness on various compliance risks faced in the Bank, training on compliance, KYC norms, FEC and AML has been imparted to 882 employees pan-India, against the targeted number of 800 within a span of eight months during 2006.

SOCIAL INITIATIVES

ING Vysya Foundation was set up almost three years ago by the active participation of its business units in India, ING Vysya Bank, ING Vysya Life Insurance, ING Vysya Mutual Fund and Optimix to promote its Corporate Social Responsibility. The mandate for the Foundation is to *promote primary education for under privileged children*. This fits in well with ING Group's global vision of empowering children through education and ING's partnership with UNICEF.

ING Vysya Foundation's commitment to empower children through primary education has been the focus in the last three years. Key initiatives, partners and projects for fiscal 2007 include:

- **Akshara – Bangalore** - Akshara is part of the Pratham network that works in thirteen states across India to protect every child's right to primary education. ING Vysya facilitates this initiative by providing much-needed funds to support Akshara in funding ten community libraries in slums.
- **Pratham – Mumbai** – Pratham, which is the parent organization to Bangalore based Akshara, is committed to educating street children through a non-formal education routine. The Pratham /ING Vysya Training platform has two components viz. full time residential shelter for fifty children and four month temporary residential programme for fifty children, who are engaged in working on trains /stations in Mumbai.
- **GIDF - Delhi** - The philosophy of GIDF is based on the belief that each child deserves an opportunity for total development. Through pre- school programmes they aim to expand and reinforce a child's innate strengths. Underprivileged children who have no hope of education, let alone quality education are provided a platform to learn, grow and achieve through ING Vysya's and GIDF's partnership.
- **Sukrupa - Bangalore** - Sukrupa is working to break the cycle of poverty, illiteracy and ignorance amongst slum communities through various programs. The ING Vysya Foundation supports and mentors ten resident children in Sukrupa.
- **SOS Village** - ING Vysya Foundation supports 100 children orphaned by the Tsunami tragedy in 2005. Our commitment is to provide shelter, education and health care through our partnership with SOS Village.

In India, along with the ING Vysya Foundation, the ING and UNICEF partnership is focused to provide quality education for working children in Tamil Nadu. 15,000 children will benefit from quality education in 200 learning centers for former child workers under the National Child Labor Elimination Project ('NCLP').

The project focuses on strategies to provide quality education for children that are either already working in low-paid, low-skilled industries or who are out-of-school and therefore extremely vulnerable to becoming child laborers. In Tamil Nadu the project emphasizes on child-friendly schools, quality education, community involvement and responsibility in ensuring children can learn and build a solid foundation for a hopeful future and make a strong basis for ensuring that children remain in school and complete a course in primary education. Activities will especially focus on preventing child labor, protecting children's rights and promoting quality education.

HUMAN CAPITAL MANAGEMENT

One of the key features of any expanding business is the recruitment and retention of human resources. Our Bank aims to build a culture and environment that supports professional entrepreneurship and is built on the core philosophy of being customer centric by creating and sharing value with all our stakeholders. The Bank has successfully managed the important challenge of acquisition of talent to keep pace with the rapid expansion and demands of specialised business. The Bank has been successful in achieving this, with the staff complement increasing by 29 during the year from 5,312 at end March 2006.

Training is an area of continuous focus for the Bank in order to ensure that its professionals are equipped to maintain high standards of customer service and are also aware of the latest developments in the areas of specialisation. The training system in the Bank focuses on upgrading the professional skills of each employee through classroom sessions, out-bound and in-house training and external domain skills programmes. Training statistics show that 3,515 participants have undergone training covering 165 training programs and the average training mandays per employee was 2.4 days. Continuous training, the opportunity to work on challenging jobs, job rotation coupled with a well-structured performance linked reward scheme, are part of the Bank's talent retention strategy.

The Industrial Relations climate was much cordial during the current fiscal. The Bank entered into a Memorandum of Settlement with the All India ING Vysya Bank Employees' Union on 22 December 2006 covering various issues including enhancement of duties and responsibilities of branch personnel and their involvement in business development initiatives.

The current key initiatives that support the achievement of the Bank's business plan are focussed at building the desired organisation culture where we would help employees internalise core values. The strategy is to build a winning performance culture and to focus on talent engagement and development.

CORPORATE GOVERNANCE

A separate section on Corporate Governance has been included as part of the Directors' Report.

OPPORTUNITIES AND THREATS

As part of expanding its operations, the Bank sights a number of opportunities and faces threats to its strategy. Opportunities to improve its performance through:

- Effective utilisation of the branch network resulting in increased brand awareness, market penetration and distribution.
- Cross sell of various financial products and services to existing and potential customers.
- Employment of highly skilled and specialised human resources to facilitate greater productivity and improved quality.
- Investment in state of the art Technology for assuring quality, increased process efficiency and complete customer satisfaction.

Performance of the Bank could face setbacks in the form of:

- Unfavourable fluctuations in interest rates;
- Unexpected volatility in foreign exchange rates;
- Highly competitive environment due to a number of aggressive local and multinational banks and financial institutions;
- Attrition of key management personnel;
- Technology obsolescence leading to recurring and increased capital requirements;
- Major changes in banking regulations that significantly impact performance; and
- Natural calamities.

OUTLOOK

GDP growth projections for 2007-08 are at about 9 percent with inflation to be contained close to 5 percent during 2007-08. However, further liberalisation and infrastructure growth would be necessary to sustain this growth. There could be impediments in the form of rising oil prices, US Dollar price volatility, high asset prices, natural disasters and political or civil instability.

In the backdrop of the above, the Bank will continue to focus on growth across all business segments with due emphasis on profitable growth.

CORPORATE GOVERNANCE REPORT

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.

2. BOARD OF DIRECTORS

2.1 Composition

The composition of the Board of Directors of the Bank is broadly governed by the relevant provisions of the Companies Act, 1956, the Banking Regulation Act, 1949 and Clause 49 of the Listing Agreement.

Mr. K R Ramamoorthy, Non- Executive Director is the Chairman of the Bank. Of the total eleven number of Directors on the Board, four Directors constituting one third of the strength are independent in compliance with the requirements under Clause 49 of the Listing Agreement.

The Bank also complied with the requirements of Section 10A of the Banking Regulation Act, 1949 which prescribes that not less than 51% of the total number of members of the Board are those who have special knowledge or practical experience in one or more of the specified matters namely agriculture and rural economy, banking, co-operation, finance, etc.

The composition of the Board as of March 31, 2007 is given below:

NAME OF THE DIRECTOR (Mr.)	DESIGNATION	CATEGORY	AREA OF EXPERTISE
K R Ramamoorthy	Chairman	Non- Executive / Independent	Agriculture & Rural Economy, Co-operation, Banking & SSI
Vaughn Nigel Richter	MD & CEO	Executive / Non – Independent #	Banking, Economics, Marketing, Risk Management, Strategic Planning & Treasury Operations
Aditya Krishna	Director	Non-Executive/ Independent	Banking (especially Retail Banking)
Arun Thiagarajan	Director	Non-Executive/ Independent	Strategic Planning, Technology & Systems, Economics, Finance
K R V Subrahmanian	Director	Non-Executive/ Independent	Co-operation, Economics, Banking, SSI & Finance
Lars Kramer	Director	Non- Executive / Non- Independent#	Banking, Finance & Accountancy, Economics & Strategic Planning
Peter Alexander Smyth	Director	Non-Executive/ Non- Independent#	Economics, Finance, Life insurance, Funds management and M&A Transactions
Philippe Damas	Director	Non-Executive/ Non- Independent#	Banking (especially Retail & Wealth Management)
Richard Cox	Director	Non- Executive / Non- Independent#	Banking, Credit and Risk Management.
Ryan Andrew Padgett	Director	Non-Executive/ Non- Independent#	Banking (especially Treasury & Financial Markets), Economics, Finance
Wilfred Nagel	Director	Non- Executive / Non- Independent#	Banking (especially Wholesale Banking), Finance, Economics, Risk Management

Representing 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.

Appointments

Name (Mr.)	Particulars
Richard Cox	Appointed by the Board of Directors as Additional Director effective 13-July-2006, till date of AGM viz. 26-Sep-2006. Appointed as Director liable to retire by rotation by the Company at the AGM on 26-Sep-2006.
Aditya Krishna	Appointed by the Board of Directors as Director in casual vacancy effective 21-Dec- 2006, caused due to the resignation of Dr. Prakash Apte who was appointed by the Company at the AGM on 16-Sep-2004 as Director liable to retire by rotation.

Resignations

Name (Mr.)	Particulars
Luc Vandewalle	Ceased to be Director effective June 30, 2006
Joseph Kestemont	Ceased to be Director effective September 26, 2006
Dr. Prakash G Apte	Ceased to be Director effective October 18, 2006

2.2.2. Changes proposed at the 76th Annual General Meeting

Directors seeking re-appointment: Mr. KRV Subrahmanian, Mr. Arun K. Thiagarajan and Mr. Aditya Krishna. A brief resume along with the particulars specified under Clause 49 of the Listing Agreement, in respect of persons proposed for appointment / re-appointment as Directors at the ensuing AGM are attached with the Notice of the meeting and circulated to the Shareholders.

The details were also placed on the website of the Bank i.e., www.ingvysyabank.com

2.3 Board Meetings

During the year ten Board meetings were held on May 5, May 23, July 13, September 26, September 27, October 18, and December 21 of 2006, January 19, March 7, and March 21, of 2007. These were in excess of the minimum requirement stipulated under Clause 49 of the Listing Agreement.

2.4 Details of attendance at the Bank's Board Meetings, Annual General Meeting, directorship, membership and chairmanship in other companies for each Director of the Bank are as follows :

Name of the Director (Mr.)	Board meetings held during tenure	Board meetings attended	Attendance at last AGM	Directorship in other Indian Public Limited Companies	Membership of other Companies' Committees	Chairmanship of other Companies' Committees
K R Ramamoorthy	10	9	Present	5	4	2
Vaughn Nigel Richtor	10	10	Present	-	-	-
Arun Thiagarajan	10	10	Present	11	5	-
K R V Subrahmanian	10	8	Present	8	6	3
Lars Kramer	10	8	Present	-	-	-
Philippe Damas	10	8	Present	-	-	-
Peter Alexander Smyth	10	4	Present	1	1	1
Ryan Andrew Padgett	10	8	Present	-	-	-
Wilfred Nagel	10	5	Present	-	-	-

Persons who were appointed as Directors during 2006-07

Richard Cox (from July 13, 2006)	8	5	Present	-	-	-
Aditya Krishna (from December 21, 2006)	4	4	N.A	5	-	-

Persons who ceased to be Directors during 2006-07

Luc Vandewalle (upto June 30,2006)	2	Nil	N.A	-	-	-
Joseph Kestemont (upto September 26, 2006)	4	3	Present	-	-	-
Prakash G Apte (upto October 18, 2006)	6	2	Absent	2	-	-

Note: The details of Directorships and Chairmanships / Memberships of Committees given above are in accordance with the provisions of Section 275 of the Companies Act, 1956 and Clause 49 of the Listing Agreement. Membership of Audit Committee, Shareholders' Grievance Committee only are considered for calculating the number of the Memberships / Chairmanships on Committees.

3. COMMITTEES

There are seven Board Level Committees in the Bank viz.

1. Audit Committee
2. Risk Management & Review Committee
3. Corporate Governance Committee (also acting as Remuneration / Compensation Committee and Nomination Committee)
4. Investors' Committee
5. Special Committee for Monitoring Frauds
6. Customer Service Committee
7. Board Credit Committee (from July 13, 2006)

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

3.1 Audit Committee**Scope & Terms of Reference**

The scope of the Audit Committee in banks is defined by RBI through its guidelines in addition to Clause 49 of the Listing Agreement dealing with Corporate Governance and the provisions of the Companies Act, 1956. The Audit Committee in the Bank oversees, assesses and reviews the audit functions. The Committee reviews the Bank's financial statements, monitors adequacy and effectiveness of internal controls, oversees the Audit Function and monitors the External Auditors' independence, objectivity and effectiveness. Apart from providing direction to the general audit function, the Committee also oversees the operation of the total audit function in the Bank, which includes the organization, operationalisation and quality control of internal audit & inspection within the Bank, follow-up on the statutory / external audit of the Bank and inspections of RBI.

Composition and Meetings

The Audit Committee consists of six members with majority being Independent Directors as shown in the table below. Mr. Arun Thiagarajan, Independent Director is the Chairman of the Committee and the Company Secretary of the Bank acts as the Secretary to the Committee in terms of Clause 49 of the Listing Agreement. The Committee met eight times during the year on April 12, 2006, May 22, 2006, July 13, 2006, September 28, 2006, October 18, 2006, December 21, 2006, January 19, 2007, and March 21, 2007.

Member	Meetings held during the tenure	No. of Meetings Attended
Mr. Arun Thiagarajan – Chairman	8	8
Mr. Lars Kramer – Vice Chairman	8	7
Mr. K R Ramamoorthy	8	6
Mr. Philippe Damas*	8	7
Mr. K R V Subrahmanian	8	6
Mr. Aditya Krishna (from 19-Jan-2007)	1	1

*Mr. Joseph Kestemont attended as alternate to Mr. Philippe Damas on 22-May-2006

*Mr. Peter Smyth attended as alternate to Mr. Philippe Damas on 18-Oct-2006

3.2 Risk Management and Review Committee

Scope & Terms of Reference

Risk Management and Review Committee is formed as per the guidelines of the Reserve Bank of India and is primarily responsible for reviewing and recommending changes to the risk policy. The Committee owns and manages the comprehensive Risk Policy of the Bank, reviews implementation of risk management techniques, analytics and systems. It also reviews policies and procedures to ensure continued compliance to Risk Policy, oversees the activities of Risk Management Department and coordinates with the Board, Chief Risk Officer and other executive committees. Besides Credit Risk, the Committee also reviews the treasury and investment exposures, NPAs and various performance areas of the Bank.

Composition and Meetings

The Committee consists of five members as shown in the table below. Mr. Wilfred Nagel is the Chairman of the Committee and the Company Secretary of the Bank acts as Secretary to the Committee. The Committee met five times during the year on April 15, 2006, July 12, 2006, October 18, 2006, January 18, 2007 and March 21, 2007.

Member	Meetings held during the tenure	No. of Meetings Attended
Mr. Joseph Kestemont – Chairman (upto 26-Sep-2006)	2	1
Mr. Wilfred Nagel – Chairman (from 26-Sep-2006)	5	2
Mr. K R Ramamoorthy	5	4
Mr. Richard Cox*	3	2
Mr. Vaughn Richtor	5	3
Dr. Prakash Apte (upto 18-Oct-2006)	2	1
Mr. Arun Thiagarajan	5	5

* Mr. Lars Kramer attended as alternate to Mr. Richard Cox on 18-Oct-2006

3.3 Corporate Governance Committee

Scope & Terms of Reference

The scope of the Corporate Governance Committee includes introduction and implementation of Corporate Governance practices, inducting and sustaining a pro-active governance framework at all levels in the Bank and ensuring that interests of all the stakeholders viz. shareholders, customers, employees, and the community / society are served properly apart from reviewing and monitoring the implementation of various mandatory / non-mandatory requirements of Clause 49 of the Listing Agreement dealing with Corporate Governance. As a part of its constant endeavour to ensure best corporate governance practices in the Bank, it has brought into force a Code of Conduct for Officers also known as the Ethics Policy.

The Committee also acts as 'Remuneration Committee' for complying with the non-mandatory requirements under Clause 49 of the Listing Agreement.(except that the Chairman of the Committee is from ING Group). In this role the Committee determines the Bank's policy on specific remuneration packages for Executive (Whole Time) Directors and Senior Executives whenever required. As per its charter, the Committee evaluates and reviews the performance of Managing Director, Whole-time Director and recommends to the Board of Directors for granting of Stock Options / Performance Bonus / Pension Rights / Severance Compensation to Whole Time Directors and Stock Options for Non - Executive / Independent Directors.

This Committee also acts as 'Nominations Committee' for the purpose of recommending appointment of Non- Executive/ Independent Directors and to frame a system of 'fit and proper' norms for their induction to the Board. In its role as Nominations Committee, the Corporate Governance Committee assists the Board of Directors in identifying prospective directors. The Committee also takes up due diligence exercise as mandated by RBI at the time of appointment and re-appointment of Directors.

This Committee acts as Compensation Committee for the purpose of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. In this role it mainly designs and reviews the Compensation and ESOS policies of the Bank. It also supervises and administers the Employee Stock Option Scheme of the Bank and deals with any matter related to ESOS in its capacity as Compensation Committee.

Composition and Meetings

The Committee consists of four members as shown in the table below. Mr. Philippe Damas is the Chairman of the Committee and the Company Secretary of the Bank acts as Secretary to the Committee. The Committee met four times during the year on July 13, 2006, September 27, 2006, December 21, 2006 and January 18, 2007.

Member	Meetings held during the tenure	No. of Meetings Attended
Mr. Philippe Damas - Chairman	4	4
Mr. K R Ramamoorthy	4	4
Mr. Joseph Kestemont (upto 26-Sep-2006)	1	Nil
Mr. Peter Smyth	4	2
Mr. Arun Thiagarajan	4	4

3.4. Investors' Committee

Scope & Terms of Reference

The Committee was constituted in terms of the mandatory requirements of Clause 49 of the Listing Agreement entered with Stock Exchanges to look into the redressal of grievances of investors like non-transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc. During the year, the Bank received 247 complaints from shareholders all of which stand resolved as on March 31, 2007 except one complaint, which was pending. (In accordance with the provisions of Clause 49 of the Listing Agreement, which requires listed companies to delegate the power of share transfer to an officer or a committee or to the registrar and share transfer agents for expediting the transfer process, the authority to transfer the Bank's shares stands delegated to Committees of the Board and identified executives. There are no pending transfers for consideration as on March 31, 2007.)

In addition to this, the Committee also looks into the matters relating to Shares Management like issue and allotment of shares, appointment of Merchant Bankers, Lead Managers, Co-managers, Advisors to the Issue, transfer of shares.

Composition and Meetings

The Committee consists of three members as shown in the table below. Mr. K R V Subrahmanian Independent Director is the Chairman of the Committee and Mr. K B V Narayan the Company Secretary of the Bank, being the Compliance Officer on behalf of the Bank, acts as Secretary to the Committee. The Committee met three times during the year on May 23, 2006, December 21, 2006 and March 22, 2007.

Member	Meetings held during the tenure	No. of Meetings Attended
Mr. Joseph Kestemont – Chairman (upto 26-Sep-2006)	1	1
Mr. K R V Subrahmanian – Chairman (from 26-Sep-2006)	3	2
Mr. Vaughn Richtor	3	3
Mr. Arun Thiagarajan	3	3
Dr. Prakash Apte (upto 18-Oct-2006)	1	Nil

3.5 Special Committee for Monitoring Frauds

Scope & Terms of Reference

Reserve Bank of India through its circular No.DBS.FGV(F) No.1004/23.04.01A/2003-04 dated January 14, 2004 shared its Chief Vigilance Commissioner's concern about the delay in various aspects of frauds like detection, reporting to regulatory and enforcement agencies and action against the perpetrators of the frauds as well as the Central Bureau of Investigation Director's emphasis on the need to assign a well-defined role to the Boards of the Banks in monitoring of fraud cases. RBI through this circular advised constitution of a Special Committee for specifically and exclusively monitoring and following up cases of frauds involving amounts of Rs. 1 crore and above and gave broad guidelines regarding its constitution and functions. The Audit Committee of the Board continues to monitor all the cases of frauds in general.

In terms of the above RBI circular, a Special Committee was constituted by the Board at its meeting held on March 16, 2004 specifically for monitoring and following up cases of frauds involving amounts of Rs. 50 lakh and above exclusively as against the recommended threshold of Rs.1 crore. The main role of the Committee is to review all the frauds of Rs. 50 lakh and above so as to identify the systemic lacunae, if any, that facilitated perpetration of the fraud and put in place measures to plug the same, put in place other measures as may be considered relevant to strengthen preventive measures against frauds etc.

Composition and Meetings

The Committee consists of three members as shown in the table below. Mr. Arun Thiagarajan, is the Chairman of the Committee and the Company Secretary of the Bank acts as Secretary to the Committee. The Committee met three times during the year on May 22, 2006, October 12, 2006 and January 18, 2007.

Member	Meetings held during the tenure	No. of Meetings Attended
Mr. Arun Thiagarajan – Chairman	3	3
Mr. Vaughn Richtor	3	2
Mr. K R Ramamoorthy	3	3
Mr. Joseph Kestemont (upto 26-Sep-2006)	1	1

3.6 Customer Service Committee

Scope & Terms of Reference

In terms of RBI circular, a Special Committee was constituted by the Board at its meeting held on September 16, 2004 specifically for bringing about ongoing improvements in the quality of customer service provided by the Bank and oversee the functioning of the Adhoc Committee so long as it operates.

The functions of the Committee interalia includes initiation and reviewing measures to bring ongoing improvements in the quality of customer service provided by the Bank and improving the level of customer service for all categories of clientele, to ensure compliance with the recommendation of the Committee on Procedures and Performance Audit on Public Services (CPPAPS), to oversee the functioning of the Adhoc Committee of the Bank on Procedures and Performance Audit on Customer Services in Banks, to address the issues pertaining to formulation of a Comprehensive Deposit Policy incorporating the issues such as the treatment of death of a depositor for operations of his account, the product approval process, the annual survey of depositor satisfaction and the tri-ennial audit of such services.

Composition and Meetings

The Committee consists of three members as shown in the table below. Mr. Peter Smyth is the Chairman of the Committee and the Company Secretary of the Bank acts as Secretary to the Committee. The Committee met two times during the year on May 23, 2006 and October 12, 2006.

Member	Meetings held during the tenure	No. of Meetings Attended
Mr. Joseph Kestemont – Chairman (upto 26-Sep-2006)	1	1
Mr. Peter Smyth – Chairman (from 26-Sep-2006)	1	Nil
Mr. K R Ramamoorthy	2	2
Mr. Vaughn Richtor	2	2

3.7 Board Credit Committee

Scope and terms of reference

The Board at its Meeting held on July 13, 2006 constituted a special Committee under the name and style of "Board Credit Committee" to approve the credit proposals beyond Rs.100 crore in case of individual and Rs.150 crore in case of group exposures and to approve any credit proposals as may be referred to it by the Executive Credit Committee / the Managing Director on an exceptional basis, recording the reasons for such reference.

Composition and Meetings

The Committee consists of four members viz., Mr. Richard Cox, Mr. Wilfred Nagel, Mr. Arun Thiagarajan and Mr. Vaughn Richtor. Mr. Richard Cox is the Chairman of the Committee. The Secretary to the Executive Credit Committee acts as Secretary to the Committee. No meetings of the Committee were held during the year.

4. REMUNERATION/COMPENSATION

4.1 Policy

Remuneration of Chief Executive Officer / Whole Time Director is subject to approval of Reserve Bank of India in terms of Section 35B of the Banking Regulation Act, 1949. Non-Executive Independent Directors are paid only sitting fees of Rs.20, 000/- for Board/Committee meetings attended. Directors belonging to Promoter Group(s) have not drawn any sitting fees for the meetings attended during the year.

Mr. Arun Thiagarajan, Non- Executive Director, holds 10,080 shares of the Bank as on March 31, 2007.

4.2 Remuneration to Directors

Mr. Vaughn Nigel Richtor is the Managing Director & CEO of the Bank effective February 7, 2006. In terms of Section 35B of the Banking Regulation Act, 1949, the remuneration package of Rs. one crore ten lakhs, has been duly approved by the Reserve Bank of India and by the Company at the Annual General Meeting on September 26, 2006.

5. GENERAL BODY MEETINGS & POSTAL BALLOT

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

General Body Meeting	Date, Time & Venue	No. of Special Resolutions passed
75 th AGM	26.09.2006 at 10.30AM Dr. B R Ambedkar Bhavana, Vasanthanagar, Bangalore	2
74 th AGM	22.09.2005 at 10.30AM Chowdiah Memorial Hall Vyalikaval Bangalore	3
73 rd AGM	16.09.2004 at 10.30AM Chowdiah Memorial Hall Vyalikaval, Bangalore	Nil

Postal Ballot

The Shareholders of the Bank passed a special resolution by way of postal ballot in the month of May 2007 authorising the Board of Directors of the Bank to create, issue, offer and /or allot such number of stock options, to or for the benefit of such person or persons as are in the permanent employment of the Bank, including the whole- time directors, as may be decided by the Board of Directors, at any time, which give right to purchase or subscribe not exceeding 78,00,000 equity shares of the Bank or 9% of the issued capital of the Bank as on 21-Mar-2007 whichever is less, under an Employee Stock Option Scheme titled ESOS 2007, in one or more tranches, at such price at such point of time and on such terms and conditions as the Board of Directors may decide ; each stock option shall be convertible into one equity share (of a face value of Rs.10/- per share) of the Bank.

Mr. M R Gopinath Practicing Company Secretary was appointed as Scrutinizer for conducting the postal ballot exercise. Notice was sent to 27,854 Shareholders with the last date for receiving the postal ballot forms by the Scrutinizer being May 4, 2007 and, till that date 1,741 forms were received. According to the Scrutinizers Report, 1,657 equity shareholders (excluding 84 invalid forms) representing 2,70,57,012 equity shares had cast their votes. 1,445 equity shareholders holding 2,22,13,445 shares had voted in favour of the resolution and 212 shareholders holding 48,43,567 equity shares had voted against the Resolution.

Currently there is no further proposal to pass any resolution through a postal ballot.

6 DISCLOSURE

6.1 The Disclosure on materially significant related party transactions is given under point number 17 in the Notes on Accounts (Schedule 18) of the Balance Sheet.

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 2006-07 by Stock Exchanges / SEBI – NIL

Strictures passed during 2006-07 by SEBI / Stock Exchanges

Particulars	Action taken by Management
Interim order by SEBI directing the Bank not to open further demat accounts – Order subsequently lifted subject to detailed enquiry	-
Disgorgement order by SEBI against 8 Depository participants out of which Bank's individual liability amounted to Rs. 55 lakhs	Appeal filed before Securities Appellate Tribunal wherein disgorgement order was stayed pending detailed consideration of the appeal.
Enquiry proceedings against the Bank alleging violation of certain SEBI Rules & Regulations	Alleged violations contested with supporting documents – Outcome yet to be communicated.

Penalties imposed during the previous three years already disclosed in the Annual Reports for earlier years.

Particulars	Action taken by Management
RBI (a) Non adherence to KYC norms & violation of RBI instructions on IPO finance – Rs. 10 lakhs (February 2006) (b) Observations arising out of Annual Financial Inspection for the year ended March 2004- Rs 5 lakhs (June 2005)	Penalty paid. Steps taken to strengthen systems of internal control to avoid recurrences. Disciplinary action initiated for staff lapses.

6.3 Whistle Blower Policy

ING Vysya Bank has formulated a Whistle Blower Policy, which has been considered and approved by the Corporate Governance Committee. The key objectives are as follows:

- To provide an avenue for the employees and others to raise concerns about 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 the protection to 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 incidents
- To provide direct access to the Chairman of the Audit Committee, where a Senior Management person/ Reporting officer is involved.

Accordingly, employees of the Bank and its group Companies including persons employed by or associated with the Bank on contractual or temporary basis are required to be vigilant against frauds perpetrated on the Bank whether by their own colleagues or by outsiders and are advised to blow the whistle in case they notice any unethical or improper business practices by their colleagues or superiors.

The Head of Vigilance Department is the Reporting Officer under the Whistleblower procedure, who is required to report to Compliance department of the Compliance incidents reported through Whistleblower procedure.

6.4 Code of Conduct

In compliance with the revised Clause 49 of the Listing Agreement, a declaration signed by the MD & CEO affirming compliance with the Code of Conduct by the Directors and Senior Management of the Bank is as follows:

Declaration of compliance with the Code of Conduct	
I confirm that all Directors and Senior Management Team have affirmed compliance with Bank's Code of Conduct.	
Place: Bangalore Date: May 7, 2007	Vaughn Richtor Managing Director & CEO

This Code is also available on the Bank's website @www.ingvysyabank.com

6.5 Compliance with mandatory requirements :

The Bank has complied with the mandatory requirements of the Code of Corporate Governance as stipulated under Clause 49 of the listing agreement with the Stock Exchanges.

6.6 Compliance with Non -Mandatory requirements :

In addition to the mandatory requirements the Bank maintains a separate Chairman's office for Non- Executive Chairman. The Corporate Governance Committee also acts as a Remuneration Committee to determine the Bank's policy on specific remuneration packages for Executive (Whole-time) Directors and for senior executives whenever required (except that the Chairman of the Committee is from ING Group).

During the month of March 2007, a Board Colloquium was organized for the Directors of the Bank in the context of changing strategic and regulatory governance issues.

The Bank has also complied the following non-mandatory requirements:

- The Bank publishes its results on its website at www.ingvysyabank.com, which is accessible to all.
- A half- yearly declaration of financial performance including summary of significant events is sent to each household of shareholders.
- 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 to any activity or event, which is against the interest of the Bank or society.

7 MEANS OF COMMUNICATION TO THE SHAREHOLDERS/INVESTORS

7.1 Investor Relations: – Guiding principles

ING Vysya Bank is committed to managing an open and consistent communication policy with shareholders, potential investors and other interested parties. The objective is to ensure that the perception of those parties about the historical record, current performance and future prospects of ING Vysya Bank 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 the information is provided in a format that is as full, simple, transparent and consistent as possible.

7.2 Methodology

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

All information relevant to shareholders is placed on the Bank's website, www.ingvysyabank.com from time to time. This includes shareholding pattern of the Bank on quarterly basis, Quarterly / Annual Results, details of Directors as required under Clause 49 of the Listing Agreement, etc. The Balance Sheet as on March 31, 2007 along with Schedules is also placed on the Bank's website for the information of the Shareholders. The Quarterly and Annual Results were normally published in Business Standard / Financial Express and Samyuktha Karnataka (Regional Newspaper).

During the year, specific individual communication was also sent to the shareholders on the following subjects:

Significant Events during the period April – September 06, including Unaudited Financial Results for the half-year ended September, 2006.

8 GENERAL SHAREHOLDER INFORMATION

Financial year April 1, 2006 to March 31, 2007	
Board Meeting for consideration of/ dealing with Accounts for 2006-2007	May 02, 2007
Posting of Annual Reports	June 02, 2007
Book Closure Date	May 30 to June 28, 2007
Last date for receipt of Proxy Forms	Upto 10.30 a.m. June 26, 2007
Venue	76 th Annual General Meeting June 28, 2007, Thursday, 10.30 a.m. Dr. B R Ambedkar Bhavana, Miller's Road, Vasanthanagar Bangalore - 560 052
Dividend Payment Date	On and from June 29, 2007

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

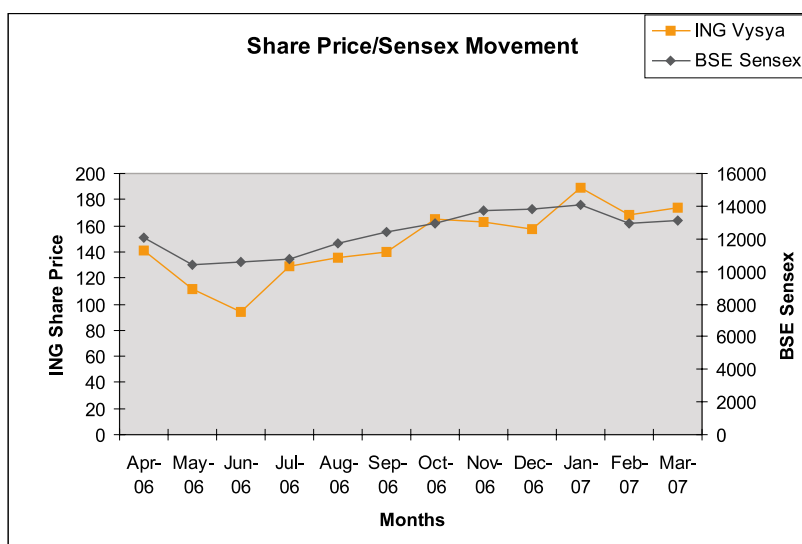
The Shares are regularly traded on the NSE & BSE. The monthly market price data of High and Low prices of shares of the Bank traded on NSE during the year are given below:

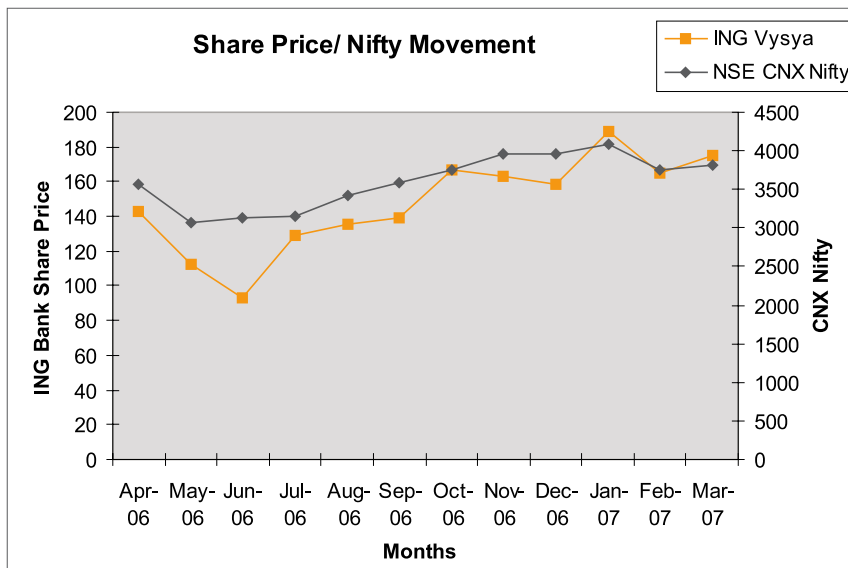
Market Price Data: Monthly High and Low Prices of shares traded on NSE

Month	High (Rs)	Low (Rs)	Aggregate Volume
April 2006	151.65	137.40	56,070
May 2006	145.00	112.20	57,119
June 2006	110.60	88.30	20,943
July 2006	129.65	93.50	41,146
August 2006	144.10	121.75	45,976
September 2006	141.25	130.90	65,501
October 2006	169.55	139.90	2,73,301
November 2006	180.90	163.10	91,296
December 2006	165.30	154.45	77,056
January 2007	197.15	150.20	1,43,784
February 2007	199.70	165.35	49,509
March 2007	175.65	159.80	12,886

- During the last one year, the closing share prices of the Bank varied from a low of Rs. 88.30 (14-Jun-2006) to a high of Rs.199.70 (6-Feb-2007)
- On 30-Mar-2007, the scrip closed at Rs. 174.85

IVBL Share Price in comparison with BSE Sensex- April 1, 2006 to March 31, 2007



IVBL Share Price in comparison with NSE NIFTY- April 1, 2006 to March 31, 2007

8.3 Shareholding

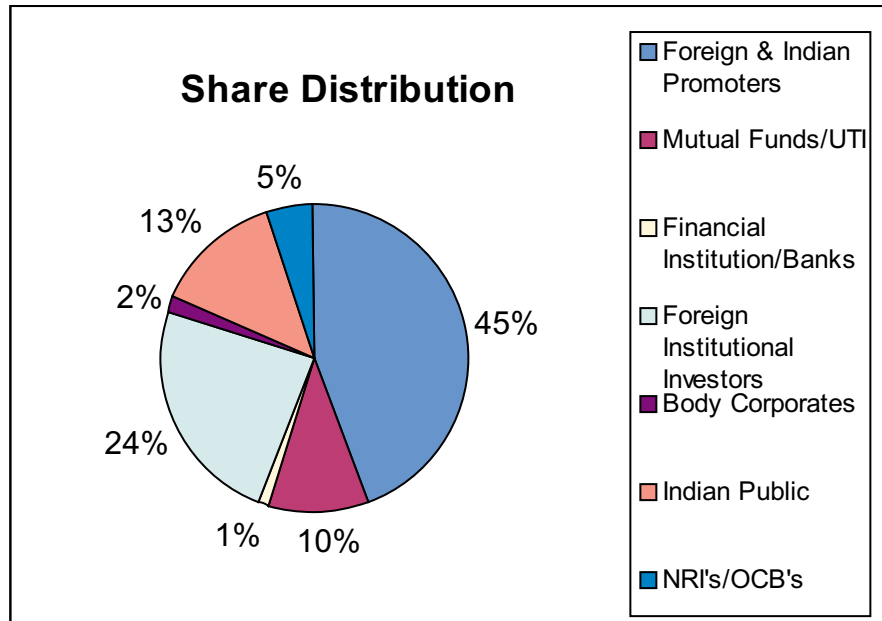
The shares of the Bank are under compulsory demat mode effective 21-Mar-2000. Of the 9,09,04,791 shares of the Bank, as on 31-Mar-2007, 84.51% shares are held in demat mode.

The Distribution of shares according to size, class and category of shareholders as on March 31, 2007 is given below –

	Total Number of shares held	Total Number of shareholders	% to total Holders	% to Paid-up Capital
(1)	(2)	(3)	(4)	(5)
Upto 5000	28,58,027	22,674	81.14%	3.14%
5001 to 10000	17,77,155	2,377	8.50%	1.96%
10001 to 20000	25,95,918	1,932	6.91%	2.86%
20001 to 30000	10,21,119	414	1.48%	1.12%
30001 to 40000	5,10,213	145	0.52%	0.56%
40001 to 50000	4,57,407	100	0.36%	0.50%
50001 to 100000	11,74,807	169	0.60%	1.29%
100001 & Above	8,05,10,145	138	0.49%	88.57%
Total	9,09,04,791	27,949	100.00%	100.00%

8.4 Distribution of Shares by categories of shareholders as on March 31, 2007

Sl. No.	Category	No. of Shares held	% of shareholding to paid up capital
1.	Foreign & Indian Promoters	4,01,59,653	44.18
2.	Mutual Funds, Banks, FIs, Insurance Companies	1,02,75,576	11.30
3.	Foreign Institutional Investors (FIIs)	1,75,57,130	19.32
4.	Multilateral Institutions (IFC)	45,40,000	4.99
5.	NRIs/OCBs	46,55,932	5.13
6.	Private Corporate Bodies	14,72,735	1.62
7.	Indian Public	1,22,43,765	13.47
	Total	9,09,04,791	100.00



8.5 List of Top 10 shareholders as on March 31, 2007

Sl. No.	Name	Shares Held (No.)	% of share in Total Paid up Share Capital
01	ING Mauritius Holdings	3,09,98,804	34.10%
02	ING Mauritius Investments I	88,73,676	9.76%
03	UTI (under different schemes)	49,06,008	5.40%
04	Aberdeen Assets Managers Limited A/c- Aberdeen International India Opportunities Fund (Mauritius) Limited	47,26,280	5.20%
05	International Finance Corporation	45,40,000	4.99%
06	Dilip Ramniklal Mehta	45,00,000	4.95%
07	Winterfall Limited	44,87,935	4.94%
08	FID Funds (Mauritius) Limited	35,53,720	3.91%
09	Merill Lynch Capital Markets Espana S A SVB	18,68,127	2.05%
10	Templeton mutual fund (Under different Schemes)	22,09,357	2.43%

8.6 Share Transfer System

The Bank's shares are in compulsory dematerialization mode (demat) and are transferable through the depository system. Investor Services are handled by Registrar & Share transfer Agents, M/s. Karvy Computershare Pvt. 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 Registrar and Share Transfer Agents – Karvy Computershare Private Limited.

8.7 Contact Details :

Shareholders may correspond with the RTA at the following address

M/s Karvy Computershare Private Limited
 Karvy House, No 46,
 Avenue 4, Street No. 1,
 Banjara Hills,
 Hyderabad – 500 034.
 Ph:040-23420815
 Fax:040-23420814
 Email: mailmanager@karvy.com

Contact Person: Mr. Jayaraman V K
Email: jayaramanvk@karvy.com
Website: www.karvycomputershare.com

Shareholders may correspond with the Bank at the following address

Manager (Investor Services) &
Asst. Company Secretary
Shares Section,
Secretarial Department
ING Vysya Bank Limited
No.22, M G Road,
Bangalore – 560 001

Ph : 080 – 25005753 (D)
080 – 25005000 (G) Ext : 3553
Fax : 080-25005555, 25559212
E-mail : sharecare@ingvysyabank.com

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

Reserve Bank of India, vide circular DBOD No.BC 112/08.138.001/2001-2002 dated June 4, 2002 has stated that in 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 2007 and the related Profit and Loss Account and the Cash Flow Statement of the Bank for the year ended on that date annexed thereto, in which are incorporated returns of 11 branches/offices audited by us and 404 branches/offices audited by the Branch Auditors. 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 from material misstatements. An audit also 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Balance Sheet and Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with sub-sections (1), (2) and (5) of Section 211 and sub-section (5) of Section 227 of the Companies Act, 1956.

We report thereon as follows :

- (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 Bank has maintained proper books of account as required by law insofar as it appears from our examination of those books;
- (c) The returns received from the offices and branches of the Bank have been found adequate for the purpose of our audit;
- (d) The Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account and the branch returns;
- (e) The transactions of the Bank, which have come to our notice, have been, in our opinion, within the powers of the Bank ;
- (f) In our opinion, the accompanying financial statements dealt with by this report comply with the Accounting Standards referred to in sub-section 3(C) 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.
- (g) 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.
- (h) As per the information and explanations given to us, the Central Government has, till date, not prescribed any cess payable under section 441A of the Companies Act, 1956.
- (i) In our opinion, and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account and the Cash Flow Statement 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 circulars issued by the Reserve Bank of India from time to time;

- (j) According to the information and explanations given to us and on the basis of the written representations received from the Directors of the Bank and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31 March 2007 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 ; and
- (k) In our opinion, the financial statements give a true and fair view :
- (i) in the case of Balance Sheet of the state of affairs of the Bank as at 31 March 2007 ;
 - (ii) in the case of the Profit and Loss Account, of the profits of the Bank for the year ended 31 March 2007 ; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows of the Bank for the year ended 31 March 2007.

For BSR & Co.
Chartered Accounts

Zubin Shekary
Partner
Membership No. 48814

Bangalore
Date : 2 May 2007

BALANCE SHEET AS AT 31 MARCH 2007

		(Rs. thousands)	
PARTICULARS	SCHEDULE	31 March 2007	31 March 2006
CAPITAL AND LIABILITIES			
Capital	1	909,048	907,206
Reserves and Surplus	2	10,123,824	9,289,535
Deposits	3	154,185,894	133,352,551
Borrowings	4	8,435,531	11,074,460
Other Liabilities and Provisions	5	19,208,678	13,042,924
TOTAL		192,862,975	167,666,676
ASSETS			
Cash and Balance with Reserve Bank of India	6	9,458,130	8,416,514
Balance with Banks and Money at call and short notice	7	6,458,905	2,816,823
Investments	8	45,278,131	43,723,357
Advances	9	119,761,650	102,315,253
Fixed Assets	10	3,959,697	4,054,093
Other Assets	11	7,946,462	6,340,636
TOTAL		192,862,975	167,666,676
Contingent Liabilities	12	402,098,382	273,920,421
Bills for collection		14,479,933	14,785,434
Significant Accounting Policies	17		
Notes on Accounts	18		

As per our report of even date

For and on behalf of the Board

For BSR & Co.
Chartered Accountants

Vaughn Richter
Managing Director

Arun Thiagarajan
Director

Zubin Shekary
Partner
Membership No: 48814

Lars Kramer
Director

Philippe Damas
Director

Place: Bangalore
Date: 2 May 2007

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2007

(Rs. thousands)			
PARTICULARS	SCHEDULE	31 March 2007	31 March 2006
INCOME			
Interest Earned	13	14,013,768	12,224,348
Other Income	14	1,943,180	1,391,716
TOTAL		15,956,948	13,616,064
EXPENDITURE			
Interest Expended	15	8,593,111	7,412,477
Operating Expenses	16	5,070,642	5,187,905
Provisions and Contingencies		1,404,097	925,117
TOTAL		15,067,850	13,525,499
PROFIT			
Net Profit for the year		889,098	90,565
Profit/(Loss) Brought Forward		12,924	(346,037)
Transfer from Investment Fluctuation Reserve		-	551,037
TOTAL		902,022	295,565
APPROPRIATIONS			
Transfer to Statutory Reserve		222,274	22,641
Transfer to Capital Reserves		395,747	260,000
Transfer to Investment Reserve		30,508	-
Proposed Dividend		59,088	-
Dividend Tax		10,042	-
Balance Carried to Balance Sheet		184,363	12,924
TOTAL		902,022	295,565
Earnings Per Share (Rs. Per Equity Share of Rs.10 each)			
Basic		9.80	1.02
Diluted		9.73	1.02
Significant Accounting Policies	17		
Notes on Accounts	18		

As per our report of even date

For and on behalf of the Board

For BSR & Co.
Chartered Accountants

Vaughn Richtor
Managing Director

Arun Thiagarajan
Director

Zubin Shekary
Partner
Membership No: 48814

Lars Kramer
Director

Philippe Damas
Director

Place: Bangalore
Date: 2 May 2007

SCHEDULES TO BALANCE SHEET AS AT 31 MARCH 2007

(Rs. thousands)			
PARTICULARS	SCHEDULE	31 March 2007	31 March 2006
SCHEDULE I - CAPITAL			
AUTHORISED CAPITAL			
350,000,000 (Previous Year 100,000,000) Equity Shares of Rs.10 each		3,500,000	1,000,000
100,000,000 (Previous Year 100,000,000) Preference Shares of Rs.10 each		1,000,000	1,000,000
ISSUED CAPITAL			
91,259,970 (Previous Year 91,087,698)			
Equity shares of Rs.10 each		912,600	910,877
SUBSCRIBED AND CALLED UP CAPITAL			
90,904,791 (Previous Year 90,720,579)			
Equity Shares of Rs.10 each Fully Called and Paid up		909,048	907,206
TOTAL		909,048	907,206
SCHEDULE 2 - RESERVES AND SURPLUS			
I. STATUTORY RESERVE			
Opening Balance		2,007,747	1,985,106
Additions during the year		222,274	22,641
Total (A)		2,230,021	2,007,747
II. CAPITAL RESERVE			
a) Revaluation Reserve			
Opening Balance		1,115,436	1,174,613
Less: Revaluation reserve reversed consequent to sale/transfer of assets		-	(51,284)
Less: Depreciation on revalued assets		(7,607)	(7,893)
Total (B)		1,107,829	1,115,436
b) Others			
Opening Balance		648,602	388,602
Add: Transfer from Profit and Loss Account		395,747	260,000
Total (C)		1,044,349	648,602
III. SHARE PREMIUM			
Opening Balance		4,361,842	1,973,983
Add: Additions during the year		20,568	2,387,859
Total (D)		4,382,410	4,361,842
TOTAL CAPITAL RESERVE (B+C+D)		6,534,588	6,125,880
IV. REVENUE AND OTHER RESERVES			
(E) Revenue Reserves			
Opening Balance		1,125,970	1,125,970
Total (E)		1,125,970	1,125,970
(F) Investment Fluctuation Reserve			
Less: Transfer to Profit and Loss Account		-	551,037
Total (F)		-	(551,037)
(G) Investment Reserve			
Add: Additions during the year		30,508	-
Less: Transfer to Profit and Loss account		-	-
Total (G)		30,508	-
Total (IV) (E+F+G)		1,156,478	1,125,970
(V) Employee Stock Option Scheme Outstanding(Net)		18,373	17,014
(VI) Balance in Profit and Loss Account (H)		184,363	12,924
TOTAL (I to VI)		10,123,824	9,289,535

SCHEDULES TO BALANCE SHEET AS AT 31 MARCH 2007

		(Rs. thousands)	
PARTICULARS		31 March 2007	31 March 2006
SCHEDULE 3 - DEPOSITS			
A.	I. Demand Deposits		
	i. From Banks	584,422	513,190
	ii. From Others	18,351,920	14,577,279
	II. Savings Bank Deposits	25,639,043	20,934,547
	III. Term Deposits		
	i. From Banks	13,741,728	24,543,730
	ii. From Others	95,868,781	72,783,805
	TOTAL (I to III)	154,185,894	133,352,551
B.	Deposits of Branches In India	154,185,894	133,352,551
	TOTAL	154,185,894	133,352,551
SCHEDULE 4 - BORROWINGS			
I.	Borrowings in India		
	i. Reserve Bank of India	600,000	4,40,000
	ii. Other Banks	1,500,000	3,065,472
	iii. Other Institutions and Agencies	149,656	211,475
II.	Borrowings outside India	6,185,875	7,357,513
	TOTAL (I to II)	8,435,531	11,074,460
Secured Borrowings included in (I) & (II) above is NIL(Previous Year : NIL)			
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS			
I.	Bills Payable	3,678,110	3,138,892
II.	Inter Office Adjustments (Net)	1,936,643	157,470
III.	Interest Accrued	294,331	231,718
IV.	Subordinated Debt -Tier II Bonds (Refer note 18.13)	6,376,311	4,620,000
V.	Contingent Provision against Standard Assets	697,200	386,700
VI.	Others (Including Provisions)	6,226,083	4,508,144
	TOTAL (I to V)	19,208,678	13,042,924
SCHEDULE 6 - CASH AND BALANCE WITH RESERVE BANK OF INDIA			
I.	Cash In Hand (Including Foreign Currency Notes)	1,525,721	1,123,981
II.	Balances With Reserve Bank of India		
	i. In Current Account	7,932,409	7,292,533
	ii. In Other Accounts	-	-
	TOTAL (I to II)	9,458,130	8,416,514

SCHEDULES TO BALANCE SHEET AS AT 31 MARCH 2007

		(Rs. thousands)	
PARTICULARS		31 March 2007	31 March 2006
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE			
I.	In India		
	i) Balances With Banks		
	a) In Current Accounts	1,233,076	912,669
	b) In Other Deposit Accounts	1,753,930	1,891,324
	ii) Money at Call and Short Notice		
	a) With Banks	1,000,000	-
	b) With Others	-	-
	TOTAL (i to ii)	3,987,006	2,803,993
II.	Outside India		
	i) In Current Accounts	37,579	12,830
	ii) In Other Deposit Accounts	2,434,320	-
	TOTAL (i to ii)	2,471,899	12,830
	GRAND TOTAL (I to II)	6,458,905	2,816,823
SCHEDULE 8 - INVESTMENTS (NET)			
I.	Investments in India		
	i) Government Securities	40,448,136	37,529,055
	ii) Other Approved Securities	2,140	1,681
	iii) Shares	115,340	145,314
	iv) Debentures and bonds	2,947,511	4,192,674
	v) Subsidiaries/Joint Ventures	20,988	20,988
	vi) Others (Mutual funds and RIDF Deposits)	1,744,016	1,833,645
	TOTAL	45,278,131	43,723,357
II.	Investments Outside India	-	-
	GRAND TOTAL	45,278,131	43,723,357
	GROSS INVESTMENTS	45,548,672	44,083,420
	LESS: Depreciation/Provision for Investments	(270,541)	(360,063)
	NET INVESTMENTS	45,278,131	43,723,357
SCHEDULE 9 - ADVANCES (Net)			
A.	i) Bills Purchased and Discounted	7,742,104	6,965,112
	ii) Cash Credits, Overdrafts and Loans repayable on demand	49,549,086	43,978,909
	iii) Term loans	62,470,460	51,371,232
	TOTAL	119,761,650	102,315,253
B.	i) Secured by Tangible Assets	101,518,802	87,087,322
	ii) Covered by Bank/Government Guarantees	1,467,989	2,319,648
	iii) Unsecured	16,774,859	12,908,283
	TOTAL	119,761,650	102,315,253
C.	I ADVANCES IN INDIA		
	i) Priority Sector	42,001,170	31,008,000
	ii) Public Sector	2,249,354	1,604,374
	iii) Banks	532,901	241,724
	iv) Others	74,978,225	69,461,155
	II ADVANCES OUTSIDE INDIA	-	-
	TOTAL	119,761,650	102,315,253

SCHEDULES TO BALANCE SHEET AS AT 31 MARCH 2007

		(Rs. thousands)	
PARTICULARS		31 March 2007	31 March 2006
SCHEDULE 10 - FIXED ASSETS			
I. Premises			
i) At cost as on 31 March of the preceding year	1,032,750	1,135,710	
ii) Appreciation in the value	1,172,709	1,198,379	
iii) Additions during the year	-	5,303	
	<u>2,205,459</u>	<u>2,339,392</u>	
iv) Deductions during the year	(50,696)	(133,934)	
v) Depreciation to date	(200,654)	(178,283)	
I a. Capital Work in Progress	1,040,049	1,038,916	
TOTAL	<u>2,994,158</u>	<u>3,066,091</u>	
II. Other Fixed Assets (Including Furniture and Fixtures)			
i) At cost as on 31 March of the preceding year	2,741,045	2,381,445	
ii) Additions during the year	425,139	426,975	
	<u>3,166,184</u>	<u>2,808,420</u>	
iii) Deductions during the year	(50,934)	(67,375)	
iv) Depreciation to date	(2,366,854)	(2,051,416)	
II a. Capital Work In Progress	52,338	83,040	
TOTAL	<u>800,734</u>	<u>772,669</u>	
III. Lease Fixed Assets			
i) At cost as on 31 March of the preceding year	1,815,842	1,815,842	
ii) Additions during the year	-	-	
	<u>1,815,842</u>	<u>1,815,842</u>	
iii) Deductions during the year	(275,257)	-	
iv) Depreciation to-date	(1,310,030)	(1,492,513)	
v) Add: Lease Adjustment Account	191,671	152,916	
vi) Less: Provision / Write off of NPAs	(257,421)	(260,912)	
TOTAL	<u>164,805</u>	<u>215,333</u>	
GRAND TOTAL (I to III)	<u>3,959,697</u>	<u>4,054,093</u>	
SCHEDULE 11 - OTHER ASSETS			
I. Interest Accrued	1,428,022	1,240,983	
II. Tax Paid in Advance and Tax deducted at source (Net)	627,325	887,636	
III. Stationery and Stamps	9,575	21,712	
IV. Non Banking Assets acquired in satisfaction of claims (Net)	1,027,527	1,027,527	
V. Others	4,854,013	3,162,778	
TOTAL	<u>7,946,462</u>	<u>6,340,636</u>	
SCHEDULE 12 - CONTINGENT LIABILITIES			
I. Claims against the bank not acknowledged as debts	85,151	118,194	
II. Liability for partly paid investments	-	-	
III. Liability on account of Outstanding Forward Exchange Contracts	150,744,419	90,477,247	
IV. Liability on account of Outstanding Derivative Contracts	211,622,534	150,340,333	
V. Guarantees given on behalf of constituents in India	22,126,195	17,920,365	
VI. Acceptances , Endorsements and Other Obligations	15,853,094	13,715,861	
VII. Other items for which the bank is contingently liable	1,666,989	1,348,421	
TOTAL	<u>402,098,382</u>	<u>273,920,421</u>	

SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2007

	(Rs. thousands)	
PARTICULARS	31 March 2007	31 March 2006
SCHEDULE 13 - INTEREST EARNED		
i. Interest/Discount on Advances/Bills	9,595,861	8,245,134
ii. Income on Investments	3,325,976	3,027,080
iii. Interest on Balances with RBI and other inter bank funds	289,096	264,901
iv. Others	802,835	687,233
TOTAL	14,013,768	12,224,348
SCHEDULE 14 - OTHER INCOME		
i. Commission, Exchange and Brokerage	1,605,417	1,258,099
ii. Profit/ (Loss) on sale of Investments (Net)	251,595	198,609
iii. Profit on Revaluation of Investments (Net)	(542,474)	(511,417)
iv. Profit/ (Loss) on sale of Land, Buildings and Other Assets(Net)	49,861	30,464
v. Profit on Exchange Transactions (Net)	(45,102)	70,592
vi. Income earned by way of Dividends etc.from Subsidiaries/Companies and Joint Ventures Abroad/in India	53,526	26,998
vii. Lease Income	10,296	8,422
Add: Lease Equalisation	24,209	35,797
Less: Depreciation	(32,888)	(41,409)
viii. Miscellaneous Income	568,740	315,561
TOTAL	1,943,180	1,391,716
SCHEDULE 15 - INTEREST EXPENDED		
i. Interest on Deposits	7,125,136	6,170,310
ii. Interest on Reserve Bank of India/Inter-Bank Borrowings	269,061	328,619
iii. Others (Including interest on Tier II Bonds and Interest Rate Swap)	1,198,914	913,548
TOTAL	8,593,111	7,412,477
SCHEDULE 16- OPERATING EXPENSES		
i. Payments and Provisions for Employees	2,384,754	2,341,941
ii. Rent, Taxes and Lighting	387,194	350,145
iii. Printing and Stationery	111,334	104,918
iv. Advertisement and Publicity	34,878	53,551
v. Depreciation on Bank's Property	379,845	371,995
vi. Director's Fees, Allowances and Expenses	7,211	8,393
vii. Auditors' Fees and Expenses (Including Branch Auditors)	10,526	9,597
viii. Law Charges	19,586	19,930
ix. Postage, Telegrams, Telephones	192,541	179,380
x. Repairs and Maintenance	248,801	355,225
xi. Insurance	194,820	188,556
xii. Other expenditure	1,099,152	1,204,274
TOTAL	5,070,642	5,187,905

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 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 and accrual basis of accounting, unless otherwise stated, and in accordance with the generally accepted accounting principles ("GAAP") in India and conform to the statutory requirements prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India ("RBI") from time to time to the extent they have financial statements impact and current practices prevailing within the banking industry in India. The financial statements comply with the applicable mandatory Accounting Standards ("AS") issued by the Institute of Chartered Accountants of India ("ICAI").

3 USE OF ESTIMATES

The preparation of the financial statements in conformity with generally accepted accounting principles in India 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

- a. Income and Expenditure is accounted on 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 on 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.

5 FOREIGN EXCHANGE TRANSACTIONS

- a. 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.
- b. Outstanding forward 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.
- c. Contingent liabilities denominated in foreign currencies are disclosed in the balance sheet date at the rates notified by FEDAI.

6 DERIVATIVE TRANSACTIONS

Derivative transactions comprise forwards, 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 and in other assets/other liabilities. Derivative transactions designated as "Hedge" are accounted for on an accrual basis.

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 Schedule III 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 valuation, the Bank's investments are classified into three categories, i.e. 'Held to Maturity', 'Held for Trading' and 'Available for Sale':

- 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. 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. 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. Interest accrued on such instruments is disclosed under Other assets in accordance with RBI directive and investments are shown at acquisition cost.
- e. REPO and Reverse REPO transactions 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.

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. 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% on residential housing loans beyond Rs.20 lakhs; and
- c. at 2% on Personal loans -including credit card receivables, loans and advances qualifying as capital market exposure, real estate loans-excluding residential housing loans, non-deposit taking systemically important Non-Banking Companies.

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

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.

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 "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 respect of Fixed Assets leased before 1 April 2001, the Bank follows the "Guidance Note on Accounting for Leases" issued by the ICAI. In respect of lease transactions entered into on or after 1 April 2001, the Bank follows AS-19 "Leases" issued by the ICAI.

Software whose actual cost does not exceed Rs. 100,000 and other items whose actual cost does not exceed Rs. 10,000 are fully expensed 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.

During the current year, the Bank has reassessed and revised the estimated useful life of certain categories of fixed assets. Refer 18.9 in Notes to Accounts.

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. 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. 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 recoverable amount, subject to a maximum of depreciable 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 SECURITISATION TRANSACTION

Securitisation transactions are accounted for in accordance with applicable RBI guidelines and ICAI guidance note on "Accounting for Securitisation".

13 EMPLOYEES' STOCK OPTION SCHEME

In respect of the Employees Stock Option issued, the difference between the market price and the exercise price as on the date of grant is treated as Employee compensation cost to be amortised over the vesting period.

14 STAFF BENEFITS

a. Provision for gratuity, which is a defined benefit scheme, is made based on actuarial valuation and contributed to the approved Gratuity Fund.

- b. Contributions payable to the recognised Provident Fund, which is a defined contribution scheme, are charged to the profit and loss account.
- c. Provision for pension, which is a defined benefit scheme, is made based on actuarial valuation and contributed to the approved Pension Fund.
- d. Provision for leave encashment, which is a defined benefit scheme, is made based on actuarial valuation and provided for in the books.

15 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 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 a 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.

16 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.

17 PROVISIONS AND CONTINGENT LIABILITIES

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. A disclosure for a contingent liability is made when there is a possible obligation, or a present obligation that may, but probably will not, require an outflow of resources. 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.

Schedule 18

18 Notes on accounts**18.1 Balancing of books and reconciliation**

The Bank has completed its Inter branch reconciliation. The reconciling items have been identified and elimination of reconciling items is in progress. Appropriate adjustments have been incorporated in the financial statements to reflect completion of reconciliation for the purpose of presentation.

Routine matching of select general ledger control account balances with subsidiary ledgers is in progress at 9 branches and is expected to be completed in due course with no financial statement impact as on 31 March 2007.

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 shareholders at the Annual General Meeting held on 29 September 2001. A total of 500,000 equity shares of Rs.10 each were earmarked under the scheme to be allotted during the period (extended or otherwise) in which the scheme was in force. These options will 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 in the Annual General Meeting held on 22 September 2005. and no further options have would been granted under this scheme.

The movement in the scheme during the year ended 31 March 2007 is as under:

	Year ended 31 March 2007	Year ended 31 March 2006
Stock options outstanding at the beginning of the year	609,680	199,292
Add: Adjustment in number of options due to rights issue	-	568,128
Add: Options granted during the year	-	-
Less: Options exercised during the year	147,025	100,746
Less: Options forfeited	100,925	56,994
Stock options outstanding at the end of the year	361,730	609,680

ESOS 2005

The employee stock option scheme ("ESOS 2005" or "the scheme") of the Bank was approved by the shareholders at the Annual General Meeting held on 22 September 2005. A total of 893,264 equity shares of Rs.10 each were earmarked under the scheme to be allotted during the period (extended or otherwise) in which the scheme is in force. These options will 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 movement in ESOS 2005 during the year ended 31 March 2007 is as under:

	Year ended 31 March 2007	Year ended 31 March 2006
Stock options outstanding at the beginning of the year	424,308	-
Add: Options granted during the year	20,000	442,712
Less: Options exercised during the year	25,247	-
Less: Options forfeited	64,147	18,404
Stock options outstanding at the end of the year	354,914	424,308

18.3 Voluntary retirement scheme

During the year ended 31 March 2002, the Bank had introduced a Voluntary Retirement Scheme ("VRS" or "the scheme") for its eligible employees. In response to the Scheme, the Bank had accepted 774 applications up to 31 March 2003.

In accordance with the RBI letter DBOD. No. PSBS/132/16.01.77/2002-03 dated 24 July 2002, the various components of the VRS expenses are being accounted for as under:

Components	Treatment
Ex-gratia and additional liability towards termination benefits	Treated as deferred revenue expenditure to be amortised over a period of five years.
Leave encashment	Charged to the profit and loss account in the year of payment.

Based on above, an amount of Rs. 94,155 thousands (Previous year: Rs. 187,878 thousands) has been charged off to profit and loss account in the current year out of the deferred revenue expenditure carried forward in the balance sheet from the previous year. Entire VRS cost has been amortized and the balance amount of Rs. Nil (Previous year: Rs. 94,155 thousands) is being carried in the balance sheet as at 31 March 2007 as deferred revenue expenditure under "Other Assets" in Schedule 11 to the balance sheet. .

18.4 Adoption of revised Accounting Standard (AS) 15 on Employee benefits

The Revised AS 15 on "Employee benefits" is applicable to all companies from the accounting period commencing on or after 7 December 2006. On adoption of the revised standard, during the year 2007-08, as per the transition provisions, an amount of approximately Rs. 500,000 thousands may need to be debited to the reserves. Adequate provisions have been made for retirement benefits based on the existing AS 15 prior to the revision referred to above.

18.5 Provisions and contingencies debited to the profit and loss account include :

(Rs. thousands)

Items	Year ended 31 March 2007	Year ended 31 March 2006
Provision for income tax	365,499	46,188
Provision for wealth tax	943	500
Provision for fringe benefit tax	20,800	77,922
Provision/ write off of NPAs	694,455	533,864
Depreciation/ write off of investments (net)*	(33,836)	57,659
Provision towards standard asset	310,500	164,536
Others	45,736	44,448
Total	1,404,097	925,117

* includes adjustment of Rs. Nil (Previous Year: 51,767 thousands) on account of shifting of securities from AFS to HTM category. Refer Note 18.7.6.

18.6 Provisions for income taxes

(Rs. thousands)

	Year ended 31 March 2007	Year ended 31 March 2006
Provision for income tax (including deferred tax)	365,499	46,188
Fringe benefit tax	20,800	77,922

18.7 Investments

18.7.1 Issuer composition of Non SLR investments

The details relating to issuer composition of non SLR investments at 31 March 2007 is as follows :

(Rs. thousands)

Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities	Extent of 'unlisted' securities
Public sector undertakings	55,000	55,000	-	-	5,000
Financial institutions	3,493,593	3,493,593	400,000	-	2,145,614
Banks	44,665	44,665	-	-	29,965
Private Corporate	223,546	223,546	68,906	146,121	173,621
Subsidiaries/ Joint Ventures	20,988	20,988	-	20,988	20,988
Others *	1,238,935	1,238,935	-	-	1,238,935
Provision held towards depreciation	(248,872)				
Total	4,827,875	5,076,727	468,906	167,109	3,614,123

* includes investments in PTCs where the exposure is considered towards ultimate obligator/borrower.

18.7.2 Non-performing non SLR investments

(Rs. thousands)

	Year ended 31 March 2007	Year ended 31 March 2006
Opening balance	97,112	97,112
Additions during the year	27,500	-
Reductions during the year	55,686	-
Closing balance	68,926	97,112
Total provisions held	68,926	97,112

18.7.3 Repo transactions

(Rs. thousands)

	Minimum outstanding during the year *	Maximum outstanding during the year	Daily average outstanding during the year	At 31 March 2007
Securities sold under repos #	499,832	2,489,338	101,399	2,385,480
Securities purchased under reverse repos #	250,000	12,400,000	2,544,647	NIL

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

At market price

18.7.4 Value of Investments

(Rs. thousands)

Items	Year ended 31 March 2007	Year ended 31 March 2006
Gross value of Investments	45,548,672	44,083,420
a. In India	-	-
b. Outside India	-	-
Provisions for depreciation	270,541	360,063
a. In India	-	-
b. Outside India	-	-
Net value of Investments	45,278,131	43,723,357
a. In India	-	-
b. Outside India	-	-

18.7.5 Movement of provisions held towards depreciation on investments

(Rs. thousands)

Items	31 March 2007	31 March 2006
Opening balance	360,063	354,171
Add: Provisions made during the year	27,500	57,659
Less: Write-off/write-back of excess provisions during the year *	117,022	51,767
Closing balance	270,541	360,063

* Provision held against the NPA sold of Rs.50,500 thousands has not been reversed to profit and loss account in view of RBI Circular No DBOD.No.BPBC.16/21.04.048/2005 dated 13 July 2005 and is retained as provision for NPA.

18.7.6 Transfer of securities from Available for Sale (AFS) to Held to Maturity (HTM) category

In accordance with RBI Circular No. DBOD.BPBC.21/21/04.141/2003-04 dated 2 September 2003, Banks are allowed to shift securities between categories once a year with approval of the Board of Directors. The Bank had during the current year shifted securities of book value Rs Nil (Previous year: Rs. 827,515 thousands) from AFS category to HTM category. Such transfer was carried out at the lower of cost/book value/ market value and consequently the Bank has recorded a loss of Rs. Nil (Previous year: Rs.51,767 thousands) in the profit and loss account.

18.7.7 Investment Fluctuation Reserve (IFR)

In accordance with the RBI Circular No. DBOD.No.BP.BC.38/21.04.141/2005-06 dated 10 October 2005, the Bank has transferred an amount of Rs Nil (Previous year: Rs. 551,037 thousands) from IFR to the profit and loss account below the line.

18.8 Advances

18.8.1 Information with respect to loan assets subjected to restructuring during the year:

(a) Details of debt restructuring for standard, sub-standard and doubtful assets are as follows:

	(Rs. thousands)	
	Year ended 31 March 2007	Year ended 31 March 2006
(i) Total amount of loan assets subjected to restructuring, rescheduling, renegotiation; - of which under Corporate Debt Restructuring ('CDR')	762,856 --	1,555,838 284,063
(ii) The amount of Standard assets subjected to restructuring, rescheduling, renegotiation; - of which under CDR	762,856 --	751,701 -
(iii) The amount of Sub-Standard assets subjected to restructuring, rescheduling, renegotiation; - of which under CDR	- -	2,414 -
(iv) The amount of Doubtful assets subjected to restructuring, rescheduling, renegotiation; - of which under CDR	-- --	801,723 284,063

(b) Details of accounts under CDR included in (a) above

	(Rs. thousands)	
	Year ended 31 March 2007	Year ended 31 March 2006
Standard		
Number of accounts	--	-
Amount	--	-
Interest sacrifice	--	-
Sub-standard		
Number of accounts	--	-
Amount	--	-
Interest sacrifice	--	-
Doubtful		
Number of accounts	--	1
Amount	--	284,063
Interest sacrifice	--	-
Total	--	284,063

(c) Small and Medium Enterprises ('SME') included in (a) above

	(Rs. thousands)	
	Year ended 31 March 2007	Year ended 31 March 2006
Total amount of loan assets subjected to restructuring	253,422	178,666
<i>Out of above:</i>		
Amount of standard assets subject to restructuring	253,422	46,773
Amount of sub-standard/doubtful assets subjected to restructuring	-	-
Amount of doubtful assets subjected to restructuring	-	131,893

18.8.2 Movement in NPAs during the years ended 31 March 2007 and 31 March 2006 is set out below

(Rs. thousands)

	Gross*	Net*
Opening balance as on 1 April 2005	1,942,700	1,932,900
Additions during the year ended 31 March 2006	2,283,700	2,283,700
Reductions (including write offs) during the year ended 31 March 2006	2,417,100	2,411,900
Closing balance as on 31 March 2006	1,809,300	1,804,700
NPAs to advances (%)	1.77	1.76
Additions during the year ended 31 March 2007	2,037,800	2,037,800
Reductions (including write offs) during the year ended 31 March 2007	2,583,300	2,702,300
Closing balance as on 31 March 2007	1,263,800	1,140,200
NPAs to advances (%)	1.05	0.95

* After considering technical write off

Movement in provisions for NPA

(Rs. thousands)

	Year ended 31 March 2007	Year ended 31 March 2006
Opening balance	--	-
Additions during the year	694,455	533,864
Technical write-offs/write backs during the year	694,455	533,864
Closing balance	--	-

18.8.3 Provisions on standard assets

(Rs. thousands)

Item	Year ended 31 March 2007	Year ended 31 March 2006
Provision towards Standard Assets during the year	310,500	164,536
Cumulative Provision for Standard Assets as at year end	697,200	386,700

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

18.8.4 Purchase/ Sale of non performing assets

Details of non performing financial assets sold

(Rs. thousands)

Particulars	Year ended 31 March 2007	Year ended 31 March 2006
1. No. of accounts sold	1	-
2. Aggregate outstanding net of provisions/write offs	-	-
3. Aggregate consideration received	50,500	-

* Provision held against the NPA sold of Rs. 50,500 thousands 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.

No non performing financial assets were purchased during the year (Previous year: Nil)

18.8.5 Securitisation of financial assets

(Rs. thousands)

Item	Year ended 31 March 2007	Year ended 31 March 2006
Total number of accounts	1	-
Total number of transactions	2	-
Book value (net of provisions) of accounts sold	1,000,000	-
Aggregate consideration received	1,002,700	-
Additional consideration realized in respect of accounts transferred in earlier years	-	-
Aggregate gain/ (loss) over net book value	2,700	-

The above transactions were closed during the year and there are no continuing obligations in respect of these transactions.

Contribution Agreement

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

18.8.6 (a) Exposure to capital market

(Rs. thousands)

Items	31 March 2007	31 March 2006
(i) Investments made in equity shares	125,703	188,300
(ii) Investments in convertible bonds/ convertible debentures	-	-
(iii) Investments in units of equity-oriented mutual funds	-	-
(iv) Advances against shares to individuals for investment in equity shares (including IPOs/ESOPS), bonds and debentures, units of equity oriented mutual funds	1,726,796	1,971,485
(v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers	158,900	142,230
Total exposure to capital market	2,011,399	2,302,015
(vi) Of (v) above, the total finance extended to stockbrokers for margin trading	-	-
Amounts above have been stated at their gross carrying values.		

(b) Exposure to real estate sector

(Rs. thousands)

Items	As at 31 March 2007	As at 31 March 2006
(a) Direct exposure		
(i) Residential mortgages		
Individual housing loan up to 15 lakhs	3,910,900	2,818,747
Others	4,777,000	3,283,199
(ii) Commercial real estate		
Fund Based	6,242,876	3,479,773
Non- Fund Based	159,469	-
(iii) Investment in mortgage backed securities and other securitised exposures		
a. Residential	1,921,800	2,130,377
b. Commercial real estate	-	-
(b) Indirect exposure		
Fund Based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	5,024,700	5,277,798
Non-Fund Based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	-	-
Total	22,036,745	16,989,894

18.8.7 Prudential exposure limits – quantitative disclosures

Details of credit exposures where the Bank has exceeded the prudential exposure during the year:

(Rs. thousands)

Name of the borrower	Exposure ceiling	Limits sanctioned	Maximum amount Outstanding during the year	Outstanding balance as at 31 March 07
Reliance Industries Limited	2,072,700	2,750,000	1,475,000	785,200
NABARD	2,072,000	3,162,000	3,162,000	3,094,000

* Names of borrowers mentioned above do not include exposure to one borrower, where the sanctioned limit has exceeded the prudential exposure, but the required consent from the borrower has not been received for the purpose of disclosure. However, no disbursements against incremental limits have been made to the borrowers.

18.8.8 Risk category wise country exposure

The Bank does not have any net funded exposure in any foreign country, which is 1% or more of its total assets as at 31 March 2007 and as at 31 March 2006. Hence, the Bank is not required to provide for country risk.

18.9 Fixed assets

Depreciation

The Bank has, effective from 1 April 2006, reassessed and revised the estimated useful life of certain categories of fixed assets. The revised estimated useful lives of ATMs and VSAT equipment have been assessed as 6 years. (Previous year: 3 years). Consequently the depreciation rate of ATMs and VSAT equipments stands revised to 16.66% (Previous year: 33.33%).

The Bank has reassessed the useful life of improvements to leasehold premises, which were hitherto charged off to profit and loss account as incurred. With effect from 1 April 2006, such leasehold improvements are being capitalized and amortized over the shorter of primary period of lease or estimated useful life of such assets.

The Bank believes that this revision is more representative of the useful economic lives of these assets.

Consequent to such change, depreciation and the operating expenses for the year are lower by Rs. 46,424 thousands and net profit for the year is higher by Rs. 46,424 thousands. Net Block of fixed assets is higher by Rs. 42,042 thousands and Capital Adequacy ratio is higher by 0.04%.

Capital work in progress

The Capital work in progress (Premises) of Rs. 1,040,049 thousands includes Rs. 1,002,098 thousands towards the lease premium paid to Mumbai Metropolitan Regional Development Authority (MMRDA) in connection with the lease of land. The Bank has entered into an agreement to lease with MMRDA, however lease agreement with MMRDA will be executed at a later date upon completion of the construction and upon obtaining other necessary approvals.

18.10 Leases

Operating leases

The Bank has commitments under long term non-cancelable operating leases primarily for premises. Following is a summary of future minimum lease rental commitments for such non-cancelable operating leases:

(Rs. thousands)

	31 March 2007	31 March 2006
Not later than one year	29,264	23,897
Later than one year and not later than five years	22,741	12,384
Later than five years	309	452
Total minimum lease rental commitments	52,314	36,733

Additionally, the Bank also leases office/branch premises under cancelable operating lease agreements. Total lease rental expenditure under cancelable and non-cancelable operating leases debited to profit and loss account in the current year is Rs. 226,811 thousands (Previous year: Rs. 204,986 thousands)

Finance leases

The Bank has taken assets under finance leases/hire purchases. Future minimum lease payments under finance leases are as follows:

(Rs. thousands)

Items	31 March 2007	31 March 2006
Not later than one year	1,080	1,080
Later than one year and not later than five years	4,050	4,320
Later than five years	-	810
Total	5,130	6,210
Less: Finance charges	(1,397)	(1,959)
Present value of finance lease obligation	3,733	4,251

The present value of finance lease liabilities is as follows :

(Rs. thousands)

Items	31 March 2007	31 March 2006
Not later than one year	1,002	1,002
Later than one year and not later than five years	2,731	2,867
Later than five years	-	382
Total	3,733	4,251

18.11 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 credit of Rs. 317,097 thousands (Previous year: Rs 96,385 thousands) for the current year.

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

(Rs. thousands)

	As at 31 March 2007	As at 31 March 2006
Deferred tax assets		
on account of provisions	327,122	200,913
on leave encashment	56,919	57,648
on investments	472,766	273,703
on voluntary retirement scheme	-	1,298
Total deferred tax asset	856,807	533,562
Deferred tax liabilities		
on depreciation on fixed assets	194,508	226,539
on bad debts claim	159,177	159,177
Total deferred tax liability	353,685	385,716
Net deferred tax assets/(liability)	503,122	147,846

In computing the amount of permanent difference for reckoning tax provisions, there is no expenditure incurred in relation to income which does not form part of the total income as referred to in the provisions of Section 14A of the Income Tax Act, 1961.

During the current year, tax treatment of certain allowable/disallowable tax items relating to previous year were finalized which had corresponding impact on the deferred taxation. Consequently, deferred tax asset amounting to Rs. 38,178 thousands was recognized during the year.

In the previous year, an amount of Rs. 9,787 thousands was transferred from provision for current taxes to deferred tax liability for the same reason.

18.12 Intangibles

Application software, which is classified as intangible assets are capitalized as part of fixed assets and depreciated on a straight line basis over its estimated useful life of three years.

(Rs. thousands)

	Gross block				Accumulated depreciation / amortization				Net block
	As at 1 April 2006	Addi- tions	Delet- ions	As at 31 March 2007	As at 1 April 2006	Charge for the year	Delet- ions	As at 31 March 2007	As at 31 March 2007
Intangible assets									
Application software	389,422	44,513	-	433,935	337,584	42,830	-	380,414	53,521
Total	389,422	44,513	-	433,935	337,584	42,830	-	380,414	53,521
Previous year	344,317	48,328	3,223	389,422	303,510	37,297	3,223	337,584	-

18.13 Subordinated debt/ Upper Tier II

In August 2006, the Bank raised Tier II Capital in the form of subordinated debt of Rs. 780,000 thousands for a tenor of 120 month at 9.70 percent through private placement. In March 2007, the Bank raised Upper Tier II Capital of Rs. 987,191 thousands for a tenor of 15 years, with a call option by the Bank at the end of 10 years.

18.14 Details of provision

(Rs. thousands)

	31 March 2007	31 March 2006
Opening balance	225,843	628,982
Additions during the year	44,278	60,098
Reversals during the year	28,437	122,686
Amounts used	23,028	340,551
Closing balance	218,656	225,843

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.

18.15 Transfer of profit to Capital Reserve

As per RBI guidelines, profit on sale of HTM securities (net of taxes and appropriation to statutory reserve) is required to be transferred to Capital Reserve. Due to inadequate amounts available for such appropriation in the previous years, an amount of Rs. 167,600 thousands needed to be transferred to Capital Reserve in the current year. A further amount of Rs. 228,147 thousands is required to be transferred to Capital Reserve on account of profit on sale of shares held under HTM category and sale of premises during the current year. As such, an aggregate amount of Rs. 395,747 thousands has been appropriated to Capital Reserve out of current years profits.

18.16 Off Balance Sheet Items**18.16.1 Derivative contracts**

Interest Rate Swaps

(Rs. thousands)

Items	As at 31 March 2007	As at 31 March 2006
The notional principal of swap agreements	129,281,967	133,656,746
Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements #	614,670	584,793
Collateral required by the bank upon entering into swaps	None	None
Concentration of credit risk arising from the swaps	Predominantly with Banks (81%)	Predominantly with Banks (78%)
The fair value of the swap book	(115,434)	(54,458)

MTM netted off counterparty wise.

Forward Rate Agreements (FRA)

No Forward Rate Agreements were outstanding as at 31 March 2007. (Previous year: NIL)

Derivatives : Currency Swaps

(Rs. thousands)

Items	31 March 2007	31 March 2006
The notional principal of swap agreements	9,968,958	7,140,728
Losses which would be incurred if counter parties failed to fulfill their obligations under the agreements #	145,181	242,371
Collateral required by the bank upon entering into swaps	None	None
Concentration of credit risk arising from the swaps	48% with Banks and the balance distributed amongst several diversified corporate counter parties	Predominantly with banks (53%)
The fair value of the swap book	130,649	103,520

MTM netted off counter party 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 and CS as at 31 March 2007 is Rs. 139,250,925 thousands (Previous year Rs. 140,797,474 thousands).

Indian Rupee – Interest Rate Swaps

Nature	Number	Notional Principal (Rs. thousands)	Benchmark	Terms
Trading	133	36,250,000	NSE MIBOR	Fixed Payable vs Floating Receivable
Trading	145	38,000,000	NSE MIBOR	Fixed Receivable vs Floating Payable
Trading	79	19,450,000	MIFOR	Fixed Payable vs Floating Receivable
Trading	78	19,400,000	MIFOR	Fixed Receivable vs Floating Payable
Trading	1	250,000	MIFOR/LIBOR	Float Receivable vs Float Payable
	Total	113,350,000		

Forex - Interest Rate Swaps and Currency Swaps

Nature	Number	Notional Principal (Rs. thousands)	Benchmark	Terms
Trading	16	5,941,664	LIBOR	Fixed Payable vs Floating Receivable
Trading	15	5,439,653	LIBOR	Fixed Receivable vs Floating Payable
Trading	14	8,439,968	LIBOR	Float Receivable vs Float Payable
Trading	14	2,356,368	Principal	Fixed Pay
Trading	6	1,193,317	Principal	Fixed Received
Trading	3	570,056	Principal	Principal only Swaps
Hedging	1	976,313	LIBOR	Float Receivable vs Float Payable
Hedging	1	983,586	LIBOR	Fixed Payable vs Floating Receivable
	Total	25,900,925		

The fair value of Rupee and FX IRS and CS contracts as at 31 March 2007 is Rs. 15,215 thousand (Previous year Rs. 49,062 thousands), which represents the net mark to market gain on swap contracts. As at 31 March 2007 the exposure to IRS and CS contracts is spread across industries. However based on notional principal amount the maximum single industry exposure lies with Banks at 75.90% (Previous year: 77.92%). In case of an upward movement of one basis point in the benchmark interest rates, there will be a negative impact of Rs. 437 thousands (Previous year: Rs. 401 thousands) on total Interest Rate Swap trading book including Rupee IRS, FX IRS and CS. Agreements are with Banks/ Financial Institutions and corporate under approved credit lines.

The Options are covered on exactly back-to-back basis and hence have a nil fair value on a net basis. As at 31 March 2007, notional outstanding for outstanding option contracts is Rs 72,371,607 thousand (Previous year: Rs 9,542,859 thousands)

18.16.2 Exchange Traded Interest Rate Derivatives, Forward Rate Agreements & Currency Swaps

No Exchange Traded Interest Rate Derivatives, Forward Rate Agreements and Currency Swaps were entered during the year ended 31 March 2007 (Previous year : NIL)

18.16.3 Risk exposure on derivatives

The Bank currently deals in various derivative products, i.e., Rupee and Foreign Currency Interest Rate Swaps, Currency Swaps, 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 into 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 :

(Rs. Thousands)

Sl. No	Particulars	Currency derivatives	Interest rate derivatives
(i)	Derivatives (Notional Principal Amount) *		
	a) For hedging	1,959,900	-
	b) For trading	8,009,058	129,281,967
(ii)	Marked to Market Positions		
	a) Asset (+)	291,262	2,327,092
	b) Liability (-)	-160,613	-2,442,526
(iii)	Credit Exposure	520,889	2,793,604
(iv)	Likely impact of one percentage change in interest rate (100*PV01) #		
	a) on hedging derivatives	-	36,252
	b) on trading derivatives	-	-43,694
(v)	Maximum and Minimum of 100*PV01 #		
	a) on hedging		
	- Maximum	-	35,539
	- Minimum	-	36,287
	b) on trading		
	- Maximum	-	-74,067
	- Minimum	-	47,110

Amounts stated are inclusive of impact of Currency swaps and Interest Rate Swaps.

* Does not include notional of Forward contracts and Currency options, trading or hedging.

18.17 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

Post Groen Bank, Netherlands

ING Investment Management India Private Limited

ING Vysya Bank Staff Provident Fund

ING Vysya Bank Staff Gratuity Fund

ING Vysya Bank (Employees) Pension Fund

Key Management Personnel

Whole time director(s)

The above list does not include the related parties which are having transactions with the Bank by way of deposit accounts.

(Rs. 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
Placement of deposit by Bank	- (-)	- (1,785)	- (-)	- (1,785)
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 – 987,200 (-) Outstanding – 987,200 (-)	- (-)	Maximum – 987,200 (-) Outstanding – 987,200 (-)
Deposits kept with Bank including lease deposit	Maximum – 50,463 (21,703) Outstanding – 50,463 (21,703)	Maximum – 804,652 (93,585) Outstanding – 486,786 (93,585)	Maximum – - (1,317) Outstanding - (1,317)	Maximum – 855,115 (116,605) Outstanding – 486,786 (116,605)
Borrowing	- (-)	Maximum – 1,923,593 (3,430,990) Outstanding – 1,689,033 (1,289,230)	- (-)	Maximum – 1,923,593 (3,430,990) Outstanding – 1,689,033 (1,289,230)
Call borrowing	- (-) (-)	Maximum – 748,454 Outstanding – - (-)	- (-)	Maximum – 748,454 (-) Outstanding – - (-)
Inter Bank Overseas Balance	- (-)	(-) 14,510 (1,600)	- (-)	(-) 14,510 (1,600)
Retail loans given	- (-)	1,161 (-)	- (-)	11,61 (-)
Interest paid	251 (-)	84,863 (47,890)	- (-)	85,114 (47,890)
Interest accrued but not due (payable)	2,410 (-)	14,309 (26,561)	- (-)	16,719 (26,561)
Dividend received	49,754 (22,113)	- (-)	- (-)	49,754 (22,113)

(Rs. 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
Purchase and sale of securities	- (-)	349,625 (420,120)	- (-)	349,625 (420,120)
Rendering of services	14,970 (13,202) Outstanding – 27,377 (-)	114,699 (135,988) Outstanding – - (13,967)	- (-)	129,669 (149,190) Outstanding – 27,377 (13,967)
Receiving of services	207,793 (177,493) Outstanding – 67,603 (17,469)	90,541 (61,311) Outstanding – - (-)	- (-)	298,334 (238,804) Outstanding – 67,603 (17,469)
Recompense received	32,693 (-)	- (-)	- (-)	32,693 (-)
Contribution to employee welfare funds	- (-)	103,916 (316,293) Outstanding – 62,460 (189,108)	- (-)	103,916 (316,293) Outstanding – 62,460 (189,108)
Managerial remuneration	- (-)	- (-)	10,147 (4,391)	10,147 (4,391)
Bank guarantees given (Received)	- (-)	(438,178) (229,975)	- (-)	(438,178) (229,975)
Derivative transactions - notional outstanding	- (-)	Maximum – 51,910,300 (4,938,580) Outstanding – 15,717,794 (4,938,580)	- (-)	Maximum – 51,910,300 (4,938,580) Outstanding – 15,717,794 (4,938,580)
Forward transactions	- (-)	Maximum – 146,824,897 (18,742,914) Outstanding – 815,266 (18,742,914)	- (-)	Maximum – 146,824,897 (18,742,914) Outstanding – 815,266 (18,742,914)
Premium received / (paid)	- (-)	56,767 (-) (-) 8,356 (16,403)	- (-)	56,767 (-) (-) 8,356 (16,403)

(Previous year's figures are given in parentheses)

18.18 Key Ratios**18.18.1 Capital Adequacy Ratio**

(Rs. thousands)

	31 March 2007	31 March 2006
Tier 1 capital	9,290,000	8,729,500
Tier 2 capital	6,102,500	4,308,600
Total capital	15,392,500	13,038,100
Capital ratios		
Tier 1 capital (%)	6.38%	7.14%
Tier 2 capital (%)	4.18%	3.53%
Total capital (%)	10.56%	10.67%
Percentage of shareholding of the Government of India	-	-
Amount of subordinated debt outstanding as Tier II capital	6,376,300	4,620,000

18.18.2 Business ratios and other information is set out below :

(Rs. thousands)

	31 March 2007	31 March 2006
Interest Income as a percentage to working funds \$	8.12%	7.76%
Non-interest income as a percentage to working funds	1.33%	0.88%
Operating profit as a percentage to working funds \$	1.33%	0.64%
Return on assets @	0.52%	0.05%
Business (Deposits plus advances) per employee #	48,609	42,600
Profit per employee #	166	17

\$ Working funds are reckoned as an average of total assets as reported to RBI.

@ Return on assets is with reference to average working funds.

Productivity ratios are based on year-end employee numbers.

18.19 Earnings Per Share ('EPS')

The details of EPS computation is set out below:

	31 March 2007	31 March 2006
Earnings for the year (Rs. thousands)	889,098	90,565
Basic weighted average number of shares (Nos)	90,768,759	88,480,518
Basic EPS (Rs.)	9.80	1.02
Dilutive effect of stock options (Nos)	611,576	378,821
Diluted weighted average number of shares (Nos)	91,380,335	88,859,339
Diluted EPS (Rs.)	9.73	1.02
Nominal value of shares (Rs.)	10.00	10.00

18.20 Other Disclosures**18.20.1 Customer complaints and awards passed by Banking Ombudsman****1. Customer complaints:**

Particulars	Year ended 31 March 2007	Year ended 31 March 2006
(a) No. of complaints pending at the beginning of the year	11	03
(b) No. of complaints received during the year	80	28
(c) No. of complaints redressed during the year	72	20
(d) No. of complaints pending at the end of the year	19	11

The above details are as certified by the management.

2. Awards passed by Banking Ombudsman:

Particulars	31 March 2007	31 March 2006
(a) No. of unimplemented Awards at the beginning of the year	2	1
(b) No. of Awards passed by Banking Ombudsman during the year	-	1
(c) No. of Awards implemented during the year	2	-
(d) No. of unimplemented Awards at the end of the year	-	2

The above details are as certified by the management.

18.20.2 Penalties imposed by Securities and Exchange Board of India ('SEBI')

During the previous year SEBI had based on its findings in respect of dealing of market participants in certain Initial Public Offerings ("IPO") passed an interim order restraining the Bank from participating in further IPOs and directing the bank not to open further dematerialized accounts. During the current year, based on representations made by the Bank, SEBI has passed an interim order allowing opening of fresh demat accounts, pending final order.

Subsequently, SEBI passed a Disgorgement Order on several DP participants including the Bank, for failure/ negligence in adhering to the Know Your Customer ("KYC") norms laid down by the SEBI. As per the order, the Bank is exposed to penal liability of Rs. 5,548 thousands. The Bank preferred an appeal before Securities Appellate Tribunal (SAT). SAT has put a stay to the operation of the interim order.

Additionally, SEBI issued notice to the Bank under Regulation 6 of SEBI (Proceedings for Holding Enquiry and Imposing Penalty) Regulations 2002, instituting an enquiry against the Bank in connection with the alleged contravention of the provisions of various SEBI acts/Regulations. The Bank has submitted its reply to the notice. Final order of SEBI is awaited.

18.20.3 Maturity profile of assets and liabilities at 31 March 2007 is set out below

(Rs. thousands)

	1 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 year	Over 5 years	Total
Deposits	22,356,994	9,189,202	22,406,839	27,025,958	20,644,443	23,034,553	11,546,017	17,981,888	154,185,894
Advances	11,646,598	9,720,589	17,702,257	12,185,713	17,219,096	35,540,765	5,714,216	10,032,416	119,761,650
Investments	2,918,235	3,487,789	7,593,971	7,135,025	5,476,575	7,178,298	4,397,468	7,090,770	45,278,131
Borrowings	1,566,350	4,481,020	268,558	1,698,343	326,942	84,387	9,917	14	8,435,531
Foreign Currency assets	4,113,543	1,371,285	2,658,390	1,353,805	314,013	1,369,724	270,279	67,118	11,274,957
Foreign Currency liabilities	237,083	4,430,942	82,595	1,842,894	1,093,590	4,702,552	51,103	1,043,631	13,484,390

Classification of assets and liabilities under the different maturity buckets are compiled by management based on the guidelines issued by the RBI and are based on the same estimates and assumptions as used by the Bank for compiling the return (DSB 8 and 9) submitted to the RBI.

18.20.4 Sale of Investments in ING Investment Management Private Limited (IIM)

On 27 October 2005, the Bank had sold its entire stake in IIM. Pending certain regulatory approvals this sale transaction was not accounted for in the books of the Bank upto 31 March 2007. Necessary approvals were received subsequently in April 2007 resulting in the transaction and the consequential income statement impact being recognized in 2007-08.

18.20.5 Prior Period Items

Income recorded during the current year and reported under 'Other income' includes an amount of Nil (Previous year: Rs. 1.25 crores) pertaining to prior period.

The results for the year ended 31 March 2007 also includes an amount of Nil (Previous year: Rs. 7.65 crores) under items of interest expended and interest earned representing prior period income.

18.21 Previous year's figures

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

Signatures to Schedules 1 to 18

Vaughn Richtor
Managing Director

Arun Thiagarajan
Director

Lars Kramer
Director

Philippe Damas
Director

Place: Bangalore
Date : 02 May 2007

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2007

(Rs. thousands)

IN COMPLIANCE WITH CLAUSE 32 OF LISTING AGREEMENT				
PARTICULARS	31 March 2007		31 March 2006	
(A) Cash Flow from Operating Activities				
Net Profit before Tax and Extraordinary Items	1,276,340		215,175	
Adjustments for :				
Depreciation charges	412,733		413,404	
Employee compensation expense (ESOS)	6,768		6,268	
Provision/write off of Advances and Investments	660,619		591,522	
Profit on revaluation of investment	542,474		511,417	
Provision for Standard Assets	310,500		164,536	
Other Provisions	45,736		34,840	
(Profit)/Loss on Sale of Non banking Assets (net)	-		2,991	
(Profit)/Loss on Sale of Assets (net)	(49,861)		(30,464)	
Dividend received from subsidiary/others	(53,526)		(26,998)	
Write off of other assets	-		109,520	
Cash Generated from Operation	3,151,783		1,992,211	
Less: Direct Taxes Paid	458,682		128,157	
	2,693,101		1,864,054	
Adjustments for :				
Decrease / (Increase) in Advances	(18,140,852)		(12,043,197)	
Decrease / (Increase) in Other assets	(1,748,707)		533,806	
Non-Banking Assets sold	-		30,168	
Decrease/ (Increase) in Investments	(1,901,566)		(2,942,507)	
Increase / (Decrease) in Deposits	20,833,343		7,659,501	
Increase / (Decrease) in Other liabilities	4,023,537		99,871	
Increase/ (Decrease) in Borrowings	(2,638,929)		2,766,700	
Net Cash flow from / (used in) Operating Activities		3,119,927		(2,031,604)
(B) Cash Flow from Investing Activities				
Movement in Work in Progress	29,569		(1,047,166)	
Purchase of Fixed assets / leased assets	(425,139)		(460,735)	
Sale of Fixed assets/ Leased assets	127,094		127,794	
Dividend received from subsidiary/others	53,526		26,998	
Sale proceeds - investments in Subsidiaries and Associates	-		609,000	
Net Cash flow used in Investing Activities		(214,950)		(744,109)
(C) Cash Flow from Financing Activities				
Proceeds from issue of shares	1,842		387,572	
Share premium collected	20,568		1,356,500	
Tier II bonds	1,756,311		1,120,000	
Net Cash Flow from Financing Activities		1,778,721		2,864,072
Net Increase/ (Decrease) in Cash and Cash Equivalents		4,683,698		88,359
Cash and Cash equivalents as at the beginning of the year (Including Money At Call and Short Notice)		11,233,337		11,144,978
Cash and Cash equivalents as at the end of the year (Including Money At Call and Short Notice)		15,917,035		11,233,337

As per our report of even date

For and on behalf of the Board

For BSR & Co.
Chartered Accountants

Vaughn Richtor
Managing Director

Arun Thiagarajan
Director

Zubin Shekary
Partner
Membership No: 48814

Lars Kramer
Director

Philippe Damas
Director

Place: Bangalore
Date: 2 May 2007

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	31st March 2007
3	Number of Equity Shares held by ING Vysya Bank Ltd. and/or its nominees in the subsidiary as on March 31,2007	88,45,100 equity shares of of Rs.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 March 31,2007	Rs. 210.14 lacs
	b) for the Previous financial years of the Subsidiary since it became a Subsidiary	Rs. 529.06 lacs
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 March 31,2007	Rs. 497.54 lacs
	b) for the Previous financial years of the Subsidiary since it became a Subsidiary	Rs. 687.28 lacs
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

Vaughn Richtor
Managing Director

Arun Thiagarajan
Director

Lars Kramer
Director

Philippe Damas
Director

Place: Bangalore
Date: 2 May 2007



BOARD OF DIRECTORS

Michel Zuidgeest
 Managing Director and Chief Executive Officer
 (Upto 15th April 2007)

B. Ashok Rao
 Managing Director & Chief Executive Officer
 (w.e.f 30th April 2007)

R.S. Mani
 Director

J.A. Mohan Kumar
 Director

M V S Appa Rao
 Director

COMPANY SECRETARY

Y L Narasappa

AUDITORS

M/s BSR & Co.,
 Chartered Accountants
 Bangalore

BANKERS

ING Vysya Bank Limited
 Kasturba Road
 Bangalore

ING Vysya Financial Services Limited

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

DIRECTORS' REPORT

To,
The Shareholders,

The Board of Directors has pleasure in presenting the Twentieth Annual Report on the operations of the Company together with the Audited Statement of Accounts for the financial year ended 31st March 2007.

FINANCIAL HIGHLIGHTS

Your Company has achieved the following performance:

Rs. in lakh

	for the year ended 31 st March 2007	for the year ended 31 st March 2006
GROSS INCOME	2691.55	2390.00
Administrative Expenses	1732.81	1617.63
CASH PROFIT	958.74	772.37
Depreciation	32.52	21.71
OPERATING PROFIT	926.21	750.66
PROFIT BEFORE TAX	926.21	750.66
PROVISION FOR TAX	316.42	287.11
Deferred Tax Credit / (Charge)	21.44	31.01
PROFIT AFTER TAX	588.35	494.56
Balance brought forward from Previous year	261.42	257.56
Amount Available for appropriations	849.77	752.12
Interim Dividend	331.69	221.13
Final Dividend	99.51	165.84
Corporate Dividend Tax	63.43	54.27
General Reserve	58.83	49.46
Surplus carried to Balance Sheet	296.31	261.42

FINANCIAL PERFORMANCE

During the year under report, your Company recorded a total income of Rs 2691.55 lakh as against Rs 2390.00 lakh in the previous year. The Company has posted a Net Profit of Rs. 588.35 lakh after providing Rs 32.52 lakh for depreciation and Rs 316.41 lakh for taxation as against a net profit of Rs 494.56 lakh in the previous year.

During the year under report, your Company had paid the entire amount of outstanding dues to the ING Vysya Bank Ltd as per the agreement dated 31st March 2000

DIVIDEND

During the year under review your Company distributed 150% interim dividend at the rate of Rs. 3.75 per share and the Board of Directors recommend 45% at the rate of Rs 1.125 per share in addition to the interim dividend already distributed, as a final dividend subject to the approval of the shareholders at the ensuing Annual General Meeting.

The total dividend outflow for the year 2006-07 will be 195%, as compared to 175% in the previous year.

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.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

The operations of the Company do not involve any manufacturing or processing activities. Hence, 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 are not applicable.

FOREIGN EXCHANGE EARNINGS AND OUTGO

There were no foreign exchange earnings or outflow during the year under report.

DIRECTORS

During the year, Mr. Shantanu Ghosh resigned as Director with effect from 13th March 2007 and Mr. Michel Zuidgeest from the office of the Chairman, Managing Director & Chief

Executive Officer with effect from 15th April 2007. The Board places on record its appreciation for the valuable contribution made by them during their association as Director and Managing Director & C E O respectively of your Company.

Mr. Ashok Rao, Chief of staff, IVBL was appointed as the Managing Director & Chief Executive Officer of the Company with effect from 30th April 2007. Mr. Ashok Rao brings along with him extensive experience and expertise that will help your Company achieve its goals of excellence.

The constitution of the Board of Directors of the Company is as follows :

Non – Executive Directors

Mr. R S. Mani
Mr. J A. Mohan Kumar
Mr. M V S. Appa Rao

Executive Director

Mr. Ashok Rao
Managing Director & Chief Executive Officer

Mr. R S. Mani, Director retires by rotation and being eligible offers himself for reappointment.

During the year under report 6 Board Meetings were held on 15th May 2006, 26th June 2006, 29th August 2006, 12th October 2006, 27th December 2006 and 13th March 2007.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- (i) in preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) appropriate accounting policies have been selected and applied consistently and made judgments and estimates that are 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 31st March 2007 and of the profit of the Company for the year ended 31st March 2007;
- (iii) proper and sufficient care has been taken 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) the annual accounts have been prepared on a going concern basis.

AUDITORS

M/s. B S .R. & Co, Chartered Accountants, Bangalore, the Statutory Auditors of the Company retire at the conclusion of the forthcoming Annual General Meeting and are eligible for reappointment.

Subject to the approval of the shareholders, it is proposed to appoint M/s. S R Batliboi & Co, Chartered Accountants as Statutory Auditors of the Company for the financial year 2007 – 08. Shareholders are requested to appoint the said auditors and authorize the Board of Directors to fix their remuneration.

OUTLOOK

During the year, your Company has performed well with the continued relationship of the bank branches of the parent Company. As a result of this, the overall productivity and fee-income has increased.

Your Company has carried out the marketing and distribution of third party products of ING Vysya Life Insurance Company Pvt. Ltd, and ING Vysya Life Mutual Fund and various other Asset Management Companies. The outlook for the current year 2007 – 08 continues to be encouraging.

To strengthen the relationship management of the Bank with its customers and also for better monitoring of compliance of Regulations, it is proposed to transfer the said activities of Life Insurance Agency and Mutual Funds of Wealth Management to the parent Company ING Vysya Bank Ltd. Your Company will continue to provide services to the parent Company as may be required from time to time on a non-exclusive contract basis.

ACKNOWLEDGEMENT

Your Directors express their sincere thanks to all the customers, investors, vendors, bankers, advisors, auditors and advocates for their continued support throughout the year.

Your Directors also sincerely acknowledge the significant contributions made by all the employees for their dedicated services to the Company.

Your Directors place on record their gratitude for the overall support extended by the parent company ING Vysya Bank Ltd.

For and on behalf of the Board

Ashok Rao
Managing Director &
Chief Executive Officer

J A. Mohan Kumar
Director

Date: 30th April 2007
Place: Bangalore

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 2007, and the profit and loss account 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 misstatements. An audit includes, examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimated made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides reasonable basis for our opinion.

1. As required by Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditors Report) Amendment Order, 2004 ("the order"), issued by the Central Government in terms of section 227 (4A) of the Companies Act, 1956 ("the Act"), 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 paragraph 1 above, we report that :
 - (i) 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 ;
 - (ii) 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 ;
 - (iii) 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.
 - (iv) 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 standards referred to in sub-section (3C) of section 211 of the Act;
 - (v) On the basis of the written representations received from the directors, as at 31 March 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as at 31 March 2007 from being appointed as a director in terms of clause (g) of sub – section (1) of section 274 of the Act;
 - (vi) 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 Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - (a) In the case of the balance sheet of the state of affairs of the Company as at 31 March 2007 ;
 - (b) In the case of the Profit and loss account, of the profit of the Company for the year ended on that date ;
 - (c) In the case of the cash flow statement, of the cash flow of the Company for the year ended on that date.

For BSR & Co.
Chartered Accountants

Zubin Shekary
Partner
Membership No. 48814

Bangalore
30 April 2007

ANNEXURE TO THE AUDITOR'S REPORT

Referred to in paragraph 1 of the Auditors' Report to the members of ING Vysya Financial Services Limited ("the Company") for the year ended 31 March, 2007.

We report as follows :

1. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

The fixed assets have been physically verified by the management during the year. In our opinion, the frequency 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.

No fixed assets were disposed off during the year. Consequently, clause 4(i)© of the order is not applicable of the Company.
2. The nature of the Company's operations does not require it to hold inventories. Consequently clause 4(ii) of the order is not applicable to the Company.
3. 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 Companies Act, 1956. Accordingly clauses 4(iii) (a) to 4 (iii) (g) of the order are not applicable to the Company.

4. In our opinion and according to the information and explanation given to us there are adequate internal control systems commensurate with the size of the Company and the nature of its business for purchase of fixed assets and sale of services. The activities of the Company do not involve purchase of inventory and the sale of goods. We have not observed any continuing failures to correct major weaknesses in internal control system during the course of the audit.
 5. There are no transactions during the year which needs to be entered into the register maintained under Section 301 of the Act.
 6. The Company has not accepted any deposits from the public and consequently, the directives issued by the Reserve Bank of India and the provisions of section 58A and 58AA of the Companies Act, 1956, and the rules thereunder are not applicable to the Company.
 7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
 8. According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956 in respect of the services rendered by the Company.
 9. According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has been generally regular in depositing undisputed statutory dues including provident fund, professional tax, income tax, service tax and other material statutory dues during the year with the appropriate authorities. As explained to us, the Company did not have any dues on account of employee state insurance, sales tax, excise duty, custom duty, wealth tax, investor education and protection fund. There were no dues on account of cess under section 441A of the Companies Act, 1956 since the aforesaid section has not yet been made effective by the Central Government.
- According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, professional tax, income tax and service tax were outstanding as at 31 March, 2007 for a period of more than six months from the date they become payable.
- According to the information and explanations given to us, there are no amounts in respect of provident fund, professional tax and service tax that have not been deposited with the appropriate authorities on account of any dispute. The Company has disputed the following Income tax claim :

Name of The Statute	Nature of the dues	Amount (Rs.)	Period to which the amount Relates	Amount paid (Rs.)	Forum where dispute is pending
Income Tax Act,	Tax / interest demanded	816,000	Financial year 1996-1997	Rs. NIL	The Company has preferred an Appeal before The Income Tax Appellate Tribunal

10. The Company does not have any accumulated losses at the end of financial year and has not incurred cash losses in the financial year and in immediately preceding financial year.
11. The Company has neither taken any loans from a financial institution or a bank nor issued any debentures. Consequently, clause 4(xi) of the Order is not applicable to the Company.
12. According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4(xii) of the Order are not applicable to the Company.
13. The Company is not a chit fund, nidhi, mutual benefit fund or a society. Consequently, the provisions of clause 4(xiii) of the order are not applicable to the Company.
14. According to the information and explanations given to us, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.
15. According to the information and explanations given to us, the Company has not given any gurantee for loans taken by others from banks or financial institutions. Accordingly, clause 4(xv) of the Order is not applicable.
16. The Company did not have any term loan outstanding during the year.
17. According to the information and explanations given to us and on overall examination of balance sheet of the Company, we are of the opinion that the funds raised on short term basis have not been used for long term investment
18. The Company has not made any preferential allotment of shares to companies / firms / parties covered in the register maintained under section 301 of the Companies Act, 1956.
19. The Company did not have any outstanding debentures during the year.
20. The Company has not raised any money by public issues. Accordingly, clause 4 (xx) of the Order is not applicable to the Company.
21. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For BSR & Co.
Chartered Accountants

Zubin Shekary
Partner
Membership No. 48814

Bangalore
30 April 2007

BALANCE SHEET AS AT 31 MARCH 2007

			Rs.		
PARTICULARS	SCHEDULE	31 March 2007	31 March 2006		
SOURCES OF FUNDS					
Shareholders' funds					
Share capital	2	22,112,750	22,112,750		
Reserves and surplus	3	52,610,620	43,238,191		
		<u>74,723,370</u>	<u>65,350,941</u>		
APPLICATION OF FUNDS					
Fixed assets					
Gross block	4	12,683,068	9,011,776		
Less : Accumulated depreciation		(6,617,820)	(3,365,825)		
Net block		<u>6,065,248</u>	<u>5,645,951</u>		
Deferred tax asset	15(2)	1,047,934	3,192,483		
Investments	5	920,000	9,130,173		
Current assets, loans and advances					
Sundry debtors	6	17,092,699	34,771,822		
Cash and bank balances	7	50,467,485	21,700,881		
Loans and advances	8	87,752,825	115,566,605		
		<u>155,313,009</u>	<u>172,039,308</u>		
Current liabilities and provisions					
Current liabilities	9	76,534,841	103,544,625		
Provisions	10	12,087,980	21,112,349		
Net current assets		<u>66,690,188</u>	<u>47,382,334</u>		
		<u>74,723,370</u>	<u>65,350,941</u>		
Significant Accounting Policies	1				
Notes on Accounts	15				

The schedules referred to above form an integral part of the balance sheet.

As Per our report attached

For BSR & Co.
Chartered Accountants

For ING Vysya Financial services Limited

Ashok Rao
Managing Director & CEO

J.A Mohan Kumar
Director

Zubin Sekhary
Partner
Membership No. 48814

Y.L Narasappa
Company Secretary

Sanjeev Gupta
Head - Finance & Accounts

Bangalore
Date: 30 April 2007

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2007

				Rs.
PARTICULARS	SCHEDULE	31 March 2007	31 March 2006	
Income				
Income from brokerage and commission	11	227,104,136	189,531,146	
Other income	12	42,050,848	49,469,337	
		269,154,984	239,000,483	
Expenditure				
Personnel costs	13	93,333,366	112,782,938	
Operating expenses	14	79,948,187	48,980,025	
Depreciation	4	3,251,995	2,171,506	
		176,533,548	163,934,469	
Profit for the year before tax		92,621,436	75,066,014	
Provision for tax				
- current tax		29,152,410	26,820,889	
- deferred tax (credit)/ charge		2,144,549	(1,289,146)	
- deferred tax (credit)/ charge - prior year		-	(1,812,402)	
- fringe benefit tax		2,489,086	1,890,850	
Profit for the year after taxation		58,835,391	49,455,823	
Profit brought forward from previous year		26,141,912	25,756,282	
Amount available for appropriations		84,977,303	75,212,105	
APPROPRIATIONS				
Interim dividend		33,169,125	22,112,750	
Final dividend		9,950,738	16,584,563	
Corporate dividend tax		6,343,098	5,427,298	
General reserve		5,883,539	4,945,582	
Amount carried to Balance Sheet		29,630,803	26,141,912	
		84,977,303	75,212,105	
Earnings per share (Par value-Rs 2.50 per share)	15(3)			
Basic and diluted (Rs)		6.65	5.59	
Significant accounting policies	1			
Notes to the accounts	15			
The schedules referred to above form an integral part of the Profit and Loss Account				

As Per our report attached

For BSR & Co.
Chartered Accountants

For ING Vysya Financial services Limited

Ashok Rao
Managing Director & CEO

J.A Mohan Kumar
Director

Zubin Sekhary
Partner
Membership No. 48814

Y.L Narasappa
Company Secretary

Sanjeev Gupta
Head - Finance & Accounts

Bangalore
Date: 30 April 2007

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2007

PARTICULARS	For the year ended 31 March 2007	For the year ended 31 March 2006
Rs.		
Cash Flow from Operating Activities		
Profit before taxation	92,621,436	75,066,014
Adjustments for :		
Depreciation charges	3,251,995	2,171,506
Interest income	(2,740,062)	(57,967)
Dividend income	(192,466)	(341,604)
Cash generated from operations	92,940,903	76,837,949
Less: Direct taxes paid	(33,534,784)	(27,958,173)
Adjustments for :		
(Increase) / Decrease in loans and advances	27,813,780	(75,471,270)
(Increase) / Decrease in sundry debtors	17,679,123	(16,885,302)
Increase / (Decrease) in current liabilities and provisions	(26,872,184)	88,733,069
Net cash flow from operating activities	78,026,838	45,256,273
Cash flow from investing activities		
Purchase of fixed assets and capital advances made	(3,671,292)	(3,754,704)
Proceeds from sale of investments in mutual fund	8,402,639	-
Interest received	2,740,062	57,967
Net cash flow from investing activities	7,471,409	(3,696,737)
Cash flow from financing activities		
Interim dividend paid	(49,753,688)	(22,112,750)
Tax on dividend	(6,977,955)	(3,101,313)
Net cash flow from financing activities	(56,731,643)	(25,214,063)
Net Increase/(Decrease) in cash and cash equivalents	28,766,604	16,345,473
Cash and cash equivalents as at the beginning of the year	21,700,881	5,355,408
Cash and cash equivalents as at the end of the year	50,467,485	21,700,881

Significant accounting policies (Schedule 1)

Notes to this accounts (Schedule 15)

This is the cash flow statement referred to in our report attached.

The accompanying schedules form an integral part of this statement.

As Per our report attached

For BSR & Co.
Chartered Accountants

Zubin Sekhary
Partner
Membership No. 48814

Bangalore
Date: 30 April 2007

For ING Vysya Financial services Limited

Ashok Rao
Managing Director & CEO

Y.L. Narasappa
Company Secretary

J.A. Mohan Kumar
Director

Sanjeev Gupta
Head - Finance & Accounts

SCHEDULES TO THE ACCOUNTS

Schedule 1 : Significant accounting policies

1.1 Background

ING Vysya Financial Services Limited ('the Company') is a 100% subsidiary of ING Vysya Bank Limited. 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 on commission basis. Further in the year 2003, the Company changed its name to "ING Vysya Financial Services Limited". The registered office of the Company is situated at Bangalore, Karnataka. The operations of the Company are primarily carried out at Bangalore.

1.2 Basis of preparation of financial statements

These financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting and comply with the mandatory Accounting Standards ("AS") issued by the Institute of Chartered Accountants of India ("ICAI") and the relevant provisions of the Act, to the extent applicable. The financial statements are presented in Indian rupees.

1.3 Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles ("GAAP") in India requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent liabilities at the date of the financial statements. 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 the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

1.4 Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. The cost of fixed assets includes freight, duties, taxes and incidental expenses related to acquisition and installation of fixed assets. Borrowing cost directly attributable to acquisition or construction of those fixed assets which necessarily take substantial period of time to get ready for their intended use are capitalized. Where fixed assets are acquired from a country outside India, the cost of the fixed assets includes the exchange differences (favourable as well as unfavourable) arising in respect of foreign currency loans or other liabilities incurred for the purpose of their acquisition.

Acquired intangible assets are recorded at the consideration paid for acquisition.

Advances paid towards the acquisition of fixed assets which remain unsettled at each balance sheet date and the cost incurred towards fixed assets which are not ready for their intended use at the balance sheet date are disclosed as capital work in progress.

Depreciation is provided on the straight-line method. The rates of depreciation prescribed in Schedule XIV to the Act, are considered as the minimum rates. If the management's estimate of the useful life of the asset at the time of acquisition of the asset or of the remaining useful life on a subsequent review is shorter than those envisaged in the aforesaid schedule, depreciation is provided at a higher rate based on the management's estimate of the useful life/remaining useful life.

Pursuant to this policy, depreciation on assets has been provided at the following rates, which are higher than the corresponding rates prescribed in Schedule XIV :

<i>Category of assets</i>	<i>Useful life (in years)</i>
Computers and software	3
Office equipment	5
Furniture and fixtures	10

Depreciation on additions to and deletions from fixed assets is provided pro rata for/up to the period of use respectively.

Assets individually costing less than Rs 10,000 are depreciated fully in the year of purchase.

Software whose actual cost does not exceed Rs.100,000 is fully charged off during the year of purchase.

1.5 Revenue recognition

The Company derives its revenue primarily from marketing and distribution of insurance policies and units of mutual funds. The Company recognizes its revenue on the following basis:

Brokerage for marketing of mutual fund units are recognized on accrual basis based on the terms of the contract. First year brokerage is recognized upon allotment of mutual funds units. Trail commission is recognized on accrual basis based on account statement received from mutual fund customers.

Commission for marketing of insurance policies is recognised on issue of policy to the customer by insurance company and is based on terms of contract and statements received from insurance companies.

Brokerage for marketing of bonds and government securities is recognised on completion of the purchase transaction for the customer.

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.

The Company receives reimbursement for expenses incurred for business promotion efforts made for its customers. As these reimbursements are not directly identifiable against specific items of expenses, these are disclosed as other income.

Commission received for touch point verification services rendered is recognized based on contractual terms and rates.

SCHEDULES TO THE ACCOUNTS (Contd...)

1.6 Investments

Long term investments are valued at cost. The carrying value is adjusted for diminution in value, other than temporary. Short term investments are valued at cost or market value whichever is lower.

written down or written up to reflect the amount that is reasonably/ virtually certain (as the case may be) to be realized.

1.7 Retirement benefits

Gratuity, a defined benefit scheme, is accrued based on independent actuarial valuation at the balance sheet date.

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.

Contributions to the recognized provident fund, which is a defined contribution scheme, are charged to the profit and loss account.

Consequent to the introduction of Fringe Benefit Tax ("FBT") effective 1 April 2005, the Company provides for and discloses the FBT in accordance with the provisions of section 115WC of the Income Tax Act, 1961 and the guidance note on FBT issued by the ICAI.

The Company does not have a policy for encashment of accrued leave.

1.9 Earnings per share ('EPS')

The basic earnings per share is computed by dividing the net profit attributable to equity shareholders for the year by the weighted average number of equity shares outstanding during the year. The Company has no potentially dilutive equity shares as at the year end.

1.8 Taxation

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 that there is reasonable certainty that the assets can be realized in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognized only if there is a virtual certainty of realization of such assets. Deferred tax assets are reviewed as at each balance sheet date and

1.10 Provisions and contingencies

The Company recognizes a provision when there is a present obligation as a result of a past (or obligating) event that probably required an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

SCHEDULES TO THE BALANCE SHEET

Rs.

PARTICULARS	AS AT 31 March 2007	AS AT 31 March 2006
SCHEDULE 2		
Share capital		
Authorised capital		
40,000,000 (Previous year: 40,000,000) equity shares of Rs.2.50 each (Previous year: Rs 2.50 each)	100,000,000	100,000,000
Issued, subscribed and paid-up capital		
8,845,100 equity shares of Rs.2.50 each (Out of above 8,845,040 (Previous year: 8,845,040) equity shares of Rs.2.50 each (Previous year: Rs 2.50 each), fully paid are held by ING Vysya Bank Limited, the holding company. The balance shares are jointly held by ING Vysya Bank Limited with its nominee)	22,112,750	22,112,750
SCHEDULE 3		
Reserves and Surplus		
A. General reserve		
Opening balance	17,096,279	12,150,697
Add: Additions during the year	5,883,539	4,945,582
Total (a)	22,979,818	17,096,279
B. Profit and loss account		
Total (b)	29,630,803	26,141,912
Total (a+b)	52,610,620	43,238,191

SCHEDULES TO THE BALANCE SHEET (Contd...)

SCHEDULE 4

FIXED ASSETS

Rs.

Assets	Gross block			Accumulated depreciation				Net block	
	As at 1 April 2006	Additions	Deletions	As at 31 March 2007	As at 1 April 2006	Charge for the year	Deletions	As at 31 March 2007	As at 31 March 2006
Tangible assets									
Computers	7,658,087	1,671,601	-	9,329,688	3,173,540	2,848,666	-	3,307,482	4,484,547
Office equipment	603,396	179,691	-	783,087	136,025	143,240	-	503,822	467,371
Furniture and fixtures	464,745	-	-	464,745	126	46,475	-	418,144	464,619
Intangible assets									
Computer software	285,548	1,820,000	-	2,105,548	56,134	213,614	-	1,835,800	229,414
Total	9,011,776	3,671,292	-	12,683,068	3,365,825	3,251,995	-	6,065,248	5,645,951
Previous year	5,257,072	3,754,704	-	9,011,776	1,231,831	2,133,994	-	5,645,951	-

Certain leased assets having net book value of Rs 37,512 were written off at 31 March 2005. In addition to the depreciation amount presented in the schedule above, such net block of Rs 37,512 was charged as depreciation during the year ended 31 March 2006

SCHEDULES TO THE BALANCE SHEET (Contd...)

	Rs.	
PARTICULARS	AS AT 31 March 2007	AS AT 31 March 2006
SCHEDULE 5		
INVESTMENTS		
Investments -Non trade, quoted (at market value)		
NIL units (previous year- 758,929 units) of ING Vysya Liquid Fund (Market value Rs. NIL) (previous year Rs.8,210,173)	-	8,210,173
Investments-Non trade, unquoted (valued at cost)		
92 units (previous year- 92 units) of National Housing Board Capital gain bonds 2002	920,000	920,000
	920,000	9,130,173
Aggregate amount of quoted investment	-	8,210,173
Aggregate amount of unquoted investment	920,000	920,000
SCHEDULE 6		
Sundry debtors (Unsecured, considered good)		
Debtors outstanding for a period exceeding six months	15,030	-
Other debts	17,077,669	34,771,822
	17,092,699	34,771,822
SCHEDULE 7		
Cash and bank balances		
Cash in hand	3,204	6,611
Balances with scheduled banks		
-in current account	464,281	21,588,270
-deposit account	50,000,000	106,000
	50,467,485	21,700,881
SCHEDULE 8		
Loans and advances (unsecured, considered good)		
Advances (recoverable in cash or in kind or for value to be received)	2,109,107	1,069,065
Advance tax (net of provision for tax)	12,990,503	5,627,765
Other current assets**	72,653,215	108,869,775
	87,752,825	115,566,605
** includes recoverable from ING Vysya Bank, the holding company Rs.67,603,224 (Previous year Rs.89,760,436)		
SCHEDULE 9		
Current liabilities		
Salary payable	17,045,048	25,267,604
Other liabilities	59,489,793	78,277,021
	76,534,841	103,544,625
SCHEDULE 10		
Provisions		
Date: 10 May 2007		
Proposed dividend	9,950,738	16,584,563
Dividend tax	1,691,128	2,325,985
Provision for gratuity	446,114	308,514
Provision for fringe benefit tax	-	117,290
Provision for taxation (net of payments of advance tax)		1,775,997
	12,087,980	21,112,349

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT (Contd...)

PARTICULARS	Rs.	
	AS AT 31 March 2007	AS AT 31 March 2006
SCHEDULE 11		
Income from brokerage and commission		
Brokerage		
Mutual Fund	121,948,467	102,507,425
Bonds	481,575	1,682,714
Government Securities	-	622,634
Commission		
Life Insurance	104,152,012	81,723,779
General Insurance	522,082	2,994,594
	227,104,136	189,531,146
SCHEDULE 12		
Other income		
Interest income	2,740,062	57,967
[Tax deducted at source Rs.614,870 (previous year Rs.13,008)]		
Reimbursements for business promotion services for customers	28,595,295	26,614,897
Touch point verification services	6,127,282	18,838,890
Dividend income	192,466	341,604
Recovery from lease assets	2,805,111	1,107,660
Miscellaneous income	1,590,632	2,508,319
	42,050,848	49,469,337
SCHEDULE 13		
Personnel costs		
Salaries and allowances*	87,649,695	110,686,608
Contribution to provident fund and other funds	3,986,925	1,885,233
Staff welfare expenses	1,696,746	211,097
	93,333,366	112,782,938
*includes Rs. 15,381,092 (previous year Rs. 10,177,184) reimbursed to ING Vysya Bank, the holding company, for staff deputed to the Company		
SCHEDULE 14		
Operating expenses		
Recompense to ING Vysya Bank (Refer note 15.1)	32,692,609	-
Service tax	13,262,481	13,214,059
Business development expenditure	12,829,523	3,263,735
Rent	4,055,680	2,864,968
Travelling and conveyance	4,709,805	9,833,671
Service charges	3,826,762	1,593,282
Telephone	3,578,959	9,950,676
Legal and professional charges	1,108,618	2,408,115
Printing and stationery	835,834	1,099,952
Advertisement and marketing expenses	702,562	2,127,013
Statutory audit fees	532,652	269,500
Staff training expenses	494,916	269,718
Postage and telegram	302,121	317,869
Filing, registration and renewal fees	56,067	164,735
Insurance	43,926	40,000
Donation	-	1,000,000
Miscellaneous expenses	915,672	562,732
	79,948,187	48,980,025

SCHEDULES TO THE ACCOUNTS

15. Notes to the accounts

1. Contingent liabilities and commitments

Rs.

	31 March 2007	31 March 2006
<i>Commitments :</i>		
Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for	1,700,000	3,500,000
Commitments to recompense ING Vysya Bank Limited *	Nil	32,693,000
<i>Contingent liabilities:</i>		
Income tax demand for which appeals are pending	816,000	816,000
Claims not acknowledged as debt	Nil	54,000

* ING Vysya Bank, the holding company, had in the earlier years supported the Company by way of waiver of interest on outstanding loans to the Company and agreeing for conversion of its debt into equity and also agreeing for a capital reduction. Such waivers were given to the Company with a condition that the Company should repay such waived loans as and when it recovers the money from its old lessees towards the lease transactions.

The Company continued to pay such amounts received to ING Vysya Bank upto the year ended 31 March 2006 and the balance amount of Rs 32,693,000 was disclosed as contingent liability as at 31 March 2006, which was payable to ING Vysya Bank, out of recoveries made by the Company against the lease receivables in future.

During the current year, the Company entered into final settlement with ING Vysya Bank against this liability. As part of settlements, ING Vysya Bank waived all its claims towards the Company and the Company repaid an amount of Rs 32,692,609 as full and final settlement. This amount paid to the Bank is charged off in the profit and loss account in the current year.

2. Deferred tax

Components of deferred tax asset and liability are as follows :

Rs.

	31 March 2007	31 March 2006
Deferred tax assets / (liability) on account of provision	(81,508)	1,725,448
Deferred tax assets on account of depreciation	1,129,442	1,467,035
Deferred tax asset / (liability)	1,047,934	3,192,483

3. Earnings per share ('EPS')

The computation of basic and diluted earnings per share is set out below.

Rs.

	31 March 2007	31 March 2006
Profit after tax	58,835,391	49,455,823
Weighted average number of equity shares outstanding during the year considered for computation of basic and diluted EPS.	8,845,100	8,845,100
Basic and diluted earnings per share of face value Rs.2.50 each	6.65	5.59

4. Related party transactions

i) Related parties where control exists –

ING Vysya Bank Limited - Holding company

ii) Key management personnel

Michel Zuidgeest - Managing Director (subsequently resigned on 15 April 2007)

SCHEDULES TO THE ACCOUNTS (Contd...)

The following is a summary of significant related party transactions with the holding company:

Rs.

	31 March 2007	31 March 2006
Income:		
Service charges received	50,715,643	19,461,524
Reimbursement received for expenses :		
Reimbursement of salary, legal expenses, consultancy charges received	186,335,240	81,439,951
Rent received	72,000	96,000
Reimbursements and payments for services:		
Salary and other reimbursements paid	8,069,558	9,623,399
Rent payment for office and computers	6,898,932	3,179,199
Interest on deposit	2,201	9,000
Payment of interim dividend	33,169,125	22,112,750
Recompense paid	32,692,609	Nil

iii) The Company has the following amounts due from/to holding company

Rs.

	31 March 2007	31 March 2006
Receivables :		
Receivables	67,603,224	89,686,861
Interest accrued on bank deposits	2,409,550	-
Payables :		
Payables	27,376,939	7,225,328
Balance with Bank-		
in current account	464,281	21,588,270
in deposit account	50,000,000	106,000

The Company has no transactions with key management personnel during the year.

5. Auditors' remuneration (excluding service taxes)

Rs.

	31 March 2007	31 March 2006
Statutory audit fees	400,000	250,000
Out of pocket expenses	29,912	19,500

6. Leases

The Company has entered into a non-cancelable operating lease for its office premises. The future minimum lease payments in respect of non-cancelable operating lease are as follows:

Rs.

	31 March 2007	31 March 2006
Future minimum lease payments		
Not later than one year	-	1,654,240
Later than one year but not later than five years	-	283,502
Later than five years	-	-

Total amount of lease rentals debited to profit and loss account in respect of non-cancelable operating lease during the year is Rs.1,355,000 (previous year: Rs.1,533,004). Additionally, the Company has also taken office premise under cancelable operating lease. Such lease is for the period of 3 years, cancelable by both parties by giving two months notice.

SCHEDULES TO THE ACCOUNTS (Contd...)

Total amount of lease rentals debited to profit and loss account in respect of cancelable operating lease is Rs.2,700,680 (previous year: Rs. 1,331,964)

The Company does not have any leases under finance lease.

7. The Board of directors, in its meeting held on 12 October 2006 proposed to transfer its wealth management business, i.e. business of brokerage and commission on marketing and distribution of mutual funds and insurance policies to ING Vysya Bank Limited, the holding company.
8. The Company is engaged in the business of marketing and distribution of mutual fund units and insurance products of its customers. The income of the Company is brokerage and commission received for providing the above services which is not capable of being expressed in any generic unit and hence, it is not possible to give the quantitative details required under paragraphs 3, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956.
9. There are no amounts outstanding to small-scale industrial undertakings as at 31 March 2007 (Previous year: Nil).

10. Segment Reporting

The Company is engaged in a single business of marketing of mutual fund units and insurance policies within India only. There are no other geographical and business segments.

11. Expenditure/Earning in Foreign Currency is Rs. Nil. (Previous year: Nil)
12. Managerial remuneration Rs. Nil. (Previous year: Nil)
13. Figures for the previous year have been re-grouped wherever necessary to conform to this year's classification.

For ING Vysya Financial Services Limited

Ashok Rao
Managing Director & CEO

J A Mohan Kumar
Director

Date : 30 April 2007

BALANCE SHEET ABTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details			
Registration No.	8144	State Code	08
Balance Sheet	31.03.2007		
II. Capital raised during the year (Amount in Rs. Thousands)			
Public Issue	NIL	Bonus Issue	NIL
Right Issue	NIL	Private Placement	NIL
III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)			
Total Liabilities	74723	Total Assets	74723
Sources of Funds			
Paid-up Capital	22113	Secured Loans	NIL
Reserves & Surplus	52611	Unsecured Loans	NIL
Application of Funds			
Net Fixed Assets	6065	Net Current Assets	66690
Investments	920	Deferred Tax Assets	1048
Accumulated Losses	NIL	Misc. Expenditure	NIL
IV Performance of Company (Amount in Rs. Thousands)			
Turnover	269155	Total Expenditre	176534
Profit Before Tax	92621	Profit After Tax	58835
Earning per Share in Rs.	6.65	Dividend Rate %	195%
V Generic Names of Three Principal Products / Service of Company (as pr monetary terms)			
Item Code No. (ITC Code)	----- Not Applicable -----		
Product Description	----- Not Applicable -----		

As Per our report annexed

For ING Vysya Financial Services Ltd.

B ASHOK RAO
Managing Director & CEO

Y.L. NARASAPPA
Company Secretary

BANGALORE
Dated : 30.04.2007

J.A. MOHAN KUMAR
Director

SANJEEV GUPTA
Head-Finance & Accounts

AUDITORS' REPORT

To the Board of Directors of ING Vysya Bank Limited On the Consolidated Financial Statements of ING Vysya Bank Limited, its subsidiary and associate

We have audited the attached Consolidated Balance Sheet of ING Vysya Bank Limited ("the Bank") and its consolidated entities, namely ING Vysya financial Services Limited (IVFSL), a subsidiary and ING Investment Management (India) Private Limited (IIM), an associate (collectively referred to as 'the Group') as at 31 March 2007, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These Consolidated 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 related financial information regarding components. Our responsibility is to express an opinion on these Consolidated 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 consolidated financial statements are free from 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements and other financial information, in so far as it relates to the amounts included in respect of associate company, IIM is audited by M/s BSR & Associates. Pending completion of audit of financial statements of IIM by its statutory auditors, the un-audited financial statements of IIM have been considered in the preparation of the consolidated financial statements. The carrying value of investments in IIM included in these consolidated financial statements as on 31 March 2007 is Rs 11,717 thousands (0.01% of the total assets of the Bank).

We report that the Consolidated financial statements have been prepared by the Bank's management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated financial statements and AS 23, Accounting for investments in associates in consolidated financial statements issued by the Institute of Chartered Accountants of India.

In our opinion, the attached Consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) in the case of the Consolidated Balance Sheet of the state of affairs of the Group as at 31 March 2007;
- (ii) in the case of the Consolidated Profit and Loss account, of the profit of the Group for the year ended 31 March 2007;
- and
- (iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended 31 March 2007.

For BSR & Co.
Chartered Accountants

Zubin Shekary
Partner
Membership No. 48814

Place : Bangalore
Date : 18 May 2007

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2007

				(Rs. thousands)	
PARTICULARS	SCHEDULE	31 March 2007	31 March 2006		
CAPITAL AND LIABILITIES					
Capital	1	909,048	907,206		
Reserves and Surplus	2	10,101,011	9,271,325		
Deposits	3	154,135,430	133,352,423		
Borrowings	4	8,435,531	11,074,460		
Other Liabilities and Provisions	5	19,189,961	13,127,304		
TOTAL		192,770,981	167,732,718		
ASSETS					
Cash and Balance with Reserve Bank of India	6	9,458,133	8,416,521		
Balance with Banks and Money at call and short notice	7	6,458,905	2,838,389		
Investments	8	45,170,480	43,631,584		
Loans and Advances	9	119,761,650	102,315,253		
Fixed Assets	10	3,966,848	4,060,501		
Other Assets	11	7,954,965	6,470,470		
TOTAL		192,770,981	167,732,718		
Contingent Liabilities	12	402,098,382	273,920,421		
Bills for collection		14,479,933	14,785,434		
Significant Accounting Policies	17				
Notes on Accounts	18				

As per our report of even date

For and on behalf of the Board

For BSR & Co.
Chartered Accountants

Zubin Shekary
Partner
Membership No: 48814

Vaughn Richtor
Managing Director

Arun Thiagarajan
Director

Place: Bangalore
Date: 18 May 2007

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2007

(Rs. thousands)			
PARTICULARS	SCHEDULE	31 March 2007	31 March 2006
INCOME			
Interest Earned	13	14,016,257	12,224,406
Other Income	14	1,912,455	1,740,067
TOTAL		15,928,712	13,964,473
EXPENDITURE			
Interest Expended	15	8,592,860	7,412,477
Operating Expenses	16	4,999,464	5,285,879
Provisions and Contingencies		1,437,884	950,727
TOTAL		15,030,208	13,649,083
PROFIT / (LOSS)			
Net Profit/(Loss) for the period		898,504	315,390
Share of loss in Associates		(17,186)	(7,744)
Consolidated Net Profit / (Loss) for the year attributable to the Group		881,318	307,646
Add: Brought forward consolidated profit / (loss) attributable to the Group		(142,710)	(510,899)
Add: Reversal on account of divestment of associate		-	(197,481)
Add: Transfer from Investment Fluctuation Reserve		-	551,037
TOTAL		738,608	150,303
Transfer to statutory reserve		222,274	22,641
Transfer to capital reserve		395,747	260,000
Transfer to other reserves		5,884	4,946
Transfer to Investment Reserve		30,508	-
Proposed dividend		59,089	-
Dividend tax		16,385	5,427
Balance carried to consolidated Balance Sheet		8,721	(142,710)
TOTAL		738,608	150,303
Earnings Per Share (Rs. Per Equity Share of Rs.10 each)			
Basic		9.71	3.48
Diluted		9.64	3.46
Number of shares used in computing Earnings Per Share			
Basic		90,768,759	88,480,518
Diluted		91,380,335	88,859,339

As per our report of even date

For and on behalf of the Board

For BSR & Co.

Chartered Accountants

Zubin Shekary

Partner

Membership No: 48814

Vaughn Richtor

Managing Director

Arun Thiagarajan

Director

Place : Bangalore

Date : 18 May 2007

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2007

(Rs. thousands)			
PARTICULARS	SCHEDULE	31 March 2007	31 March 2006
SCHEDULE I - CAPITAL			
AUTHORISED CAPITAL			
350,000,000 (Previous Year 100,000,000) Equity Shares of Rs.10 each		3,500,000	1,000,000
100,000,000 (Previous Year 100,000,000) Preference Shares of Rs.10 each		1,000,000	1,000,000
ISSUED CAPITAL			
91,259,970 (Previous Year 91,087,698)			
Equity shares of Rs.10 each		912,600	910,877
SUBSCRIBED AND CALLED UP CAPITAL			
90,904,791 (Previous Year 90,720,579)			
Equity Shares of Rs.10 each Fully Called and Paid up		909,048	907,206
TOTAL		909,048	907,206
SCHEDULE 2 - RESERVES AND SURPLUS			
I. STATUTORY RESERVE			
Opening Balance		2,007,747	1,985,106
Additions during the year		222,274	22,641
Total (A)		2,230,021	2,007,747
II. CAPITAL RESERVE			
a) Revaluation Reserve			
Opening Balance		1,115,436	1,174,610
Less: Revaluation reserve reversed consequent to sale/transfer of assets		-	51,284
Less: Depreciation transferred to Consolidated Profit and Loss Account		7,607	7,893
Total (B)		1,107,829	1,115,433
b) Others			
Opening Balance		648,602	388,602
Add: Transfer from Consolidated Profit and Loss Account		395,747	260,000
Total (C)		1,044,349	648,602
III. SHARE PREMIUM			
Opening Balance		4,361,842	1,973,983
Add: Additions during the year		20,568	2,387,859
Total (D)		4,382,410	4,361,842
TOTAL CAPITAL RESERVE (B+C+D)		6,534,588	6,125,877
IV. CAPITAL RESERVE ON CONSOLIDATION			
Opening Balance		119,896	174,303
Add: Additions during the year		9,519	(54,407)
Total (E)		129,415	119,896
V. REVENUE AND OTHER RESERVES			
(a) Revenue Reserves			
Opening Balance		1,143,501	871,241
Addition on consolidation of subsidiary		5,884	4,946
Transferred during the year from Consolidated Profit and Loss Account		-	267,315
TOTAL (a)		1,149,385	1,143,502
(b) Investment Fluctuation Reserve			
Less: Transfer to Consolidated Profit and Loss Account		-	551,037
TOTAL (b)		-	-

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2007

PARTICULARS	(Rs. thousands)	
	31 March 2007	31 March 2006
(c) Investment Reserve		
Add: Additions during the year	30,508	-
TOTAL (c)	30,508	-
TOTAL (F) (a+b+c)	1,179,893	1,143,502
(G) Employee stock option scheme outstanding (net)	18,373	17,014
VI. BALANCE IN CONSOLIDATED PROFIT AND LOSS ACCOUNT (H)	8,721	(142,710)
TOTAL (I to VI)	10,101,011	9,271,325
SCHEDULE 3 - DEPOSITS		
A. I. Demand Deposits		
i. From Banks	584,422	513,190
ii. From Others	18,351,456	14,577,279
II. Savings Bank Deposits	25,639,043	20,934,547
III. Term Deposits		
i. From Banks	13,741,728	24,543,730
ii. From Others	95,818,781	72,783,677
TOTAL (I to III)	154,135,430	133,352,423
B. Deposits of Branches In India	154,135,430	133,352,423
TOTAL	154,135,430	133,352,423
SCHEDULE 4 - BORROWINGS		
I. Borrowings in India		
i. Reserve Bank of India	600,000	4,40,000
ii. Other Banks	1,500,000	3,065,472
iii. Other Institutions and Agencies	149,656	211,475
II. Borrowings outside India	6,185,875	7,357,513
TOTAL (I to II)	8,435,531	11,074,460
Secured Borrowings included in (I) & (II) above is NIL(Previous Year : NIL)		
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I. Bills Payable	3,678,110	3,138,892
II. Inter Office Adjustments (Net)	1,936,643	157,470
III. Interest Accrued	291,921	231,718
IV. Subordinated Debt -Tier II Bonds (Refer note 18.20)	6,376,311	4,620,000
V. Contingent Provision against Standard Assets	697,200	386,700
VI. Others (Including Provisions)	6,209,776	4,592,524
TOTAL (I to VI)	19,189,961	13,127,304
SCHEDULE 6 - CASH AND BALANCE WITH RESERVE BANK OF INDIA		
I. Cash In Hand (Including Foreign Currency Notes)	1,525,724	1,123,988
II. Balances With Reserve Bank of India		
i. In Current Account	7,932,409	7,292,533
ii. In Other Accounts	-	-
TOTAL (I to II)	9,458,133	8,416,521

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2007

		(Rs. thousands)	
PARTICULARS		31 March 2007	31 March 2006
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE			
I.	In India		
	i) Balances With Banks		
	a) In Current Accounts	1,233,076	934,257
	b) In Other Deposit Accounts	1,753,930	1,891,302
	ii) Money at Call and Short Notice		
	a) With Banks	1,000,000	-
	b) With Others	-	-
	TOTAL (i to ii)	3,987,006	2,825,559
II.	Outside India		
	i) In Current Accounts	37,579	12,830
	ii) In Other Deposit Accounts	2,434,320	-
	TOTAL (i to ii)	2,471,899	12,830
	GRAND TOTAL (I to II)	6,458,905	2,838,389
SCHEDULE 8 - INVESTMENTS (NET)			
I.	Investments in India		
	i) Government Securities	40,448,136	37,529,055
	ii) Other Approved Securities	2,140	1,681
	iii) Shares	16,040	54,224
	iv) Debentures and bonds	2,948,431	4,193,594
	v) Subsidiaries/Joint Ventures	11,717	19,384
	vi) Others (Mutual funds commercial papers and post office deposits)	1,744,016	1,833,645
	TOTAL	45,170,480	43,631,584
II.	Investments Outside India	-	-
	GRAND TOTAL	45,170,480	43,631,584
	GROSS INVESTMENTS	45,441,021	43,991,647
	LESS: Depreciation/Provision for Investments	(270,541)	(360,063)
	NET INVESTMENTS	45,170,480	43,631,584
SCHEDULE 9 - ADVANCES(Net)			
A.	i) Bills Purchased and Discounted	7,742,104	6,965,112
	ii) Cash Credits, Overdrafts and Loans repayable on demand	49,549,086	43,978,909
	iii) Term loans	62,470,460	51,371,232
	TOTAL	119,761,650	102,315,253
B.	i) Secured by Tangible Assets	101,518,803	87,087,322
	ii) Covered by Bank/Government Guarantees	1,467,989	2,319,648
	iii) Unsecured	16,774,858	12,908,283
	TOTAL	119,761,650	102,315,253
C.	I ADVANCES IN INDIA		
	i) Priority Sector	42,001,170	36,570,400
	ii) Public Sector	2,249,354	1,604,374
	iii) Banks	532,901	241,724
	iv) Others	74,978,225	63,898,755
	II ADVANCES OUTSIDE INDIA	-	-
	TOTAL	119,761,650	102,315,253

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2007

		(Rs. thousands)	
PARTICULARS		31 March 2007	31 March 2006
SCHEDULE 10 - FIXED ASSETS			
I. Premises			
i)	At cost as on 31 March of preceding year	1,032,750	1,135,710
ii)	Appreciation in the value	1,172,709	1,198,379
iii)	Additions during the year	-	5,303
		2,205,459	2,339,392
iv)	Deductions during the year	(50,696)	(133,934)
v)	Depreciation to date	(199,568)	(177,522)
I A.	Premises under construction	1,040,049	1,038,916
	TOTAL	2,995,244	3,066,852
II. Other Fixed Assets (Including Furniture and Fixtures)			
i)	At cost as on 31 March of the preceding year	2,750,057	2,386,702
ii)	Deduction on divestment of subsidiary	-	-
iii)	Additions during the year	428,810	430,730
		3,178,867	2,817,432
iv)	Deductions during the year	(50,934)	(67,375)
v)	Depreciation to date	(2,373,472)	(2,054,782)
II A.	Capital work in progress	52,338	83,040
	TOTAL	806,799	778,315
III. Lease Fixed Assets			
i)	At cost as on 31 March of the preceding year	1,815,842	1,815,842
ii)	Additions during the year	-	-
		1,815,842	1,815,842
iii)	Deductions during the year	(275,257)	-
iv)	Depreciation to-date	(1,310,030)	(1,492,512)
v)	Add: Lease adjustment account	191,671	152,916
vi)	Less: Provision / Write off of non performing assets	(257,421)	(260,912)
	TOTAL	164,805	215,334
	GRAND TOTAL (I to III)	3,966,848	4,060,501
SCHEDULE 11 - OTHER ASSETS			
I.	Interest accrued	1,428,022	1,240,983
II.	Tax paid in advance and tax deducted at source (net)	640,316	893,264
III.	Stationery and stamps	9,575	21,712
IV.	Non banking assets acquired in satisfaction of claims (net)	1,027,527	1,027,527
V.	Others	4,849,525	3,286,984
	TOTAL	7,954,965	6,470,470
SCHEDULE 12 - CONTINGENT LIABILITIES			
I.	Claims against the bank not acknowledged as debts	85,151	118,194
II.	Liability for partly paid investments	-	-
III.	Liability on account of outstanding Forward Exchange contracts	150,744,419	90,477,247
IV.	Liability on account of Outstanding Derivative Contracts	211,622,534	150,340,333
IV.	Guarantees given on behalf of constituents in India	22,126,195	17,920,365
V.	Acceptances, Endorsements and Other Obligations	15,853,094	13,715,861
VI.	Other items for which the bank is contingently liable	1,666,989	1,348,421
	TOTAL	402,098,382	273,920,421

SCHEDULES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

	(Rs. thousands)	
PARTICULARS	31 March 2007	31 March 2006
SCHEDULE 13 - INTEREST EARNED		
i. Interest/Discount on advances/bills	9,595,861	8,245,134
ii. Income on investments	3,328,716	3,027,138
iii. Interest on balances with RBI and other inter bank funds	289,096	264,901
iv. Others (includes IRS income)	802,584	687,233
TOTAL	14,016,257	12,224,406
SCHEDULE 14 - OTHER INCOME		
i. Commission, Exchange and Brokerage	1,832,521	1,446,566
ii. Profit/ (Loss) on sale of investments (net)	251,595	396,091
iii. Profit on revaluation of investments (net)	(542,474)	(511,417)
iv. Profit/ (Loss) on sale of land, buildings and other assets (net)	49,861	30,464
v. Profit on Exchange transactions (net)	(45,102)	70,592
vi. Income earned by way of dividends etc.from subsidiaries/companies and joint ventures abroad/in India	3,965	5,227
vii. Lease income	4,422	3,918
viii. Miscellaneous income (including bad debt recoveries)	357,667	298,626
TOTAL	1,912,455	1,740,067
SCHEDULE 15 - INTEREST EXPENDED		
i. Interest on Deposits	7,124,885	6,170,310
ii. Interest on Reserve Bank of India/Inter-Bank borrowings	269,061	328,619
iii. Others (including interest on Tier II Bonds and IRS)	1,198,914	913,548
TOTAL	8,592,860	7,412,477
SCHEDULE 16 - OPERATING EXPENSES		
i. Payments and Provisions for Employees	2,478,087	2,454,724
ii. Rent, Taxes and Lighting	401,441	353,673
iii. Printing and Stationery	112,170	106,018
iv. Advertisement and Publicity	35,581	55,678
v. Depreciation on Bank's Property	382,771	374,167
vi. Director's Fees, Allowances & Expenses	7,211	8,393
vii. Auditors' Fees and Expenses (Including Branch Auditors)	11,059	9,867
viii. Law Charges	20,695	20,841
ix. Postage, Telegrams, Telephones	196,422	189,649
x. Repairs and Maintenance	248,801	355,225
xi. Insurance	194,864	188,596
xii. Other expenditure	910,362	1,169,048
TOTAL	4,999,464	5,285,879

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 acquisition of stake in the Bank by ING Group N.V. in August 2002, the name of the Bank was changed from "The 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 such as insurance products, mutual funds etc. of companies/banks. ING Investment Management (India) Private Limited ("IIM") an associate of the Bank, is an asset management company managing the investment portfolio of ING Vysya Mutual Fund and provides various administrative services of the Trust.

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The consolidated financial statements of the Bank, its wholly owned subsidiary and its associate company (hereinafter referred to as "the Group") are prepared under the historical cost convention and accrual basis of accounting, unless otherwise stated and in accordance with generally accepted accounting principles in India and conform to the statutory requirements prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India ("RBI") from time to time to the extent they have financial statement impact and current practices prevailing within the banking industry in India. The financial statements comply with the applicable mandatory Accounting Standards ("AS") issued by the Institute of Chartered Accountants of India ("ICAI").

3 USE OF ESTIMATES

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles in India 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 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

4.1 The consolidated financial statements include the financial statements of the Bank, its subsidiary and associate.

4.2 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.

4.3 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.

4.4 Further, the Bank accounts for its investment in associate as defined by AS 23 - 'Accounting for investments in associates in consolidated financial statement' by the equity method of accounting. Accordingly, any excess/ shortfall of the cost to the Bank of its investment in its associate over its portion of equity of the associate, at the date on which investment in the associate is made, is recognised as goodwill/capital reserve in the consolidated financial statements.

4.5 The reporting date for the subsidiary and associate is 31 March 2007. For the purposes of preparation of the consolidated financial statements, the audited financial statements of subsidiary and unaudited financial statements of associate have been considered. The carrying value of the investment in associate in the consolidated financial statements as at 31 March 2007 is Rs. 11,717 thousands, which represents the proportionate share of the net worth of the associate.

5 REVENUE RECOGNITION

a. Income and Expenditure is accounted on accrual basis except as stated below:

Interest on advances, non-performing 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 on 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 upto 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 from marketing of mutual fund units, bonds and insurance policies:

Brokerage for marketing of mutual fund units are recognised on accrual basis based on the terms of the contract. First year brokerage is recognised upon allotment of mutual funds units. Trail commission is recognised on accrual basis based on account statement received from mutual fund customers.

Brokerage for marketing of bonds and government securities is recognised on completion of the purchase transaction for the customer

Commission for marketing of insurance policies is recognised on issue of policy to the customer by insurance company and is based on terms of contract and statements received from insurance companies.

6 TRANSACTIONS INVOLVING FOREIGN EXCHANGE:

- a. 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.
- b. Outstanding forward 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.
- c. Contingent liabilities denominated in foreign currencies are disclosed in the balance sheet date at the rates notified by FEDAI.

7 DERIVATIVE TRANSACTIONS

Derivative transactions comprise forwards, 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 and in other assets/other liabilities. Derivative transactions designated as "Hedge" are accounted for on an accrual basis.

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, Subsidiaries and Joint Ventures and Others, in accordance with Schedule III 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 valuation, the Bank's investments are classified into three categories, i.e. 'Held to Maturity', 'Held for Trading' and 'Available for Sale':

- 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. 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. 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.

Interest accrued on such instruments is disclosed under Other assets in accordance with RBI directive and investments are shown at acquisition cost.

- e. REPO and Reverse REPO transactions 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.

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. 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% on residential housing loans beyond Rs.20 lakhs; and
- c. at 2% on Personal loans -including credit card receivables, loans and advances qualifying as capital market exposure, real estate loans-excluding residential housing loans, non-deposit taking systemically important Non-Banking Companies.

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

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.

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 “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 respect of fixed assets leased before 1 April 2001, the Bank follows the “Guidance Note on Accounting for Leases” issued by the ICAI. In respect of lease transactions entered into on or after 1 April 2001, the Bank follows AS-19 “Leases” issued by the ICAI.

Software whose actual cost does not exceed Rs. 100,000 and other items whose actual cost does not exceed Rs. 10,000 are fully expensed 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.

During the current year, the Bank has reassessed and revised the estimated useful life of certain categories of fixed assets. Refer 18.11 in Notes to Accounts.

In case of IVFSL, depreciation on fixed assets is charged over the estimated useful life of the respective assets on “Straight Line” basis. The rates of depreciation are same as stated above, except for software, which is depreciated fully in the year of acquisition.

Depreciation on leased assets is charged over the primary lease period of the respective assets on “Straight Line” basis.

11 IMPAIRMENT OF ASSETS

In accordance with AS 28 – Impairment of Assets, the Group 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 Group estimates the recoverable amount of the cash generating unit. 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. 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 recoverable amount, subject to a maximum of depreciable historical cost.

12 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.

13 SECURITISATION TRANSACTION

Securitisation transactions are accounted for in accordance with applicable RBI guidelines and ICAI guidance note on "Accounting for Securitisation".

14 EMPLOYEES' STOCK OPTION SCHEME

In respect of the Employees Stock Option issued, the difference between the market price and the exercise price as on the date of grant is treated as Employee compensation cost to be amortised over the vesting period.

15 STAFF BENEFITS

- a. Provision for gratuity, which is a defined benefit scheme, is made based on actuarial valuation and contributed to the approved Gratuity Fund.
- b. Contributions payable to the recognised Provident Fund, which is a defined contribution scheme, are charged to the profit and loss account.
- c. Provision for pension, which is a defined benefit scheme, is made based on actuarial valuation and contributed to the approved Pension Fund.
- d. Provision for leave encashment, which is a defined benefit scheme, is made based on actuarial valuation and provided for in the books.

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 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 a 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.

17 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.

18 PROVISIONS AND CONTINGENT LIABILITIES

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. A disclosure for a contingent liability is made when there is a possible obligation, or a present obligation that may, but probably will not, require an outflow of resources. 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.

Schedule - 18

18 Notes on accounts

18.1 List of subsidiary and associate considered for consolidation

SI No	Name	Country of incorporation	Extent of holding as on 31 March 2007	Voting Power
Subsidiary				
1	ING Vysya Financial Services Limited (IVFSL)	India	100%	100%
Associate				
1	ING Investment Management (India) Private Limited (IIM) *	India	15.01%	15.01%

* On 27 October 2005, the Bank had sold its entire stake in IIM. Pending certain regulatory approvals this sale transaction was not accounted for in the books of the Bank upto 31 March 2007. Necessary approvals were received subsequently in April 2007 resulting in the transaction and the consequential income statement impact being recognized in 2007-08.

18.2 Uniform accounting policies

Certain accounting policies adopted by the subsidiary are different from the accounting policies adopted for consolidated financial statements. For such deviations where it is impractical to make adjustments in the consolidated financial statements to align the accounting policies, the type of deviation and the proportion of each item (given in brackets) in the consolidated financial statements are disclosed below:

- (i) In respect of the investments held by IVFSL, valuation is done scrip-wise at cost or market value whichever is lower. The amount of investments held by IVFSL, and included in the consolidated financial statements as on 31 March 2007 is Rs. 920 thousands (0.002%) [31 March 2006: Rs 9,130 thousands (0.02%)].
- (ii) In the case of IVFSL, depreciation on owned assets is provided on straight-line method at the rates prescribed in Schedule XIV of the Companies Act, 1956 taking the life of the asset into consideration. The net book value of these fixed assets and depreciation charge for the period are Rs. 6,065 thousands (0.15%) [31 March 2006: Rs. 5,646 thousands (0.14%)] and Rs. 3,252 thousands (0.85%) [31 March 2006: Rs. 2,133 thousands (0.57%)] respectively.
- (iii) IVFSL does not have a policy for encashment of accrued leave.

18.3 Balancing of books and reconciliation

The Bank has completed its Inter branch reconciliation. The reconciling items have been identified and elimination of reconciling items is in progress. Appropriate adjustments have been incorporated in the financial statements to reflect completion of reconciliation for the purpose of presentation.

Routine matching of select general ledger control account balances with subsidiary ledgers is in progress at 9 branches and is expected to be completed in due course with no financial statement impact as on 31 March 2007.

18.4 Employee stock option scheme

ESOS 2002

The employee stock option scheme ("ESOS 2002" or "the scheme") of the Bank was approved by the shareholders at the Annual General Meeting held on 29 September 2001. A total of 500,000 equity shares of Rs.10 each were earmarked under the scheme to be allotted during the period (extended or otherwise) in which the scheme was in force. These options will 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 in the Annual General Meeting held on 22 September 2005. No further options have been granted under this scheme.

The movement in the scheme during the year ended 31 March 2007 is as under:

	Year ended 31 March 2007	Year ended 31 March 2006
Stock options outstanding at the beginning of the year	609,680	199,292
Add: Adjustment in number of options due to rights issue	-	568,128
Add: Options granted during the year	-	-
Less: Options exercised during the year	147,025	100,746
Less: Options forfeited	100,925	56,994
Stock options outstanding at the end of the year	361,730	609,680

ESOS 2005

The employee stock option scheme ("ESOS 2005" or "the scheme") of the Bank was approved by the shareholders at the Annual General Meeting held on 22 September 2005. A total of 893,264 equity shares of Rs.10 each were earmarked under the scheme to be allotted during the period (extended or otherwise) in which the scheme is in force. These options will 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 movement in ESOS 2005 during the year ended 31 March 2007 is as under:

	Year ended 31 March 2007	Year ended 31 March 2006
Stock options outstanding at the beginning of the year	424,308	-
Add: Options granted during the year	20,000	442,712
Less: Options exercised during the year	25,247	-
Less: Options forfeited	64,147	18,404
Stock options outstanding at the end of the year	354,914	424,308

18.5 Voluntary retirement scheme

During the year ended 31 March 2002, the Bank had introduced a Voluntary Retirement Scheme ("VRS" or "the scheme") for its eligible employees. In response to the Scheme, the Bank had accepted 774 applications up to 31 March 2003.

In accordance with the RBI letter DBOD. No. PSBS/132/16.01.77/2002-03 dated 24 July 2002, the various components of the VRS expenses are being accounted for as under:

Components	Treatment
Ex-gratia and additional liability towards termination benefits	Treated as deferred revenue expenditure to be amortised over a period of five years.
Leave encashment	Charged to the profit and loss account in the year of payment.

Based on above, an amount of Rs. 94,155 thousands (Previous year: Rs. 187,878 thousands) has been charged off to profit and loss account in the current year out of the deferred revenue expenditure carried forward in the balance sheet from the previous year. Entire VRS cost has been amortized and the balance amount of Nil (Previous year: Rs. 94,155 thousands) is being carried in the balance sheet as at 31 March 2007 as deferred revenue expenditure under "Other Assets" in Schedule 11 to the balance sheet.

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

(Rs. thousands)

Items	Year ended 31 March 2007	Year ended 31 March 2006
Provision for income tax	396,796	69,908
Provision for wealth tax	943	500
Provision for fringe benefit tax	23,289	79,812
Provision/ write off of NPAs	694,455	533,864
Depreciation/ write off of investments (net)*	(33,836)	57,659
Others	356,236	208,984
Total	1,437,883	950,727

* includes adjustment of Rs. Nil (Previous Year: 51,767 thousands) on account of shifting of securities from AFS to HTM category.

18.7 Details of provisions

(Rs. thousands)

	31 March 2007	31 March 2006
Opening balance	225,843	628,982
Additions during the year	44,278	60,098
Reversals during the year	28,437	122,686
Amounts used	23,028	340,551
Closing balance	218,656	225,843

The above provisions include provisions made on account of frauds, legal claims, operational losses and other items of similar natures. These provisions would be utilized/released upon settlement.

18.8 Provisions for income – tax

(Rs. thousands)

	Year ended 31 March 2007	Year ended 31 March 2006
Provision for income tax	396,796	69,908
Fringe benefit tax	23,289	79,812

18.9 Investments

18.9.1 Transfer of securities from Available for Sale (AFS) to Held to Maturity (HTM) category

In accordance with RBI Circular No. DBOD.BP.BC.21/21/04.141/2003-04 dated 2 September 2003, Banks are allowed to shift securities between categories once a year with approval of the Board of Directors. The Bank had during the current year shifted securities of book value Nil (Previous year: Rs. 827,515 thousands) from AFS category to HTM category. Such transfer was carried out at the lower of cost/book value/ market value and consequently the Bank has recorded a loss of Nil (Previous year: Rs.51,767 thousands) in the profit and loss account.

18.9.2 Investment Fluctuation Reserve (IFR)

In accordance with the RBI Circular No. DBOD.No.BP.BC.38/21.04.141/2005-06 dated 10 October 2005, the Bank has transferred an amount of Nil (Previous year: Rs. 551,037 thousands) from IFR to the profit and loss account below the line.

18.9.3 Non-performing non SLR investments

(Rs. thousands)

	Year ended 31 March 2007	Year ended 31 March 2006
Opening balance	97,112	97,112
Additions during the year	27,500	-
Reduction during the year	55,686	-
Closing balance	68,926	97,112
Total provisions held	68,926	97,112

18.9.4 Value of Investments

(Rs. thousands)

Items	31 March 2007	31 March 2006
Gross value of Investments		
a. In India	45,441,021	43,991,647
b. Outside India	-	-
Provisions for depreciation		
a. In India	270,541	360,063
b. Outside India	-	-
Net value of Investments		
a. In India	45,170,480	43,631,584
b. Outside India	-	-

18.9.5 Movement of provisions held towards depreciation on investments

(Rs. thousands)

Items	31 March 2007	31 March 2006
Opening balance	360,063	354,171
Add: Provisions made during the year	27,500	57,659
Less: Write-off/write-back of excess provisions during the year *	117,022	51,767
Closing balance	270,541	360,063

* Provision held against the NPA sold of Rs.50,500 thousands 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.

18.10 Advances

18.10.1 Information with respect to loan assets subjected to restructuring

(a) Details of debt restructuring for standard, sub-standard and doubtful assets are as follows:

(Rs. thousands)

	Year ended 31 March 2007	Year ended 31 March 2006
(i) Total amount of loan assets subjected to restructuring, rescheduling, renegotiation; - of which under Corporate Debt Restructuring ('CDR')	762,856 -	1,555,838 284,063
(ii) The amount of Standard assets subjected to restructuring, rescheduling, renegotiation; - of which under CDR	762,856 -	751,701 -
(iii) The amount of Sub-Standard assets subjected to restructuring, rescheduling, renegotiation; - of which under CDR	- -	2,414 -
(iv) The amount of Doubtful assets subjected to restructuring, rescheduling, renegotiation; - of which under CDR	- -	801,723 284,063

(b) Details of accounts under CDR included in (a) above

(Rs. thousands)

	Year ended 31 March 2007	Year ended 31 March 2006
Standard		
Number of accounts	—	-
Amount	—	-
Interest sacrifice	—	-
Sub-standard		
Number of accounts	—	-
Amount	—	-
Interest sacrifice	—	-
Doubtful		
Number of accounts	—	1
Amount	—	284,063
Interest sacrifice	—	-
Total	—	284,063

(c) Small and Medium Enterprises ('SME') included in (a) above

(Rs. thousands)

	Year ended 31 March 2007	Year ended 31 March 2006
Total amount of loan assets subjected to restructuring	253,422	178,666
Out of above:		
Amount of standard assets subject to restructuring	253,422	46,773
Amount of sub-standard/doubtful assets subjected to restructuring	-	-
Amount of doubtful assets subjected to restructuring	-	131,893

18.10.2 Movement in NPAs during the years ended 31 March 2007 and 31 March 2006 is set out below

(Rs. thousands)

	Gross*	Net*
Opening balance as on 1 April 2005	1,942,700	1,932,900
Additions during the year ended 31 March 2006	2,283,700	2,283,700
Reductions (including write offs) during the year ended 31 March 2006	2,417,100	2,411,900

	Gross*	Net*
Closing balance as on 31 March 2006	1,809,300	1,804,700
NPAs to advances (%)	1.77	1.76
Additions during the year ended 31 March 2007	2,037,800	2,037,800
Reductions (including write offs) during the year ended 31 March 2007	2,583,300	2,702,300
Closing balance as on 31 March 2007	1,263,800	1,140,200
NPAs to advances (%)	1.05	0.95

* After considering technical write off

Movement in provisions for NPA

(Rs. thousands)

	Year ended 31 March 2007	Year ended 31 March 2006
Opening balance	-	-
Additions during the year	694,455	533,864
Technical write-offs/write backs during the year	694,455	533,864
Closing balance	-	-

18.10.3 Provisions on standard asset

(Rs. thousands)

Item	Year ended 31 March 2007	Year ended 31 March 2006
Provision towards standard assets during the year	310,500	164,536
Cumulative provision for standard assets as at year end	697,200	386,700

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

18.10.4 Purchase/ Sale of non performing assets

Details of non performing financial assets sold:

(Rs. thousands)

Particulars	Year ended 31 March 2007	Year ended 31 March 2006
1. No. of accounts sold*	1	-
2. Aggregate outstanding, net of provisions/ write offs	-	-
3. Aggregate consideration received	50,500	-

* Provision held against the NPA sold of Rs.50,500 thousands 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.

No non performing financial assets were purchased during the year (Previous year: Nil)

18.10.5 Securitisation of financial assets

(Rs. thousands)

Item	Year ended 31 March 2007	Year ended 31 March 2006
Total number of accounts	1	-
Total number of transactions	2	-
Book value (net of provisions) of accounts sold	1,000,000	-
Aggregate consideration received	1,002,700	-
Additional consideration realized in respect of accounts transferred in earlier years	-	-
Aggregate gain/ (loss) over net book value	2,700	-

The above transactions were closed during the year and there are no continuing obligations in respect of these transactions.

Contribution Agreement

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

18.10.6 (a) Exposure to capital market

(Rs. thousands)		
Items	31 March 2007	31 March 2006
(i) Investments made in equity shares	125,703	188,300
(ii) Investments in convertible bonds/ convertible debentures	-	-
(iii) Investments in units of equity-oriented mutual funds	-	-
(iv) Advances against shares to individuals for investment in equity shares (including IPOs/ESOPS), bonds and debentures, units of equity oriented mutual funds	1,726,796	1,971,485
(v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers	158,900	142,230
Total exposure to capital market	2,011,399	2,302,015
(vi) Of (v) above, the total finance extended to stockbrokers for margin trading	-	-

Amounts above have been stated at their gross carrying values.

(b) Exposure to real estate sector

(Rs. thousands)		
Items	As at 31 March 2007	As at 31 March 2006
(a) Direct exposure		
(i) Residential mortgages		
Individual housing loan up to 15 lakhs	3,910,900	2,818,747
Others	4,777,000	3,283,199
(ii) Commercial real estate		
Fund Based	6,242,876	3,479,773
Non- Fund Based	159,469	-
(iii) Investment in mortgage backed securities and other securitised exposures		
a. Residential	1,921,800	2,130,377
b. Commercial real estate	-	-
(b) Indirect exposure.		
Fund Based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	5,024,700	5,277,798
Non-Fund Based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	-	-
Total	22,036,745	16,989,894

18.11 Fixed Assets

Depreciation

The Bank has, effective from 1 April 2006, reassessed and revised the estimated useful life of certain categories of fixed assets. The revised estimated useful lives of ATMs and VSAT equipment have been assessed as 6 years. (Previous year: 3 years). Consequently the depreciation rate of ATMs and VSAT equipments stands revised to 16.66% (Previous year: 33.33%).

The Bank has reassessed the useful life of improvements to leasehold premises, which were hitherto charged off to profit and loss account as incurred. With effect from 1 April 2006, such leasehold improvements are being capitalized and amortized over the shorter of primary period of lease or estimated useful life of such assets.

The Bank believes that this revision is more representative of the useful economic lives of these assets.

Consequent to such change, depreciation and the operating expenses for the year are lower by Rs. 46,424 thousands and net profit for the year is higher by Rs. 46,424 thousands. Net Block of fixed assets is higher by Rs. 42,042 thousands and Capital Adequacy ratio is higher by 0.04%.

Capital work in progress

The Capital work in progress (Premises) of Rs. 1,040,049 thousands includes Rs. 1,002,098 thousands towards the lease premium paid to Mumbai Metropolitan Regional Development Authority (MMRDA) in connection with the lease of

land. The Bank has entered into an agreement to lease with MMRDA, however lease agreement with MMRDA will be executed at a later date upon completion of the construction and upon obtaining other necessary approvals.

18.12 Leases

Operating leases

The Bank has commitments under long term non-cancelable operating leases primarily for premises. Following is a summary of future minimum lease rental commitments for such non-cancelable operating leases:

(Rs. thousands)

	31 March 2007	31 March 2006
Not later than one year	29,264	25,551
Later than one year and not later than five years	22,741	12,668
Later than five years	309	452
Total minimum lease rental commitments	52,314	38,671

Additionally, the Bank also leases office/branch premises under cancelable operating lease agreements. Total lease rental expenditure under cancelable and non-cancelable operating leases debited to profit and loss account in the current year is Rs. 226,811 thousands (Previous year: Rs. 204,986 thousands)

Finance leases

The Bank has taken assets under finance leases/hire purchases. Future minimum lease payments under finance leases are as follows:

(Rs. thousands)

Items	31 March 2007	31 March 2006
Not later than one year	1,080	1,080
Later than one year and not later than five years	4,050	4,320
Later than five years	-	810
Total	5,130	6,210
Less: Finance charges	(1,397)	(1,959)
Present value of finance lease obligation	3,733	4,251

The present value of finance lease liabilities is as follows:

(Rs. thousands)

Items	31 March 2007	31 March 2006
Not later than one year	1,002	1,002
Later than one year and not later than five years	2,731	2,867
Later than five years	-	382
Total	3,733	4,251

18.13 Earnings Per Share ('EPS')

The details of EPS computation is set out below:

(Rs. thousands)

	31 March 2007	31 March 2006
Earnings for the year (Rs. thousands)	881,318	307,646
Basic weighted average number of shares (Nos)	90,768,759	88,480,518
Basic EPS (Rs.)	9.71	3.81
Dilutive effect of stock options (Nos)	611,576	378,821
Diluted weighted average number of shares (Nos)	91,380,335	88,859,339
Diluted EPS (Rs.)	9.64	3.79
Nominal value of shares (Rs.)	10.00	10.00

18.14 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 credit of Rs. 314,953 thousands (previous year Rs. 96,385 thousands) for the current year.

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

(Rs. thousands)

	As at 31 March 2007	As at 31 March 2006
Deferred tax assets		
on account of provisions	327,040	202,638
on leave encashment	56,919	57,648
on investments	472,766	273,703
on carried forward losses	-	-
on voluntary retirement scheme	-	1,298
Total deferred tax asset	856,725	535,287
Deferred tax liabilities		
on depreciation on fixed assets	193,379	225,072
on voluntary retirement scheme	-	-
on bad debts claim	159,177	159,177
Total deferred tax liability	352,556	384,249
Net deferred tax assets/(liability)	504,169	151,038

In computing the amount of permanent difference for reckoning tax provisions, there is no expenditure incurred in relation to income which does not form part of the total income as referred to in the provisions of Section 14A of the Income Tax Act, 1961.

During the current year, tax treatment of certain allowable/disallowable tax items relating to previous year were finalized which had corresponding impact on the deferred taxation. Consequently, deferred tax asset amounting to Rs. 38,178 thousands was recognized during the year.

In the previous year, an amount of Rs. 9,787 thousands was transferred from provision for current taxes to deferred tax liability for the same reason.

18.15 *Intangibles*

Application software, which is classified as intangible assets are capitalized as part of fixed assets and depreciated on a straight line basis over its estimated useful life of three years.

(Rs. thousands)

	Gross block				Accumulated depreciation / amortization				Net block
	As at 1 April 2006	Addi- tions	Delet- ions	As at 31 March 2007	As at 1 April 2006	Charge for the year	Delet- ions	As at 31 March 2007	As at 31 March 2007
Intangible assets									
Application software	389,422	44,513	-	433,935	337,584	42,830	-	380,414	53,521
Total	389,422	44,513	-	433,935	337,584	42,830	-	380,414	53,521
Previous year	344,317	48,328	3,223	389,422	303,510	37,297	3,223	337,584	-

18.16 *Related party transactions*

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

ING Bank N.V. and its branches

Post Groen Bank, Netherlands

ING Investment Management India Private Limited

ING Vysya Bank Staff Provident Fund

ING Vysya Bank Staff Gratuity Fund

ING Vysya Bank (Employees) Pension Fund

Key Management Personnel

Whole time director(s)

The above list does not include the related parties which are having transactions with the Bank by way of deposit accounts.

(Rs. in thousands)

Items / Related Party	Related parties with significant influence and with whom there are transactions during the year	Key Management Personnel	Total
Placement of deposit by Bank	- (1,785)	- (-)	- (1,785)
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 – 987,200 (-) Outstanding – 987,200 (-)	- (-)	Maximum – 987,200 (-) Outstanding – 987,200 (-)
Deposits kept with Bank including lease deposit	Maximum – 804,652 (93,585) Outstanding – 486,786 (93,585)	Maximum- - (1,317) Outstanding - (1,317)	Maximum – 804,652 (94,902) Outstanding – 486,786 (94,902)
Borrowing	Maximum – 1,923,593 (3,430,990) Outstanding – 1,689,033 (1,289,230)	- (-)	Maximum – 1,923,593 (3,430,990) Outstanding – 1,689,033 (1,289,230)
Call borrowing	Maximum – 748,454 (-) Outstanding – - (-)	- (-)	Maximum – 748,454 (-) Outstanding – - (-)
Inter Bank Overseas Balance	(-) 14,510 (1,600)	- (-)	(-) 14,510 (1,600)
Retail loans given	1,161 (-)	- (-)	1,161 (-)
Interest paid	84,863 (47,890)	- (-)	84,863 (47,890)
Interest accrued but not due (payable)	14,309 (26,561)	- (-)	14,309 (26,561)
Purchase and sale of securities	349,625 (420,120)	- (-)	349,625 (420,120)
Rendering of services	114,699 (135,988) Outstanding – - (13,967)	- (-)	114,699 (135,988) Outstanding – - (13,967)
Receiving of services	90,541 (61,311) Outstanding – - (-)	- (-)	90,541 (61,311) Outstanding – - (-)

Contribution to employee welfare funds	103,916 (316,293) Outstanding – 62,460 (189,108)	- (-)	103,916 (316,293) Outstanding – 62,460 (189,108)
Managerial remuneration	- (-)	10,147 (4,391)	10,147 (4,391)
Bank guarantees given (Received)	(438,178) (229,975)	- (-)	(438,178) (229,975)
Derivative transactions - notional outstanding	Maximum – 51,910,300 (4,938,580) Outstanding – 15,717,794 (4,938,580)	- (-)	Maximum – 51,910,300 (4,938,580) Outstanding – 15,717,794 (4,938,580)
Forward transactions	Maximum – 146,824,897 (18,742,914) Outstanding – 815,266 (18,742,914)	- (-)	Maximum – 146,824,897 (18,742,914) Outstanding – 815,266 (18,742,914)
Premium received / (paid)	56,767 (-) (-) 8,356 (16,403)	- (-) (-)	56,767 (-) (-) 8,356 (16,403)

(Previous year's figures are given in parentheses)

18.17 Segmental Reporting:

Segment Results for year ended 31 March 2007

(Rs crores)

Business Segments	Treasury	Other Banking Operations	Residual Operations	Total
Revenue	464.07	1,385.46	26.92	1,876.45
Less: Inter Segment revenue	(4.98)	(253.83)	(24.74)	(283.55)
Net Revenue	459.09	1,131.63	2.18	1,592.90
Result	46.35	178.03	9.26	233.64
Unallocated expenses	-	-	-	-
Operating Profit				233.64
Provision and Contingencies				101.69
Income taxes				42.10
Share of loss in Associates				(1.72)
Consolidated Net Profit for the period				88.13
OTHER INFORMATION				
Segment Assets	4,879.49	14,381.28	16.33	19,277.10
Unallocated Assets				
Total Assets	4,879.49	14,381.28	16.33	19,277.10
Segment Liabilities	2,898.83	15,263.11	8.86	18,176.10
Unallocated Liabilities*				1,101.00
Total Liabilities	2,898.83	15,263.11	8.86	19,277.10

Segment Results for year ended 31 March 2006

(Rs crores)

Business Segments	Treasury	Other Banking Operations	Residual Operations	Total
Revenue	416.44	1,234.07	17.30	1667.81
Less: Inter Segment revenue		(218.01)	(2.21)	(220.22)
Net Revenue	416.44	1,016.06	15.09	1447.59
Result	67.96	104.49	5.29	177.74
Unallocated expenses				-
Operating Profit				177.74
Provision and Contingencies				131.19
Income taxes				15.02
Share of loss in Associates				(0.77)
Consolidated Net Profit for the period				30.76
OTHER INFORMATION				
Segment Assets	4,400.33	12,366.34	6.60	16,773.27
Unallocated Assets				
Total Assets	4,400.33	12,366.34	6.60	16,773.27
Segment Liabilities	2,486.11	13,262.71	6.60	15,755.42
Unallocated Liabilities*				1,017.85
Total Liabilities	2,486.11	13,262.71	6.60	16,773.27

* Representing Capital and Reserves.

The Group operates in one geographical segment. Segmental information has been compiled as per the guidelines issued by RBI. 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.

18.18 Other Disclosures

Penalties imposed by RBI and interim order of Securities and Exchange Board of India ('SEBI')

During the previous year SEBI had based on its findings in respect of dealing of market participants in certain Initial Public Offerings ("IPO") passed an interim order restraining the Bank from participating in further IPOs and directing the bank not to open further dematerialized accounts. During the current year, based on representations made by the Bank, SEBI has passed an interim order allowing opening of fresh demat accounts, pending final order.

Subsequently, SEBI passed a Disgorgement Order on several DP participants including the Bank, for failure/ negligence in adhering to the Know Your Customer ("KYC") norms laid down by the SEBI. As per the order, the Bank is exposed to penal liability of Rs. 5,548 thousands. The Bank preferred an appeal before Securities Appellate Tribunal. (SAT). SAT has put a stay to the operation of the interim order.

Additionally, SEBI issued notice to the Bank under Regulation 6 of SEBI (Proceedings for Holding Enquiry and Imposing Penalty) Regulations 2002, instituting an enquiry against the Bank in connection with the alleged contravention of the provisions of various SEBI acts/Regulations. The Bank has submitted its reply to the notice. Final order of SEBI is awaited.

18.19 Off Balance Sheet Items

Derivative contracts

Interest Rate Swaps

(Rs. thousands)

Items	As at 31 March 2007	As at 31 March 2006
The notional principal of swap agreements	129,281,967	133,656,746
Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements #	614,670	584,793
Collateral required by the bank upon entering into swaps	None	None
Concentration of credit risk arising from the swaps	Predominantly with Banks (81%)	Predominantly with Banks (78%)
The fair value of the swap book	(115,434)	(54,458)

MTM netted off counterparty wise.

Forward Rate Agreements (FRA)

No Forward Rate Agreements were outstanding as at 31 March 2007. (Previous year: NIL)

Derivatives : Currency Swaps

Items	(Rs. thousands)	
	31 March 2007	31 March 2006
The notional principal of swap agreements	9,968,958	7,140,728
Losses which would be incurred if counter parties failed to fulfill their obligations under the agreements #	145,181	242,371
Collateral required by the bank upon entering into swaps	None	None
Concentration of credit risk arising from the swaps	48% with Banks and the balance distributed amongst several diversified corporate counter parties	Predominantly with Banks (53%)
The fair value of the swap book	130,649	103,520

MTM netted off counter party 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 and CS as at 31 March 2007 is Rs. 139,250,925 thousands (Previous year Rs. 140,797,474 thousands).

Indian Rupee – Interest Rate Swaps

Nature	Number	Notional Principal (Rs. thousands)	Benchmark	Terms
Trading	133	36,250,000	NSE MIBOR	Fixed Payable vs Floating Receivable
Trading	145	38,000,000	NSE MIBOR	Fixed Receivable vs Floating Payable
Trading	79	19,450,000	MIFOR	Fixed Payable vs Floating Receivable
Trading	78	19,400,000	MIFOR	Fixed Receivable vs Floating Payable
Trading	1	250,000	MIFOR/LIBOR	Float Receivable vs Float Payable
	Total	113,350,000		

Forex - Interest Rate Swaps and Currency Swaps

Nature	Number	Notional Principal (Rs. thousands)	Benchmark	Terms
Trading	16	5,941,664	LIBOR	Fixed Payable vs Floating Receivable
Trading	15	5,439,653	LIBOR	Fixed Receivable vs Floating Payable
Trading	14	8,439,968	LIBOR	Float Receivable vs Float Payable
Trading	14	2,356,368	Principal	Fixed Pay
Trading	6	1,193,317	Principal	Fixed Received
Trading	3	570,056	Principal	Principal only Swaps
Hedging	1	976,313	LIBOR	Float Receivable vs Float Payable
Hedging	1	983,586	LIBOR	Fixed Payable vs Floating Receivable
	Total	25,900,925		

The fair value of Rupee and FX IRS and CS contracts as at 31 March 2007 is Rs. 15,215 thousand (Previous year Rs. 49,062 thousands), which represents the net mark to market gain on swap contracts. As at 31 March 2007 the exposure to IRS and CS contracts is spread across industries. However based on notional principal amount the maximum single industry exposure lies with Banks at 75.90% (Previous year: 77.92%). In case of an upward movement of one basis point in the benchmark interest rates, there will be a negative impact of Rs. 437 thousands (Previous year: Rs. 401 thousands) on total Interest Rate Swap trading book including Rupee IRS, FX IRS and CS. Agreements are with Banks/ Financial Institutions and corporate under approved credit lines.

The Options are covered on exactly back-to-back basis and hence have a nil fair value on a net basis. As at 31 March 2007, notional outstanding for outstanding option contracts is Rs 72,371,607 thousand (Previous year: Rs 9,542,859 thousands)

Exchange Traded Interest Rate Derivatives, Forward Rate Agreements & Currency Swaps

No Exchange Traded Interest Rate Derivatives, Forward Rate Agreements and Currency Swaps were entered during the year ended 31 March 2007 (Previous year : NIL).

Risk exposure on derivatives

The Bank currently deals in various derivative products, i.e., Rupee and Foreign Currency Interest Rate Swaps, Currency Swaps, 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 into 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 :

(Rs. Thousand)

Sl.No	Particular	Currency derivatives	Interest rate derivatives
(i)	Derivatives (Notional Principal Amount) *		
	a) For hedging	1,959,900	-
	b) For trading	8,009,058	129,281,967
(ii)	Marked to Market Positions		
	a) Asset (+)	291,262	2,327,092
	b) Liability (-)	-160,613	-2,442,526
(iii)	Credit Exposure	520,889	2,793,604
(iv)	Likely impact of one percentage change in interest rate (100*PV01) #		
	a) on hedging derivatives	-	36,252
	b) on trading derivatives	-	-43,694
(v)	Maximum and Minimum of 100*PV01 #		
	a) on hedging		
	- Maximum	-	35,539
	- Minimum	-	36,287
	b) on trading		
	- Maximum	-	-74,067
	- Minimum	-	47,110

Amounts stated are inclusive of impact of Currency swaps and Interest Rate Swaps.

* Does not include notional of Forward contracts and Currency options, trading or hedging.

18.20 Subordinated debt/ Upper Tier II

In August 2006, the Bank raised Tier II Capital in the form of subordinated debt of Rs. 780,000 thousands for a tenor of 120 month at 9.70 percent through private placement. In March 2007, the Bank raised Upper Tier II Capital of Rs. 987,191 thousands for a tenor of 15 years, with a call option by the Bank at the end of 10 years.

18.21 Transfer of profit to Capital Reserve

As per RBI guidelines, profit on sale of HTM securities (net of taxes and appropriation to statutory reserve) is required to be transferred to Capital Reserve. Due to inadequate amounts available for such appropriation in the previous years, an amount of Rs. 167,600 thousands needed to be transferred to Capital Reserve in the current year. A further amount of Rs. 228,147 thousands is required to be transferred to Capital Reserve on account of profit on sale of shares held under HTM category and sale of premises during the current year. As such, an aggregate amount of Rs. 395,747 thousands has been appropriated to Capital Reserve out of current years profits.

18.22 Adoption of revised AS 15 on Employee benefits

The Revised AS 15 on "Employee benefits" is applicable to all companies from the accounting period commencing on or after 7 December 2006. On adoption of the revised standard, during the year 2007-08, as per the transition provisions, an amount of approximately Rs. 500,000 thousands may need to be debited to the reserves. Adequate provisions have been made for retirement benefits based on the AS 15 prior to the revision referred to above.

18.23 Prior period items

Income recorded during the current year and reported under 'Other income' includes an amount of Nil (Previous year: Rs. 1.25 crores) pertaining to prior period.

The results for the year ended 31 March 2007 also includes an amount of Nil (Previous year: Rs. 7.65 crores) under items of interest expended and interest earned representing prior period income.

18.24 Previous year's figures

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

Signatures to Schedules 1 to 18

Vaughn Richter
Managing Director

Arun Thiagarajan
Director

Place : Bangalore
Date : 18 May 2007

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2007

(Rs thousands)

In Compliance with Clause 32 of the listing Agreement

PARTICULARS	31 March 2007	31 March 2006
(A) Cash Flow from Operating Activities		
Net Profit before Tax and Extraordinary Items	1,302,021	260,384
Adjustments for :		
Share of Loss in Associate	17,186	7,744
Depreciation charges	415,985	413,404
Employee compensation expense (ESOS)	6,768	8,440
Provision/write off of Advances and Investments	660,619	590,839
Profit on revaluation of investment	542,474	511,417
Provision for Standard Assets	310,500	164,536
Other Provisions	45,736	34,840
(Profit)/Loss on Sale of Non banking Assets (net)	-	2,991
(Profit)/Loss on Sale of Assets (net)	(49,861)	(30,464)
Dividend income	(3,964)	(342)
Write off of other assets	-	109,520
Cash Generated from Operation	3,247,464	2,073,309
Less: Direct Taxes Paid	492,217	156,115
	2,755,247	1,917,194
Adjustments for :		
Decrease / (Increase) in Advances	(18,141,892)	(12,043,482)
Decrease / (Increase) in Other assets	(1,604,785)	533,400
Non-Banking Assets sold	-	30,168
Decrease/ (Increase) in Investments	(1,901,566)	(2,942,507)
Increase / (Decrease) in Deposits	20,783,007	7,659,373
Increase / (Decrease) in Other liabilities	3,899,275	97,389
Increase/ (Decrease) in Borrowings	(2,638,929)	2,766,700
Net Cash flow from / (used in) Operating Activities	3,150,357	(1,981,765)
(B) Cash Flow from Investing Activities		
Movement in Work in Progress	29,569	(1,047,166)
Purchase of Fixed assets / leased assets	(428,810)	(464,490)
Sale of Fixed assets/ Leased assets	127,094	127,794
Dividend income	3,772	342
Sale of Investments	8,403	-
Sale proceeds - investments in Subsidiaries and Associates	-	609,000
Net Cash flow used in Investing Activities	(259,972)	(774,520)
(C) Cash Flow from Financing Activities		
Proceeds from issue of shares	1,842	387,572
Share premium collected	20,568	1,356,500
Tier II bonds	1,756,311	1,120,000
Dividend & Dividend tax	(6,978)	(3,100)
Net Cash Flow from Financing Activities	1,771,743	2,860,972
Net Increase/ (Decrease) in Cash and Cash Equivalents	4,662,128	104,687
Cash and Cash equivalents as at the beginning of the year (Including Money At Call and Short Notice)	11,254,910	11,150,223
Cash and Cash equivalents as at the end of the year (Including Money At Call and Short Notice)	15,917,038	11,254,910

As per our report of even date

For and on behalf of the Board

For BSR & Co.
Chartered Accountants

Zubin Shekary
Partner
Membership No: 48814

Vaughn Richtor
Managing Director

Arun Thiagarajan
Director

Place: Bangalore
Date: 18 May 2007

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 (% p.a)	No. of Employees
1997-98	5748.73	2570.65	2086.12	783.79	75.52	16.07	468.93	55	6219
1998-99	6510.4	2782.12	2453.05	837.1	30.54	17.19	420.59	35	6115
1999-00	7424	3937.75	2735.65	980.56	44.31	19.76	570.48	35	6060
2000-01	8141.11	4316.31	2695.11	1013.14	37.19	22.62	630.12	35	5906
2001-02	8068.28	4418.33	3597.2	1203.93	68.75	22.62	663.72	35	5647
2002-03	9186.62	5611.61	3640.54	1262.83	86.35	22.62	684.35	40	5334
2003-04	10478.07	6936.73	4085.24	1287.41	59.00	22.65	724.67	50	4959
2004-05	12569.31	9080.59	4195.89	1113.25	(38.18)	22.71	686.69	Nil	4963
2005-06	13335.26	10231.53	4372.34	1412.75	9.06	90.72	928.95	Nil	5312
2006-07	15418.59	11976.17	4527.81	1595.69	88.91	90.90	1012.38	6.5	5341



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