PLACEMENT DOCUMENT
Serial Number __________
STRICTLY CONFIDENTIAL & NOT FOR CIRCULATION

ING Vysya BANK

ING Vysya Bank Limited

(A Scheduled Commercial Bank)

Originally incorporated as "The Vysya Bank Limited" on March 29, 1930 with limited liability under the Mysore Companies Regulation, 1917 and received the certificate of commencement of business on July 24, 1930. The Vysya Bank Limited received license to carry on the banking business in India under the Banking Regulation Act, 1949, from the Reserve Bank of India on June 6, 1958. The name was changed to "ING Vysya Bank Limited" and the fresh certificate of incorporation consequent to the name change was granted on November 1, 2002 and subsequently the license to carry on the banking business was amended by RBI to reflect the new name. We are also a scheduled commercial bank within the meaning of the Reserve Bank of India Act, 1934.

Registered Office: ING Vysya House, No. 22, M.G. Road, Bangalore 560 001
Telephone no: +91 80 2500 5000; **Fax no:** +91 80 2500 5555 **E-mail:** sharecare@ingvysyabank.com;
Website: www.ingvysyabank.com **Compliance Officer:** Mr. M.V.S. Appa Rao, Company Secretary

The ING Vysya Bank Limited (**"ING Vysya"** or the **"Bank"**) is issuing 6,209,375 equity shares at a face value of Rs. 10 each **("Equity Shares"**) and is being issued at a price of Rs. 310 per Equity Share, including a premium of Rs. 300 per Equity Share, aggregating to Rs. 1,924.91 million (**"Issue"**).

ISSUE MADE IN RELIANCE UPON CHAPTER XIII-A OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES 2000, AS AMENDED ("SEBI GUIDELINES")

THIS OFFERING AND THE DISTRIBUTION OF THIS PLACEMENT DOCUMENT IS BEING MADE IN RELIANCE UPON CHAPTER XIII-A OF THE SEBI GUIDELINES. THIS PLACEMENT DOCUMENT IS PERSONAL TO EACH PROSPECTIVE INVESTOR AND DOES NOT CONSTITUTE AN OFFER OR INVITATION OR SOLICITATION OF AN OFFER TO THE PUBLIC OR TO ANY OTHER PERSON OR CLASS OF INVESTORS, WITHIN OR OUTSIDE INDIA.

Invitations, offers and sales of the Equity Shares shall only be made pursuant to the Placement Document, the Bid cum Application Form and Confirmation of Allocation Note. For further details, see the section titled "Issue Procedure" beginning on page 98 of this Placement Document. The distribution of this Placement Document or the disclosure of its contents to any person, other than Eligible QIBs (as defined in this Placement Document) and their advisors with respect to their purchase of the Equity Shares, is unauthorized and prohibited. Each Eligible QIB, by accepting delivery of this Placement Document agrees to observe the foregoing restrictions, and to make no copies of this Placement Document or any documents referred to in this Placement Document.

The Placement Document has not been and will not be registered under the U.S. Securities Act of 1933, as amended, and the Equity Shares are not been offered or sold within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the United States Securities Act of 1933) ("Regulation S"). Accordingly, the Equity Shares are only being offered and sold outside the United States in reliance on Regulation S.

This Placement Document is not an offer to the public in India and therefore, has not been and will not be registered as a prospectus with the Registrar of Companies in India, and will not be circulated or distributed to the public in India and will not constitute a public offer in India.

Investments in equity and equity-related securities involve a degree of risk and prospective investors should not invest any funds in this Issue unless they are prepared to take the risk of losing all or part of their investment. Specific attention of the investors is invited to the section titled "Risk Factors" beginning on page 15 of this Placement Document before taking an investment decision in this Issue. Each prospective investor is advised to consult its advisors about the particular consequences to it of an investment in the Equity Shares being issued pursuant to this Placement Document.

The information on our website or any website directly or indirectly linked to such website does not form part of this Placement Document and prospective investors should not rely on such information.

All of our outstanding Equity Shares are listed on the Bombay Stock Exchange Limited ("BSE"), and National Stock Exchange of India Limited ("NSE"). Applications shall be made for the listing of the Equity Shares offered through this Issue on the BSE and NSE (referred to as the "Stock Exchanges"). The Stock Exchanges assumes no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Admission of the Equity Shares to trading on the Stock Exchanges should not be taken as an indication of our merits of the Equity Shares.

YOU MAY NOT AND ARE NOT AUTHORIZED TO (1) DELIVER THE PLACEMENT DOCUMENT TO ANY OTHER PERSON OR (2) REPRODUCE SUCH PLACEMENT DOCUMENT IN ANY MANNER WHATSOEVER. ANY DISTRIBUTION OR REPRODUCTION OF THIS PLACEMENT DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE COMPANIES ACT, SEBI GUIDELINES OR OTHER APPLICABLE LAWS OF INDIA AND OTHER JURISDICTIONS.

A copy of the Preliminary Placement Document has been delivered to the Stock Exchanges. A copy of the Placement Document has been filed with the Stock Exchanges. As per applicable law, a copy of the Placement Document will also be delivered to the Securities and Exchange Board of India for record purposes.

THIS PLACEMENT DOCUMENT HAS BEEN PREPARED BY US SOLELY FOR PROVIDING INFORMATION IN CONNECTION WITH THE PROPOSED ISSUE OF THE EQUITY SHARES DESCRIBED IN THIS PLACEMENT DOCUMENT.

This Placement Document will not be circulated or distributed to the public in India and will not constitute a public offer in India.

LEAD MANAGER TO THE ISSUE

ENAM

ENAM SECURITIES PRIVATE LIMITED
801, Dalamal Tower, Nariman Point
Mumbai 400 021, India
Tel: + 91 22 6638 1800 Fax: + 91 22 2284 6824
Email: ivblqip@enam.com
Website: www.enam.com
Contact Person: Lakha Nair

This Placement Document is dated November 8, 2007

TABLE OF CONTENTS

NOTICE TO INVESTORS

We accept full responsibility for the information contained in this Placement Document and having made all reasonable enquiries, confirm that this Placement Document contains all information with respect to us and the Equity Shares, which is material in the context of this Issue. The statements contained in this Placement Document relating to us and the Equity Shares are, in every material respect, true and accurate and not misleading. The opinions and intentions expressed in this Placement Document with regard to us and the Equity Shares are honestly held, have been reached after considering all relevant circumstances, are based on information presently available to us and on reasonable assumptions. There are no other facts in relation to us and the Equity Shares, the omission of which would, in the context of the Issue, make any statement in this Placement Document misleading in any material respect. Further, all reasonable enquiries have been made by us to ascertain such facts and to verify the accuracy of all such information and statements. The Lead Manager has not separately verified the information contained in this Placement Document (financial, legal or otherwise). Accordingly, neither the Lead Manager nor any of its respective members, employees, counsel, officers, directors, representatives, agents or affiliates makes any express or implied representation, warranty or undertaking, and no responsibility or liability is accepted, by the Lead Manager, as to the accuracy or completeness of the information contained in this Placement Document or any other information supplied in connection with the Equity Shares.

Each Eligible QIB receiving this Placement Document acknowledges that such Eligible QIB has not relied on the Lead Manager nor on any person affiliated with the Lead Manager in connection with its investigation of the accuracy of such information or its investment decision, and each such Eligible QIB must rely on its own examination of our Bank and the merits and risks involved in investing in the Equity Shares.

No person is authorized to give any information or to make any representation not contained in this Placement Document and any information or representation not so contained must not be relied upon as having been authorized by or on our behalf or on the behalf of the Lead Manager. The delivery of this Placement Document at any time does not imply that the information contained in it is correct as at any time subsequent to its date.

The Equity Shares offered in the Issue have not been approved, disapproved or recommended by the U.S. Securities and Exchange Commission, any state securities commission in the United States or the securities commission of any non-U.S. jurisdiction or any other U.S. or non-U.S. regulatory authority. None of these authorities has passed on or endorsed the merits of this offering or the accuracy or adequacy of this Placement Document. Any representation to the contrary is a criminal offense in the United States and may be a criminal offense in other jurisdictions.

The Issue and the distribution of this Placement Document may be restricted by law in certain jurisdictions. As such, this Placement Document does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. In particular, no action has been taken by us or the Lead Manager which would permit an offering of the Equity Shares or distribution of this Placement Document in any jurisdiction, other than India, where action for that purpose is required. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither this Placement Document nor any offering materials in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

In making an investment decision, investors must rely on their own examination of our Bank and terms of this Issue, including the merits and risks involved. Investors should not construe the contents of this Placement Document as legal, business, tax, accounting or investment advice. Investors should consult their own counsel and advisors as to business, legal, tax, accounting and related matters concerning this Issue. In addition, neither we nor the Lead Manager are making any representation to any offeree or purchaser of the Equity Shares regarding the legality of an investment in the Equity Shares by such offeree or purchaser under applicable legal, investment or similar laws or regulations. The information on our web-site i.e. www.ingvysyabank.com or on the web-site of the Lead Manager i.e. www.enam.com, does not constitute nor form part of this Placement Document. Each purchaser of the Equity Shares in this Issue is deemed to have acknowledged, represented and agreed that it is eligible to invest in India and in us under Indian law, including Chapter XIII-A of the SEBI Guidelines and is not prohibited by the SEBI or any other statutory authority from buying, selling or dealing in securities. Each purchaser of Equity Shares in this Issue also acknowledges that it has been afforded an opportunity to request from us and review information relating to us and the Equity Shares.

This Placement Document contains summaries of certain terms of certain documents, but reference is made to the actual documents, copies of which will be made available upon request during the offering period for physical inspection at our Registered Office, subject to applicable confidentiality restrictions. All such summaries are qualified in their entirety by this reference.

OFFSHORE DERIVATIVE INSTRUMENTS

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of Regulation 15A(1) of the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended, a FII or its sub-account may issue, deal or hold, offshore derivative instruments such as participatory notes, equity-linked notes or any other similar instruments against underlying securities (all such offshore derivative instruments are referred to herein as "P-Notes") listed or proposed to be listed on any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of "know your client" requirements. A FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to above is made to any person other than a regulated entity. P-Notes have not been and are not being offered or sold pursuant to this Placement Document. This Placement Document does not contain any information concerning P-Notes, including, without limitation, any information regarding any risk factors relating thereto. Any P-Notes that may be issued are not our securities and do not constitute any obligation of, claims on or interests in our Bank. We have not participated in any offer of any P-Notes, or in the establishment of the terms of any P-Notes, or in the preparation of any disclosure related to the P-Notes. Any P-Notes that may be offered are issued by, and are the sole obligations of, third parties that are unrelated to us. We do not make any recommendation as to any investment in P-Notes and do not accept any responsibility whatsoever in connection with the P-Notes. Any P-Notes that may be issued are not securities of the Lead Manager and do not constitute any obligations or claims on the Lead Manager. FII affiliates of the Lead Manager may purchase the Equity Shares in the Issue, and may issue P-Notes in respect thereof. Prospective investors interested in purchasing any P-Notes have the responsibility to obtain adequate disclosures as to the issuer(s) of such P-Notes and the terms and conditions of any such P-Notes. Neither SEBI nor any other regulatory authority has reviewed or approved any P-Notes or any disclosure related thereto. Prospective investors are urged to consult with their own financial, legal, accounting and tax advisors regarding any contemplated investment in P-Notes, including whether P-Notes are issued in compliance with applicable laws and regulations.

REPRESENTATIONS BY INVESTORS

By purchasing the Equity Shares under the Issue, you are deemed to have agreed as follows:

- you are a qualified institutional buyer ("**QIB**") as defined in Chapter XIII-A of the SEBI Guidelines and undertake to acquire, hold, manage or dispose off any Equity Shares that are Allocated to you for the purposes of your business in accordance with Chapter XIII-A of the SEBI Guidelines;
- if you are Allotted Equity Shares pursuant to the Issue, you shall, for a period of one year from Allotment, sell the Equity Shares so acquired only on the floor of the Stock Exchanges;
- you are aware that the Equity Shares have not been and will not be registered under the SEBI regulations or under any other law in force in India. The Placement Document has not been verified or affirmed by the SEBI or the Stock Exchanges and will not be filed with the Registrar of Companies;
- you are entitled to subscribe for the Equity Shares under the laws of all relevant jurisdictions which apply to you and that you have fully observed such laws and obtained all such governmental and other consents in each case which may be required there under and complied with all necessary formalities;
- you are entitled to acquire the Equity Shares under the laws of all relevant jurisdictions and that you have all necessary capacity and have obtained all necessary consents and authorities to enable you to commit to this participation in the Issue and to perform your obligations in relation thereto (including, without limitation, in the case of any person on whose behalf you are acting, all necessary consents and authorities to agree to the terms set out or referred to in the Placement Document) and will honour such obligations;
- the Lead Manager is not making any recommendations to you, advising you regarding the suitability of any transactions it may enter into in connection with the Issue and that participation in the Issue is on the basis that you are not and will not be a client of the Lead Manager and that the Lead Manager has no duties or responsibilities to you for providing the protection afforded to their clients or customers or for providing advice in relation to the Issue;
- you are aware and understand that the Equity Shares are being offered only to QIBs and are not being offered to the general public and the Allotment of the same shall be on a discretionary basis;
- you have made, or been deemed to have made, as applicable, the representations set forth under "Transfer Restrictions";
- you have been provided a serially numbered copy of the Placement Document and have read the Placement Document in its entirety;
- that in making your investment decision, (i) you have relied on your own examination of our Bank and the terms of the Issue, including the merits and risks involved, (ii) you have made your own assessment of our Bank, the Equity Shares and the terms of the Issue based on such information as is publicly available, (iii) you have consulted your own independent advisors or otherwise have satisfied yourself concerning without limitation, the effects of local 1aws, and (iv) you have received all information that you believe is necessary or appropriate in order to make an investment decision in respect of our Bank and the Equity Shares;

- you have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of the investment in the Equity Shares and you and any accounts for which you are subscribing the Equity Shares (i) are each able to bear the economic risk of the investment in the Equity Shares, (ii) will not look to us and the Lead Manager for all or part of any such loss or losses that may be suffered, (iii) are able to sustain a complete loss on the investment in the Equity Shares, (iv) have no need for liquidity with respect to the investment in the Equity Shares, and (v) have no reason to anticipate any change in your or their circumstances, financial or otherwise, which may cause or require any sale or distribution by you or them of all or any part of the Equity Shares;
- that where you are acquiring the Equity Shares for one or more managed accounts, you represent and warrant that you are authorized in writing, by each such managed account to acquire the Equity Shares for each managed account;
- you are not a Promoter and are not a person related to Promoters, either directly or indirectly and your Bid does not directly or indirectly represent our Promoters or persons related to Promoters;
- you have no rights under a shareholders agreement or voting agreement with the Promoters or persons related to the Promoters, no veto rights or right to appoint any nominee director on the Board other than the rights acquired in the capacity of a lender which shall not be deemed to be a person related to the Promoter;
- you have no right to withdraw your bid after the Bid Closing Date;
- you are eligible to bid and hold Equity Shares so Allotted and together with any Equity Shares held by you prior to the Issue. You further confirm that your holding upon the issue of the Equity Shares shall not exceed the level permissible as per any applicable regulation;
- the bids made by you would not eventually result in triggering a tender offer under the Takeover Code;
- to the best of your knowledge and belief together with other Eligible QIBs in the Issue that belong to the same group or are under common control as you, the allotment under the present Issue shall not exceed 50% of the Issue;
  a. The expression ‘belonging to the same group’ shall derive meaning from the concept of ‘companies under the same group’ as provided in sub-section (11) of Section 372 of the Companies Act;
  b. “Control” shall have the same meaning as is assigned to it by Clause (c) of Regulation 2 of the Takeover Code.
- you shall not undertake any trade in the Equity Shares credited to your Depository Participant account until such time that the final listing and trading approval for the Equity Shares is issued by the Stock Exchanges;
- you are aware that applications shall be made to the Stock Exchanges for in-principle approval for listing and admission of the Equity Shares to trading on the Stock Exchanges’ market for listed securities;
- the contents of this Placement Document are exclusively our responsibility and that neither the Lead Manager nor any person acting on their behalf has or shall have any liability for any information, representation or statement contained in this Placement Document or any information previously published by or on our behalf and will not be liable for your decision to participate in the Issue based on any information, representation or statement contained in this Placement Document or otherwise. By accepting a participation in this Issue, you agree to the same and confirm that you have neither received nor relied on any other information, representation, warranty or statement made by or on behalf of the Lead Manager or on our behalf or any other person and neither the Lead Manager nor we nor any other person will be liable for your decision to participate in the Issue based on any other information, representation, warranty or statement that you may have obtained or received;
- the only information you are entitled to rely on and on which you have relied in committing yourself to acquire the Equity Shares is contained in this Placement Document, such information being all that you deem necessary to make an investment decision in respect of the Equity Shares and that you have neither received nor relied on any other information given or representations, warranties or statements made by the Lead Manager or us and neither the Lead Manager nor we will be liable for your decision to accept an invitation to participate in the Issue based on any other information, representation, warranty or statement;
- you agree to indemnify and hold us and the Lead Manager harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the representations and warranties in this paragraph. You agree that the indemnity set forth in this paragraph shall survive the resale of the Equity Shares by or on behalf of the managed accounts; and

The Bank, the Lead Manager and others will rely on the truth and accuracy of the foregoing representations, warranties, acknowledgements and undertakings which are given to the Lead Manager on their own behalf and on our behalf and are irrevocable.

DISCLAIMER CLAUSE OF STOCK EXCHANGES

As required, a copy of the Placement Document has been submitted to the Stock Exchanges. The Stock Exchanges do not in any manner:

- warrant, certify or endorse the correctness or completeness of any of the contents of the Placement Document;
- warrant that the Bank's Equity Shares will be listed or will continue to be listed on the Stock Exchanges; or
- take any responsibility for the financial or other soundness of the Bank its management or any scheme or project of the Bank;

and it should not for any reason be deemed or construed to mean that the Placement Document has been cleared or approved by the Stock Exchanges. Every person who desires to apply for or otherwise acquires any Equity Shares of this Bank may do so pursuant to an independent inquiry, investigation and analysis and shall not have any claim against the Stock Exchanges whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

We prepare our financial statements in accordance with Indian GAAP. Indian GAAP differs in certain significant respects from IAS/IFRS and U.S. GAAP. We do not provide reconciliation of financial statements to IAS/IFRS or U.S. GAAP financial statements or a summary of the principal differences between Indian GAAP, IAS/IFRS and U.S. GAAP relevant to our business.

We publish our financial statements in Rupees. Unless stated otherwise, the financial data in this Placement Document is derived from the financial statements for the Fiscal Year ended March 31, 2007, March 31, 2006 and March 31, 2005 prepared in accordance with Indian GAAP, beginning on page 135 of this Placement Document. Our Fiscal Year commences from April 1 and ends on March 31 of the next year. In this Placement Document, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off.

In this Placement Document, unless otherwise indicated or the context otherwise requires, all references to "ING Vysya", "our Bank", "our Company", "we," "our," "us," or similar terms are to the ING Vysya Bank Limited, and references to "you" are to the prospective investors in the Equity Shares. References in this Placement Document to "India" are to the Republic of India and the "Government" are to the Government of India, Central or State, as applicable.

All references to "Rupees", "Rs" or "Rs." are to Indian Rupees, the official currency of the Republic of India. All references to "US$", "USD" or "US Dollars" are to United States Dollars, the official currency of the United States of America. For additional definitions, please refer to page ix of this Placement Document.

Market and Industry Data used in this Placement Document have been obtained from publication available in the public domain. These publications generally state that the information contained therein has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although the industry data used in this Placement Document is reliable, it has not been independently verified.

FORWARD LOOKING STATEMENTS

All statements contained in this Placement Document that are not statements of historical fact constitute “forward looking statements”. Investors can generally identify forward-looking statements by terminology such as “aim”, “anticipate”, “believe”, “continue”, “estimate”, “expect”, “intend”, “may”, “objective”, “plan”, “potential”, “project”, “pursue”, “shall”, “should”, “will”, “would”, or other words or phrases of similar import. Similarly, statements that describe our strategies, objectives, plans or goals are also forward-looking statements.

All statements regarding our expected financial condition and results of operations, business, plans and prospects are forward-looking statements. These forward-looking statements include statements as to our business strategy, our revenue and profitability and other matters discussed in this Placement Document regarding matters that are not historical facts. These forward-looking statements and any other projections contained in this Placement Document (whether made by us or any third party) are predictions and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements and any other projections. Important factors that could cause actual results, performance or achievements to differ materially include, but are not limited to those discussed under “Risk Factors”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Our Business”.

The forward-looking statements contained in this Placement Document are based on the beliefs of the management, as well as the assumptions made by and information currently available to the management. Although we believe that the expectations reflected in such forward-looking statements are reasonable at this time, we cannot assure investors that such expectations will prove to be correct. Given these uncertainties, investors are cautioned not to place undue reliance on such forward-looking statements. If any of these risks and uncertainties materialize, or if any of our underlying assumptions prove to be incorrect, our actual results of operations or financial condition could differ materially from that described herein as anticipated, believed, estimated or expected. All subsequent written and oral forward-looking statements attributable to us are expressly qualified in their entirety by reference to these cautionary statements.

ENFORCEMENT OF CIVIL LIABILITIES

The Bank is organized under the laws of India. Its assets are located primarily in India. All of its directors and executive officers are residents of India only and virtually all of their assets are located in India. As a result, you may find it difficult or may be unable to effect service of process outside India upon the Bank or such persons, or to enforce in courts outside India judgments, obtained in courts outside India against the Bank or such persons.

India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. Recognition and enforcement of foreign judgments is provided for under Section 13 and Section 44A of the Indian Code of Civil Procedure, 1908, as amended from time to time (the "Civil Code"). Section 44A of the Civil Code, as amended, provides that where a foreign judgment has been rendered by a superior court in any country or territory outside India which the Government of India has by notification declared to be a reciprocating territory, it may be enforced in India by execution proceedings as if the judgment had been rendered by the courts in India. Section 44A of the Civil Code is applicable only to monetary decrees or judgments not being in the nature of amounts payable in respect of taxes or other charges of like nature or in respect of fines or other penalties and does not include an arbitration award, even if such and award is enforceable as a decree or judgment. The United States has not been declared by the Government of India to be a reciprocating territory for the purposes of Section 44A. The following countries have been declared by the Government of India to be reciprocating territories for the purposes of Section 44A of the Civil Code:

1. United Kingdom;
2. Aden;
3. Fiji;
4. Republic of Singapore;
5. Federation of Malaya,
6. Trinidad & Tobago;
7. New Zealand, the Cook Islands (including Niue) and the Trust Territories of Western Samoa;
8. Hong Kong;
9. Papua & New Guinea;
10. Bangladesh; and
11. United Arab Emirates.

In case of reciprocating territories, a judgment of a court outside India may be enforced either by initiating execution proceedings as per Section 44A of the Civil Code or by a suit upon it. However, in case of a non-reciprocating territory such as the United States, a judgment of a court outside India may be enforced in India only by a suit upon the judgment, subject to Section 13 of the Civil Code and not by proceedings in execution. Section 13 of the Civil Code, which is the statutory basis for the recognition of foreign judgments (other than arbitration awards), states that a foreign judgment is conclusive as to any matter directly adjudicated upon between the same parties or parties litigating under the same title, except:

- where the judgment has not been pronounced by a court of competent jurisdiction;
- where the judgment has not been given on the merits of the case;
- where the judgment appears on the face of the proceedings to be founded on an incorrect view of international law or a refusal to recognise the law of India in cases where such law is applicable;
- where the proceedings in which the judgment was obtained were opposed to natural justice;
- where the judgment has been obtained by fraud; or
- where the judgment sustains a claim founded on a breach of any law in force in India.

A JUDGMENT OF A COURT IN A JURISDICTION THAT IS NOT A RECIPROCATING TERRITORY SUCH AS THE UNITED STATES MAY BE ENFORCED ONLY BY A NEW SUIT UPON THE JUDGMENT AND NOT BY PROCEEDINGS IN EXECUTION. THE SUIT MUST BE INSTITUTED IN INDIA WITHIN THREE YEARS FROM THE DATE OF THE JUDGMENT IN THE SAME MANNER AS ANY OTHER SUIT FILED TO ENFORCE A CIVIL LIABILITY IN INDIA. GENERALLY, THERE ARE CONSIDERABLE DELAYS IN THE DISPOSAL OF SUITS BY INDIAN COURTS. WE CANNOT PREDICT WHETHER A SUIT BROUGHT IN AN INDIAN COURT WILL BE DISPOSED OF IN A TIMELY MANNER OR BE SUBJECT TO CONSIDERABLE DELAYS. ALSO, IT IS UNLIKELY THAT A COURT IN INDIA WOULD AWARD DAMAGES ON THE SAME BASIS AS A FOREIGN COURT IF AN ACTION WERE BROUGHT IN INDIA. FURTHERMORE, IT IS UNLIKELY THAT AN INDIAN COURT WOULD ENFORCE

FOREIGN JUDGMENTS IF IT VIEWED THE AMOUNT OF DAMAGES AWARDED AS EXCESSIVE OR INCONSISTENT WITH INDIAN LAW AND PRACTICE. A PARTY SEEKING TO ENFORCE A FOREIGN JUDGMENT IN INDIA IS REQUIRED TO OBTAIN PRIOR APPROVAL FROM THE RBI UNDER FEMA TO REPATRIATE ANY AMOUNT RECOVERED PURSUANT TO THE EXECUTION OF SUCH JUDGMENT. ANY JUDGMENT IN A FOREIGN CURRENCY WOULD BE CONVERTED INTO INDIAN RUPEES ON THE DATE OF JUDGMENT AND NOT ON THE DATE OF PAYMENT.

DEFINITIONS AND ABBREVIATIONS

General Terms

Term	Description
"ING Vysya" or "Bank" or "our Bank" or "Company" or "our Company" or "us" or "our" or "we"	ING Vysya Bank Limited, a company having its registered office at ING Vysya House, No. 22, M.G. Road, Bangalore 560 001.
Allocated/Allocation	The determination of Eligible QIBs for the purposes of allocation of the Equity Shares, done in consultation with the Lead Manager, and in compliance with Chapter XIII-A of the SEBI Guidelines.
Allot/Allotment	Unless the context otherwise requires, the allotment of Equity Shares pursuant to the Issue.
Articles/Articles of Association	Articles of Association of our Bank.
Banking Regulation Act	The Banking Regulation Act, 1949, as amended from time to time.
Bid	An indication of Eligible QIBs' interest, including all revisions and modifications of interest, as provided in the Bid cum Application Form to subscribe for Equity Shares under this Issue.
Bid Closing Date	November 8, 2007.
Bidding Period	The period between the Bid Opening Date and the Bid Closing Date inclusive of both days and during which prospective Bidders can submit their Bids, including any revisions thereof.
Bid cum Application Form	The form in terms of which an Eligible QIB shall submit a Bid and which will be considered as the application for the issue of Equity Shares, pursuant to the terms of the Issue.
Bid Opening Date	November 7, 2007.
Board of Directors/Board	Our board of directors or a committee constituted thereof.
CAN/Confirmation of Allocation Note	The note or advice or intimation of Allocation sent to the Bidders who have been Allocated Equity Shares after discovery of the Issue Price.
Companies Act/Act	The Companies Act, 1956, as amended from time to time.
Cut-off Price	The Issue Price, which shall be finalized by us in consultation with the Lead Manager.
Delisting Guidelines	Securities Exchange Board of India (Delisting of Securities) Guidelines 2003, as amended from time to time.
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time.
Depositories Act	The Depositories Act, 1996, as amended from time to time.
Depository Participant	A depository participant as defined under the Depositories Act.
Director(s)	Directors on the Board.
Eligible QIBs	A qualified institutional buyer to whom the Preliminary Placement Document and Bid cum Application Form is circulated and who are eligible to Bid and participate in the Issue.
Floor Price	The floor price of Rs. 258.34 which has been calculated in accordance with Clause 13.A.3 of the SEBI Guidelines
Equity Shares	Our equity shares of face value of Rs. 10 each.
Financial Year/Fiscal Year/ /Fiscal	Period of twelve months ended March 31 of that particular year, unless otherwise stated.
Indian GAAP	Generally accepted accounting principles in India.

Term	Description
ING Bank N.V.	A company incorporated under the laws of Netherlands, having its registered office at De Amsterdamse Poort, 1102 MG, PO Box 1800, 1000. ING Bank N.V. is a wholly owned subsidiary of ING Groep N.V. and is the holding company of ING Mauritius Holding and ING Mauritius Investments I, our Promoter companies.
ING Groep N.V./ING Group	A company incorporated under the laws of Netherlands, having its registered office at Amstelveenseweg 500, 1081 KL, PO Box 810, 1000 AV Amsterdam, Netherlands.
Issue	The issue and sale of 6,209,375 Equity Shares to Eligible QIBs, pursuant to Chapter XIII-A of the SEBI Guidelines.
Issue Price	A price per Equity Share of Rs. 310.
Issue Size	The Issue of 6,209,375 Equity Shares aggregating to Rs. 1,924.91 million.
Lead Manager	Enam Securities Private Limited.
Memorandum/ Memorandum of Association	The Memorandum of Association of our Bank.
Pay-in Date	Bid/Issue Closing Date or the last date specified in the CAN sent to the Bidders, as applicable.
Payment Collection Bank	ING Vysya Bank Limited.
Person/Persons	Any individual, sole proprietorship, unincorporated association, unincorporated organization, body corporate, corporation, company, partnership, limited liability company, joint venture, or trust or any other entity or organization validly constituted and/or incorporated in the jurisdiction in which it exists and operates, as the context requires.
Placement Document	The placement document to be filed with SEBI within 30 days of the Allotment, containing such details as are specified in Clause 13A.7.2 read with Schedule XXI-A of the SEBI Guidelines, Chapter XIII-A of the SEBI Guidelines and the Issue Price.
Preliminary Placement Document	The Preliminary Placement Document dated November 6, 2007 containing such details as are specified in Clause 13A.7.2 read with Schedule XXI-A of the SEBI Guidelines and Chapter XIII-A of the SEBI Guidelines, which does not contain details of the Issue Price.
Promoters	The promoters of our Bank being the following: a) Mr. G.M. Rao; b) ING Mauritius Holdings, a company incorporated under the laws of Mauritius on September 26, 1996, having its registered office at 355, Barkly Wharf, Le Caudan Waterfront, Port Louis, Mauritius; and c) ING Mauritius Investment I, a company incorporated under the laws of Mauritius on October 8, 1999, having its registered office at 355, Barkly Wharf, Le Caudan Waterfront, Port Louis, Mauritius.
Qualified Institutional Buyers/QIBs	Public financial institutions as defined in Section 4A of the Companies Act, scheduled commercial bank, MFs registered with SEBI, FIIs registered with SEBI, multilateral and bilateral development financial institution, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporation, insurance companies registered with Insurance Regulatory and Development Authority, India, provident fund with minimum corpus of Rs. 250 million and pension fund with minimum corpus of Rs. 250 million.
Registered Office	The registered office of our Bank presently situated at ING Vysya House, 22, M.G. Road Bangalore 560 001, Karnataka, India.
RBI Act	The Reserve Bank of India Act, 1934, as amended from time to time.
SEBI Act	The Securities and Exchange Board of India Act, 1992, as amended from time to time.

Term	Description
SEBI Guidelines	The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI, as amended, including instructions and clarifications issued by SEBI from time to time.
Senior Management	Persons listed under the heading "Senior Management" in the section titled "Board of Directors and Senior Management".
Stock Exchanges	BSE and NSE.
Subsidiary	Subsidiary of the Bank, that being ING Vysya Financial Services Limited.
Takeover Code	Securities Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended.

Technical and Industry Terms

Term	Description
AFS	Available for Sale.
ALCO	Asset Liability Management Committee.
ALM	Asset Liability Management.
ANBC	Adjusted Net Bank Credit.
ATMs	Automated Teller Machines.
BBL	Bank Brussels Lambart.
CRR	Cash Reserve Ratio.
ECS	Electronic Clearing Services.
FCNR Account	Foreign Currency Non-Resident Account.
HFT	Held for Trading.
HTM	Held to Maturity.
LIBOR	London Inter Bank Offered Rate.
NEFT	National Electronic Fund Transfer.
NPA	Non-Performing Asset.
p.a.	Per annum.
RTGS	Real Time Gross Settlement.
SLR	Statutory Liquidity Ratio.
SME	Small and Medium Enterprises.
SPV	Special Purpose Vehicle.
SSI	Small Scale Industries.
STT	Securities Transaction Tax.
Tier II Bonds	Unsecured subordinated bonds issued for Tier II capital adequacy purposes.
Tier I Capital	The core capital of a bank, which provides the most permanent and readily available support against unexpected losses. It comprises paid up capital and reserves consisting of any statutory reserves, free reserves and capital reserves as reduced by equity investments in subsidiaries, intangible assets, and losses in the current period and those brought forward from the previous period.

Term	Description
Tier II Capital	The undisclosed reserves and cumulative perpetual preference shares, revaluation reserves (at a discount of 55.0%), general provisions and loss reserves (allowed up to a maximum of 1.25% of risk-weighted assets), hybrid debt capital instruments (which combine certain features of both equity and debt securities) and subordinated debt (excluding such debt with initial maturity of less than five years or remaining maturity of less than one year).
VSAT	Very Small Aperture Terminal.
WDV	Written Down Value.

Abbreviations

Abbreviation	Full Form
AS	Accounting Standards issued by the Institute of Chartered Accountants of India.
BOLT	BSE On-line Trading.
BSE	Bombay Stock Exchange Limited earlier known as The Stock Exchange, Mumbai.
CDSL	Central Depository Services Limited.
CEO	Chief Executive Officer.
DP	Depository Participant.
EPS	Earnings Per Share.
ESOS	Collectively the Employees Stock Option Scheme 2002 and the Employee Stock Option Scheme 2005.
FEMA	Foreign Exchange Management Act, 1999 as amended from time to time.
FII	Foreign Institutional Investor (as defined under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995) registered with SEBI under applicable laws in India.
FSMA	Financial Services and Markets Act 2000.
GIR Number	General Index Registry Number.
Government/GoI	Government of India.
HUF	Hindu Undivided Family.
Insider Trading Regulations	Exchange Board of India (Prohibition of Insider Trading) Regulations 1992, as amended.
IFRS	International Financial Reporting Standards.
IT	Information Technology.
IT Act	The Income Tax Act, 1961, as amended from time to time.
ITAT	Income Tax Appellate Tribunal.
MF/MFs	Mutual Fund/s.
NABARD	National Bank for Agricultural and Rural Development.
NAV	Net Asset Value.
NBFC	Non-Banking Finance Company.
NRE Account	Non Resident (External) Account.

Abbreviation	Full Form
NRI/Non-Resident Indian	Non-Resident Indian, is a Person resident outside India, who is a citizen of India or a Person of Indian origin and shall have the same meaning as ascribed to such term in the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000.
NRO Account	Non-Resident Ordinary Account.
NSDL	National Securities Depository Limited.
OD/CC	Overdue or Cash Credit.
PAN	Permanent Account Number under the IT Act.
RBI	Reserve Bank of India.
RIDF	Rural Infrastructure Development Fund.
RoC	The Registrar of Companies, is at Kendriya Sadan, II Floor, E Wing, Koramangala, Bangalore 560 034.
Rs./Rupees/INR	Indian Rupees.
SARFAESI Act	Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.
SCRA	Securities Contracts (Regulation) Act, 1956, as amended from time to time.
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time.
SEBI	Securities and Exchange Board of India constituted under the SEBI Act.
U.S. GAAP	Generally Accepted Accounting Principles in the United States of America.

LEAD MANAGER AND OTHER ADVISORS TO THE ISSUE

Lead Manager

Enam Securities Private Limited
801, Dalamal Tower, Nariman Point
Mumbai 400 021, India
Tel: + 91 22 6638 1800
Fax: + 91 22 2284 6824
Email: ivblqip@enam.com
Website: www.enam.com
Contact Person: Ms. Lakha Nair

Domestic Legal Counsel to the Issue

Luthra & Luthra Law Offices
103, Ashoka Estate
Barakhamba Road
New Delhi 110 001, India
Tel: +91 11 4121 5100
Fax: +91 11 2372 3909

International Legal Counsel with respect to selling restrictions

Dorsey & Whitney
21 Wilson Street
London EC2M 2TD, U.K
Tel: +44 (0) 20 7588 0800
Fax: +44 (0) 20 7588 0555

Compliance Officer

Mr. M.V.S. Appa Rao
Company Secretary
ING Vysya Bank Limited
ING Vysya House, 22, M.G. Road
Bangalore 560 001, Karnataka, India
Tel: +91 80 2500 5000/5770
Fax: +91 80 2555 9212
E-mail: apparaomvs@ingvysyabank.com

Registrar to the Issue

Karvy Computershare Private Limited
"Karvy House" 46, Avenue 4
Street No.1, Banjara Hills
Hyderabad 500 034
Tel: +40 2342 0815
Fax: +40 2342 0814
E-mail: mailmanager@karvy.com

Statutory Auditors

M/s S.R. Batliboi and Co.,
Chartered Accountants
6th Floor, Express Towers
Nariman Point, Mumbai 400 021, India
Tel: +91 22 2287 6485/6
Fax: +91 22 2287 6401
E-mail: viren.mehta@in.ey.com, krishna.chamadia@in.ey.com

GENERAL INFORMATION

1. We were incorporated as a public limited company on March 29, 1930 with the name "The Vysya Bank Limited" and received the certificate of commencement of business on July 24, 1930. The Vysya Bank Limited received license to carry on the banking business in India under the Banking Regulation Act from the RBI on June 6, 1958. Our name was changed to "ING Vysya Bank Limited" and the fresh certificate of incorporation consequent to the name change was granted on November 1, 2002. The RBI pursuant to its letter dated December 10, 2002 amended the previous license to carry banking business in India and permitted the said change in name. We are also a scheduled commercial bank within the meaning of the Reserve Bank of India Act, 1934.
2. The Issue was authorized and approved by our Board on October 6, 2007 and by our shareholders on November 6, 2007.
3. The Board and the shareholders of the Bank by their resolutions dated October 6, 2007 and November 6, 2007 respectively, have approved a preferential issue of up to 6,072,762 Equity Shares to ING Mauritius Holdings and ING Mauritius Investment I at the Issue Price ("**Preferential Allotment**"). Since the Preferential Allotment would be done at the Issue Price the same shall be carried out after the Bid Closing Date and upon determination of the Issue Price. The Preferential Allotment would be concluded simultaneously with the Allotment.
4. We shall apply for in-principle approval to list the Equity Shares issued in the Issue on the BSE and the NSE.
5. Copies of our Memorandum and Articles will be available for inspection during usual business hours on any weekday (except Saturdays and public holidays) at our Registered Office.
6. We have obtained all consents, approvals and authorizations required in connection with this Issue, including the consents, approvals and authorizations from the RBI.
7. There has been no significant change in our financial position since March 31, 2007, the date of our last published financial results.
8. Except as disclosed in this Placement Document, there are no material litigation or arbitration proceedings (i.e, proceedings involving a claim of Rs. One million or more) against or affecting us or our assets or revenues, nor are we aware of any material pending or threatened litigation or arbitration proceedings, which are or might be material in the context of this Issue.
9. M/s BSR & Co., Chartered Accountants have audited our accounts for Fiscal 2005, Fiscal 2006 and Fiscal2007. For the Fiscal 2008, we have appointed M/s S.R. Batliboi and Co., Chartered Accountants as our statutory auditors in terms of guidelines issued by RBI. Both the firms have consented to the inclusion of their names as auditors in this Placement Document.
10. We confirm that we are in compliance with the minimum public shareholding requirements as required under the terms of the listing agreements with the Stock Exchanges.
11. The Floor Price is Rs 258.34 per Equity Share.
12. Our authorised share capital is Rs. 4,500 million divided into 350 million Equity Shares of Rs. 10 each and 100 million preference shares of Rs. 10 each.

Major Events of our Bank

Year	Major Events
1930	Received license to carry on the banking business in India under the Banking Regulation Act.
1996	We signed a strategic alliance with Bank Brussels Lambert, Belgium.
1996	We were recognised with two national awards by Gem & Jewellery Export Promotion Council for excellent performance in export promotion.
1998	We were awarded the Golden Peacock Award for the best human resources practices by the Institute of Directors.
1998	We were rated as the best domestic bank in India by Global Finance, an international finance journal, in its issue dated June 1998.
2000	We set up a State-of-the-Art Data centre at ITPL, Bangalore.
2002	Our name was changed from The Vysya Bank Limited to ING Vysya Bank Limited.
2006	We networked all our branches to facilitate 'AAA' transactions, that is, Anywhere, Anytime and Anyhow Banking.
2007	We have been recognised for our public relations by the Public Relations Council of India in its Global Meet on Corporate Communications, March 2007.

Key agreements entered into by the Bank

Trade Mark License Agreement

The Bank has entered into a trademark license agreement dated December 7, 2002 with ING Groep N.V. whereby ING Groep N.V. has agreed to license the following trademarks on a non-exclusive, royalty free basis in favour of the Bank:

a) ING (blue letters) lion (orange colour);

b) ING lion (black and white); and

c) ING (word mark).

The licensed trademarks can be used by the Bank in India in accordance with the terms and conditions in the agreement and solely for the purpose of conducting its business. Further the Bank has the right to grant a sub-license to its Subsidiary to use the licensed trade mark either as part of its corporate name and /or domain name, or as a trade mark, provided that such license is in compliance with trademark license agreement and that any breach by the Subsidiary of such terms shall be deemed to be a breach by the licensee of the terms of this trademark license agreement.

The licensed trademark can be used for the conduct of the Bank's business in accordance with ING Groep N.V.'s branding standards, as set out in ING Groep N.V.'s website. In the event the Bank intends to use the licensed trademark in a manner other than ING Groep N.V.'s branding standard, the Bank must seek the prior approval of ING Groep N.V. Further the licensed trademark can be used by the Bank as a corporate name or as a part of domain names subject to prior approval of ING Groep N.V.

Further, pursuant to the terms of the trademark license agreement, the Bank shall indemnify ING Groep N.V. against all loss and damages suffered by ING Groep N.V. whether arising directly or indirectly. Such direct or consequential damages shall be limited in amount to the greater of the actual capital contributing made by ING Groep N.V. to the Bank and US$ 100,000,000.

Agreement with ING Vysya Financial Services Limited ("IVFSL")

The Bank has entered into an agreement dated March 13, 2007 with its Subsidiary, for a period of three years, from April 1, 2007. Pursuant to the terms of the agreement, IVFSL shall distribute various products and services of the Bank and shall further provide services such as (i) generation of referrals, (ii) marketing financial products, (iii) distribution of products information, (iv) information dissemination, (v) cheque and cash collection services, (vi) verification services, on a non-exclusive contract basis. This agreement shall be terminated on efflux of time, or either party may terminate the agreement by issuing prior notice of thirty days to the other party. Further IVFSL has the right to terminate the agreement in the event of breach of any terms and conditions under the agreement.

SUMMARY OF THE ISSUE

The following is a general summary of the terms of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, more detailed information appearing elsewhere in this Placement Document, including under the section titled "Issue Procedure" beginning on page no. 98 of this Placement Document.

Issuer	ING Vysya Bank Limited.
Issue Size	The Issue of 6,209,375 Equity Shares aggregating to Rs. 1,924.91 million, including premium. A minimum of 10% of the Issue Size i.e. 620,938 Equity Shares shall be available for Allocation to MFs only, and 5,588,437 Equity Shares shall be available for Allocation to all QIBs, including MFs. If no MF is agreeable to take up the minimum portion mentioned above, such minimum portion or part thereof may be allotted to other Eligible QIBs.
Issue Price	Rs. 310 per Equity Share. The Floor Price of the Issue on the basis of Clause 13.A.3 of Chapter XIIIA of the SEBI Guidelines is Rs. 258.34 per Equity Share.
Eligible QIBs	A QIB to whom the Preliminary Placement Document and Bid cum Application Form is circulated and who are eligible to Bid and participate in the Issue. The list of Eligible QIBs to whom the Preliminary Placement Document and Bid cum Application Form is delivered shall be determined by the Lead Manager, at its sole discretion.
Equity Shares issued and outstanding immediately prior to and after the Issue*	91,039,355 Equity Shares issued and outstanding immediately prior to the Issue. Immediately after the Issue, 102,329,677 Equity Shares will be issued and outstanding*.
Listing	We shall make an application to the Stock Exchanges to obtain approval for listing of the Equity Shares offered through this Placement Document.
Transferability Restriction	The Equity Shares being Allotted pursuant to this Issue shall not be sold for a period of one year from the date of Allotment except on a recognized stock exchange in India.
Use of Proceeds	The net proceeds of the Issue are estimated to be approximately Rs. 1,887.91 million, after deducting the expenses of the Issue. The net proceeds of the Issue will be used to augment the capital adequacy ratio of the Bank and for other general corporate purposes in accordance with the applicable laws.

*The post-Issue shareholding includes the Preferential Allotment. The Preferential Allotment would be concluded simultaneously with the Allotment.

RECENT DEVELOPMENTS

Results of the operations for the half-year ended September 30, 2007

The Net Profit After Tax (PAT) for the half-year ended September 30, 2007 increased by 26.87% to Rs.713 million from Rs.562 million for the half-year ended September 30, 2006 and the Profit Before Tax (PBT) increased by 49.28% to Rs.1136 million from Rs.761 million.

The profit for the half-year and quarter ended September 30, 2006 includes a profit of Rs.335 million (post tax profit of Rs.264 million) on sale of our strategic investment in Bharat Overseas Bank (BOB). After adjusting for the exceptional items, the underlying PAT and PBT for the half year ended September 30, 2007 increased by 132.55% and 161.97% respectively.

Other income for the half-year ended September 30, 2007 increased by 48.26% to Rs.1,407 million from Rs.949 million for the half-year ended September 30, 2006 driven by strong growth of fee income in both retail and wholesale segments. Operating expenses increased by 9.71% in the half-year ended September 30, 2007 compared to the half-year ended September 30, 2006. Provision and Contingencies was significantly lower due to the upgradation of a non-performing account in the current quarter.

The Gross NPA ratio improved to 2.06% as at September 30, 2007 from 3.90% as at September 30, 2006 and the Net NPA ratio improved to 0.77% from 1.57%, for the same period. As at September 30, 2007, the Capital Adequacy Ratio stood at 10.51%.

The selected interim financial information presented below is unaudited standalone financials and have been prepared and presented 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.

(Rupees in Millions)

	Particulars	**For the period ended September 30, 2007**	**For the period ended September 30, 2006**
		(Unaudited)	**(Unaudited)**
1	Interest earned (a)+(b)+(c)+(d)	8,680	6,335
	(a) Interest / Discount on Advances / Bills	6,251	4,523
	(b) Income on Investments	1,719	1,373
	(c) Interest on balances with Reserve Bank of India and Other Inter Bank Funds	118	120
	(d) Others	592	318
2	Other Income	1,407	949
3	**Total Income (1+2)**	**10,087**	**7,283**
4	Interest Expended	6,072	3,997
5	Operating Expenses (i)+(ii)	2,837	2,586
	(i) Employee cost	1,373	1,186
	(ii) Other Operating Expenses	1,464	1,400
6	Total Expenditure (4+5)	8,909	6,583
	(excluding Provisions and Contingencies)	-	-
7	**Operating Profit (3-6)**	**1,178**	**700**
	(Profit before Provisions and Contingencies)	-	-
8	Provisions (other than tax) and Contingencies	61	274
9	Exceptional Items	20	335

(Rupees in Millions)

Particulars		For the period ended September 30, 2007	For the period ended September 30, 2006
		(Unaudited)	(Unaudited)
10	Profit/ (loss) from Ordinary Activities before tax (7-8+9)	1,136	761
11	Tax expense	423	199
12	**Net Profit/ (loss) from Ordinary Activities after tax (10-11)**	**713**	**562**
13	Extraordinary items (net of tax expense)	-	-
14	**Net Profit/ (Loss) for the period (12-13)**	**713**	**562**
15	Paid-up Equity Share capital (Face Value Rs.10/- per share)	910	907
16	Reserves excluding Revaluation Reserves (as per balance sheet of previous accounting year)		
17	Analytical Ratios		
	i) Percentage of shares held by Government of India	-	-
	ii) Capital Adequacy Ratio	10.51%	11.36%
	iii) Earnings per share (in rupees)		
	a) Before Extraordinary items (net of tax expense)		
	- Basic	7.84	6.19
	- Diluted	7.79	6.16
	Not Annualised	Not Annualised	
	b) After Extraordinary items:		
	- Basic	7.84	6.19
	- Diluted	7.79	6.16
	Not Annualised	Not Annualised	
	iv) NPA Ratios:		
	(a) Amount of Gross Non Performing Assets	2,629	4,011
	(b) Amount of Net Non Performing Assets	963	1,574
	(c) Percentage of Gross Non Performing Assets	2.06%	3.90%
	(d) Percentage of Net Non Performing Assets	0.77%	1.57%
	v) Return on Assets (Annualised)	0.71%	0.67%
18	Public Shareholding		
	- Number of Shares	51,233,279	50,942,965
	- Percentage of Shareholding (on Issued Capital)	56.06%	55.92%

Segment Results for the period ended September 30, 2007

(Rs. in Millions)

Business Segments	**Treasury**		**Other Banking Operations**		**Total**	
	For the half year ended September 30, 2007	**For the half year ended September 30, 2006**	**For the half year ended September 30, 2007**	**For the half year ended September 30, 2006**	**For the half year ended September 30, 2007**	**For the half year ended September 30, 2006**
Particulars						
Revenue	2,490	2,143	8,744	6,628	11,234	8,771
Less: Inter segment revenue			1,127	1,153	1,127	1,153
Net Revenue	2,490	2,143	7,617	5,475	10,107	7,618
Result	491	279	707	756	1,198	1,035
Unallocated expenses						
Operating Profit					1,198	1,035
Provisions and contingencies					61	274
Taxes					423	199
Share of Loss in Associates						
Minority Interest						
Extraordinary profit/loss						
Net Profit					713	562
Other Information						
Segment Assets	52,512	43,483	156,553	123,849	209,065	167,332
Unallocated Assets						
Total Assets	52,512	43,483	156,553	123,849	209,065	167,332
Segment Liabilities	39,841	22,792	157,473	133,779	197,313	156,571
Unallocated Liabilities					11,751	10,761
Total Liabilities	39,841	22,792	157,473	133,779	209,065	167,332

Notes:

1. The above results were reviewed by the Audit Committee of the Board and approved by the Board at its meeting held on October 25, 2007.
2. The above results have been prepared based on the same accounting policies as those adopted in the preparation of the annual financial statements for the year ended March 31, 2007 except as indicated in 3 and 4 below.
3. During the quarter ended June 30, 2007, the Bank had, with effect from April 1, 2007, shifted from Inclusive to Exclusive method for accounting service tax paid on input services as prescribed by Institute of Chartered Accountants of India. Consequent to such change, net profit after tax for the half year ended September 30, 2007 is higher by Rs. 51 million including post tax transition credit of Rs. 38 million.
4. The Bank has provided for pro-rata Pension, Gratuity and Leave encashment liabilities based on revised Accounting Standard (AS) 15 “Employee benefits” in the profit and loss account for the quarter and half year ended September 30, 2007.

5. The Reserve Bank of India (RBI) issued a general clarification dated July 11, 2007 requiring banks to reflect amortization of premia on investments in the HTM category under interest income from investments. Accordingly the Bank has reclassified the same for the half-year ended September 30, 2007 and for September 30, 2006. On account of the said reclassification, net interest income is now lower by Rs. 276 million for the half year ended September 30, 2007 (corresponding previous half year: Rs. 266 million).

6. Exceptional items represent divestment of the Bank's holdings in Bharat Overseas Bank and ING Investment Management (India) Private limited (IIM). The Bank's holding in Bharat Overseas Bank was divested during the quarter ended September 30, 2006, resulting in pre-tax and post-tax profit of Rs. 335 million and Rs. 264 million respectively. The Bank's holding in IIM was divested during the quarter ended June 30, 2007 resulting in pre-tax profit of Rs. 20 million.

7. During the quarter ended September 30, 2007, 1,32,962 Equity Shares were allotted pursuant to exercise of stock options by certain employees and 39,280 unexercised options have lapsed.

8. As the Bank operates only in the domestic segment there are no other geographic segments.

9. Comparative figures for the previous periods have been regrouped/ rearranged/ reclassified, where required, to conform to current classification.

SUMMARY OF BUSINESS

OVERVIEW

The Vysya Bank Limited was incorporated on March 29, 1930 with the objective of providing banking services to all strata of society. We are one of the oldest private sector banks in India. We have a 77 year history in the banking industry, offering a wide variety of banking products and services. BBL made its first strategic investment in the Bank in 1996. In the year 1998, BBL was acquired by ING Groep N.V., a global financial conglomerate of Dutch origin. The name of our Bank was changed to ING Vysya Bank Limited in 2002. Over the years, we have grown in size and stature to encompass every area of present-day banking activities.

We currently deliver our products through a wide variety of channels ranging from bank branches, extension counters, ATMs, telephone banking, and internet banking. We have expanded our physical delivery channels to 406 bank branches, 40 extension counters and 188 ATMs in 309 locations across India, servicing around 1.4 million customers as on September 30, 2007. Our virtual delivery channels have also been significantly upgraded to offer a wide product suite and transactional capability. Further, the RBI by a letter dated October 4, 2007 has granted us permission to open 56 additional branches and 100 off-site ATMs by October 3, 2008.

We have a wholly owned subsidiary ING Vysya Financial Services Limited. Further, ING Groep N.V. also has its presence in India through ING Vysya Life Insurance Company Private Limited and ING Investment Management (India) Private Limited.

Our principal business activities are organized into three segments:

1. Wholesale Banking;
2. Retail Banking; and
3. Private Banking.

Wholesale Banking:

Our wholesale banking business comprises of four business segments and multiple product offerings. The business segments being (i) Corporate and Investment Banking, (ii) Banking and Financial Institutions, (iii) Emerging Corporate, and (iv) Financial Markets. Our product offering to the wholesale banking customer base includes (a) General Lending, (b) Structured Finance, (c) Trade Finance, (d) Corporate Finance, (e) Debt Capital Markets, (f) Cash Management Services, (g) Foreign Exchange & Derivatives and (h) Corporate Deposits.

While the business segments are responsible for managing relationships with identified customer sub-groups, the product groups are responsible for product and service delivery to the entire wholesale banking customer base.

We provide a range of commercial and investment banking products and services for corporates and financial institutions in India. Our commercial banking products and services to corporate customers include fund-based products, non-fund based products, other fee based services and advisory services. Our fund-based products comprise of working capital finance (including cash credit and bill discounting), term finance (long term and short term) and structured finance facilities. Our non-fund based products include letters of credit, financial and performance guarantees. Other fee-based services include cash management services, trade services, payment services and debt syndication and our advisory services include advising clients on mergers and acquisitions, capital restructuring and capital raising.

We also accept rupee and foreign currency deposits with fixed or floating interest bases from our corporate customers. Our deposit products include current deposits and term deposits. We deliver our commercial banking products and services to our corporate customers through a combination of our Wholesale Banking offices located in Mumbai, Delhi, Chennai, Bangalore, Kolkata and Hyderabad and our network of branches. Our financial markets operations include maintenance and management of regulatory reserves, proprietary trading in fixed income, foreign exchange and derivatives, a range of products and services for corporate customers, such as forward contracts and interest rate and currency swaps, and foreign exchange products. The financial markets business is focused on providing hedging and balance sheet management solutions and products to our Wholesale Banking and Retail Banking customer base and also supporting our customer's routine trade flows.

Retail Banking:

We offer comprehensive Retail banking services through our 406 bank branches, 40 extension counters and 188 ATMs, across 309 locations as on September 30, 2007. Further, the RBI by a letter dated October 4, 2007 has granted us permission to open 56 additional branches and 100 off-site ATMs by October 3, 2008.

Retail Banking comprises of four segments viz: (i) Retail Deposits (ii) Retail Assets (iii) Business Banking and (iv) Agricultural and Rural Banking

Our Bank offers a wide range of products such as deposits and loans including housing loans, personal loans, commercial vehicle loans, debit and credit cards. Apart from traditional savings and deposit services like demand deposits (savings bank and current account), time deposits, salary accounts and NRI accounts.

Serving the SME segment has been a traditional strength of our Bank. We offer a comprehensive range of banking services to small and medium sized corporates including business accounts, working capital facilities, cash management services, trade finance, non-funded facilities and term loans. We have also leveraged our network in the hinterland of the country to offer deposits and loans to the Agricultural and Rural markets.

Over the years we have leveraged our technology architecture to offer state of the art access channels to our retail customers apart from the traditional branches. This includes 24/7 telephone banking, full service internet banking, international debit card, worldwide ATM access (MasterCard and Cashnet networks), instant mobile alerts and self banking kiosks at select branches. We offer wealth management services through approximately 200 dedicated relationship managers across our network of branches. We are the distributors of mutual funds products for various asset management companies and corporate agents for ING Vysya Life Insurance Company Private Limited for life insurance products and Royal Sundaram Alliance Insurance Company Limited for general insurance products.

Private Banking:

Our Private Banking provides wealth management solutions on a non-discretionary platform to high networth individuals. The business unit consists of Private Bankers, Advisory Desk, Capital Market Operations, Credit Desk, Compliance and Products. While the Private Bankers are the client-facing team responsible for the overall relationship management, they are supported by Advisory Desk (for advice on portfolio construction), Capital market Operations (for transactional support and reporting), Credit Desk (for structured credit deals), Compliance (for ensuring timely reporting to regulatory authorities) and Products (for identification of viable financial products, MIS and marketing).

We provide advice on investment products across a wide range of asset classes ranging from equity, derivatives, mutual funds, bonds, insurance, structured credit, and real estate funds.

As on March 31, 2007, our total assets grew to Rs. 192,771 million, from Rs. 167,733 million as of March 31, 2006. Our total income grew to Rs. 15,929 million in Fiscal 2007 from Rs. 14,475 million in Fiscal 2006. Further our net profits grew to Rs. 882 million in Fiscal 2007 from Rs. 307 million in Fiscal 2006, registering a growth of 187.29%.

As on September 30, 2007, on a stand alone basis, our total assets grew to Rs. 209,065 million, from Rs. 167,332 million as of September 30, 2006. Our total income grew to Rs. 10,107 million for the period ended September 30, 2007 from Rs. 7,618 million for the period ended September 30, 2006, registering a growth of 32.67%. Further our net profits grew to Rs. 713 million for the six month period ended September 30, 2007 from Rs. 562 million for the period ended September 30, 2006, registering a growth of 26.87%.

STRENGTHS

Management believe that the Bank's strengths that distinguish it in a competitive Indian financial sector include:

Banking experience of 77 years

We are one of the oldest private sector banks offering wide variety of banking products and services to retail and corporate customers. We have 77 years of experience in the banking industry and this period of time has enabled us to understand the specific requirements of our customers and evolve our offerings to suit their requirements. This has enabled us to establish a strong relationship with around 1.4 million customers. With the growth of the corporates over the years, aided by the underlying growth in the Indian economy, our customers have grown to becoming players of significant size and stature in the market place. In partnering with our customers, the Bank has grown simultaneously in size and in range of products offered to its customers to meet their growing product needs.

Association with ING Groep N.V.

Our Promoters, ING Mauritius Holdings and ING Mauritius Investment I are wholly owned subsidiary of ING Bank N.V. ING Bank N.V., which in turn is a wholly owned subsidiary of ING Groep N.V., one of the world's largest financial services group. The total assets of ING Groep N.V. stood at 1,227 billion euros, as at December 31, 2006 and net profit were 7.7 billion euros for the period ended December 31, 2006. Further, ING Groep N.V. has presence in over 50 countries, has over 120,000 employees, and serves over 75 million customers across the globe.

Our association with ING Groep N.V. helps us gain an understanding of global financial markets and has also enabled us to obtain referrals from offshore customers and clients through ING Groep N.V. network thereby expanding our customer base both onshore and offshore. Further, linking with the ING Group's global network has enabled us to further enhance our business.

Professional management

The Bank has a professionally managed board which overseas and guides the Bank's strategy and operations. The members of our management team and employees come from a diverse set of backgrounds with relevant experience, including credit evaluation, risk management, treasury, technology and marketing. The diversity of experience helps us adapt a creative and cross-functional approach. Our managers and professional staff also have domain expertise of and experience in the various sectors we serve, which contributes to our understanding of the sector-specific aspects of our business. For further details on our Board and Senior Management see the section titled "Board of Directors and Senior Management" beginning on page no 90 of this Placement Document. We believe that we provide a strong culture of partnership, ownership, commitment and entrepreneurial spirit.

Centralised and modern technology platform

We are at the forefront of technology usage in the financial services sector. The IT infrastructure of the Bank is built on a robust architecture which links the Bank's network of branches, marketing offices and ATM's. The Bank is focussed on leveraging technology to create customer centric solutions like Core Banking, Internet Banking and SMS banking. The IT strategy of our Bank has supported business initiatives by a process of continuous update in technology and process platforms.

Multiple delivery channels and distribution infrastructure

We deliver our products though a wide variety of channels ranging from bank branches, ATMs, telephone-banking and internet banking. We have branch presence across India with a dominant presence in southern India. As of September 30, 2007 we had a branch network comprising of 406 branches, 188 ATM, 40 extension counters in 309 locations across India Further, the RBI by a letter dated October 4, 2007 has granted us permission to open 56 additional branches and 100 off-site ATMs by October 3, 2008.

STRATEGY

Our objective is to enhance our position as a premier provider of banking and other financial services in India. Some of the business strategies we have envisaged are as follows:

Enhance our Wholesale Banking franchise

We have a strong presence in all the segments of Wholesale Banking. Our long history of association with customers in India combined with the constant enhancement in product capability and investments in infrastructure and technology has helped us deliver value to our customers.

The Wholesale Banking business is focussed on delivering customer value by timely delivery of products to our chosen customer segments. The Wholesale Banking client relationship and product teams are focussed on actively engaging with the customer to understand their needs and providing the most effective solutions and deliver them most efficiently. Towards this the wholesale banking team is focussed on constantly upgrading and refining its product offering and increasing the level of engagement with the chosen customer segments to build a stronger and wider customer relationship.

We periodically review our product offerings and customer base to ensure that it enables us to grow profitably within acceptable parameters of risk and portfolio diversification. Our team actively works with customers to address their onshore needs and cooperates with ING Groep N.V. network to provide solutions for their global commercial banking and investment banking needs. We endeavour to provide a host of product solutions and structuring them appropriately to meet unique customer demands. We intend to focus on maximising customer and relationship revenue by ensuring appropriate product pricing and active relationship management by ensuring risk based pricing, both at a product and relationship level.

Enhance our Retail Banking franchise

We intend to leverage and expand our existing distribution network. We have 406 branches, a loyal customer base, experienced employees and a robust product suite. Our strategy is to drive productivity and efficiency through the branch network with a focus on the cross selling and higher client acquisition. One of the key focus areas for the Bank is to increase its low cost current account and savings account which would further improve the net interest margins.

The Bank also intends deriving fee income across retail products. This includes transactional fee, foreign exchange related income from business banking client relationship and wealth management fee from the sale and distribution of third party mutual funds and insurance.

Our Retail Assets strategy is to enhance the fast growing home loan and personal loan portfolio. Our strategy in the Business Banking segment is to continue the focus and offer SME customers a holistic product suite including business accounts, financial planning, trade and foreign exchange services apart from the traditional working capital facilities and term loans.

Enhance our Private Banking Business

Our strategy in Private Banking is to build a sustainable business model to ensure a steady growth in assets and revenues. We started our Private Banking initiative in 1995 with the following focus:

- Build a top-tier onshore Private Banking product capability across assets and segments which would be well recognized by clients;

- Build a strong and competitive Private Banking team and increase our presence across India; and
- Increase our fee based income.

Over the past six months, we have increased our presence in this segment across India from 4 centres to 7 centres, increased the team size including induction of people at the senior management levels.

We continue to focus on:

- increasing AUM, revenues and number of relationships;
- penetrate existing products and increase new capabilities – Art, Real Estate, private Investment Banking, Trust & Estate Planning;
- To build on structured credit assets fully secured by eligible financial assets; and
- To increase market visibility.

Continue to leverage on the synergies with ING Groep N.V.

Pursuant to the our association with ING Groep N.V. we have upgraded systems and processes to international standards, by leveraging on the systems and processes that have already been developed by ING Bank N.V. Accordingly provisioning and risk management processes covering market risk, credit risk and operational risk, have been improved. We intend to continue leveraging on the synergies from ING Groep N.V.

Enhance Risk Management practices and improve asset quality

Risk is an integral part of every aspect of banking business and the Bank aims at enhancing value by achieving an appropriate balance between risk and return. We continue to adhere 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 NPAs. However, higher standard provisioning was applied due to the change in the RBI provisioning norms. As at March 31, 2007 the gross NPA decreased to 2.55% from 4.09% as at March 31, 2006 and the net NPA decreased to 0.95% from 1.76% during the same period. Gross and net NPAs stood at 2.06 % and 0.77% as at September 30, 2007. 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.

Continuous improvement of our technology platform for competitive advantage

We aim at constantly upgrading our technology to the latest available standards, in order to use this as a strategic tool to enhance our competitive advantage. We intend to further use technology in building a cost efficient distribution network and effective customer service capabilities. We further intend to implement new IT and other initiatives to provide customer centric solutions to our customers.

Attract and retain talent

We believe that the key to our success will be our ability to continue to recruit and develop a pool of strong and experienced professionals. We have been able to build a team of talented professionals with relevant experience, in Credit evaluation, Risk management, Retail products, Treasury and Technology. We intend to continuously reengineer our management and organisational structure to allow us to respond effectively to changes in the business environment and enhance our overall profitability.

Expand our retail distribution footprint

We intend to enhance our retail market share by expanding our retail distribution capabilities. We will increase and expand various channels for reaching our customers and for selling our products. We will continue to leverage our wide network of branches. We expect these initiatives to increase our reach in a cost effective manner. We will also pursue alternate channels and/or alliances for selling our products.

Enhance our fee revenues

We aim at strengthening and enhancing our fee-based income by entering into new fee generating businesses and alliances. This will also help us in increasing the product portfolio offered to our customers. We have already entered into agreements with insurance/MF companies for sales and distribution of insurance products and MFs. In Wholesale Banking we intend increasing the share of fee income by actively developing fee products and offer them to the entire set of customers. The Bank has built up a strong product capability and sales franchise in Financial Markets over the past 18 months, which has significantly increased the Bank's fee revenues. The strategy is focused on effectively cross selling the entire suite of products to our customer base and we are actively building up the necessary product capability and technology platform to support our ambitions. The Bank will focus on Cash Management Services and Trade Finance besides effectively leveraging the Bank's onshore and the global ING Group's network to enhance the trade flows through the bank to boost its fee income.

SUMMARY SELECTED FINANCIAL AND OPERATING DATA

The summary financial information as of and for the three years ended March 31, 2005, 2006 and 2007 set forth below has been derived from our financial statements included in this Placement Document. Our financial statements are prepared and presented in accordance with Indian GAAP. For a summary of our significant accounting policies and the basis of the presentation of our financial statements, please refer to the notes to the financial statements included in this Placement Document. The summary financial information set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements included in this Placement Document.

(Rs. in million)

Selected Income Statement Data	As at Fiscal		
	2007	2006	2005
Interest Income	14,017	12,224	9,906
Interest Expense	8,593	7,412	6,338
Net Interest Income	5,424	4,812	3,568
Non Interest Income	1,912	2,251	1,309
Operating Income	7,336	7,063	4,877
Non Interest Expenses	4,999	5,286	3,847
Operating Profit	2,337	1,777	1,030
Provisions and Contingencies	1,438	1,462	1,386
Net Profit	899	315	(357)
Share in loss of Associates	(17)	(8)	(230)
Consolidated Net profit	882	307	(587)

Selected Balance Sheet Data	As at Fiscal		
	2007	2006	2005
Cash and cash equivalents	15,917	11,255	12,320
Investments	45,170	43,632	40,571
Advances	119,762	102,316	90,806
Fixed Assets	3,967	4,061	3,129
Other Assets	7,955	6,469	6,505
Total Assets	192,771	167,733	153,331
Shareholders' funds	11,010	10,178	8,173
Deposits	154,135	133,352	125,694
Borrowings	8,436	11,075	8,308
Other liabilities and provisions	19,190	13,128	11,156
Total liabilities and shareholders' funds	192,771	167,733	153,331

	As at Fiscal		
	2007	2006	2005
Per Equity Share Data			
Earnings per Equity Share (Rs.)- Basic	9.71	3.48	(25.88)
Earnings per Equity Share (Rs.)- Diluted	9.64	3.46	(25.88)

	As at Fiscal		
Profitability Ratios	**2007**	**2006**	**2005**
Interest Income as a percentage to Working funds (%)	8.12	7.76	7.54
Non-interest Income as a percentage to Working funds (%)	1.33	1.21	0.92
Operating Profit as a percentage to working funds (%)	1.33	0.97	0.76
Return on total assets (%)	0.52	0.05	(0.25)
Business per employee (Deposit plus advances)(Rs. in million)	48.61	42.60	39.49
Profit per employee (Rs. in million)	0.17	0.02	(0.07)
Capital Adequacy			
Total capital adequacy ratio (%)	10.56%	10.67%	9.09%
Tier I capital adequacy ratio (%)	6.38%	7.14%	5.20%
Tier II capital adequacy ratio (%)	4.18%	3.53%	3.89%

RISK FACTORS

Investors should carefully consider the risks described below, in addition to the other information contained in this Placement Document before making any investment decision relating to the Equity Shares. The occurrence of any of the following events could have a material adverse effect on our business, results of operation, financial condition and prospects and cause the market price of the Equity Shares to fall significantly and you may lose all or part of your investment.

An investment in Equity Shares involves a high degree of risk. Prior to making an investment decision, prospective investors should carefully consider all of the information contained in this Placement Document, including the financial statements beginning on page no.135 of this Placement Document and risk and uncertainties described below.

Unless otherwise stated in the relevant risk factors set forth below, we are not in a position to specify or quantify the financial or other implications of any of the risks mentioned herein.

INTERNAL RISK FACTORS

The trademark 'ING' and the symbol of the "lion" in the logo used by us is not owned by us.

The trademark 'ING' and symbol of the "lion" in the logo being used by us is owned by ING Groep N.V. and we have been granted a non-exclusive, royalty free licence by ING Groep N.V. to use the same. The right to use the trademark is not granted in perpetuity and the agreement can be terminated by ING Groep N.V. upon happening of certain events as detailed in the license. In the event we lose our right to use the ING trademark and the symbol of "lion", our business could be adversely affected. Further, the ING brand is also being used by our Subsidiary. Any financial or other impact on our Subsidiary could adversely affect the ING brand and in turn, our business and brand.

Our results of operations depend to a great extent on our net interest income, volatility in interest rates and other market conditions could adversely impact our business and financial results.

Interest rates are sensitive to many factors beyond our control, including RBI's monetary policy, de-regulation of the financial sector in India, domestic and international economic and political conditions and other factors.

In the Fiscal 2007, the net interest income represented 73.93 % of our total income. Further for the six month period ended September 30, 2007, the net interest income represented 64.65 % of our total income. Volatility and changes in market interest rates could disproportionately affect the interest we earn on our assets as compared to the interest we pay on our liabilities. The difference could result in an increase in interest expense relative to interest income leading to a reduction in net interest income. Accordingly, volatility in interest rates could adversely affect our business and financial performance. An increase in interest rates also may adversely affect the rate of growth of important sectors of the Indian economy such as the corporate, retail and agricultural sectors, which may adversely impact our business.

Under the regulations of RBI, we are required to maintain a minimum specified percentage, currently 25% SLR, of our net demand and time liabilities in Government or other approved securities or in cash. SLR maintained for Fiscal 2007 was 27.28 % and for the six-month period ended September 30, 2007, 27.49 % of our net demand and time liabilities. Yields on these investments, as well as yields on our other interest earning assets, are dependent to a large extent on interest rates. In a rising interest rate environment, especially if the increase was sudden or sharp, we could be adversely affected by the decline in the market value of our Government securities portfolio and other fixed income securities and may be required to further provide for depreciation in the AFS and HFT categories.

We have incurred losses in the past.

We have incurred a loss of Rs. 587 million during the Fiscal 2005, further we earned a profit after tax of Rs. 307 million for the Fiscal 2006 and a profit after tax of Rs. 882 million for the Fiscal 2007. Our total income has increased to Rs. 15,929 million in Fiscal 2007 from Rs. 14,475 million in Fiscal 2006 and Rs. 11,215 million in Fiscal 2005. If we are unable to continue this trend or incur a loss again, it may adversely affect our business and profitability.

Our business could suffer if we are unable to manage our risks and control the level of NPA.

For the Fiscal ended March 31, 2007 and for six month ended September 30, 2007 our net NPAs were Rs.1,140 million, representing 0.95% of our net advances and Rs. 963 million, representing 0.77% of our net advances respectively. Various factors, like a rise in unemployment, prolonged recessionary conditions, a sharp and sustained rise in the interest rates, developments in the Indian economy, movements in global commodity markets and exchange rates and global competition may cause an increase in the level of NPA and have an adverse impact on the quality of our loan portfolio. In addition, under the directed lending norms of RBI, we are required to extend 40% of our adjusted net bank credit to certain eligible sectors, which are categorised as the 'priority sector'. We may experience an increase in NPA in our directed lending portfolio, particularly loans to the agriculture sector and small-scale industries, where economic difficulties are likely to affect the borrowers more severely.

Although we are increasing our efforts to improve collections and to foreclose on existing NPA, we cannot assure you that we will be successful in our efforts or that the overall quality of our loan portfolio will not deteriorate in the future. If we are not able to control and reduce our NPA, this could adversely affect our business, future financial performance, our shareholders, funds and the price of our Equity Shares may be affected.

We are required to maintain cash reserve and SLR and any increase in these requirements could adversely affect our business.

As a result of the statutory reserve requirements imposed by RBI, we are exposed to interest rate risk. Under RBI Act, we are required to maintain a CRR at 7% of our net demand and time liabilities in a current account with RBI. RBI may increase the CRR requirement as a monetary policy measure. We do not earn interest on cash reserves maintained with RBI. In addition, under Banking Regulation Act, we are required to maintain SLR at 25% of our net demand and time liabilities by way of investment in GoI securities and other approved securities. Increases in CRR and SLR requirements could adversely affect our business and financial performance.

The value of our collateral may decrease or we may experience delays in enforcing our collateral when borrowers default on their obligations to us, which may result in failure to recover the expected value of collateral security exposing us to a potential loss.

A substantial portion of our loans are secured by collateral including real estates such as property, plant, equipment, inventory, receivables, current assets, pledge of financial assets such as marketable securities, corporate guarantees etc. In the event our borrowers default in repayment of the loan, we may not be able to realize the full value of collateral due to various reasons, including decline in realisable value of the collateral, defective title, prolonged legal proceedings, and fraudulent actions by borrowers. Failure to recover the expected value of collateral could expose us to potential losses, which could adversely affect our business, our future financial performance, our shareholders' funds and the price of our Equity Shares.

In order to sustain our growth, we will need to maintain a minimum capital adequacy ratio. There is no assurance that we will be able to access the capital markets on terms favourable to us.

RBI requires a minimum capital adequacy ratio of 9% in relation to our total risk-weighted assets. We must maintain this minimum capital adequacy level to support our continuous growth. Our capital adequacy ratio was 10.56% as on March 31, 2007 and 10.51% as at September 30, 2007. Our ability to support and expand our business could be limited by a decline in the capital adequacy ratio.

Our business and financial performance are dependent on increasing our area coverage through the branch network.

We currently have 406 branches across India and have further obtained permission from RBI by a letter dated October 4, 2007 for opening 56 additional branches and 100 off-site ATMs by October 3, 2008, in order to expand our coverage. Banks in India are required to obtain RBI approval before being permitted to open a branch office. While we have received the RBI approval for opening up the additional branch offices, any delay in opening new branch offices or receiving further approvals for opening new branch offices could adversely affect our business.

A major part of our branch network is concentrated in southern India.

Out of our 406 branches, 328 are located in southern states of Andhra Pradesh, Karnataka, Tamil Nadu and Kerala. Any disruption, disturbance or breakdown in the economy of these states could adversely affect the result of our business and operations.

Most of our business premises are on lease basis.

We have 406 branches and 11 regional offices, of which 388 branches and 8 regional officers are, located on leases premises. In addition, 178 out of 188 ATMs are located on leased premises and are not owned by us. Any failure to renew these lease agreements on terms and conditions favourable to us may require us to shift the concerned branch offices, regional offices or the ATMs to new premises. This might affect our business operations.

A limited number of borrowers account for a large percentage of our operating revenues, and the loss of one or more of them could adversely affect our revenues and profitability or revenues and profitability of our individual business

We earn a significant portion of our revenues from a limited number of borrowers. As of March 31, 2007, our top ten borrowers accounted for 9.49% of our total lending portfolio. In the event we lose any one or more of such borrowers or if they significantly reduce their business with us, our revenues and profitability or the revenues and profitability of our individual business lines could be adversely affected.

Our funding is primarily through short-term and medium-term deposits, and if depositors do not roll over deposited funds on maturity or if we are unable to continue to increase our deposits, our business could be adversely affected.

Most of our funding requirements are met through short-term and medium-term funding sources, primarily in the form of deposits. As of March 31, 2007, 79.96% of our funding consisted of deposits of which 28.92 % consisted of current deposits and savings deposits and 71.08 % of the total deposits were term deposits. For the six-month period ending September 30, 2007 81.44% of our funding consisted of deposits of which 29.05% consisted of current deposits and savings deposits and 70.95% of the total deposits were term deposits. A portion of our assets have long-term maturities, creating a possibility for funding mismatches. In our experience, a substantial portion of our customer deposits have been rolled over on maturity and have been, over time, a stable source of funding. However, in the event that a substantial number of our depositors do not roll over deposits on maturity, our liquidity position and business could be adversely affected. If we are unable to maintain or increase our deposit base, our overall cost of funds could increase, which could have an adverse effect on our business and our ability to grow.

ING Bank N.V. controls a significant percentage of our share capital and may exercise substantial influence over Board and shareholders decisions.

ING Bank N.V., through its wholly owned subsidiaries, ING Mauritius Holdings and ING Mauritius Investments I currently holds 43.80 % of our pre-Issue paid up capital and has six nominee Directors on the Board. While we are a bank run by professional management under the supervision of the Board, ING Bank N.V. may be able to exercise substantial control over our Board and over matters that are subject to shareholders vote. The interest of ING Bank N.V. may conflict with the interest of other shareholders of the Bank.

Any downgrading in our credit rating could adversely affect our business, financial condition and results of operations.

We have received a “AA+/Stable” for Tier II Bonds, “AA/Stable” for upper Tier II Bonds, “AA/Stable” for Tier I perpetual bonds, “FAAA/ Stable” for Fixed deposits and “P1+” for Certificate of deposits from CRISIL. We have received a “AA+/Stable” for bonds from Fitch Rating India Private Limited. Though these credit ratings have not been down graded by the rating agencies, any downgrading in our ratings in the future may adversely affect our ability to raise capital and mobilise deposits and therefore adversely affect our business.

Our Bank is exposed to fluctuation in foreign exchange rate.

As a financial intermediary, we are exposed to exchange rate risk. Although we hedge the exchange rate risk through forward contracts, we are exposed to fluctuation in foreign currency rates for our unhedged exposure. Adverse movements in foreign exchange rates may also impact our borrowers negatively which may in turn impact the quality of our exposure to these borrowers. Volatility in foreign exchange rates could adversely affect our future financial performance and market price of our Equity Shares.

We could be subject to volatility in income from our treasury operations that could adversely impact our financial results.

Our treasury operations contributed 28.77% and 28.83%, of our total income during the Fiscal Years 2006 and 2007, respectively. Our treasury operations are vulnerable to changes in interest rates, exchange rates, equity prices and other factors. In particular, if interest rates rise, the valuation of our portfolio may be impaired. Any decrease in our income from our treasury operations could adversely affect our business if we cannot offset the same by increasing returns on our loan assets.

We have not met the export credit targets laid down by the RBI.

As per the norms fixed by RBI, export credit should be 12% of adjusted net bank credit. While our export credit is steadily growing and is 10.12% as on March 31, 2007, we have not been able to meet the export credit targets fixed by RBI for the last few years. While RBI has taken no action in this regard till date, any enforcement action by RBI in this respect may have an adverse impact on our profitability.

The failure of the Bank’s restructured loans to perform as expected or a significant increase in the level of restructured loans in the Bank’s portfolio could materially and adversely affect Bank’s business, financial condition, results of operation and prospects.

Net restructured standard loans of Rs. 763 million (0.64% of net standard assets) were restructured in Fiscal 2007, compared to Rs. 752 million (0.75% of net standard assets) restructured in Fiscal 2006. Our borrowers’ need to restructure their loans can be attributed to several factors, including increased competition arising from economic liberalisation in India, variable industrial growth, a sharp decline in commodity prices, the high level of debt in the financing of projects and capital structures of companies in India and the high interest rates in the Indian economy during the period in which a large number of projects contracted their borrowings. These factors reduced profitability for certain of our borrowers and also resulted in the restructuring of certain Indian companies in sectors including iron and steel, textiles and cement. The failure of these borrowers to perform as expected or a significant increase in the level of restructured loans in our portfolio may adversely affect our business and our future financial performance.

We are subject to the risk of fraud being committed by our employees.

We are exposed to many types of operational risks, including the risk of fraud or other misconduct by employees, unauthorized transactions by employees etc. Though we carefully recruit all our employees, we have in past been held liable for the fraudulent acts committed by our employees adversely impacting our business.

We may face labour disruptions that would interfere with our operations.

We are exposed to the risk of strikes and other industrial actions. As of March 31, 2007, we employed 5,341 employees. Most of our employees are unionised and are members of “All India ING Vysya Bank Employees’ Union’ and ‘All India ING Vysya Bank Officers’ Association’. While our relations have been good with the employees, we cannot guarantee that our other employees will not undertake or participate in strikes, work stoppage or other industrial action in the future. Any such event could disrupt our operations, possibly for a significant period of time, result in increased wages and other benefits or otherwise have a material adverse effect on our business, financial condition or results of operation.

We face greater credit risks than banks in developed economies.

Our credit risk is higher because our borrowers are based in India. Unlike several developed economies, a nationwide credit bureau has become operational in India only recently. This may affect the quality of information available to us about the credit history of our borrowers, especially individuals and small businesses. In addition, the credit risk of our borrowers, particularly small and middle market companies, is higher than borrowers in more developed economies due to the greater uncertainty in the Indian regulatory, political, economic and industrial environment and the difficulties of many of our corporate borrowers to adapt to global technological advances.

If we are unable to manage our growth, our business and financial results could be adversely affected.

Our growth plans will place significant demands on our operational, credit, financial and other internal risk controls, making our management of asset quality increasingly important. This growth will also exert pressure on the adequacy of our capitalization. An inability to manage our growth effectively could have a material adverse effect on the business and financial performance.

We depend on the accuracy and completeness of information about customers and counterparties.

In deciding whether to extend credit or enter into other transactions with customers and counterparties, we may rely on information furnished to us by or on behalf of customers and counterparties, including financial statements and other financial information. We may also rely on certain representations as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. For example, in deciding whether to extend credit, we may assume that a customer's audited financial statements conform to generally accepted accounting principles and present fairly, in all material respects, the financial condition, results of operations and cash flows of the customer. Our financial condition and results of operations could be negatively affected by relying on financial statements that do not comply with generally accepted accounting principles or other information that is materially misleading.

Significant security breaches or breakdowns in our computer systems and network infrastructure and fraud could adversely impact our business.

We seek to protect our computer systems and network infrastructure from physical break-ins as well as security breaches and other disruptive problems. Computer break-ins and power disruptions could affect the security of information stored in and transmitted through these computer systems and networks. These concerns will intensify with our increased use of technology and internet-based resources. To address these issues and to minimize the risk of security breaches we employ security systems, including firewalls and intrusion detection systems, conduct periodic penetration testing for identification and assessment of potential vulnerabilities and use encryption technology for transmitting and storing critical data, such as passwords. However, these systems may not guarantee prevention of frauds, break-ins, damage and failure in our computer systems and network infrastructure. A significant failure in security or back-up measures could have an adverse effect on our business.

System weaknesses, failures and calamities could adversely impact our business.

We have established a comprehensive disaster recovery site in Hyderabad as part of our technology enabled business. Any failure in our systems, particularly those utilized for our retail products and services and transaction banking, or the occurrence of calamities such as earthquakes, cyclones that affect areas in which we have a significant presence, could affect our operations and the quality of our customer service.

Any crystallisation of the Banks significant contingent liabilities could materially and adversely affect Bank's business, financial conditions, result of operations and prospects.

As on March 31, 2007, the Bank had contingent liability amounting to Rs. 402,098 million. While most of the loss has been incurred during the normal course of business there are other contingent liabilities such as disputed tax amounting to Rs. 1,667 million. In the event the Bank is not successful in its dispute with the tax authorities with respect to disputed tax claims or there may be a crystallisation of any of the above liabilities which may require the bank to honour the demands raised. This may materially and adversely impact the Bank's business, financial conditions, result of operations and prospects.

We require certain regulatory approvals in the ordinary course of our business, and the failure to obtain them in a timely manner or at all may adversely affect our operations.

We require certain regulatory approvals, sanctions, licences, registrations and permissions for operating our businesses. In connection with our business, we may require such approvals or their renewal from time to time. We may not receive such approvals or renewals in the time frames anticipated by us or at all, which could adversely affect our business.

We are involved in certain legal and other proceedings in India and may face certain liabilities as a result.

Our Bank is involved in various civil, consumer and tax related litigations which are at different stages of adjudications in various forums. We are involved in litigations for a variety of reasons, which generally arise when in the usual course of business we seek to recover our dues from borrowers who default in payment of the loans or customers seek claims against us during the process of recovery of our dues or for other service related issues. There are 26 civil cases, 11 consumer cases, 6 tax cases, 2 regulatory cases and 1 debt recover case over a threshold of Rs. 1 million pending against our Bank. For details of litigations involving the Bank, please see "Legal Proceedings" on page 123 of the Placement Document. If any of the cases pending is decided against the Bank it may have a material adverse effect on our businesses, financial condition and results of operations.

We have received notices from SEBI and SEBI has passed a disgorgement order in relation to our registration as a Depository Participant.

SEBI by an order dated April 27, 2006 had directed our Bank not to open any fresh demat accounts on the grounds that it had not complied with "Know Your Clients" norms laid down by SEBI. SEBI had alleged that our Bank had allowed a number of key operators to open demat accounts in fictitious and benami names and a large number of initial public issue applications reserved for the retail investors category were made under these fictitious names and shares were allotted in these names. However by an order dated July 28, 2006, the order restricting us from opening the demat account was lifted and an enquiry into the matter was ordered. Pursuant to the submission of the enquiry report, SEBI passed a disgorgement order dated November 21, 2006, directing our Bank to pay a sum of Rs. 5.5 million by way of equitable remedy. Our Bank has filed an appeal bearing Appeal No. 9 of 2007 dated December 28, 2006, before the Securities Appellate Tribunal, against the disgorgement order of the SEBI dated November 21, 2006 read with order dated April 27, 2006 and order dated July 28, 2006 praying to set aside the impugned order on the grounds that the disgorgement order was passed without giving the Bank a fair hearing and without proper investigation into the matter. The appeal has been admitted by Securities Appellate Tribunal.

Following the issue of the disgorgement order, SEBI issued a notice dated November 22, 2006 instituting an enquiry proceeding against the Bank under SEBI (Procedure for Holding Enquiry by Enquiry Office and Imposing Penalty), Regulations, 2002.We have filed our reply dated December 19, 2006 denying all charges made in the enquiry notice. SEBI conducted the enquiry on January 15, 2007. However, we have not received the decision of the Enquiry Officer appointed by SEBI till date. In the event the appeal is decided against is or the finding in the enquiry are against us, our business could be adversely affected.

Some of our trademarks are pending registration.

We have filed three applications for registration of trademarks on "ORANGE ACCOUNT", "ORANGE ACCOUNT, *The new* colour of savings", and "Freedom Account". These applications are currently pending before the Registrar of Trademarks. In the event we cannot register these trademarks, it may adversely affect our operations.

We may undertake mergers or acquisitions which may pose management and integration challenges.

We may make acquisitions and investments to expand our customer base, acquire new service or product offerings or enhance our technical capabilities. Our future acquisitions or investments may not necessarily contribute to our profitability and may, in some cases, require us to assume operational and financial problems of the acquired entity, including high levels of NPAs. We also could experience difficulty in combining operations and cultures and may not realise the anticipated synergies or efficiencies from such transactions.

Our success depends in large part upon our management team and skilled personnel and our ability to manage attrition as well as to attract and retain such persons.

Our performance and success depends largely on our ability to nurture and retain the continued service of our management team and skilled personnel. We also face a continuing challenge to recruit a sufficient number of suitably skilled personnel, particularly as we continue to grow. There is significant competition for management and other skilled personnel in the banking industry. Further, we do not have a keyman insurance policy to cover for loss of our skilled personnel.

Our annual attrition rates in Fiscals 2007, 2006 and 2005 were 4%, 6% and 7.7%, respectively. Our attrition levels may add to our increasing personnel expenditures. Further, our competitors can offer better compensation packages and incentives. In the event we are not be able to attract a high degree of talented employees, or experience high attrition levels which are largely out of our control or are unable to motivate and retain our existing employees, the future of our business and operations may be affected.

New product/services offered by us may not be successful.

We introduce new products/services to explore new business opportunities on a regular basis. We cannot assure you that all our new products/services will gain customer acceptance and this may result in our incurring pre-operative expenses and launching costs. Further, our inability to group in new business area could adversely affect our business and financial performance.

We operate in a highly regulated industry and any changes in the regulations or enforcement initiatives may adversely affect our business and the price of our Equity Shares.

We are subject to a wide variety of banking and financial services laws and regulations and a large number of regulatory and enforcement authorities in each of the jurisdictions in which we operate. The laws and regulations or the regulatory or enforcement environment in any of those jurisdictions may change at any time and may have an adverse effect on the products or services we offer, the value of our assets or our business in general. Also, the laws and regulations governing the banking and financial services industry have become increasingly complex governing a wide variety of issues, including interest rates, liquidity, capital adequacy, securitisation, investments, ethical issues, money laundering, privacy, record keeping, and marketing and selling practices, with sometimes overlapping jurisdictional or enforcement authorities. Any change in RBI policy, including directed lending norms, may result in our inability to meet the priority sector lending requirements as well as require us to increase our lending to relatively riskier segments and may result in an increase in NPAs in the directed lending portfolio. Future changes in laws and regulations and failure or the apparent failure to address any regulatory changes or enforcement initiatives could have an adverse impact on our business, our future financial performance and our shareholders' funds, harm our reputation, subject us to penalties, fines, disciplinary actions or suspensions of any kind or increase our litigation risks and have an adverse effect on the price of our Equity Shares.

There are a number of restrictions under the Banking Regulation Act, which impede our operating flexibility and affect or restrict investors' rights. These include the following:

- Section 12(2) of the Banking Regulation Act, states that "no person holding shares in a banking company shall exercise voting rights on poll in excess of 10% of the total voting rights of all the shareholders of the banking company".
- Section 15(1) of the Banking Regulation Act, states that "no banking company shall pay any dividend on its shares until all its capitalised expenses (including preliminary expenses, organization expenses, share-selling commission, brokerage, amounts of losses incurred and any other item of expenditure not represented by tangible assets) have been completely written off".
- Section 17(1) of the Banking Regulation Act requires every banking company to create a reserve fund and to transfer out of the balance of the profit of each year as disclosed in the profit and loss account a sum equivalent to not less than 20% (25% as per RBI circular dated September 23, 2000) of such profit before paying any dividend.
- Section 19 of the Banking Regulation Act restricts the opening of subsidiaries by banks, which may prevent us from exploiting emerging business opportunities. Similarly, Section 23 of the Banking Regulation Act contains certain restrictions on banking companies regarding the opening of new places of business and transfers of existing places of business, which may hamper our operational flexibility.
- Section 25 of the Banking Regulation Act requires each banking company to maintain assets in India equivalent to not less than 75% of its demand and time liabilities in India, which in turn may restrict us from building overseas asset portfolios and exploiting overseas business opportunities.
- We are required to obtain approval of RBI for the appointment and remuneration of our Chairman and other whole time directors. RBI has powers to remove managerial and other persons from office, and to appoint additional directors. We are also required to obtain approval of RBI for the creation of floating charges for our borrowings, thereby hampering leverage. The Banking Regulation Act also contains provisions regarding production of documents and availability of records for inspection.

A compromise or arrangement between us and our creditors or any class of them or between us and our shareholders or any class of them or any modification in such arrangement or compromise will not be sanctioned by any High Court unless such compromise or arrangement or modification, as the case may be, is certified by RBI in writing as capable of being implemented and as not being detrimental to the interests of our depositors. Our amalgamation with any other banking company will require the sanction of RBI and shall be in accordance with the provisions of the Banking Regulation Act. The provisions for winding-up of banking companies as specified in the Banking Regulation Act are at variance with the provisions of the Companies Act. Further, RBI can also apply for winding up of a banking company in certain circumstances and can also be appointed as the liquidator and the GoI has powers to acquire the undertakings of banking companies in certain cases.

We are required to prepare our balance sheet and profit and loss account in the forms set out in the Third Schedule to the Banking Regulation Act or as near thereto and subject to and in accordance with the other provisions of the Banking Regulation Act read with the Companies Act.

Your holdings may be diluted by additional issuances of equity and any dilution may adversely affect the market price of our Equity Shares.

We may be required to finance our growth through additional equity offerings. Any future issuance of our Equity Shares could dilute the holdings of investors in our Bank and could adversely affect the market price of our Equity Shares.

You will be subject to market risks until the Equity Shares credited to your demat account are listed and permitted to trade.

You can start trading the Equity Shares Allotted to you only after they have been credited to your demat account are listed and permitted to trade. Since our Equity Shares are currently traded on the Stock Exchanges, you will be subject to market risk from the date you pay for the Equity Shares to the date trading approval is granted for the same. Further, there can be no assurance that the Equity Shares Allocated to you will be credited to your demat account or that trading in the Equity Shares will commence, in a timely manner. This risk factor is for the information of investors and it does not in any way dilute the right of investors and our obligations.

EXTERNAL RISK FACTORS

The Indian and global banking industry is very competitive and the ability of banks to grow depends on their ability to compete effectively.

We compete with public and private sector Indian commercial banks as well as foreign commercial banks. Many of our competitors are large institutions, which may have much larger customer and deposit bases, larger branch networks and more capital than we have. Some of the banks, with which we compete, may be more flexible and better positioned to take advantage of market opportunities than us.

Both the Indian and the global financial sector may experience further consolidation, resulting in fewer banks and financial institutions. The Government has also recently announced measures that would permit foreign banks to establish wholly-owned subsidiaries in India and invest up to 74% in Indian private sector banks, which is likely to further increase competition in the Indian banking industry. RBI has introduced a two phase road map for allowing ownership of private banks in India by foreign banks. In the first phase, up to March 2009, foreign banks are permitted to convert existing branches into wholly owned subsidiaries or acquire shares in select Indian private sector banks, which are identified by RBI for restructuring up to the limit of 74%. In the second phase from April 2009, subject to guidelines that will be issued by RBI, foreign banks will be permitted to undertake merger and acquisition transactions with private sector banks within an overall investment limit of 74%, thus enabling consolidations between foreign banks and private sector banks. Therefore, we may face more competition from larger banks as a result of any such consolidation.

The Government is also actively encouraging banks and other financial institutions to significantly increase their lending to the agriculture sector, which will make this segment more competitive.

These competitive pressures affect the Indian and international banking industry as a whole, including us, and our future success will depend in large part on our ability to respond in an effective and timely manner to these competitive pressures.

After this Issue, our Equity Shares may experience price and volume fluctuations.

The Issue Price will be determined by us in consultation with the Lead Manager, based on the Bids received in compliance with Chapter XIII-A of the SEBI Guidelines, and it may not necessarily be indicative of the market price of the Equity Shares after this Issue is complete. You may be unable to resell your Equity Shares at or above the Issue Price and, as a result, you may lose all or part of your investment.

The price of the Equity Shares may fluctuate after this Issue as a result of several factors, including volatility in the Indian and global securities markets, the results of our operations, the performance of our competitors, developments , adverse media reports on us or the banking industry, changes in the estimates of our performance or recommendations by financial analysts, significant developments in India's economic liberalization and deregulation policies, and significant development in India's fiscal regulations.

Conditions in the Indian securities market may affect the price or liquidity of the Equity Shares.

The Indian securities markets are smaller and may be more volatile than securities markets in more developed economies. The regulation and monitoring of Indian securities markets and the activities of investors, brokers and other participants differ, in some cases significantly, from those in Europe and the U.S. Indian stock exchanges have in the past experienced substantial fluctuations in the prices of listed securities.

Indian stock exchanges have, in the past, experienced problems that have affected the market price and liquidity of the securities of Indian companies, such as temporary exchange closures, broker defaults, settlement delays and strikes by brokers. In addition, the governing bodies of the Indian stock exchanges have from time to time restricted securities from trading, limited price movements and increased margin requirements. Further, disputes have occurred on occasion between listed companies and the Indian stock exchanges and other regulatory bodies that, in some cases, have had a negative effect on market sentiment. If similar problems occur in the future, the market price and liquidity of the Equity Shares could be adversely affected. For example in May 2006, the Indian Stock Exchanges witnessed substantial volatility. The BSE and NSE halted trading on May 22, 2006 after the respective indices fell more than 10%. A closure of, or trading stoppage on, either the BSE or the NSE could adversely affect the trading price of the Equity Shares. Historical trading prices, therefore, may not be indicative of the prices at which the Equity Shares will trade in the future.

There are restrictions on daily movements in the price of the Equity Shares, which may adversely affect a shareholder's ability to sell, or the price at which it can sell Equity Shares at a particular point in time.

We are subject to a daily "circuit breaker" imposed by all stock exchanges in India, which does not allow transactions beyond specified increases or decreases in the price of the Equity Shares. This circuit breaker operates independently of the index-based market-wide circuit breakers generally imposed by SEBI on Indian stock exchanges. The percentage limit on our circuit breakers is set by the stock exchanges based on the historical volatility in the price and trading volume of the Equity Shares. The BSE and NSE halted trading due to this daily circuit breaker on October 17, 2007 after it crossed the threshold of such circuit breaker. A closure of, or trading stoppage on, either the BSE or the NSE could adversely affect the trading price of the Equity Shares.

The stock exchanges do not inform us of the percentage limit of the circuit breaker in effect from time to time and may change it without our knowledge. This circuit breaker limits the upward and downward movements in the price of the Equity Shares. As a result of this circuit breaker, no assurance may be given regarding your ability to sell your Equity Shares or the price at which you may be able to sell your Equity Shares at any particular time.

There is no guarantee that the Equity Shares will be listed on the BSE and the NSE in a timely manner or at all.

In accordance with Indian law and practice, permission for listing of the Equity Shares will not be granted until after those Equity Shares have been issued and allotted. Approval will require all other relevant documents authorizing the issuing of Equity Shares to be submitted. There could be a failure or delay in listing the Equity Shares on the BSE and/or the NSE. Any failure or delay in obtaining the approval would restrict your ability to dispose off your Equity Shares.

Significant differences exist between Indian GAAP and other accounting principles with which investors may be more familiar.

Our financial statements are prepared in conformity with Indian GAAP. Indian GAAP differs in certain significant respects from IFRS, U.S. GAAP and other accounting principles and accounting standards with which prospective investors may be familiar with in other countries. We do not provide a reconciliation of our financial statements to IFRS or U.S. GAAP or a summary of principal differences between Indian GAAP, IFRS and U.S. GAAP relevant to our business. Furthermore, we have not quantified or identified the impact of the differences between Indian GAAP and IFRS or between Indian GAAP and U.S. GAAP as applied to our financial statements. As there are significant differences between Indian GAAP and IFRS and between Indian GAAP and U.S. GAAP, there may be substantial differences in our results of operations, cash flows and financial position if we were to prepare our financial statements in accordance with IFRS or U.S. GAAP instead of Indian GAAP. The significant accounting policies applied in the preparation of our Indian GAAP financial statements are as set forth in notes to our financial statements included in this Placement Document. Prospective investors should review the accounting policies applied in the preparation of our financial statements, and consult their own professional advisors for an understanding of the differences between Indian GAAP and IFRS and between Indian GAAP and U.S. GAAP and how they might affect the financial information contained in this Placement Document.

You may be subject to Indian taxes arising out of capital gains.

Under current Indian tax laws and regulations, capital gains arising from the sale of shares in an Indian Company are generally taxable in India. Any gain realised on the sale of listed equity shares on a stock exchange held for more than 12 months will not be subject to capital gains tax in India if the STT has been paid on the transaction. The STT will be levied on and collected by a domestic stock exchange on which equity shares are sold. Any gain realised on the sale of equity shares held for more than 12 months to an Indian resident, which are sold other than on a recognised stock exchange and as result of which no STT has been paid, will be subject to capital gains tax in India. Further, any gain realised on the sale of listed equity shares held for a period of 12 months or less will be subject to capital gains tax in India. For more information, see *"Taxation"* in this Placement Document.

Capital gains arising from the sale of our Equity Shares will be exempt from tax in India in cases where such exemption is provided under the tax treaty between India and the country of which the seller is a resident. Generally, Indian tax treaties, including those with the United States, do not limit India's ability to impose tax on capital gains. As a result, residents of countries such as the United States may be liable for tax in India, as well as in their own jurisdictions on gain upon a sale of our Equity Shares.

For more information, see *"Taxation"* in this Placement Document.

Your ability to acquire and sell Equity Shares is restricted by the distribution and transfer restrictions set forth in the Placement Document.

No actions have been taken to permit a public offering of the Equity Shares in any jurisdiction including India. As such, the Equity Shares have not and will not be registered under the U.S. Securities Act or the law of any jurisdiction other than India. Furthermore, the Equity Shares are subject to restrictions on transferability and resale. You are required to inform yourself about and observe these restrictions, which are set forth in this Placement Document under the heading "Selling Restrictions". We, our representatives and our agents will not be obligated to recognize any acquisition, transfer or resale of the Equity Shares made other than in compliance with the restrictions set forth herein.

A slowdown in economic growth in India could cause our business to suffer.

Any slowdown in the Indian economy or volatility of global commodity prices, in particular, oil and steel prices, could adversely affect our borrowers and contractual counter parties. Because of the importance of our commercial banking operations for retail customers and the increasing importance of our agricultural loan portfolio to our business, any slowdown in the growth of the housing, automobiles, textiles and agricultural sectors could adversely impact our business, including our ability to grow our asset portfolio, the quality of our assets, our financial performance, our shareholders' funds, our ability to implement our strategy and the price of our Equity Shares.

A significant change in the Government's economic liberalization and deregulation policies could adversely affect our business and the price of our Equity Shares.

The GoI has traditionally exercised and continues to exercise a dominant influence over many aspects of the economy. Government policies could adversely affect business and economic conditions in India, our future financial performance, our shareholders' funds and the price of our Equity Shares.

If regional hostilities, terrorist attacks or social unrest in some parts of the country increase, our business and the price of our Equity Shares could be adversely affected.

India has from time to time experienced social and civil unrest and hostilities both internally and with neighbouring countries. In the past, there have been military confrontations between India and Pakistan. India has also experienced terrorist attacks in some parts of the country. These hostilities and tensions could lead to political or economic instability in India and adversely affect our business, our future financial performance and the price of our Equity Shares.

Trade deficits could adversely affect our business and the price of our Equity Shares.

India's trade relationships with other countries and its trade deficit, driven to a major extent by global crude oil prices, may adversely affect Indian economic conditions. If trade deficits increase or are no longer manageable because of the rise in global crude oil prices or otherwise, the Indian economy, and therefore our business, our financial performance, our shareholders' funds and the price of our Equity Shares could be adversely affected.

Natural calamities could adversely affect the Indian economy, or the economy of other countries where we operate, our business and the price of our Equity Shares.

India has experienced natural calamities like earthquakes, floods and drought in the past few years. The extent and severity of these natural disasters determine their impact on the Indian economy. Prolonged spells of below or above normal rainfall or other natural calamities could adversely affect the Indian economy and our business, especially in view of our strategy of increasing our exposure to rural India. Similarly natural calamities in other countries where we operate could affect the economies of those countries and our operations in those countries.

Financial difficulty and other problems in certain financial institutions in India could adversely affect our business and the price of our Equity Shares.

As an Indian bank, we are exposed to the risks of the Indian financial system which may be affected by the financial difficulties faced by certain Indian financial institutions because the commercial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships. This risk, which is sometimes referred to as "systemic risk", may adversely affect financial intermediaries, such as clearing agencies, banks, securities firms and exchanges with whom we interact on a daily basis. Any such difficulties or instability of the Indian financial system in general could create an adverse market perception about Indian financial institutions and banks and adversely affect our business, our future financial performance, our shareholders' funds and the price of our Equity Shares. As the Indian financial system operates within an emerging market, it faces risks of a nature and extent not typically faced in more developed economies, including the risk of deposit runs notwithstanding the existence of a national deposit insurance scheme.

A decline in India's foreign exchange reserves may affect liquidity and interest rates in the Indian economy, which could adversely impact us.

A decline in India's foreign exchange reserves could affect the liquidity and higher interest rates in the Indian economy, which could adversely affect our business, our future financial performance, our shareholders' funds and the price of our Equity Shares.

Any downgrading of India's debt rating by an international rating agency could adversely affect our business and the price of our Equity Shares.

Any adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely affect our business, our future financial performance, our shareholders' funds and the price of our Equity Shares.

MARKET PRICE INFORMATION

Our Equity Shares are listed on BSE and NSE. As our Equity Shares are actively traded on BSE and NSE, our stock market data has been given separately for each of these Stock Exchanges. We issued 68,240,214 fully paid up Equity Shares to equity shareholders on rights basis in the ratio of three Equity Shares for every one Equity Share held on the 'Record Date' February 28, 2005. The Equity Shares started trading on an ex-right basis from February 21, 2005.

BSE

Fiscal Year	High (Rs.)	Date of High	Volume on date of high (no. of Equity Shares)	Low (Rs.)	Date of Low	Volume on date of low (no. of Equity Shares)	Average price for the year (Rs.)
April 1 2004, - February 18,2005	610.70	20.12.2004	612,497	270.45	23.08.2004	3,076	406.94
February 21,2005- March 31, 2005	200.05	21.02.2005	197,269	135.90	29.03.2005	29,345	167.24
2006	196.85	03.10.2005	163,692	138.25	27.03.2006	25,828	158.37
2007	198.50	06.02.2007	28,357	87.35	14.06.2006	6,516	144.76

Source: Market Price Information is sourced from bseindia.com and nseindia.com

NSE

Fiscal Year	High (Rs.)	Date of High	Volume on date of high (no. of Equity Shares)	Low (Rs.)	Date of Low	Volume on date of low (no. of Equity Shares)	Average price for the year (Rs.)
April 1 2004, - February 18,2005	609.60	15.02.2005	125,521	271.80	27.08.2004	26,335	405.63
February 21,2005- March 31, 2005	199.95	21.02.2005	1,115,689	135.35	29.03.2005	75,482	167.36
2006	196.85	03.10.2005	452,772	138.10	27.03.2006	64,887	158.48
2007	199.70	06.02.2007	166,635	88.30	14.06.2006	15,911	144.98

Source: Market Price Information is sourced from bseindia.com and nseindia.com

The high and low closing prices recorded on the BSE and the NSE and the number of Equity Shares traded on the days such high and low prices were recorded, during the last six months, are stated below:

BSE

Month, Year	High (Rs.)	Date of High	Volume on date of high (no. of Equity Shares)	Low (Rs.)	Date of Low	Volume on date of low (no. of Equity Shares)	Average price for the month (Rs.)
May 2007	266.65	30.05.2007	12,617	200.35	03.05.2007	109,233	234.24
June 2007	269.40	21.06.2007	39,607	230.20	08.06.2007	6,190	249.38
July 2007	269.05	09.07.2007	33,476	247.20	30.07.2007	3,304	256.87

Month, Year	High (Rs.)	Date of High	Volume on date of high (no. of Equity Shares)	Low (Rs.)	Date of Low	Volume on date of low (no. of Equity Shares)	Average price for the month (Rs.)
August 2007	262.00	08.08.2007	30,644	225.65	22.08.2007	403,620	240.74
September 2007	262.80	28.09.2007	30,726	240.55	17.09.2007	1,489	246.39
October 2007	287.20	31.10.2007	131,927	255.95	19.10.2007	9,401	266.69

Source: Market Price Information is sourced from bseindia.com and nseindia.com

NSE

Month, Year	High (Rs.)	Date of High	Volume on date of high (no. of Equity Shares)	Low (Rs.)	Date of Low	Volume on date of low (no. of Equity Shares)	Average price for the month (Rs.)
May 2007	267.35	30.05.2007	64,952	199.95	03.05.2007	178,757	234.40
June 2007	268.05	21.06.2007	106,538	231.60	08.06.2007	65,022	249.49
July 2007	270.85	09.07.2007	135,312	247.35	30.07.2007	14,835	257.34
August 2007	261.80	08.08.2007	72,580	227.35	22.08.2007	411,186	240.95
September 2007	262.40	28.09.2007	52,938	240.85	10.09.2007	9,953	246.42
October 2007	285.85	31.10.2007	213,527	252.55	19.10.2007	15,890	266.45

Source: Market Price Information is sourced from bseindia.com and nseindia.com

The market price of our Equity Shares on BSE on October 8, 2007, the trading day immediately following the day on which the Board meeting was held to approve the Issue, were as follows;

Date	BSE				NSE			
	Open	High	Low	Close	Open	High	Low	Close
Price (Rs.)	270.00	272.85	262.55	266.90	264.90	274.85	261.10	266.40
Volume				**24,018**				**48,784**

Details of the volume of business transacted during the period mentioned below on the stock Exchanges

(Rupees in million)

Period	BSE	NSE
May 2007	443.61	670.13
June 2007	87.02	711.23
July 2007	86.06	256.99
August 2007	171.85	194.35
September 2007	42.56	144.31
October 2007	221.12	383.96
Fiscal 2005	2,258.85	9,179.40

(Rupees in million)

Period	BSE	NSE
Fiscal 2006	1,989.23	4,302.40
Fiscal 2007	1,177.88	3,021.69

(Source : www.nseindia.com*,* www.bseindia.com*)*

Notes:

1. High, low and average prices are of the daily closing prices.
2. In case of two days with the same closing price, the date with higher volume has been considered.

USE OF PROCEEDS

The net proceeds of the Issue are estimated to be approximately Rs. 1,887.91 million after deducting the expenses of the Issue. The net proceeds of the Issue will be used to augment the capital adequacy ratio of the Bank and for other general corporate purposes in accordance with the applicable laws.

CAPITALISATION

The following table shows the capitalization as on March 31, 2007 (on standalone basis) and as adjusted to reflect the receipt of the net proceeds of the issue and the application thereof.

(Rs. in millions)

Particulars	**Pre Issue as of March 31, 2007**	**Post Issue****
Total Debts		
Deposits	154,186	154,186
Borrowings	8,436	8,436
Subordinated Debts	6,376	6,376
Total	**168,998**	**168,998**
Share holders' Funds		
Share Capital	909	1,022
Reserves and Surpluses*	9,016	12,403
Less: Miscellaneous Expenditure to the extent not written off	Nil	Nil
Total Shareholders' funds	**9,925**	**13,425**
Total Capitalisation	**178,923**	**182,423**

* Excluding revaluation reserves

** The post-Issue shareholding includes the Preferential Allotment. The Preferential Allotment would be concluded simultaneously with the Allotment.

DIVIDEND POLICY

Under the Companies Act, an Indian company pays dividends upon a recommendation by its Board of Directors and approval by a majority of the shareholders, who have the right to decrease but not to increase the amount of the dividend recommended by the Board of Directors. Under the Companies Act, dividends may be paid out of profits of a company in the year in which the dividend is declared or out of the undistributed profits or reserves of previous Fiscal Years or out of both.

We do not have a formal dividend policy. The declaration and payment of dividend will be recommended by our Board and approved by our shareholders, at their discretion, and will depend on a number of factors, including but not limited to our profits, capital requirements and overall financial condition and guidelines issued by RBI in this regard.

The table below sets forth the details of the dividends declared by us on Equity Shares during the last five Fiscal Years:

(**Rs. in million, except per Equity Share data**)

Particulars	**As at Fiscal**				
	2007	**2006**	**2005**	**2004**	**2003**
Face value of Equity Shares (Rs. per Equity Share)	10	10	10	10	10
Interim Dividend on Equity Shares (%)	N.A	N.A	N.A	N.A	N.A
Final Dividend on Equity Shares (%)	6.5%	Nil	Nil	50%	40%
Dividend Distribution Tax (Rs. in million)	16	5	2	15	12
Total amount of Dividend on Equity Shares (Rs. in million)	59	Nil	Nil	113	90

The amounts paid as dividends in the past are not necessarily indicative of our dividend policy or dividend amounts, if any, in the future.

SELECTED STATISTICAL INFORMATION

Statement of selected statistical information (Based on stand alone financials of ING Vysya Bank Ltd)

(Rs. in millions)

Average Balance Sheet Data	As at Fiscal								
	2007			2006			2005		
	Average Balance	Interest Income/ expense	Average yield/ cost	Average Balance	Interest Income/ expense	Average yield/ cost	Average Balance	Interest Income/ expense	Average yield/ cost
Assets									
Advances 8.62%		102,779	9,596	9.34%	93,934	8,245	8.78%	75,027	6,468
Investments	43,826	3,326	7.59%	42,994	3,027	7.04%	37,262	2,653	7.12%
Others	7,009	1,092	15.58%	5,869	952	16.22%	4,573	785	17.15%
Total Interest Earning Assets	**153,614**	**14,014**	**9.12%**	**142,797**	**12,224**	**8.56%**	**116,862**	**9,906**	**8.48%**
Fixed assets	3,948			3,157			3,237		
Other assets	15,083			12,436			11,932		
Total Average Assets	**172,645**			**158,390**			**132,031**		
Liabilities									
Deposits	134,917	7,125	5.28%	126,672	6,170	4.87%	105,265	5,162	4.90%
Demand deposits	16,777	-	-	13,020	-		10,854	-	
Savings deposits	23,272	631	2.71%	18,334	515	2.81%	15,633	435	2.79%
Term deposits	94,868	6,494	6.85%	95,318	5,655	5.93%	78,778	4,727	6.00%
Borrowings	9,866	307	3.11%	9,827	376	3.83%	8,225	286	3.48%
Tier II bonds	5,140	461	8.97%	3,500	318	9.08%	3,500	314	8.96%
Others (including Interest Rate Swaps)		700			548			576	
Total Interest bearing liabilities	**149,923**	**8,593**	**5.73%**	**139,999**	**7,412**	**5.29%**	**116,990**	**6,338**	**5.42%**
Capital and reserve	10,656			10,092			7,226		
Other liabilities	12,066			8,299			7,815		
Total Liabilities	**172,645**			**158,390**			**132,031**		
Net interest income		**5,421**			**4,812**			**3,568**	

Note: Average balance is the average of monthly balances outstanding

(Rs. in millions)

	2007	2006	Fiscal 2007 Vs Fiscal 2006			2006	2005	Fiscal 2006 Vs Fiscal 2005		
			Increase (Decrease) in Interest income/ expense	Change due to change in average volume	Change due to change in average rate			Increase (Decrease) in Interest income/ expense	Change due to change in average volume	Change due to change in average rate
Interest Income										
On advances	9,596	8,245	1,351	776	575	8,245	6,468	1,777	1,630	147
On investments	3,326	3,027	299	59	240	3,027	2,653	375	408	(33)
On others	1,092	952	140	162	(22)	952	785	167	148	19
Total Interest Income	**14,014**	**12,224**	**1,790**	**997**	**793**	**12,224**	**9,906**	**2,319**	**2,186**	**133**
Interest expense										
On total deposits	**7,125**	**6,170**	**955**	**402**	**553**	**6,170**	**5,162**	**1,008**	**1,050**	**(42)**
On demand deposits	-	-	-	-	-	-	-	-	-	-
On savings deposits	631	515	116	139	(22)	515	435	80	75	4
On term deposits	6,494	5,655	839	(27)	866	5,655	4,727	928	993	(65)
On borrowings	307	376	(69)	2	(71)	376	286	90	55	35
On tier II Bonds	461	318	143	149	(6)	318	314	4	-	4
On others (including Interest Rate Swaps)	700	548	152	152	-	548	576	(28)	(28)	-
Total Interest Expenses	**8,593**	**7,412**	**1,181**	**705**	**476**	**7,412**	**6,338**	**1,074**	**1,077**	**(3)**
Net interest income	**5,421**	**4,812**	**609**	**292**	**317**	**4,812**	**3,568**	**1,245**	**1,109**	**136**

Note: Average balance is the average of monthly balances outstanding.

(Rs. in millions)

Yield, Spreads and Margins	**As at Fiscal**		
	2007	**2006**	**2005**
Average interest earning assets (A)	153,614	142,797	116,862
Average interest bearing liabilities (B)	149,923	139,999	116,990
Average total assets (C)	172,645	158,390	132,031
Average interest-earning assets as a percentage of average total assets (%) (A)/ (C)	89%	90%	89%
Average interest-bearing liabilities as a percentage of average total assets (%) (B)/ (C)	87%	88%	89%
Average interest earning assets as a percentage of average interest bearing liabilities (%) (A)/ (B)	102%	102%	100%

(Rs. in millions)

Yield, Spreads and Margins	As at Fiscal		
	2007	2006	2005
Yield (%) (D)	9.12%	8.56%	8.48%
Cost of Funds (%) (E)	5.73%	5.29%	5.42%
Spread (%) (F) = (D) - (E)	3.39%	3.27%	3.06%
Net Interest Margin (%)	3.53%	3.37%	3.05%

Note: Average balance is the average of monthly balances outstanding.

Ratios	As at Fiscal		
	2007	2006	2005
Return on average equity	9.36%	1.21%	-6.26%
Return on average assets	0.52%	0.06%	-0.29%
Cost to average assets	2.94%	3.28%	2.88%
Capital Adequacy Ratio	10.56%	10.67%	9.09%
Tier I capital adequacy ratio	6.38%	7.14%	5.20%
Tier II capital adequacy ratio	4.18%	3.53%	3.89%
Net NPA ratio	0.95%	1.76%	2.13%
Average net worth to total average assets	5.50%	4.74%	4.62%
Book value per share (Rs.)	108.55	99.70	260.23

Note: Average balance is the average of monthly balances outstanding.

1. Return on average equity is the ratio of the net profit after tax to the average net worth - capital plus reserves minus revaluation reserves (average of current year end and previous year end for the Fiscal).
2. Return on average assets is the ratio of the net profit after tax to the average assets.
3. Cost to average assets is the ratio of the operating expenses to the average assets.
4. Capital Adequacy Ratio is based on the published audited financials.
5. Net NPA ratio is the ratio of net NPA to net advances.
6. Book Value per Equity Share is net worth by number of outstanding shares.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements included in this report, in the section titled "Financial Statements" beginning on page no.135 of this Placement Document and the section titled "Selected Statistical Information" beginning on page no. 30 of this Placement Document, which presents important statistical information about our business. You should also read the section titled "Risk Factors" on page no 15 of this Placement Document which discusses a number of factors and contingencies that could impact our financial condition and results of operations.

OVERVIEW

The Vysya Bank Limited was incorporated on March 29, 1930 with the objective of providing banking services to all strata of society. We are one of the oldest private sector banks in India. We have a 77 year history in the banking industry, offering a wide variety of banking products and services. BBL made its first strategic investment in the Bank in 1996. In the year 1998, BBL was acquired by ING Groep N.V., a global financial conglomerate of Dutch origin. The name of our Bank was changed to ING Vysya Bank Limited in 2002. Over the years, we have grown in size and stature to encompass every area of present-day banking activities.

We currently deliver our products through a wide variety of channels ranging from bank branches, extension counters, ATMs, telephone banking, and internet banking. We have expanded our physical delivery channels to 406 bank branches, 40 extension counters and 188 ATMs in 309 locations across India, servicing around 1.4 million customers as on September 30, 2007. Our virtual delivery channels have also been significantly upgraded to offer a wide product suite and transactional capability. Further, the RBI by a letter dated October 4, 2007 has granted us permission to open 56 additional branches and 100 off-site ATMs by October 3, 2008.

We have a wholly owned subsidiary ING Vysya Financial Services Limited. Further, ING Groep N.V. also has its presence in India through ING Vysya Life Insurance Company Private Limited and ING Investment Management (India) Private Limited.

Our principal business activities are organized into three segments:

1. Wholesale Banking;
2. Retail Banking; and
3. Private Banking.

Wholesale Banking:

Our wholesale banking business comprises of four business segments and multiple product offerings. The business segments being (i) Corporate and Investment Banking, (ii) Banking and Financial Institutions, (iii) Emerging Corporate, and (iv) Financial Markets. Our product offering to the wholesale banking customer base includes (a) General Lending, (b) Structured Finance, (c) Trade Finance, (d) Corporate Finance, (e) Debt Capital Markets, (f) Cash Management Services, (g) Foreign Exchange & Derivatives and (h) Corporate Deposits.

While the business segments are responsible for managing relationships with identified customer sub-groups, the product groups are responsible for product and service delivery to the entire wholesale banking customer base.

We provide a range of commercial and investment banking products and services for corporates and financial institutions in India. Our commercial banking products and services to corporate customers include fund-based products, non-fund based products, other fee based services and advisory services. Our fund-based products comprise of working capital finance (including cash credit and bill discounting), term finance (long term and short term) and structured finance facilities. Our non-fund based products include letters of credit, financial and performance guarantees. Other fee-based services include cash management services, trade services, payment services and debt syndication and our advisory services include advising clients on mergers and acquisitions, capital restructuring and capital raising.

We also accept rupee and foreign currency deposits with fixed or floating interest bases from our corporate customers. Our deposit products include current deposits and term deposits. We deliver our commercial banking products and services to our corporate customers through a combination of our Wholesale Banking offices located in Mumbai, Delhi, Chennai, Bangalore, Kolkata and Hyderabad and our network of branches. Our financial markets operations include maintenance and management of regulatory reserves, proprietary trading in fixed income, foreign exchange and derivatives, a range of products and services for corporate customers, such as forward contracts and interest rate and currency swaps, and foreign exchange products. The financial markets business is focused on providing hedging and balance sheet management solutions and products to our Wholesale Banking and Retail Banking customer base and also supporting our customer's routine trade flows.

Retail Banking:

We offer comprehensive Retail banking services through our 406 bank branches, 40 extension counters and 188 ATMs, across 309 locations as on September 30, 2007. Further, the RBI by a letter dated October 4, 2007 has granted us permission to open 56 additional branches and 100 off-site ATMs by October 3, 2008.

Retail Banking comprises of four segments viz: (i) Retail Deposits (ii) Retail Assets (iii) Business Banking and (iv) Agricultural and Rural Banking.

Our Bank offers a wide range of products such as deposits and loans including housing loans, personal loans, commercial vehicle loans, debit and credit cards. Apart from traditional savings and deposit services like demand deposits (savings bank and current account), time deposits, salary accounts and NRI accounts.

Serving the SME segment has been a traditional strength of our Bank. We offer a comprehensive range of banking services to small and medium sized corporates including business accounts, working capital facilities, cash management services, trade finance, non-funded facilities and term loans. We have also leveraged our network in the hinterland of the country to offer deposits and loans to the Agricultural and Rural markets.

Over the years we have leveraged our technology architecture to offer state of the art access channels to our retail customers apart from the traditional branches. This includes 24/7 telephone banking, full service internet banking, international debit card, worldwide ATM access (MasterCard and Cashnet networks), instant mobile alerts and self banking kiosks at select branches. We offer wealth management services through approximately 200 dedicated relationship managers across our network of branches. We are the distributors of mutual funds products for various asset management companies and corporate agents for ING Vysya Life Insurance Company Private Limited for life insurance products and Royal Sundaram Alliance Insurance Company Limited for general insurance products.

Private Banking:

Our Private Banking provides wealth management solutions on a non-discretionary platform to high networth individuals. The business unit consists of Private Bankers, Advisory Desk, Capital Market Operations, Credit Desk, Compliance and Products. While the Private Bankers are the client-facing team responsible for the overall relationship management, they are supported by Advisory Desk (for advice on portfolio construction), Capital market Operations (for transactional support and reporting), Credit Desk (for structured credit deals), Compliance (for ensuring timely reporting to regulatory authorities) and Products (for identification of viable financial products, MIS and marketing).

We provide advice on investment products across a wide range of asset classes ranging from equity, derivatives, mutual funds, bonds, insurance, structured credit, and real estate funds.

As on March 31, 2007, our total assets grew to Rs. 192,771 million, from Rs. 167,733 million as of March 31, 2006. Our total income grew to Rs. 15,929 million in Fiscal 2007 from Rs. 14,475 million in Fiscal 2006. Further our net profits grew to Rs. 882 million in Fiscal 2007 from Rs. 307 million in Fiscal 2006, registering a growth of 187.29%.

As on September 30, 2007, on a stand alone basis, our total assets grew to Rs. 209,065 million, from Rs. 167,332 million as of September 30, 2006. Our total income grew to Rs. 10,107 million for the period ended September 30, 2007 from Rs. 7,618 million for the period ended September 30, 2006, registering a growth of 32.67%. Further our net profits grew to Rs. 713 million for the six month period ended September 30, 2007 from Rs. 562 million for the period ended September 30, 2006, registering a growth of 26.87%.

STRENGTHS

Management believe that the Bank's strengths that distinguish it in a competitive Indian financial sector include:

Banking experience of 77 years

We are one of the oldest private sector banks offering wide variety of banking products and services to retail and corporate customers. We have 77 years of experience in the banking industry and this period of time has enabled us to understand the specific requirements of our customers and evolve our offerings to suit their requirements. This has enabled us to establish a strong relationship with around 1.4 million customers. With the growth of the corporates over the years, aided by the underlying growth in the Indian economy, our customers have grown to becoming players of significant size and stature in the market place. In partnering with our customers, the Bank has grown simultaneously in size and in range of products offered to its customers to meet their growing product needs.

Association with ING Groep N.V.

Our Promoters, ING Mauritius Holdings and ING Mauritius Investment I are wholly owned subsidiary of ING Bank N.V. ING Bank N.V., which in turn is a wholly owned subsidiary of ING Groep N.V., one of the world's largest financial services group. The total assets of ING Groep N.V. stood at 1,227 billion euros, as at December 31, 2006 and net profit were 7.7 billion euros for the period ended December 31, 2006.

Further, ING Groep N.V. has presence in over 50 countries, has over 120,000 employees, and serves over 75 million customers across the globe.

Our association with ING Groep N.V. helps us gain an understanding of global financial markets and has also enabled us to obtain referrals from offshore customers and clients through ING Groep N.V. network thereby expanding our customer base both onshore and offshore. Further, linking with the ING Group's global network has enabled us to further enhance our business.

Professional management

The Bank has a professionally managed board which overseas and guides the Bank's strategy and operations. The members of our management team and employees come from a diverse set of backgrounds with relevant experience, including credit evaluation, risk management, treasury, technology and marketing. The diversity of experience helps us adapt a creative and cross-functional approach. Our managers and professional staff also have domain expertise of and experience in the various sectors we serve, which contributes to our understanding of the sector-specific aspects of our business. For further details on our Board and Senior Management see the section titled "Board of Directors and Senior Management" beginning on page no 90 of this Placement Document. We believe that we provide a strong culture of partnership, ownership, commitment and entrepreneurial spirit.

Centralised and modern technology platform

We are at the forefront of technology usage in the financial services sector. The IT infrastructure of the Bank is built on a robust architecture which links the Bank's network of branches, marketing offices and ATM's. The Bank is focussed on leveraging technology to create customer centric solutions like Core Banking, Internet Banking and SMS banking. The IT strategy of our Bank has supported business initiatives by a process of continuous update in technology and process platforms.

Multiple delivery channels and distribution infrastructure

We deliver our products though a wide variety of channels ranging from bank branches, ATMs, telephone-banking and internet banking. We have branch presence across India with a dominant presence in southern India. As of September 30, 2007 we had a branch network comprising of 406 branches, 188 ATM, 40 extension counters in 309 locations across India Further, the RBI by a letter dated October 4, 2007 has granted us permission to open 56 additional branches and 100 off-site ATMs by October 3, 2008.

STRATEGY

Our objective is to enhance our position as a premier provider of banking and other financial services in India. Some of the business strategies we have envisaged are as follows:

Enhance our Wholesale Banking franchise

We have a strong presence in all the segments of Wholesale Banking. Our long history of association with customers in India combined with the constant enhancement in product capability and investments in infrastructure and technology has helped us deliver value to our customers.

The Wholesale Banking business is focussed on delivering customer value by timely delivery of products to our chosen customer segments. The Wholesale Banking client relationship and product teams are focussed on actively engaging with the customer to understand their needs and providing the most effective solutions and deliver them most efficiently. Towards this the wholesale banking team is focussed on constantly upgrading and refining its product offering and increasing the level of engagement with the chosen customer segments to build a stronger and wider customer relationship.

We periodically review our product offerings and customer base to ensure that it enables us to grow profitably within acceptable parameters of risk and portfolio diversification. Our team actively works with customers to address their onshore needs and cooperates with ING Groep N.V. network to provide solutions for their global commercial banking and investment banking needs. We endeavour to provide a host of product solutions and structuring them appropriately to meet unique customer demands. We intend to focus on maximising customer and relationship revenue by ensuring appropriate product pricing and active relationship management by ensuring risk based pricing, both at a product and relationship level.

Enhance our Retail Banking franchise

We intend to leverage and expand our existing distribution network. We have 406 branches, a loyal customer base, experienced employees and a robust product suite. Our strategy is to drive productivity and efficiency through the branch network with a focus on the cross selling and higher client acquisition. One of the key focus areas for the Bank is to increase its low cost current account and savings account which would further improve the net interest margins.

The Bank also intends deriving fee income across retail products. This includes transactional fee, foreign exchange related income from business banking client relationship and wealth management fee from the sale and distribution of third party mutual funds and insurance.

Our Retail Assets strategy is to enhance the fast growing home loan and personal loan portfolio. Our strategy in the Business Banking segment is to continue the focus and offer SME customers a holistic product suite including business accounts, financial planning, trade and foreign exchange services apart from the traditional working capital facilities and term loans.

Enhance our Private Banking Business

Our strategy in Private Banking is to build a sustainable business model to ensure a steady growth in assets and revenues. We started our Private Banking initiative in 1995 with the following focus:

- Build a top-tier onshore Private Banking product capability across assets and segments which would be well recognized by clients;
- Build a strong and competitive Private Banking team and increase our presence across India; and
- Increase our fee based income.

Over the past six months, we have increased our presence in this segment across India from 4 centres to 7 centres, increased the team size including induction of people at the senior management levels.

We continue to focus on:

- increasing AUM, revenues and number of relationships;
- penetrate existing products and increase new capabilities – Art, Real Estate, Private Investment Banking, Trust & Estate Planning;
- to build on structured credit assets fully secured by eligible financial assets; and
- to increase market visibility.

Continue to leverage on the synergies with ING Groep N.V.

Pursuant to our association with ING Groep N.V. we have upgraded systems and processes to international standards, by leveraging on the systems and processes that have already been developed by ING Bank N.V. Accordingly provisioning and risk management processes covering market risk, credit risk and operational risk, have been improved. We intend to continue leveraging on the synergies from ING Groep N.V.

Enhance Risk Management practices and improve asset quality

Risk is an integral part of every aspect of banking business and the Bank aims at enhancing value by achieving an appropriate balance between risk and return. We continue to adhere to the stringent norms on income recognition, asset classification and provisioning specified by the RBI. All loans are classified as per RBI guidelines into performing and non-performing. During the year, significant improvement was made in portfolio quality with low accretion to NPAs. However, higher standard provisioning was applied due to the change in the RBI provisioning norms. As at March 31, 2007 the gross NPA decreased to 2.55% from 4.09% as at March 31, 2006 and the net NPA decreased to 0.95% from 1.76% during the same period. Gross and net NPAs stood at 2.06% and 0.77% as at September 30, 2007. 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.

Continuous improvement of our technology platform for competitive advantage

We aim at constantly upgrading our technology to the latest available standards, in order to use this as a strategic tool to enhance our competitive advantage. We intend to further use technology in building a cost efficient distribution network and effective customer service capabilities. We further intend to implement new IT and other initiatives to provide customer centric solutions to our customers.

Attract and retain talent

We believe that the key to our success will be our ability to continue to recruit and develop a pool of strong and experienced professionals. We have been able to build a team of talented professionals with relevant experience, in Credit evaluation, Risk management, Retail products, Treasury and Technology. We intend to continuously reengineer our management and organisational structure to allow us to respond effectively to changes in the business environment and enhance our overall profitability.

Expand our retail distribution footprint

We intend to enhance our retail market share by expanding our retail distribution capabilities. We will increase and expand various channels for reaching our customers and for selling our products. We will continue to leverage our wide network of branches. We expect these initiatives to increase our reach in a cost effective manner. We will also pursue alternate channels and/or alliances for selling our products.

Enhance our fee revenues

We aim at strengthening and enhancing our fee-based income by entering into new fee generating businesses and alliances. This will also help us in increasing the product portfolio offered to our customers. We have already entered into agreements with insurance/MF companies for sales and distribution of insurance products and MFs. In Wholesale Banking we intend increasing the share of fee income by actively developing fee products and offer them to the entire set of customers. The Bank has built up a strong product capability and sales franchise in Financial Markets over the past 18 months, which has significantly increased the Bank's fee revenues. The strategy is focused on effectively cross selling the entire suite of products to our customer base and we are actively building up the necessary product capability and technology platform to support our ambitions. The Bank will focus on Cash Management Services and Trade Finance besides effectively leveraging the Bank's onshore and the global ING Group's network to enhance the trade flows through the bank to boost its fee income.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations depend on various factors, including the following:

Volatility in interest rates and other market conditions

As with most banking institutions, the Bank's results of operations depend to a great extent on its net interest income. In the Fiscal Year 2007, net interest income represented 73.93% of the total income (net interest income plus other income). Volatility and changes in market interest rates could affect the interest the Bank earns on its assets and the interest the Bank pays on its liabilities. This could result in an increase in interest expense relative to interest income leading to a reduction in the Bank's net interest income.

Volatility in interest rates could materially and adversely affect the Bank's business and financial performance. An increase in interest rates may also materially and adversely affect the rate of growth of important sectors of the Indian economy, such as the corporate, retail and agricultural sectors, which may materially and adversely impact the Bank's business, financial condition, operational results and future prospects.

Regulatory cash reserve requirements

We operate in a regulated industry and have to adhere to various regulations. One such requirement is the maintenance of CRR, a cash deposit with RBI, which is a specific percentage of net demand and time liabilities decided by RBI from time to time. While earlier, RBI used to pay an interest on the CRR deposits, since April 2007 these deposits do not earn any interest. During the Financial Year 2007, RBI has increased the CRR from 5% to 6% of the net demand and time liabilities. Further, during the current Fiscal 2008, the CRR has been increased to 7.5% of the net demand and time liabilities. Any upward movement in the percentage of CRR required to be maintained by the Bank could adversely affect the net interest income.

Volatility in income from treasury operations

In the Fiscal Years ended March 31, 2007 and 2006, 28.82% and 28.77% of the Bank's total income (interest income and other income), respectively, was derived from the Bank's treasury operations. The Bank's treasury operations could be adversely affected by changes in interest rates, exchange rates, equity prices and other factors. In particular, any upward movement in the interest rates can potentially adversely affect the valuation of investments if the bank has long duration on its statutory bond portfolio. Any decrease in the Bank's income from its treasury operations could materially and adversely affect the Bank's business if the decrease cannot be offset by increasing returns on the Bank's loan assets.

Realisation of operational risk associated with the banking industry

The Bank, like all financial institutions, is exposed to many types of operational risk, including the risk of fraud or other misconduct by employees or outsiders, unauthorized transactions by employees and third parties (including violation of regulations for prevention of corrupt practices, and other regulations governing the Bank's business activities), mis-reporting or non-reporting with respect to statutory, legal or regulatory reporting and disclosure obligations, or operational errors, including clerical or record keeping errors or errors resulting from faulty computer or telecommunications systems.

The Bank may also be subject to disruptions of its operating systems, arising from events that are wholly or partially beyond its control (including, for example, computer viruses or electrical or telecommunication outages), which may give rise to a deterioration in customer service and to loss or liability to the Bank. The Bank is further exposed to the risk that external vendors may be unable to fulfil their contractual obligations to us (or will be subject to the same risk of fraud or operational errors by their respective employees as the Bank is), and to the risk that its (or its vendors') business continuity and data security systems may prove not to be sufficiently adequate. The Bank also faces the risk that the design of its controls and procedures prove inadequate, or are circumvented, thereby causing error in information or delays in detection of errors. Although the Bank maintains a system of controls designed to keep operational risk at appropriate levels, like all banks the Bank has in the past suffered losses from operational risk and there can be no assurance that it will not suffer losses from operational risks in the future that may be material in amount, and the Bank's reputation, business, financial condition, results of operations and prospects could be adversely affected by the occurrence of any such events involving the Bank's employees, customers or third parties

Critical accounting policies

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 Indian GAAP and conform to the statutory requirements prescribed under the Banking Regulation Act, circulars and guidelines issued by the 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 issued by ICAI.

The preparation of the consolidated financial statements in conformity with Indian GAAP 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. Set forth below are the critical accounting policies under Indian GAAP of the Bank, its Subsidiary and its associate for the Financial Year, 2007.

Basis of Consolidation

i. The consolidated financial statements include the financial statements of the Bank, its Subsidiary and associate.

ii. 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.

iii. 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.

iv. 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 realized as goodwill/capital reserve in the consolidated financial statements.

v. The reporting date for the subsidiary and associate is March 31, 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 Fiscal ended March 31, 2007 is Rs. 117 million, which represents the proportionate share of the net worth of the associate.

Revenue Recognition

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

Interest on advances, non-performing securities and other assets classified as NPAs 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.

ii. 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 March 31, 2001 and in accordance with AS 19 – "Leases" in respect of leases given from April 1, 2001.

iii. Premium/discount on acquired loans

Premium paid/discount received on loans acquired under deeds of assignment are realized in the profit and loss account in the year of such purchases.

iv. Sale of investments

Realized gains on investments under 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.

v. ***Income from marketing of mutual fund units, bonds and insurance policies:***

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

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

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

Transactions Involving Foreign Exchange

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 realized in the profit and loss account.

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.

Contingent liabilities denominated in foreign currencies are disclosed in the balance sheet date at the rates notified by FEDAI.

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.

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.

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. HTM, HFT and AFS:

a. "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 September 2, 2004, the investment in SLR securities under this category is permitted to a maximum of 25% of Demand and Time Liabilities.

b. "HFT" comprises securities acquired by the Bank with the intention of trading i.e. to benefit from short-term price/interest rate movements.

c. "AFS" securities are those, which do not qualify for being classified in either of the above categories.

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:

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.

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.

In the event provisions created on account of depreciation in the AFS or HFT categories are found to be in excess of the required amount in any year, such excess is realized 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.

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.

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 up to 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.

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.

Fixed Assets

Fixed Assets are stated at historical cost less accumulated depreciation, with the exception of premises, which were revalued as at December 31, 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.

Depreciation on Premises is charged on straight line basis at the rate of 1.63% up to March 31, 2002 and at 2% with effect from April 1, 2002.

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:

a) Electrical and Electronic equipment – 20%

b) Furniture and Fixtures – 10%

c) Vehicles – 20%

d) Computers and Software – 33.33%

e) ATMs and VSAT equipment – 16.66%

f) 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 April 1, 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 April 1, 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.

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 realized 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.

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.

Securitisation Transaction

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

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.

Staff Benefits

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

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.

Net Profit/ (Loss)

Net profit / (loss) disclosed in the consolidated profit and loss account is after considering the following:

a) Provision/ write off of Non-Performing Assets as per the norms prescribed by RBI;

b) Provision for income tax and wealth tax;

c) Depreciation/ write off of Investments; and

d) Other usual, necessary and mandatory provisions, if any.

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.

RESULTS OF OPERATIONS

The table below shows the profit and loss statement for the Fiscal years 2007, 2006 and 2005.

(Rs. in millions, except percentage)

S.No	Particulars	Fiscal 2007		Fiscal 2006		Fiscal 2005	
		Amount	% of Total Income	Amount	% of Total Income	Amount	% of Total Income
	Income						
1	Interest Income	14,017	88.00	12,224	84.45	9,906	88.33
2	Other Income	1,912	12.00	2,251	15.55	1,309	11.67
3	**Total Income**	**15,929**	**100**	**14,475**	**100**	**11,215**	**100**
	Expenditure						
4	Interest Expense	8,593	53.94	7,412	51.20	6,338	56.51
5	Operating Expenses	4,999	31.38	5,286	36.51	3,847	34.30
6	Provisions and Contingencies	1,438	9.02	1,462	10.10	1,386	12.36
7	**Total Expenditure**	**15,030**	**94.35**	**14,160**	**97.82**	**11,571**	**103.18**
8	**Net profit/(Loss)**	**899**	**5.64**	**315**	**2.17**	**(357)**	**(3.18)**

Results for Fiscal 2007 compared with Fiscal 2006

Net Interest Income:

The following table sets forth the main components of the Bank's net interest income

(Rs. in millions, except percentage)

Particulars	Fiscal 2007	Fiscal 2006	% change
Interest/discount on advances/bills	9,596	8,245	16.38
Interest on investments	3,329	3,027	9.98
Interest on balance with RBI and other inter bank funds	289	265	9.06
Others interest income	803	687	16.88
Interest income	**14,017**	**12,224**	**14.67**

(Rs. in millions, except percentage)

Particulars	Fiscal 2007	Fiscal 2006	% change
Interest on Deposits	7,125	6,170	15.48
Interest on RBI/Inter-Bank borrowings	269	329	(18.23)
Other Interest expense	1,199	913	31.33
Interest Expense	**8,593**	**7,412**	**15.93**
Net interest income	**5,424**	**4,812**	**12.71**

The net interest income increased by 12.71% to Rs. 5,424 million in Fiscal 2007 from Rs. 4,812 million in Fiscal 2006. This increase was primarily driven by increase in the share of low cost deposits and increase in the yield on advances. The net interest margin increased from 3.37% in Fiscal 2006 to 3.53% in Fiscal 2007.

Interest Income:

The interest income increased by 14.67% to Rs. 14,017 million in Fiscal 2007 from Rs. 12,224 million in Fiscal 2006.

Interest income from loans and advances increased by 16.38% to Rs. 9,596 million in Fiscal 2007 from Rs. 8,245 million in Fiscal 2006. Interest income on investments increased by 9.98% to Rs. 3,329 million in Fiscal 2007 from Rs. 3,027 million in Fiscal 2006. Income from interest on balances with RBI and other inter bank placements increased by 9.06% to Rs. 289 million in Fiscal 2007 from Rs. 265 million in Fiscal 2006. Other interest income increased by 16.88% to Rs. 803 million in Fiscal 2007 from Rs. 687 million in Fiscal 2006.

While yield on advances increased to 9.34% in Fiscal 2007 from 8.78% in Fiscal 2006, the overall interest income showed subdued growth in Fiscal 2007 due to lower growth in the interest income on investments and on balances with RBI and inter bank placements.

Interest Expense:

The interest expense increased by 15.93 % to Rs. 8,593, million in Fiscal 2007 from Rs. 7,412 million in Fiscal 2006. Interest expense on deposits increased by 15.48% to Rs. 7,125 million in Fiscal 2007 from Rs. 6,170 in Fiscal 2006. Interest expense on RBI and inter bank borrowings decreased by 18.23% to Rs. 269 million from Rs. 329 million in Fiscal 2006. This was primarily due to growth in customer deposits leading to reduced dependence on inter-bank deposits. Further, interest expenditure on others (including Tier II Bonds and IRS) increased by 31.33 % to Rs. 1,199 million in Fiscal 2007 from Rs. 913 million in Fiscal 2006.

The increase in interest expense was primarily due to increase in the interest bearing liabilities by 7.09% to Rs. 149,923 million in Fiscal 2007 coupled with increase in cost of deposits from 4.87% in Fiscal 2006 to 5.28% in Fiscal 2007 and increased interest cost as a result of fresh issuance of Tier II Bonds.

Other Income:

The following table sets forth the components of the non-interest income:

(Rs. in millions, except percentage)

Particulars	Fiscal 2007	Fiscal 2006	% change
Commission, Exchange and Brokerage	1,832	1,446	26.69
Profit/(Loss) on sale of investment (net)	251	396	(36.61)
Profit/(Loss) on revaluation of investments (net)	(542)	-	-
Miscellaneous	371	409	(9.29)
Total non-interest income	1,912	2,251	(15.06)

Other income decreased by 15.06% to Rs. 1,912 million in Fiscal 2007 from Rs. 2,251 million in Fiscal 2006. This decrease in other income was due to reclassification under the revised regulatory framework of the amortisation of premium on investments under the heading “Other Income” from “Provisions and Contingencies” in the Fiscal 2007. Also, miscellaneous income was lower at Rs. 371 million in Fiscal 2007 compared to Rs. 409 million in Fiscal 2006. The profit/loss on sale on investments includes the profit of Rs. 334.90 million realized on the sale of our strategic investments in Bharat Overseas Bank Limited in Fiscal 2007 and a profit of Rs. 228.90 million on the sale of our investment in ING Vysya Life Insurance Company Private Limited in Fiscal 2006. But for the reclassification of the amortisation of premium on investments and profit on account of the sale of our investments in Bharat Overseas Bank Limited and ING Vysya Life Insurance Company Private Limited, the other income increased by 4.80% in Fiscal 2007. This increase can be primarily attributed to increase of 26.69% in income from commission, exchange and brokerage in Fiscal 2007 due to growth in fee income from retail products and services, including fee income arising from retail asset products like home loans and retail liability related income like account servicing charges and third party distribution fee.

Operating expenses:

The following table sets forth the main component of the operating expenses:

(Rs. in millions, except percentage)

Particulars	**Fiscal 2007**	**Fiscal 2006**	**% change**
Payments and provisions for Employees	2,478	2,455	0.94
Rent, taxes and lighting	401	353	13.60
Depreciation on bank's property	383	374	2.40
Other operating expenditure	1,737	2,104	(17.44)
Total Operating Expenditure	4,999	5,286	(5.43)

Operating expenses decreased by 5.43% to Rs. 4,999 million in Fiscal 2007 from Rs. 5,286 million in Fiscal 2006. We were able to maintain the cost level in spite of growth in balance sheet due to improvement in productivity.

Provisions and Contingencies:

Provisions and Contingencies decreased by 1.64% to Rs. 1,438 million in Fiscal 2007 from Rs. 1,462 million in Fiscal 2006. This decrease was mainly due to reclassification under the revised regulatory framework of the amortisation of premium on investments under the heading "Other Income" from "Provisions and Contingencies" in the Fiscal 2007. But for the reclassification, the expenditure on Provisions and Contingencies would be higher by 35.45% in Fiscal 2007 which is primarily attributable to increased provision requirement for standard assets by RBI. The provisioning for standard assets increased by 88.72% to Rs. 310.50 million Fiscal 2007 from Rs. 164.53 million in Fiscal 2006.

Net profit

As a result of the factors mentioned above, the net profits increased by 185.40% to Rs. 899 million in Fiscal 2007 from Rs. 315 million in Fiscal 2006.

Assets

The following table sets forth the principal components of the assets as of March 31, 2007 and 2006:

(Rs. in millions, except percentage)

Particulars	**Fiscal 2007**	**Fiscal 2006**	**% change**
Cash and balances with RBI	9,458	8,417	12.37
Balance with banks and money at call and short notice	6,459	2,838	127.59
Investments	45,170	43,632	3.52
Loans and advances	119,762	102,316	17.05
Fixed assets	3,967	4,061	(2.31)
Other assets	7,955	6,469	22.97
Total Assets	**192,771**	**167,733**	**14.93**

Total assets increased by 14.93 % to Rs. 192,771 million in Fiscal 2007 from Rs. 167,733 million in Fiscal 2006, primarily due to increase in the Bank's customer loans and advances both in the retail and wholesale segments by 17.05% to Rs. 119,762 million in Fiscal 2007 from Rs. 102,316 in Fiscal 2006.

Liabilities and shareholders funds:

The following table sets forth the principal components of the capital and liability as of March 31, 2007 and 2006:

(Rs. in millions, except percentage)

Particulars	**Fiscal 2007**	**Fiscal 2006**	**% change**
Capital	909	907	0.22
Reserves and surplus	10,101	9,271	8.95
Shareholders fund	**11,010**	**10,178**	**8.17**
Deposits	154,135	133,352	15.59
Borrowings	8,436	11,075	(23.83)
Other liability and provisions	19,190	13,128	46.18
Total liabilities and shareholders fund	**192,771**	**167,733**	14.92

Total shareholders' funds increased by 8.17% to Rs 11,010 million in Fiscal 2007 from Rs. 10,178 million in Fiscal 2006.

Deposits increased by 15.59%, to Rs. 154,135 million in Fiscal 2007 from Rs. 133,352 million in Fiscal 2006. The low cost deposits constituted 28.91% of the total deposits as at March 31, 2007 as against 27.01% as at March 31, 2006. During this period the current accounts grew by 25.49% to Rs. 18,936 million from Rs. 15,090 million and savings account grew by 22.47% to Rs. 25,639 million from Rs. 20,935 million.

Other liabilities and provisions increased to Rs. 19,190 million in Fiscal 2007 from Rs. 13,128 million in Fiscal 2006 primarily due to issuance of Rs. 780 million Tier II Bonds and Rs. 987.19 million Upper Tier II Bonds.

Results for Fiscal 2006 compared with Fiscal 2005

Net Interest Income:

The following table sets forth the components of the net interest income

(Rs. in millions, except percentage)

Particulars	**Fiscal 2006**	**Fiscal 2005**	**% change**
Interest/discount on advances/bills	8,245	6,468	27.47
Interest on investments	3,027	2,587	17.01
Interest on balance with RBI and other inter bank funds	265	258	2.71
Other interest income	687	593	15.85
Interest income	**12,224**	**9,906**	**23.40**
Interest on Deposits	6,170	5,162	19.53
Interest on RBI/Inter-Bank borrowings	329	207	58.94
Other interest expense	913	969	(5.78)
Interest Expenses	**7,412**	**6,338**	**16.95**
Net Interest income	**4,812**	**3,568**	**34.87**

The net interest income increased by 34.87 % to Rs. 4,812 million in Fiscal 2006 from Rs. 3,568 million in Fiscal 2005. The increase in the net interest income can be primarily attributed to increase in the net interest margins from 3.05% in Fiscal 2005 to 3.37% in Fiscal 2006. The growth in interest income was due to improvement in both volume as well as spreads on our asset portfolio.

Interest income:

The interest income increased by 23.40% to Rs. 12,224 million in Fiscal 2006 from Rs. 9,906 million in Fiscal 2005.

Interest income from loans and advances increased by 27.47% to Rs 8,245 million in Fiscal 2006 from Rs. 6,468 million in Fiscal 2005. Interest income on investments increased by 17.01% to Rs. 3,027 million in Fiscal 2006 from Rs. 2,587 million in Fiscal 2005. Subdued growth in interest income on balances with RBI and other inter bank placements which grew only by 2.71% to Rs. 265 million in Fiscal 2006 from Rs. 258 million in Fiscal 2005 suppressed higher growth in interest income from banking operations. Other interest income increased by 15.85% to Rs. 687 million in Fiscal 2006 from Rs. 593 million in Fiscal 2005.

The increase in the interest income was due to an increase in average advances to Rs. 93,934 million in Fiscal 2006 combined with an increase on yield on advances from 8.62% in Fiscal 2005 to 8.78% in Fiscal 2006. Increase in interest income from investments can be attributed to increase in average investments in Fiscal 2006.

Interest Expenses:

The interest expenses increased by 16.95% to Rs. 7,412 million in Fiscal 2006 from Rs. 6,338 million in Fiscal 2005. Interest expense on deposits increased by 19.53% to Rs. 6,170 million in Fiscal 2006 from Rs. 5,162 in Fiscal 2005. Interest expense on RBI and inter bank borrowings increased by 58.94% to Rs. 329 million from 207 million in Fiscal 2005. Further, interest expenditure on others (including Tier II Bond and IRS) decreased by 5.78% to Rs. 913 million in Fiscal 2006 from Rs. 969 million in Fiscal 2005.

The increase in interest expense was primarily due to increase in the interest bearing liabilities by 19.67% to Rs 139,999 million in Fiscal 2006.

Other Income:

The following table sets forth the components of the non-interest income:

(Rs. in millions, except percentage)

Particulars	**Fiscal 2006**	**Fiscal 2005**	**% change**
Commission, Exchange and Brokerage	1,446	1,241	16.52
Profit/(Loss) on sale of investment (net)	396	(480)	-
Profit/(Loss) on Exchange transactions (net)	71	242	(70.67)
Miscellaneous income (including bad debts)	338	306	10.46
Total	2,251	1,309	71.96

Other income increased by 71.96% to Rs. 2,251 million in Fiscal 2006 from Rs. 1,309 million in Fiscal 2005.

In Fiscal 2005 we incurred one time loss of Rs. 478 million on sale of Investments on transfer of government securities from the AFS and HFT categories to the HTM category as permitted by RBI. This transfer was effected by the management to mitigate the impact of rising interest rate. However in Fiscal 2006 we made a profit of Rs. 228.90 million on sale of Investments primarily from divestment of our stake in the ING Vysya Life Insurance Company Private Limited.

Operating expenses:

The following table sets forth the main component of the operating expenses:

(Rs. in millions, except percentage)

Particulars	**Fiscal 2006**	**Fiscal 2005**	**% change**
Payments and provisions for Employees	2,455	1,812	35.49
Rent, taxes and lighting	353	285	23.86
Depreciation on bank's property	374	369	1.36
Other operating expenditure	2,104	1,381	52.35
Total Operating Expenditure	5,286	3,847	37.40

Operating expenses increased by 37.40% to Rs. 5,286 million in Fiscal 2006 from Rs. 3,847 million in Fiscal 2005. The increase in the staff cost by 35.49% was primarily driven by the significant adjustments in the provisions for retirements benefits.

The other operating expenses increased on account of certain one time expenses and on account of increased investments on improvement and enhancement of the distribution and IT infrastructure.

Provisions and Contingencies:

The Provisions and Contingencies increased by 5.48% to Rs. 1,462 million in Fiscal 2006 from Rs. 1,386 million in Fiscal 2005.

Net profit:

As a result of the factors mentioned above, the Bank reported a net profit of Rs. 315 million in Fiscal 2006 from a loss of Rs. (357) million in Fiscal 2005.

Assets

The following table sets forth the principal components of the assets as of March 31, 2006 and 2005:

(Rs. in millions, except percentage)

Particulars	**Fiscal 2006**	**Fiscal 2005**	**% change**
Cash and balances with RBI	8,417	6,667	26.25
Balance with banks and money at call and short notice	2,838	5,653	(49.80)
Investments	43,632	40,571	7.54
Loans and advances	102,316	90,806	12.68
Fixed assets	4,061	3,129	29.79
Other assets	6,469	6,505	(0.55)
Total	**167,733**	**153,331**	**9.39**

The total assets increased by 9.39% to Rs. 167,733 million in Fiscal 2006 from Rs. 153,331 million in Fiscal 2005 primarily due to increase in customer loans and advances by 12.68% to Rs. 102,316 million in Fiscal 2006 to Rs. 90,806 million in Fiscal 2007.

Liabilities and shareholders funds

The following table sets forth the principal components of the Liabilities and shareholders funds as of March 31, 2006 and 2005.

(Rs. in millions, except percentage)

Particulars	**Fiscal 2006**	**Fiscal 2005**	**% change**
Capital	907	227	299.56
Share application money	-	1,324	
Reserves and surplus	9,271	6,622	40.00
Shareholders fund	**10,178**	**8,173**	**24.53**
Deposits	133,352	125,694	6.09
Borrowings	11,075	8,308	33.31
Other liability and provisions	13,128	11,156	17.68
Total liabilities and shareholders fund	**167,733**	**153,331**	9.39

The shareholders' funds increased by 24.53% to Rs. 10,178 million in Fiscal 2006 from Rs. 8,173 million in Fiscal 2005.

Reserves and surplus increased by 40% to Rs. 9,271 million in Fiscal 2006 from Rs. 6,622 million in Fiscal 2005 primarily on account of profit of Rs. 315 million in Fiscal 2006 compared to loss of Rs. 357 million in Fiscal 2005. Further, share premium of Rs. 2,377 million realized on the rights issue of Equity Shares in the Fiscal 2005 was capitalized in Fiscal 2006 and share premium of Rs. 11 million was realised on issuance of Equity Shares under ESOS.

The borrowings increased by 33.31%, to Rs. 11,075 million in Fiscal 2006 from Rs. 8,308 million in Fiscal 2005. This increase is primarily due to increase in call money borrowings by 46.09% and borrowings outside India by 60.18%.

Other liabilities and provisions increased by 17.68% to Rs. 13,128 million in Fiscal 2006 from Rs. 11,156 million in Fiscal 2005 primarily due to issuance of Rs. 1,120 million Tier II Bonds.

Liquidity and Capital Resource

Cash flows

The summarised statement of consolidated cash flows for the last three Fiscal Years is set forth below:

(Rs. in millions, except percentage)

Particulars	**Fiscal 2007**	**Fiscal 2006**	**Fiscal 2005**
Net Cash flow from / (used in) Operating Activities	3,150	(1981)	2,452
Net Cash flow used in Investing Activities	(260)	(775)	(88)
Net Cash Flow from Financing Activities	1,772	2,861	(93)
Cash and Cash equivalents as at the beginning of the year	11,255	11,150	10,048
Cash and Cash equivalents as at the end of the year	15,917	11,255	12,319

Capital

The Bank is subject to the capital adequacy requirements of the RBI. The Bank is required to maintain a minimum 9% capital to risk weighted assets, at least half of which must be Tier I capital.

The Bank's regulatory capital and capital adequacy ratios, based on its financial statements, are as follows:

(Rs. in millions, except percentage)

Particulars	**Fiscal 2007**	**Fiscal 2006**	**Fiscal 2005**
Tier I Capital	9,290	8,730	5,024
Tier II Capital	6,103	4,309	3,759
Total Capital	15,393	13,038	8,783
Total Risk Weight Assets	145,609	122,243	96,576
Capital Adequacy Ratio	10.56%	10.67%	9.09%
Tier I	6.38%	7.14%	5.20%
Tier II	4.18%	3.53%	3.89%

Off-Balance Sheet Arrangement

The following table sets for the principal components of the Bank's contingent liabilities as at March 31, 2007, 2006 and 2005.

(Rs in Millions)

Particulars	**Fiscal 2007**	**Fiscal 2006**	**Fiscal 2005**
Claims against the bank not acknowledged as debts	85	118	154
Liability on account of outstanding forward exchange contracts	150,744	90,477	117,096
Liability on account of outstanding derivative contracts	211,623	150,340	-

(Rs in Millions)

Particulars	Fiscal 2007	Fiscal 2006	Fiscal 2005
Guarantees given on behalf of constituents in India	22,126	17,921	11,263
Acceptances, endorsements and other obligations	15,853	13,716	12,454
Other items for which the bank is contingently liable	1,667	1,348	1,335
Total	**402,098**	**273,920**	**142,302**

OVERVIEW OF THE INDIAN FINANCIAL SECTOR

The information in this section has been extracted from publicly available documents from various sources, including officially prepared materials from the Government and its various ministries, the RBI and Indian Banks Association and has not prepared or independently verified by us, the Lead Manager or any of their affiliates or advisors.

History

The evolution of the modern commercial banking industry in India can be traced to 1786, with the establishment of the Bank of Bengal in Calcutta. Three presidency banks were set up in Calcutta, Bombay and Madras. In 1860, the limited liability concept was introduced in banking, resulting in the establishment of joint stock banks. In 1921, the three presidency banks were amalgamated to form the Imperial Bank of India, which took on the role of a commercial bank, a bankers' bank and a banker to the Government. The establishment of RBI as the central bank of the country in 1935 ended the quasi-central banking role of the Imperial Bank of India. In order to serve the economy in general and the rural sector in particular, the All India Rural Credit Survey Committee recommended the creation of a state-partnered and state sponsored bank taking over the Imperial Bank of India and integrating with it, the former state-owned and state-associate banks. Accordingly, the SBI was constituted in 1955. Subsequently in 1959, the State Bank of India (Subsidiary Bank) Act was passed, enabling the SBI to take over eight former state-associate banks as its subsidiaries. In 1969, 14 private banks were nationalised followed by six private banks in 1980. Since 1991, many financial reforms have been introduced substantially transforming the banking industry in India.

Overview

RBI, the central banking and monetary authority of India, is the central regulatory and supervisory authority for the Indian banking system. A variety of financial intermediaries in the public and private sectors participate in India's financial sector, including the following:

- commercial banks;
- long-term lending institutions;
- non-bank finance companies, including housing finance companies;
- other specialized financial institutions, and state-level financial institutions;
- insurance companies; and
- mutual funds.

Until the early 1990s, the Indian financial system was strictly controlled. Interest rates were administered, formal and informal parameters governed asset allocation, and strict controls limited entry into and expansion within the Indian financial sector. The Government's economic reform program, which began in 1991, encompassed the financial sector. The first phase of the reform process began with the implementation of the recommendations of the Committee on the Financial System, the Narasimham Committee I. The second phase of the reform process began in 1999. See "*Banking Sector Reform—Committee on Banking Sector Reform Narasimham Committee II)*". This discussion presents an overview of the role and activities of RBI and of each of the major participants in the Indian financial system, with a focus on the commercial banks. This is followed by a brief summary of the banking reform process along with the recommendations of various committees that have played a key role in the reform process. A brief discussion on the impact of the liberalization process on long-term lending institutions and commercial banks is then presented. Finally, reforms in the non-banking financial sector are briefly reviewed.

Reserve Bank of India

RBI, established in 1935, is the central banking and monetary authority in India. RBI manages the country's money supply and foreign exchange and also serves as a bank for the GoI and for the country's commercial banks. In addition to these traditional central banking roles, RBI undertakes certain developmental and promotional roles.

RBI issues guidelines on exposure limits, income recognition, asset classification, provisioning for non-performing and restructured assets, investment valuation and capital adequacy for commercial banks, long-term lending institutions and non-bank finance companies. RBI requires these institutions to furnish information relating to their businesses to it on a regular basis. For further discussion regarding RBI's role as the regulatory and supervisory authority of India's financial system and its impact on our Bank, see the section titled "Regulations and Policies" beginning on page no. 81 of this Placement Document.

Commercial Banks

Commercial banks in India had traditionally focused only on meeting the short-term financial needs of industry, trade and agriculture. As on December 31, 2006, there were 185 scheduled commercial banks in the country, having approximately Rs. 23.68 trillion (U.S. $549 billion) in deposit accounts and Rs. 17.79 trillion in loan accounts (U.S. $413 billion). Scheduled commercial banks are banks that are listed in the schedule to RBI Act and are further categorized as public sector banks, private sector banks and foreign banks.

Public Sector Banks

Public sector banks make up the largest category in the Indian banking system. They include SBI and its seven associate banks, 19 nationalized banks and 102 regional rural banks. Excluding the regional rural banks, the remaining public sector banks have 48,800 branches. The public sector banks' large network of branches enables them to fund themselves out of low cost deposits. SBI is the largest bank in India in terms of total assets. As on December 31, 2006, SBI and its seven associate banks had 13,978 branches.

Regional rural banks were established from 1976 to 1987 by the central government, state governments and sponsoring commercial banks jointly with a view to develop the rural economy. Regional rural banks provide credit to small farmers, artisans, small entrepreneurs and agricultural laborers. The National Bank for Agriculture and Rural Development is responsible for regulating and supervising the functions of the regional rural banks. In 1986, the Kelkar Committee made comprehensive recommendations covering both the organizational and operational aspects of regional rural banks, several of which were incorporated as amendments to the Regional Rural Banking Act, 1976. As part of comprehensive restructuring programme, recapitalization of the regional rural banks was initiated in Fiscal 1995, a process which continued until Fiscal 2000 and covered 187 regional rural banks with aggregate financial support of Rs. 21.88 billion from the stakeholders. Simultaneously, prudential norms on income-recognition, asset classification and provisioning for loan-losses following customary banking benchmarks were introduced.

During Fiscal 2006 and the first nine months of Fiscal 2007, the number of regional rural banks was reduced from 173 to 102 through amalgamation of several regional rural banks.

Private Sector Banks

After the first phase of bank nationalization was completed in 1969, public sector banks made up the largest portion of Indian banking. The focus on public sector banks was maintained throughout the 1970s and 1980s. Furthermore, existing private sector banks that showed signs of an eventual default were merged with state-owned banks. In July 1993, as part of the banking reform process and as a measure to induce competition in the banking sector, RBI permitted entry of the private sector into the banking system. These banks are collectively known as the "new" private sector banks. At year-end Fiscal 2007, there were 26 private sector banks, of which eight were "new" private sector banks and 18 were private sector banks existing prior to July 1993.

Foreign Banks

As on December 31, 2006, there were 29 foreign banks with 247 branches operating in India. As part of the liberalization process, RBI has permitted foreign banks to operate more freely, subject to requirements largely similar to those imposed on domestic banks. The primary activity of most foreign banks in India has been in the corporate segment. However, some of the larger foreign banks have made consumer financing a larger part of their portfolios. These banks offer products such as automobile finance, home loans, credit cards and household consumer finance.

Foreign banks operate in India through branches of the parent bank. Certain foreign banks also have wholly-owned non-bank finance company subsidiaries or joint ventures for both corporate and retail lending. In a circular dated July 6, 2004, RBI stipulated that banks should not acquire any fresh stake in a bank's Equity Shares, if by such acquisition, the investing bank's holding exceeded five per cent of the investee bank's equity capital. This also applies to holdings of foreign banks with a presence in India, in Indian banks.

RBI issued a notification on "Roadmap for presence of foreign banks in India" on February 28, 2005, announcing the following measures with respect to the presence of foreign banks:

- During the first phase (up to March 2009), foreign banks will be allowed to establish a presence by setting up wholly-owned subsidiaries or by converting existing branches into wholly-owned subsidiaries.
- In addition, during the first phase, foreign banks would be allowed to acquire a controlling stake in a phased manner only in private sector banks that are identified by RBI for restructuring.
- For new and existing foreign banks, it has been proposed to go beyond the existing World Trade Organization commitment of allowing increases of 12 branches per year. A more liberal policy will be followed for under banked areas.
- During the second phase (from April 2009 onwards), after a review of the first phase, foreign banks would be allowed to acquire up to 74% in private sector banks in India.

Co-operative Banks

Cooperative banks cater to the financing needs of agriculture, small industry and self-employed businessmen in urban and semi-urban areas of India. The state land development banks and the primary land development banks provide long-term credit for agriculture. In the light of liquidity and insolvency problems experienced by some cooperative banks in Fiscal 2001, RBI undertook several interim measures, pending formal legislative changes, including measures related to lending against shares, borrowings in the call market and term deposits placed with other urban cooperative banks. Presently RBI is responsible for supervision and regulation of urban co-operative banks, and the National Bank for Agriculture and Rural Development for state cooperative banks and district central co-operative banks.

The Banking Regulation (Amendment) and Miscellaneous Provisions Act, 2004 provides for the regulation of all co-operative banks by RBI. A task force appointed by the Government to examine the reforms required in the co-operative banking system submitted its report in December 2004. It recommended several structural, regulatory and operational reforms for co-operative banks, including the provision of financial assistance by the government for revitalizing this sector. In the Union Budget for Fiscal 2006, the Finance Minister accepted the recommendations of the task force in principle and proposed to call state governments for consultation and begin to implement the recommendations in the states willing to do so. During Fiscal 2006, RBI outlined a medium-term framework for urban co-operative banks. Subsequently, a task force for urban co-operative banks has been set up in select states for identification of and drawing up of a time bound action plan for revival of potentially viable urban co-operative banks and for non-disruptive exit for non-viable urban co-operative banks.

Long-Term Lending Institutions

The long-term lending institutions were established to provide medium-term and long-term financial assistance to various industries for setting up new projects and for the expansion and modernization of existing facilities. These institutions provided fund-based and non-fund-based assistance to industry in the form of loans, underwriting, direct subscription to shares, debentures and guarantees. The primary long-term lending institutions included Industrial Development Bank of India (now a bank), IFCI Limited, Industrial Investment Bank of India as well as ICICI Limited, prior to its merger with ICICI Bank Limited.

The long-term lending institutions were expected to play a critical role in Indian industrial growth and accordingly, had access to concessional government funding. However, in recent years, the operating environment of the long-term lending institutions has changed substantially. Although the initial role of these institutions was largely limited to providing a channel for Government funding to industry, the reform process required them to expand the scope of their business activities, including into:

- fee-based activities like investment banking and advisory services; and
- short-term lending activity including making corporate finance and working capital loans.

Pursuant to the recommendations of the Narasimham Committee II and the Khan Working Group, a working group created in 1999 to harmonize the role and operations of long-term lending institutions and banks, RBI, in its midterm review of monetary and credit policy for Fiscal 2000, announced that long-term lending institutions would have the option of transforming themselves into banks subject to compliance with the prudential norms as applicable to banks. In April 2001, RBI issued guidelines on several operational and regulatory issues which were required to be addressed in evolving the path for transition of a long-term lending institution into a universal bank. See "— Recent Structural Reforms—Universal Banking Guidelines". In April 2002, ICICI merged with ICICI Bank, The Industrial Development Bank (Transfer of Undertaking and Repeal) Act, 2003, converted the Industrial Development Bank of India into a banking company incorporated under the Companies Act, 1956 on September 27, 2004, with exemptions from certain statutory and regulatory norms applicable to banks, including an exemption for a certain period from the SLR. IDBI Bank Limited, a new private sector bank that was a subsidiary of the Industrial Development Bank of India, was merged with the Industrial Development Bank of India in April 2005.

Non-Bank Finance Companies

There are over 13,000 non-bank finance companies in India, mostly in the private sector. All non-bank finance companies are required to register with RBI. The non-bank finance companies may be categorized into entities which take public deposits and those which do not. The companies which take public deposits are subject to strict supervision and capital adequacy requirements of RBI. The primary activities of the non-bank finance companies are consumer credit, including automobile finance, home finance and consumer durable products finance, wholesale finance products such as bill discounting for small and medium-sized companies and fee-based services such as investment banking and underwriting. In 2003, Kotak Mahindra Finance Limited, a large non-bank finance company was granted a banking license by RBI and converted itself into Kotak Mahindra Bank Limited. Over the past few years, certain non-bank finance companies have defaulted on their obligations to investors and depositors, and consequently actions (including bankruptcy proceedings) have been initiated against them, many of which are currently pending. See also "— Recent Structural Reforms—Reforms of the Non-Bank Finance Companies".

Housing Finance Companies

Housing finance companies form a distinct sub-group of the non-bank finance companies. As a result of the various incentives given by the government for investing in the housing sector in recent years, the scope of this business has grown substantially. Until recently, Housing Development Finance Corporation Limited was the premier institution providing housing finance in India. In recent years, several other players including banks have entered the housing finance industry. The National Housing Bank and the Housing and Urban Development

Corporation Limited are the two government-controlled financial institutions created to improve the availability of housing finance in India. The National Housing Bank Act provides for securitization of housing loans, foreclosure of mortgages and setting up of the Mortgage Credit Guarantee Scheme. Housing loans up to certain limits prescribed by the RBI as well as mortgage-backed securities qualify as priority sector lending under the RBI's directed lending rules. See also "Supervision and Regulation- Capital Adequacy Requirements" and "Supervision and Regulation-Regulations Relating to Making Loans-Directed Lending-Priority Sector Lending"

Other Financial Institutions

Specialized Financial Institutions

In addition to the long-term lending institutions, there are various specialized financial institutions which cater to the specific needs of different sectors. They include the National Bank for Agricultural and Rural Development, Export Import Bank of India, Small Industries Development Bank of India, Risk Capital and Technology Finance Corporation Limited, Tourism Finance Corporation of India Limited, National Housing Bank, Power Finance Corporation Limited, the Infrastructure Development Finance Corporation Limited and India Infrastructure Finance Company Limited.

State Level Financial Institutions

State financial corporations operate at the state level and form an integral part of the institutional financing system. State financial corporations were set up to finance and promote small and medium-sized enterprises. The state financial institutions are expected to achieve balanced regional socio-economic growth by generating employment opportunities and widening the ownership base of industry. At the state level, there are also state industrial development corporations, which provide finance primarily to medium-sized and large-sized enterprises.

Insurance Companies

Currently, there are 32 insurance companies in India, of which 16 are life insurance companies, 15 are general insurance companies and one is a re-insurance company. Of the 16 life insurance companies, 15 are in the private sector and one is in the public sector. Among the general insurance companies, nine are in the private sector and six (four Government-owned general insurance companies, Export Credit Guarantee Corporation of India Limited and the Agriculture Insurance Company of India Limited) are in the public sector. The sole re-insurance company, General Insurance Corporation of India, is in the public sector. Life Insurance Corporation of India, General Insurance Corporation of India and public sector general insurance companies also provide long-term financial assistance to the industrial sector.

The insurance sector in India is regulated by the Insurance Regulatory and Development Authority. In December 1999, the parliament passed the Insurance Regulatory and Development Authority Act, 1999 which also amended the Insurance Act, 1938. This opened up the Indian insurance sector for foreign and private investors. The Insurance Act allows foreign equity participation in new insurance companies of up to 26%. The new company should have a minimum paid up equity capital of Rs. one billion to carry on the business of life insurance or general insurance or Rs. two billion (U.S.$46 million) to carry on exclusively the business of reinsurance.

In the monetary and credit policy for Fiscal 2001, RBI issued guidelines governing the entry of banks and financial institutions into the insurance business. The guidelines permit banks and financial institutions to enter the business of insurance underwriting through joint ventures provided they meet stipulated criteria relating to their net worth, capital adequacy ratio, profitability track record, level of non-performing loans and the performance of their existing subsidiary companies. The Government, while presenting its budget for Fiscal 2005, proposed an increase in the limit on foreign equity participation in private sector insurance companies from 26% to 49%. However, this requires an amendment to the laws and has not been implemented as yet.

Mutual Funds

At the end of Fiscal 2007, there were 30 MFs in India with total assets under management of Rs. 3,263.9 billion (U.S. $75.7 billion). From 1963 to 1987, Unit Trust of India was the only MF operating in the country. It was set up in 1963 at the initiative of the government and RBI. From 1987 onwards, several other public sector MFs entered this sector and participation was opened up to the private sector in 1993. The industry is regulated by the SEBI (Mutual Fund) Regulation, 1996.

In 2001, Unit Trust of India, with a high level of investment in equity securities, started to face difficulties in meeting redemption and assured return obligations due to a significant decline in the market value of its securities portfolio. In response, the Government implemented a package of reform measures for Unit Trust of India, including guaranteeing redemption and assured return obligations to the unit holders, subject to restrictions on the maximum permissible redemption amount. As part of the reforms, Unit Trust of India was divided into two MFs structured in accordance with the regulations of SEBI, one comprising of assured return schemes and the other comprising of net asset value based schemes.

Impact of Liberalization on the Indian Financial Sector

Until 1991, the financial sector in India was heavily controlled and commercial banks and long-term lending institutions, the two dominant financial intermediaries, had mutually exclusive roles and objectives and operated in a largely stable environment, with little or no competition. Long-term lending institutions were focused on the achievement of the Government's various socio-economic objectives, including balanced industrial growth and employment creation, especially in areas requiring development. Long-term lending institutions were extended access to long-term funds at subsidized rates through loans and equity from the Government and from funds guaranteed by the Government originating from commercial banks in India and foreign currency resources originating from multilateral and bilateral agencies.

The focus of the commercial banks was primarily to mobilize household savings through demand and time deposits and to use these deposits to meet the short-term financial needs of borrowers in industry, trade and agriculture. In addition, the commercial banks provided a range of banking services to individuals and business entities. However, since 1991, there have been comprehensive changes in the Indian financial system. Various financial sector reforms, implemented since 1991, have transformed the operating environment of the banks and long-term lending institutions. In particular, the deregulation of interest rates, emergence of a liberalized domestic capital market, and entry of new private sector banks, along with the broadening of long-term lending institutions' product portfolios, have progressively intensified the competition between banks and long-term lending institutions. RBI has permitted the transformation of long-term lending institutions into banks subject to compliance with the prudential norms applicable to banks.

Banking Sector Reforms

Most large banks in India were nationalized in 1969 and thereafter were subject to a high degree of control until reform began in 1991. In addition to controlling interest rates and entry into the banking sector, these regulations also channeled lending into priority sectors. Banks were required to fund the public sector through the mandatory acquisition of low interest-bearing Government securities or SLR bonds to fulfil statutory liquidity requirements. As a result, bank profitability was low, impaired assets were comparatively high, capital adequacy was diminished, and operational flexibility was hindered.

Committee on the Financial System (Narasimham Committee I)

The Committee on the Financial System (The Narasimham Committee I) was set up in August 1991 to recommend measures for reforming the financial sector. Many of the recommendations made by the committee, which addressed organizational issues, accounting practices and operating procedures, were implemented by the Government. The major recommendations that were implemented included the following:

- with Fiscal stabilization and the Government increasingly resorting to market borrowing to raise resources, the SLR was reduced from 38.5% in the pre-reform period to 25% in October 1997;
- the CRR was reduced from 15% in the pre-reform period to low of 4.5%. CRR has since been increased to 7.5%;
- special tribunals were created to resolve bad debt problems;
- most of the restrictions on interest rates for deposits were removed. Commercial banks were allowed to set their own level of interest rates for all deposits except savings bank deposits;
- substantial capital infusion to several state-owned banks was approved in order to bring their capital adequacy closer to internationally accepted standards. By the end of Fiscal 2002, aggregate recapitalization amounted to Rs. 217.5 billion (U.S. $1 billion). The stronger public sector banks were given permission to issue equity to further increase capital; and
- banks were granted the freedom to open or close branches.

Committee on Banking Sector Reform (Narasimham Committee II)

The second Committee on Banking Sector Reform (Narasimham Committee II) submitted its report in April 1998. The major recommendations of the committee were in respect of capital adequacy requirements, asset classification and provisioning, risk management and merger policies. RBI accepted and began implementing many of these recommendations in October 1998.

Recent Structural Reforms

Amendments to RBI Act

In May 2006, the Indian Parliament approved amendments to RBI Act removing the minimum CRR requirement of 3%, giving RBI discretion to reduce the CRR to less than 3%. Further, the amendments also created a legal and regulatory framework for derivative instruments.

Recent Amendments to Laws Governing Public Sector Banks

The Indian Parliament recently amended the laws governing India's public sector banks permitting these banks to issue preference shares and make preferential allotments or private placements of equity, The amendments also empower RBI to prescribe 'fit and proper' criteria for directors of these banks, and permit supercession of their boards and appointment of administrators in certain circumstances.

Proposed Amendments to the Banking Regulation Act

Legislation seeking to amend the Banking Regulation Act has been introduced in the Indian Parliament. As presently drafted, the main amendments propose to:

- permit all banking companies to issue preference shares that will not carry any voting rights;
- make prior approval of RBI mandatory for the acquisition of more than 5% of a banking company's paid up capital or voting rights by any individual or firm or group;
- prohibit lending to relatives of directors and to non-subsidiary companies that are under the same management as the banking company, joint ventures, associates or the holding company of the banking company;
- remove the minimum SLR requirement of 25%, giving RBI discretion to reduce the SLR to less than 25%. See also "Regulations and Policies—Legal Reserve Requirements—Statutory Liquidity Ratio"; and
- remove the limit of 10% on the maximum voting power exercisable by a shareholder in a banking company.

Legislative Framework for Recovery of Debts due to Banks

In Fiscal 2003, the Indian Parliament passed the SARFAESI Act. The SARFAESI Act provides that a secured creditor may, in respect of those loans classified as non performing loans in accordance with RBI guidelines, on fulfilment of conditions prescribed under the SARFAESI Act, give notice in writing to the borrower requiring it to discharge its liabilities within 60 days, failing which the secured creditor may take possession of the assets constituting the security for the loan, and exercise management rights in relation thereto, including the right to sell or otherwise dispose of the assets. SARFAESI Act also provides for the setting up of asset reconstruction companies regulated by RBI to acquire assets from banks and financial institutions. RBI has issued guidelines for asset reconstruction companies in respect of their establishment, registration and licensing by RBI, and operations. Asset Reconstruction Company (India) Limited, set up by Industrial Development Bank of India, SBI and certain other banks and institutions, has received registration from RBI.

Several petitions challenging the constitutional validity of the SARFAESI Act were filed before the Indian Supreme Court. In Mardia Chemicals Vs Union of India AIR 2004 SC 2371, the Supreme Court, in April 2004, upheld the constitutionality of the Act, other than the requirement originally included in the Act that the borrower deposit 75% of the dues with the debt recovery tribunal, as a pre-condition for appeal by the borrower against the enforcement measures. In November 2004, the Government issued an ordinance amending the SARFAESI Act. The Indian Parliament has subsequently passed this ordinance as an Act. This Act, as amended, now provides that a borrower may make an objection or representation to a secured creditor after a notice is issued by the secured creditor to the borrower under the Act demanding payment of dues. The secured creditor has to give reasons to the borrower for not accepting the objection or representation within seven days of receiving such representation. The Act also introduces a deposit requirement for borrowers if they wish to appeal the decision of the debt recovery tribunal. Further, the Act permits a lender to take over the business of a borrower under the SARFAESI Act, in certain circumstances (unlike the earlier provisions under which only assets could be taken over).

Following recommendations of the Narasimham Committee, the Recovery of Debts due to Banks and Financial Institutions Act, 1993 was enacted. This legislation provides for the establishment of a tribunal for speedy resolution of litigation and recovery of debts owed to banks or financial institutions. However, if a scheme of reconstruction is pending before the Board for Industrial and Financial Reconstruction, under the Sick Industrial Companies (Special Provision) Act, 1985, no proceeding for recovery can be initiated or continued before the tribunals. This protection from creditor action ceases if 75% of the secured creditors in value takes action under SARFAESI Act. While presenting its budget for Fiscal 2002, the Government announced measures for the setting up of more debt recovery tribunals and the eventual repeal of the Sick Industrial Companies (Special Provision) Act, 1985. To date, however, this Act has not been repealed.

Corporate Debt Restructuring Forum

To establish an institutional mechanism for the restructuring of corporate debt, RBI has devised a corporate debt restructuring system. The objective of this framework is to ensure a timely and transparent mechanism for the restructuring of corporate debts of viable entities facing problems, outside the purview of the Board of Industrial and Financial Rehabilitation, debt recovery tribunals and other legal proceedings. In particular, this framework aims to preserve viable corporates that are affected by certain internal and external factors and minimize the losses to the creditors and other stakeholders through an orderly and coordinated restructuring program. The corporate debt restructuring system is a non-statutory mechanism and a voluntary system based on debtor-creditor and inter-creditor agreements.

Universal Banking Guidelines

Universal banking in the Indian context means the transformation of long-term lending institutions into banks. Pursuant to the recommendations of the Narasimham Committee II and the Khan Working Group, RBI, in its mid-term review of monetary and credit policy for Fiscal 2000, announced that long-term lending institutions would have the option of transforming themselves into banks subject to compliance with the prudential norms as applicable to banks. If a long-term lending institution chose to exercise the option available to it and formally decided to convert itself into a universal bank, it could formulate a plan for the transition path and a strategy for smooth conversion into a universal bank over a specified time frame. In April 2001, RBI issued guidelines on several operational and regulatory issues which were required to be addressed in evolving the path for transition of a long-term lending institution into a universal bank.

Pension Reforms

Currently, there are three categories of pension schemes in India: pension schemes for Government employees, pension schemes for employees in the organized sector and voluntary pension schemes. In case of pension schemes for Government employees, the Government pays its employees a defined periodic benefit upon their retirement. Further, the contribution towards the pension scheme is funded solely by the Government and not matched by a contribution from the employees. The Employees Provident Fund, established in 1952, is a mandatory program for employees of certain establishments. It is a contributory program that provides for periodic contributions of 10% to 12% of the basic salary by both the employer and the employees. The contribution is invested in prescribed securities and the accumulated balance in the fund (including the accretion thereto) is paid to the employee as a lump sum on retirement. Besides these, there are voluntary pension schemes administered by the Government (such as the Public Provident Fund to which contribution may be made up to a maximum of Rs. 0.07 million or U.S. $1,625 per annum) or offered by insurance companies, where the contribution may be made on a voluntary basis. Such voluntary contributions are often driven by tax benefits offered under the scheme.

In 1998, the Government commissioned the Old Age Social and Income Security (OASIS) project and nominated an expert committee to suggest changes to the existing policy framework. The committee submitted its report in January 2000, recommending a system for private sector management of pension funds to provide market-linked returns. It also recommended the establishment of a separate pensions' regulatory authority to regulate the pensions system. Subsequently, in the budget for Fiscal 2001, the Government announced that a high level committee would be formulated to design a contribution-based pension scheme for new Government recruits. The Government also requested the Insurance Regulatory and Development Authority to draw up a roadmap for implementing the OASIS Report. The Insurance Regulatory and Development Authority submitted its report in October 2001. The report suggested that pension fund managers should constitute a separate legal entity to conduct their pension business.

In August 2003, the Government announced that it would be mandatory for its new employees (excluding defence personnel) to join a new defined contribution pension scheme where both the government and the employee would make monthly contributions of 10% of the employee's salary. The Government also announced that a Pension Fund Development and Regulatory Authority would be set up to regulate the pension industry. The Government constituted the interim Pension Fund Development and Regulatory Authority on October 11, 2003. In December 2003, the Government announced that the new pension scheme would be applicable to all new recruits to Government service (excluding defence personnel) from January 1, 2004. Further, on December 30, 2004, the Government promulgated an ordinance establishing the statutory regulatory body, Pension Fund Regulatory and Development Authority to undertake promotional, developmental and regulatory functions with respect to the pension sector. In March 2005, the Government tabled the Pension Fund and Development Authority Bill in Parliament. The Union Budget for Fiscal 2006 recognized the opportunities for foreign direct investment in the pension sector and it has also announced that the Government would issue guidelines for such investment.

The Pension Fund Regulatory and Development Authority has recently called for applicants for appointment of fund managers; however, only government-owned companies, public financial institutions in which not less than 51% paid up share capital is held by the central government or partly by it and one or more state governments, can apply, apart from other criteria relating to track record and experience.

Credit Policy Measures

RBI issues an annual policy statement setting out its monetary policy stance and announcing various regulatory measures. It issues a review of the annual policy statement on a quarterly basis.

Annual Policy Statement for Fiscal 2008

In its annual policy statement for Fiscal 2008 announced in April 2007, RBI:

- Raised the aggregate ceiling on overseas investment by mutual funds to U.S. $4 billion from US$3 billion.
- Reduced interest ceiling on non-resident rupee deposits by 50 basis points to LIBOR/SWAP and reduced interest rate ceiling on non-resident dollar deposits by 50 basis points.

- Reduced the risk weight on residential housing loans to individuals up to Rs. two million to 50% as a temporary measure.
- Permitted banks and primary dealers to begin transactions in single entity credit defaults swaps.
- Enhanced the overseas investment limit for domestic companies to 300% of their net worth and listed companies' limit for portfolio investment abroad to 35% of their net worth.

Reforms of the Non-Bank Finance Companies

Standards relating to income recognition, provisioning and capital adequacy were prescribed for non-bank finance companies in June 1994. Registered non-bank finance companies were required to achieve a minimum capital adequacy of six per cent by year-end Fiscal 1995 and eight per cent by year-end Fiscal 1996 and to obtain a minimum credit rating. To encourage the companies complying with the regulatory framework, RBI announced in July 1996 certain liberalization measures under which the non-bank finance companies registered with it and complying with the prudential norms and credit rating requirements were granted freedom from the ceiling on interest rates on deposits and amount of deposits. Other measures introduced include requiring non-bank finance companies to maintain a certain percentage of liquid assets and to create a reserve fund. The percentage of liquid assets to be maintained by non-bank finance companies has been revised uniformly upwards and, since April 1999, 15% of public deposits must be maintained. The maximum rate of interest that non-bank finance companies could pay on their public deposits was reduced from 12.5% p.a. to 11% p.a., effective March 4, 2003.

Efforts have also been made to integrate non-bank finance companies into the mainstream financial sector. The first phase of this integration covered measures relating to registrations and standards. The focus of supervision has now shifted to non-bank finance companies accepting public deposits. This is because companies accepting public deposits are required to comply with all the directions relating to public deposits, prudential norms and liquid assets. A task force on non-bank finance companies set up by the Government of India submitted its report in October 1998, and recommended several steps to rationalize the regulation of non-bank finance companies. Accepting these recommendations, RBI issued new guidelines for non-bank finance companies, which were as follows:

- a minimum net owned fund of Rs. 2.5 million (U.S.$57,604) is mandatory before existing non-bank finance companies may accept public deposits;
- a minimum investment grade rating is compulsory for loan and investment companies accepting public deposits, even if they have the minimum net owned funds;
- permission to accept public deposits was also linked to the level of capital to risk assets ratio. Different capital to risk assets ratio levels for non-bank finance companies with different ratings were specified; and
- non-bank finance companies were advised to restrict their investments in real estate to 10% of their net owned funds.

In the monetary and credit policy for Fiscal 2000, RBI stipulated a minimum capital base of Rs. 20 million (U.S.$460,829) for all new non-bank finance companies. In the Government's budget for Fiscal 2002, the procedures for foreign direct investment in non-bank finance companies were substantially liberalized. During Fiscal 2003, RBI introduced a number of measures to enhance the regulatory and supervisory standards of non-bank finance companies, especially in order to bring them at par with commercial banks, in select operations, over a period of time. Other regulatory measures adopted and subsequently revised in November 2004 included aligning interest rates in this sector with the rates prevalent in the rest of the economy, tightening prudential norms and harmonizing supervisory directions with the requirements of the Companies Act, procedural changes in nomination facilities, issuance of a 'know your customer' policy and allowing non-bank finance companies to take up insurance agency business.

On December 12, 2006, RBI issued guidelines on the financial regulation of systematically important non-banking financial companies and banks' relationships with them with a view to remove the possibility of regulatory arbitrage leading to an uneven playing field and potential systemic risk.

INDIAN SECURITIES MARKET

The information in this section has been extracted from publicly available documents from various sources, including officially prepared materials from SEBI, BSE and the NSE, and has not been prepared or independently verified by us or the Lead Manager, or any of their respective affiliates or advisers.

The Indian Securities Market

India has a long history of organised securities trading. In 1875, the first stock exchange was established in Mumbai.

Stock Exchange Regulation

India's stock exchanges are regulated primarily by SEBI, as well as by the Government acting through the Ministry of Finance, Capital Markets Division, under the SCRA and the SCRR, which, along with the rules, bye-laws and regulations of the respective stock exchanges, regulate the recognition of stock exchanges, the qualifications for membership and the manner in which contracts are entered into and enforced between members.

The SEBI Act granted powers to SEBI to regulate the Indian securities markets, including stock exchanges and other intermediaries in the capital markets, to promote and monitor self-regulatory organisations, to prohibit fraudulent and unfair trade practices and insider trading and to regulate substantial acquisitions of shares and takeovers of companies. SEBI has also issued guidelines and regulations concerning minimum disclosure requirements by public companies, rules and regulations concerning investor protection, insider trading, substantial acquisition of shares and takeovers of companies, buyback of securities, delisting of securities, employee stock option schemes, stockbrokers, underwriters, mutual funds, FIIs, credit rating agencies and other capital market participants.

Listing

The listing of securities on recognised Indian stock exchanges is regulated by the SCRA, the SCRR and the listing agreements of the respective stock exchanges. Under the SCRR, the governing body of each stock exchange is empowered to suspend trading of or dealing in a listed security for breach by a listed company of its obligations under such agreement, subject to such company receiving prior notice of such intent of the stock exchange.

A listed company can be delisted under the provisions of the Delisting Guidelines, which govern voluntary and compulsory delisting of shares of Indian companies from the stock exchanges. A company may voluntarily delist from a stock exchange provided that the securities of the company have been listed for a minimum period of three years on any stock exchange. A company may be delisted through a voluntary delisting sought by the shareholders of the company with a minimum of 75% majority of the shares of the company or a compulsory delisting by the stock exchange due to any acquisition of shares of the company or other arrangement or consolidation of holdings which results in the public shareholding of the company falling below the minimum level specified in the listing conditions or in the listing agreements. A company may voluntarily delist from a stock exchange provided that an exit opportunity has been given to the investors at an exit price determined in accordance with the "reverse book building process". The offer price shall have a floor price, which shall be the average of 26 weeks traded price quoted on the stock exchange where the shares of the company are most frequently traded in the preceding 26 weeks from the date of the public announcement and without any ceiling of maximum price. The procedure for compulsory delisting also requires the company to make an exit offer to the shareholders.

The Delisting Guidelines were amended on January 31, 2006 to permit stock exchanges to delist the securities of companies that have been suspended for a minimum period of six months for non-compliance with the listing agreement of the applicable Indian stock exchange after considering representations received from aggrieved persons. The amendment also provides that in the event that the securities of a company are delisted by a stock exchange, the fair value of securities shall be determined by persons appointed by the stock exchange out of a panel of experts, which shall also be selected by the stock exchange. If a listed company is delisted by the stock exchange, the listed company may file an appeal before the Securities Appellate Tribunal against the stock exchange's decision.

We have entered into listing agreements with the Stock Exchanges for the continuous listing of our Equity Shares. Each of these agreements and/ or the Takeover Code requires that:

- we adhere to certain corporate governance requirements including ensuring the minimum number of independent directors on the board, and composition of various committees such as audit committees and remuneration committees:
- we are subject to continuing disclosure requirements and must publish unaudited financial statements on a quarterly basis and immediately inform the stock exchanges of any unpublished price sensitive information;
- we maintain a minimum level of shares held by the public as required under these agreements;

- if any person acquires more than 5% of our Equity Shares or voting rights we and the acquirer shall comply with the provisions of the Takeover Code;
- no person shall acquire, or agree to acquire, 15% or more of our Equity Shares or voting rights, unless the provisions of the Takeover Code are complied with; and
- if any takeover offer is made or if there is any change in management control, then we and the persons securing management control of us need to comply with the Takeover Code.

Any non-compliance with the terms and conditions of the listing agreements with the Stock Exchanges may entail the delisting of our Equity Shares from such stock exchanges, which will affect future trading of those Equity Shares.

Disclosures under the Companies Act and Securities Regulations

Under the Companies Act, a public offering of securities in India must be made by means of a prospectus, which must contain information specified in the Companies Act and the SEBI Guidelines, as amended. The prospectus must be filed with the Registrar of Companies having jurisdiction over the place where a company's registered office is situated, which in our case is currently the Registrar of Companies located in Bangalore, Karnataka. A company's directors and promoters may be subject to civil and criminal liability for misrepresentation in a prospectus. The Companies Act also sets forth procedures for the acceptance of subscriptions and the allotment of securities among subscribers and establishes maximum commission rates for the sale of securities. SEBI has issued detailed guidelines concerning disclosure by public companies and investor protection.

Public limited companies are required under the Companies Act and SEBI Guidelines to prepare, file with the Registrar of Companies and circulate to their shareholders audited annual accounts which comply with the Companies Act's disclosure requirements and regulations governing their manner of presentation and which include sections pertaining to corporate governance, related party transactions and the management's discussion and analysis as required under the listing agreement. In addition, a listed company is subject to continuing disclosure requirements pursuant to the terms of its listing agreement with the relevant stock exchange. Accordingly, companies are now required to publish unaudited financial statements (subject to a limited review by our auditors) on a quarterly basis and are required to inform stock exchanges immediately regarding any stock price-sensitive information.

The Institute of Chartered Accountants of India and SEBI have implemented changes which require Indian companies to account for deferred taxation, to consolidate their accounts with subsidiaries, to provide segment reporting, to increase their disclosure of related party transactions from April 1, 2001 and to account for investments in associated companies and joint ventures in consolidated accounts and interim financial reporting from April 1, 2002.

Indian Stock Exchanges

There are now 18 stock exchanges in India. Most of the stock exchanges have their own governing board for self-regulation. A number of these exchanges have been directed by SEBI to file schemes for demutualization as a measure of moving towards greater investor protection.

The BSE and NSE together hold a dominant position among the stock exchanges in terms of the number of listed companies, market capitalisation and trading activity.

With effect from April 1, 2003, the stock exchanges in India operate on a trading day plus two, or T+2, rolling settlement system. At the end of the T+2 period, obligations are settled with buyers of securities paying for and receiving securities, while sellers transfer and receive payment for securities. For example, trades executed on a Monday would typically be settled on a Wednesday. SEBI proposes to subsequently move to a T+ 1 settlement system. In order to contain the risk arising out of the transactions entered into by the members of various stock exchanges either on their own account or on behalf of their clients, the stock exchanges have designed risk management procedures, which include compulsory prescribed margins on the individual broker members, based on their outstanding exposure in the market, as well as stock-specific margins from the members.

To restrict abnormal price volatility, SEBI has instructed stock exchanges to apply the fol1owing price bands calculated at the previous day's closing price (there are no restrictions on price movements of index stocks):

Market Wide Circuit Breakers. In order to restrict abnormal price volatility in any particular stock, SEBI has instructed stock exchanges to apply daily circuit breakers, which do not allow transactions beyond certain price volatility. An index based market-wide (equity and equity derivatives) circuit breaker system has been implemented and the circuit breakers are applied to the market for movement by 10%, 15% and 20% for two prescribed market indices: the BSE Sensex for the BSE and the Nifty for the NSE, or the NSE Nifty, whichever is breached earlier. If any of these circuit breaker thresholds are reached, trading in al1 equity and equity derivatives markets nationwide is halted.

Price Bands. Price bands are circuit filters of 20% movements either up or down, and are applied to most securities traded in the markets, excluding securities included in the BSE Sensex and the NSE Nifty and derivatives products. In addition to the market-wide index based circuit breakers, there are currently in place varying individual scrip wise bands (except for scrips on which derivative products are available or scrips included in indices on which derivative products are available) of 20% either ways for all other scrips.

BSE

The BSE is one of the stock exchanges in India on which our Equity Shares are listed. Established in 1875, it is the first stock exchange in India to have obtained permanent recognition in 1956 from the Government of India under the SCRA. Recently, pursuant to the BSE (Corporatization and Demutualization) Scheme 2005 of SEBI, with effect from August 20, 2005, the BSE has been incorporated and is now a company under the Companies Act.

The BSE has switched over to an on-line trading network since May 1995 and has expanded this network to over 400 cities in India. As of September 30, 2007, there were 4,871 listed companies whose securities were trading on the BSE, the average daily turnover of the BSE in September 30, 2007 was Rs. 61.57 billion, and the market capitalization of the BSE was approximately Rs. 52,029.55 billion. (Source: BSE website)

NSE

Our Equity Shares are also listed in India on the NSE. The NSE was established by financial institutions and banks to provide nationwide on-line satellite-linked screen-based trading facilities with market makers and electronic clearing and settlement for securities including government securities, debentures, public sector notes and units. Deliveries for trades executed "on-market" are exchanged through the National Securities Clearing Corporation Limited. After recognition as a stock exchange under the SCRA in April 1993, the NSE commenced operations in the wholesale debt market segment in June 1994 and operations in the derivatives segment in June 2000.

As of September 30, 2007, there were 1319 companies listed on the NSE, the average daily turnover of the NSE in September 30, 2007 was Rs. 133.02 billion and the market capitalization of the NSE was approximately Rs. 48,865.61 billion. (Source: NSE website)

Trading Hours

Trading on both the BSE and the NSE normally occurs Monday through Friday, between 9:55 a.m. and 3:30 p.m. The BSE and the NSE are closed on public holidays.

Trading Procedure

In order to facilitate smooth transactions, in 1995, BSE replaced its open outcry system with BOLT facility in 1995. This totally automated screen based trading in securities was put into practice nation-wide. This has enhanced transparency in dealings and has assisted considerably in smoothening settlement cycles and improving efficiency in back-office work.

Stock Market Indices

The following two indices are generally used in tracking the aggregate price movements on the BSE. The BSE Sensitive Index, or Sensex, consists of listed shares of 30 large market capitalization companies. The companies are selected on the basis of market capitalization, liquidity and industry representation. Sensex was first compiled in 1986 with the Fiscal Year 1979 as its base year. The BSE 100 Index (formerly the BSE National Index) contains listed shares of 100 companies including the 30 in Sensex with fiscal 1984 as the base year. The BSE 100 Index was introduced in January 1989.

Internet-Based Securities Trading and Services

SEBI approved internet trading in January 2000. Internet trading takes place through order routing systems, which route client orders to exchange trading systems for execution. This permits clients throughout the country to trade using brokers' Internet trading systems. Stock brokers interested in providing this service are required to apply for permission to the relevant stock exchange and also have to comply with certain minimum conditions stipulated by SEBI.

Takeover Code

Disclosure and mandatory bid obligations for listed Indian companies under Indian law are governed by the Takeover Code which prescribes certain thresholds or trigger points that give rise to certain obligations thereunder. The Takeover Code is under constant review by the SEBI.

Certain important provisions of the Takeover Code are as follows:

Any acquirer (meaning a person who, directly or indirectly, acquires or agrees to acquire Equity Shares or voting rights in a company, either by himself or with any person acting in concert) who acquires Equity Shares or voting rights that would entitle him to more than 5%, 10%, 14%, 54% or 74% of the Equity Shares or voting rights in a company (together with the company's Equity Shares or voting rights, if any, already held by such acquirer) is required to disclose the aggregate of his Equity Shareholding or voting rights in that company to the company (which in turn is required to disclose the same to each of the stock exchanges on which the company's Equity Shares are listed) and to each of the stock exchanges on which the company's Equity Shares are listed within two days of (a) the receipt of allotment information; or (b) the acquisition of Equity Shares or voting rights, as the case may be. The term "shares" has been defined under the Takeover Code to mean Equity Shares or any other security which entitles a person to acquire shares with voting rights.

A person who, together with persons acting in concert with him, holds 15% or more but less than 55% of the Equity Shares or voting rights in any company is required to disclose any purchase or sale representing 2% of the Equity Shares or voting rights of that company (together with the aggregate shareholding after such acquisition or sale) to that company and the stock exchanges on which the company's Equity Shares are listed within two days of the purchase or sale and is also required to make annual disclosure of his holdings to that company (which in turn is required to disclose the same to each of the stock exchanges on which the company's Equity Shares are listed).

Promoters or persons in control of a company are also required to make annual disclosure of their holding in the same manner. The company is also required to make annual disclosure of holdings of its promoters or persons in control as on March 31 of the respective year to each of the stock exchanges on which its Equity Shares are listed.

An acquirer cannot acquire Equity Shares or voting rights which (taken together with existing Equity Shares or voting rights, if any, held by him or by persons acting in concert with him) would entitle such acquirer to exercise 15% or more of the voting rights in a company, unless such acquirer makes a public announcement offering to acquire a further minimum of 20% of the Equity Shares of the company at a price not lower than the price determined in accordance with the Takeover Code. A copy of the public announcement is required to be delivered, on the date on which such announcement is published, to SEBI, the company and the stock exchanges on which the company's Equity Shares are listed.

No acquirer who, together with persons acting in concert with him, has acquired, in accordance with law, 15% or more but less than 55% of the shares or voting rights in a company, shall acquire, either by himself or through or with persons acting in concert with him, additional shares or voting rights that would entitle him to exercise more than 5% of the voting rights in any financial year ending March 31, unless such acquirer makes a public announcement offering to acquire a further minimum of 20% of the Equity Shares of the company at a price not lower than the price determined in accordance with the Takeover Code.

An acquirer who, together with persons acting in concert with him, has acquired, in accordance with law, 55% or more but less than 75% of the equity shares or voting rights in a company (or, where the company concerned had obtained the initial listing of its shares by making an offer of at least 10% of the issue size to the public pursuant to Rule 19(2)(b) of the SCRR, less than 90% of the shares or voting rights in the company) would require such an acquirer to make an open offer to acquire a minimum of 20% of the shares or voting rights which it does not already own in the company. However, if an acquisition made pursuant to an open offer results in the public shareholding in the target company being reduced below the minimum level required under the listing agreement with the stock exchanges, the acquirer would be required to take steps to facilitate compliance by the target company with the relevant provisions of the listing agreement with the stock exchanges, within the time period prescribed therein.

Where an acquirer who (together with persons acting in concert) holds 55% or more, but less than 75% of the shares or voting rights in a target company (or, where the concerned company had obtained the initial listing of its shares by making an offer of at least 10% of the issue size to the public pursuant to Rule 19(2)(b) of the SCRR, less than 90% of the shares or voting rights in the company), intends to consolidate its holdings while ensuring that the public shareholding in the target company does not fall below the minimum level permitted by the listing agreement with the stock exchanges, the acquirer may do so only by making an open offer in accordance with the Takeover Code. Such open offer would be required to be made for the lesser of (i) 20% of the voting capital of the company, or (ii) such other lesser percentage of the voting capital of the company as would, assuming full subscription to the open offer, enable the acquirer (together with persons acting in concert), to increase the holding to the maximum level possible, which is consistent with the target company meeting the requirements of minimum public shareholding laid down in the listing agreement with the stock exchanges. In addition, regardless of whether there has been any acquisition of Equity Shares or voting rights in a company, an acquirer cannot directly or indirectly acquire control over a company (for example, by way of acquiring the right to appoint a majority of the directors or to control the management or the policy decisions of the company) unless such acquirer makes a public announcement offering to acquire a minimum of 20% of the voting Equity Shares of the company. In addition, the Takeover Code introduces the "chain principle" by which the acquisition of a holding company will obligate the acquirer to make a public offer to the shareholders of each subsidiary company which is listed.

The Takeover Code sets out the contents of the required public announcements as well as the minimum offer price. The minimum offer price depends on whether the shares of the company are "frequently" or "infrequently" traded (as defined in the Takeover Code). In case the shares of the company are frequently traded, the offer price shall be the higher of:

- the negotiated price under the agreement for the acquisition of shares in the company;
- the highest price paid by the acquirer or persons acting in concert with him for any acquisitions, including through an allotment in a

public, preferential or rights issue, during the 26-week period prior to the date of public announcement;

- the average of the weekly high and low of the closing prices of the shares of the company quoted on the stock exchange where the shares of the company are most frequently traded during the 26-week period prior to the date of public announcement, or the average of the daily high and low of the prices of the shares as quoted on the stock exchange where the shares of the company are most frequently traded during the two weeks preceding the date of public announcement, whichever is higher.

The Takeover Code permits conditional offers as well as an acquisition and consequent delisting of the shares of a company and provides specific guidelines for the gradual acquisition of shares or voting rights. Specific obligations of the acquirer and the board of directors of the target company in the offer process have also been specified. Acquirers making a public offer are also required to deposit in an escrow account a percentage of the total consideration which amount will be forfeited in the event that the acquirer does not fulfil his obligations.

The general requirements to make such a public announcement do not, however, apply entirely to bailout takeovers when a promoter (i.e. a person or persons in control of the company, persons named in any offer document as promoters and certain specified corporate bodies and individuals) is taking over a financially weak company but not a "sick industrial company" pursuant to a rehabilitation scheme approved by a public financial institution or a scheduled bank. A "financially weak company" is a company which has at the end of the previous financial year accumulated losses which have resulted in the erosion of more than 50% but less than 100% of the total sum of its paid up capital and free reserves as at the beginning of the previous financial year. A "sick industrial company" is a company registered for more than five years which has at the end of any financial year accumulated losses equal to or exceeding its entire net worth.

The Takeover Code, subject to certain conditions specified in the Takeover Code, exempts certain specified acquisitions from the requirement of making a public offer, including, among others, the acquisition of shares (1) by allotment in a public issue or a rights issue, (2) pursuant to an underwriting agreement, (3) by registered stockbrokers in the ordinary course of business on behalf of clients, (4) in unlisted companies, (5) pursuant to a scheme of reconstruction or amalgamation, (6) pursuant to a scheme under Section 18 of the Sick Industrial Companies (Special Provisions) Act, 1985, (7) resulting from transfers between companies belonging to the same group of companies or between promoters of a publicly listed company and relatives, (8) by way of transmission through inheritance or succession, (9) resulting from transfers by Indian venture capital funds or foreign venture capital investors registered with SEBI, to promoters of a venture capital undertaking or venture capital undertaking pursuant to an agreement between such venture capital funds or foreign venture capital investors with such promoters or venture capital undertaking, (10) by the Government of India controlled companies, unless such acquisition is made pursuant to a disinvestment process undertaken by the Government of India or a state government, (11) change in control by takeover/restoration of the management of the borrower company by the secured creditor in terms of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, (12) acquisition of shares by a person in exchange of Equity Shares received under a public offer made under the Takeover Code and (13) in terms of guidelines and regulations relating to delisting of securities as specified by SEBI. The Takeover Code does not apply to acquisitions in the ordinary course of business by public financial institutions either on their own account or as a pledgee. An application may also be filed with the takeover panel seeking exemption from the open offer requirements of the Takeover Code. In addition, the Takeover Code does not apply to the acquisition of Global Depository Receipts or American Depository Receipts so long as they are not converted into Equity Shares carrying voting rights.

Insider Trading Regulations

The Insider Trading Regulations have been notified by SEBI to prevent insider trading in India by prohibiting and penalising insider trading in India. The Insider Trading Regulations prohibit an ''insider'' from dealing, either on his own behalf or on behalf of any other person, in the securities of a company listed on any stock exchange when in possession of unpublished price-sensitive information. The terms "unpublished" and "price sensitive information" are defined by the Insider Trading Regulations. The Insider Trading Regulations define an insider to mean any person who is or was connected with the company or is deemed to have been connected with the company and who is reasonably expected to have access to unpublished price sensitive information in respect of securities of a company or who has received or has had access to such unpublished price sensitive information.

Price sensitive information means any information which relates directly or indirectly to a company and which if published is likely to materially affect the price of securities of the company, such as the periodical financial results of the company, intended declaration of dividends (both interim and final), issue of securities or buyback of securities. The insider is also prohibited from communicating, counselling or procuring, directly or indirectly, any unpublished price-sensitive information to any other person who whilst in possession of such unpublished price-sensitive information shall not deal in securities.

The Insider Trading Regulations make it compulsory for listed companies and certain other entities associated with the securities market to establish an internal code of conduct to prevent insider trading and also to regulate disclosure of unpublished price-sensitive information within such entities so as to minimise misuse of such information. To this end, the Insider Trading Regulations provide a model code of conduct. Further, the Insider Trading Regulations specify a model code of corporate disclosure practices to prevent insider trading which must be implemented by all listed companies.

On a continuing basis, under the Insider Trading Regulations, any person who holds more than 5 % of the shares or of the voting rights in any listed company is required to disclose to the company, the number of shares or voting rights held by him and any change in shareholding or voting rights, (even if such change results in the shareholding falling below 5%) if there has been change in such holdings from the last disclosure made, provided such change exceeds 2.0 % of the total shareholding or voting rights in the company. Such disclosure is required to be made within four working days of:

- the receipt of intimation of allotment of the shares; or
- the acquisition or the sale of the shares or voting rights, as the case may be.

Depositories

In August 1996, the Indian Parliament enacted the Depositories Act which provides a legal framework for the establishment of depositories to record ownership details and effect transfers in electronic book-entry form. SEBI has framed the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996, as amended which provide for the formation of such depositories, the registration of participants as well as the rights and obligations of the depositories, participants, the company, the beneficial owners and the issuers. The depository system has significantly improved the operations of the Indian securities markets.

Trading of securities in book-entry form commenced in December 1996. In January 1998, SEBI notified scripts of various companies for compulsory dematerialised trading by certain categories of investors such as foreign institutional investors and other institutional investors and has also notified compulsory dematerialised trading in specified scrips for all retail investors. SEBI has subsequently significantly increased the number of scrips in which dematerialised trading is compulsory for all investors. However, even in the case of scrips notified for compulsory dematerialised trading, investors, other than institutional investors, may trade in and deliver physical shares on transactions outside the stock exchange where there are no requirements to report such transactions to the stock exchange and on transactions on the stock exchange involving lots of less than 500 securities.

SEBI has also provided that the issue and allotment of shares in initial public offerings and/ or the trading of shares shall only be in electronic form, and the company gives an option to subscribers, shareholders or investors either to receive the security certificates or to hold the securities in book-entry form with a Depository.

Under the Depositories Act, every person subscribing to securities offered by an issuer has an option to either receive the security certificates or hold the securities with a Depository.

Transfers of shares in book-entry form require both the seller and the purchaser of the equity shares to establish accounts with depositary participants registered with the depositaries established under the Depositories Act. Upon delivery, the shares shall be registered in the name of the relevant depositary in our books and this depositary shall enter the name of the investor in its records as the beneficial owner, thus effecting the transfer of beneficial ownership. The beneficial owner shall be entitled to all rights and benefits of a shareholder and be subject to all liabilities in respect of his shares held by a depositary. Every person holding equity shares of the company and whose name is entered as a beneficial owner in the records of the Depository is deemed to be a member of the concerned company.

The Companies Act compulsorily provides that Indian companies making any initial public offerings of securities for or in excess of Rs. 100 million should issue the securities in dematerialized form.

Derivatives (Futures and Options)

Trading in derivatives is governed by the SCRA, the SCRA Rules and the SEBI Act. The SCRA was amended in February 2000 and derivative contracts were included within the term “securities,” as defined by the SCRA. Trading in derivatives in India takes place either on separate and independent derivatives exchanges or on a separate segment of an existing stock exchange. The derivative exchange or derivative segment of a stock exchange functions as a self regulatory organisation under the supervision of the SEBI. Derivatives products have been introduced in a phased manner in India, starting with future contracts in June 2000 and index options, stock options and stock futures in June 2000, July 2001 and November 2001, respectively.

OUR BUSINESS

Overview

The Vysya Bank Limited was incorporated on March 29, 1930 with the objective of providing banking services to all strata of society. We are one of the oldest private sector banks in India. We have a 77 year history in the banking industry, offering a wide variety of banking products and services. BBL made its first strategic investment in the Bank in 1996. In the year 1998, BBL was acquired by ING Groep N.V., a global financial conglomerate of Dutch origin. The name of our Bank was changed to ING Vysya Bank Limited in 2002. Over the years, we have grown in size and stature to encompass every area of present-day banking activities.

We currently deliver our products through a wide variety of channels ranging from bank branches, extension counters, ATMs, telephone banking, and internet banking. We have expanded our physical delivery channels to 406 bank branches, 40 extension counters and 188 ATMs in 309 locations across India, servicing around 1.4 million customers as on September 30, 2007. Our virtual delivery channels have also been significantly upgraded to offer a wide product suite and transactional capability. Further, the RBI by a letter dated October 4, 2007 has granted us permission to open 56 additional branches and 100 off-site ATMs by October 3, 2008.

We have a wholly owned subsidiary ING Vysya Financial Services Limited. Further, ING Groep N.V. also has its presence in India through ING Vysya Life Insurance Company Private Limited and ING Investment Management (India) Private Limited.

Our principal business activities are organized into three segments:

1. Wholesale Banking;
2. Retail Banking; and
3. Private Banking.

Wholesale Banking:

Our wholesale banking business comprises of four business segments and multiple product offerings. The business segments being (i) Corporate and Investment Banking, (ii) Banking and Financial Institutions, (iii) Emerging Corporate, and (iv) Financial Markets. Our product offering to the wholesale banking customer base includes (a) General Lending, (b) Structured Finance, (c) Trade Finance, (d) Corporate Finance, (e) Debt Capital Markets, (f) Cash Management Services, (g) Foreign Exchange & Derivatives and (h) Corporate Deposits.

While the business segments are responsible for managing relationships with identified customer sub-groups, the product groups are responsible for product and service delivery to the entire wholesale banking customer base.

We provide a range of commercial and investment banking products and services for corporates and financial institutions in India. Our commercial banking products and services to corporate customers include fund-based products, non-fund based products, other fee based services and advisory services. Our fund-based products comprise of working capital finance (including cash credit and bill discounting), term finance (long term and short term) and structured finance facilities. Our non-fund based products include letters of credit, financial and performance guarantees. Other fee-based services include cash management services, trade services, payment services and debt syndication and our advisory services include advising clients on mergers and acquisitions, capital restructuring and capital raising.

We also accept rupee and foreign currency deposits with fixed or floating interest bases from our corporate customers. Our deposit products include current deposits and term deposits. We deliver our commercial banking products and services to our corporate customers through a combination of our Wholesale Banking offices located in Mumbai, Delhi, Chennai, Bangalore, Kolkata and Hyderabad and our network of branches. Our financial markets operations include maintenance and management of regulatory reserves, proprietary trading in fixed income, foreign exchange and derivatives, a range of products and services for corporate customers, such as forward contracts and interest rate and currency swaps, and foreign exchange products. The financial markets business is focused on providing hedging and balance sheet management solutions and products to our Wholesale Banking and Retail Banking customer base and also supporting our customer's routine trade flows.

Retail Banking:

We offer comprehensive Retail banking services through our 406 bank branches, 40 extension counters and 188 ATMs, across 309 locations as on September 30, 2007. Further, the RBI by a letter dated October 4, 2007 has granted us permission to open 56 additional branches and 100 off-site ATMs by October 3, 2008.

Retail Banking comprises of four segments viz: (i) Retail Deposits (ii) Retail Assets (iii) Business Banking and (iv) Agricultural and Rural Banking

Our Bank offers a wide range of products such as deposits and loans including housing loans, personal loans, commercial vehicle loans, debit and credit cards. Apart from traditional savings and deposit services like demand deposits (savings bank and current account), time deposits, salary accounts and NRI accounts.

Serving the SME segment has been a traditional strength of our Bank. We offer a comprehensive range of banking services to small and medium sized corporates including business accounts, working capital facilities, cash management services, trade finance, non-funded facilities and term loans. We have also leveraged our network in the hinterland of the country to offer deposits and loans to the Agricultural and Rural markets.

Over the years we have leveraged our technology architecture to offer state of the art access channels to our retail customers apart from the traditional branches. This includes 24/7 telephone banking, full service internet banking, international debit card, worldwide ATM access (MasterCard and Cashnet networks), instant mobile alerts and self banking kiosks at select branches. We offer wealth management services through approximately 200 dedicated relationship managers across our network of branches. We are the distributors of mutual funds products for various asset management companies and corporate agents for ING Vysya Life Insurance Company Private Limited for life insurance products and Royal Sundaram Alliance Insurance Company Limited for general insurance products.

Private Banking:

Our Private Banking provides wealth management solutions on a non-discretionary platform to high networth individuals. The business unit consists of Private Bankers, Advisory Desk, Capital Market Operations, Credit Desk, Compliance and Products. While the Private Bankers are the client-facing team responsible for the overall relationship management, they are supported by Advisory Desk (for advice on portfolio construction), Capital market Operations (for transactional support and reporting), Credit Desk (for structured credit deals), Compliance (for ensuring timely reporting to regulatory authorities) and Products (for identification of viable financial products, MIS and marketing).

We provide advice on investment products across a wide range of asset classes ranging from equity, derivatives, mutual funds, bonds, insurance, structured credit, and real estate funds.

As on March 31, 2007, our total assets grew to Rs. 192,771 million, from Rs. 167,733 million as of March 31, 2006. Our total income grew to Rs. 15,929 million in Fiscal 2007 from Rs. 14,475 million in Fiscal 2006. Further our net profits grew to Rs. 882 million in Fiscal 2007 from Rs. 307 million in Fiscal 2006, registering a growth of 187.29%.

As on September 30, 2007, on a stand alone basis, our total assets grew to Rs. 209,065 million, from Rs. 167,332 million as of September 30, 2006. Our total income grew to Rs. 10,107 million for the period ended September 30, 2007 from Rs. 7,618 million for the period ended September 30, 2006, registering a growth of 32.67%. Further our net profits grew to Rs. 713 million for the six month period ended September 30, 2007 from Rs. 562 million for the period ended September 30, 2006, registering a growth of 26.87%.

STRENGTHS

Management believe that the Bank's strengths that distinguish it in a competitive Indian financial sector include:

Banking experience of 77 years

We are one of the oldest private sector banks offering wide variety of banking products and services to retail and corporate customers. We have 77 years of experience in the banking industry and this period of time has enabled us to understand the specific requirements of our customers and evolve our offerings to suit their requirements. This has enabled us to establish a strong relationship with around 1.4 million customers. With the growth of the corporates over the years, aided by the underlying growth in the Indian economy, our customers have grown to becoming players of significant size and stature in the market place. In partnering with our customers, the Bank has grown simultaneously in size and in range of products offered to its customers to meet their growing product needs.

Association with ING Groep N.V.

Our Promoters, ING Mauritius Holdings and ING Mauritius Investment I are wholly owned subsidiary of ING Bank N.V. ING Bank N.V., which in turn is a wholly owned subsidiary of ING Groep N.V., one of the world's largest financial services group. The total assets of ING Groep N.V. stood at 1,227 billion euros, as at December 31, 2006 and net profit were 7.7 billion euros for the period ended December 31, 2006. Further, ING Groep N.V. has presence in over 50 countries, has over 120,000 employees, and serves over 75 million customers across the globe.

Our association with ING Groep N.V. helps us gain an understanding of global financial markets and has also enabled us to obtain referrals from offshore customers and clients through ING Groep N.V. network thereby expanding our customer base both onshore and offshore. Further, linking with the ING Group's global network has enabled us to further enhance our business.

Professional management

The Bank has a professionally managed board which overseas and guides the Bank's strategy and operations. The members of our management team and employees come from a diverse set of backgrounds with relevant experience, including credit evaluation, risk management, treasury, technology and marketing. The diversity of experience helps us adapt a creative and cross-functional approach. Our managers and professional staff also have domain expertise of and experience in the various sectors we serve, which contributes to our understanding of the sector-specific aspects of our business. For further details on our Board and Senior Management see the section titled "Board of Directors and Senior Management" beginning on page no 90 of this Placement Document. We believe that we provide a strong culture of partnership, ownership, commitment and entrepreneurial spirit.

Centralised and modern technology platform

We are at the forefront of technology usage in the financial services sector. The IT infrastructure of the Bank is built on a robust architecture which links the Bank's network of branches, marketing offices and ATM's. The Bank is focussed on leveraging technology to create customer centric solutions like Core Banking, Internet Banking and SMS banking. The IT strategy of our Bank has supported business initiatives by a process of continuous update in technology and process platforms.

Multiple delivery channels and distribution infrastructure

We deliver our products though a wide variety of channels ranging from bank branches, ATMs, telephone-banking and internet banking. We have branch presence across India with a dominant presence in southern India. As of September 30, 2007 we had a branch network comprising of 406 branches, 188 ATM, 40 extension counters in 309 locations across India Further, the RBI by a letter dated October 4, 2007 has granted us permission to open 56 additional branches and 100 off-site ATMs by October 3, 2008.

STRATEGY

Our objective is to enhance our position as a premier provider of banking and other financial services in India. Some of the business strategies we have envisaged are as follows:

Enhance our Wholesale Banking franchise

We have a strong presence in all the segments of Wholesale Banking. Our long history of association with customers in India combined with the constant enhancement in product capability and investments in infrastructure and technology has helped us deliver value to our customers.

The Wholesale Banking business is focussed on delivering customer value by timely delivery of products to our chosen customer segments. The Wholesale Banking client relationship and product teams are focussed on actively engaging with the customer to understand their needs and providing the most effective solutions and deliver them most efficiently. Towards this the wholesale banking team is focussed on constantly upgrading and refining its product offering and increasing the level of engagement with the chosen customer segments to build a stronger and wider customer relationship.

We periodically review our product offerings and customer base to ensure that it enables us to grow profitably within acceptable parameters of risk and portfolio diversification. Our team actively works with customers to address their onshore needs and cooperates with ING Groep N.V. network to provide solutions for their global commercial banking and investment banking needs. We endeavour to provide a host of product solutions and structuring them appropriately to meet unique customer demands. We intend to focus on maximising customer and relationship revenue by ensuring appropriate product pricing and active relationship management by ensuring risk based pricing, both at a product and relationship level.

Enhance our Retail Banking franchise

We intend to leverage and expand our existing distribution network. We have 406 branches, a loyal customer base, experienced employees and a robust product suite. Our strategy is to drive productivity and efficiency through the branch network with a focus on the cross selling and higher client acquisition. One of the key focus areas for the Bank is to increase its low cost current account and savings account which would further improve the net interest margins.

The Bank also intends deriving fee income across retail products. This includes transactional fee, foreign exchange related income from business banking client relationship and wealth management fee from the sale and distribution of third party mutual funds and insurance.

Our Retail Assets strategy is to enhance the fast growing home loan and personal loan portfolio. Our strategy in the Business Banking segment is to continue the focus and offer SME customers a holistic product suite including business accounts, financial planning, trade and foreign exchange services apart from the traditional working capital facilities and term loans.

Enhance our Private Banking Business

Our strategy in Private Banking is to build a sustainable business model to ensure a steady growth in assets and revenues. We started our Private Banking initiative in 1995 with the following focus:

- Build a top-tier onshore Private Banking product capability across assets and segments which would be well recognized by clients;

- Build a strong and competitive Private Banking team and increase our presence across India; and
- Increase our fee based income.

Over the past six months, we have increased our presence in this segment across India from 4 centres to 7 centres, increased the team size including induction of people at the senior management levels.

We continue to focus on:

- increasing AUM, revenues and number of relationships;
- penetrate existing products and increase new capabilities – Art, Real Estate, private Investment Banking, Trust & Estate Planning;
- To build on structured credit assets fully secured by eligible financial assets; and
- To increase market visibility.

Continue to leverage on the synergies with ING Groep N.V.

Pursuant to the our association with ING Groep N.V. we have upgraded systems and processes to international standards, by leveraging on the systems and processes that have already been developed by ING Bank N.V. Accordingly provisioning and risk management processes covering market risk, credit risk and operational risk, have been improved. We intend to continue leveraging on the synergies from ING Groep N.V.

Enhance Risk Management practices and improve asset quality

Risk is an integral part of every aspect of banking business and the Bank aims at enhancing value by achieving an appropriate balance between risk and return. We continue to adhere 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 NPAs. However, higher standard provisioning was applied due to the change in the RBI provisioning norms. As at March 31, 2007 the gross NPA decreased to 2.55% from 4.09% as at March 31, 2006 and the net NPA decreased to 0.95% from 1.76% during the same period. Gross and net NPAs stood at 2.06 % and 0.77% as at September 30, 2007. 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.

Continuous improvement of our technology platform for competitive advantage

We aim at constantly upgrading our technology to the latest available standards, in order to use this as a strategic tool to enhance our competitive advantage. We intend to further use technology in building a cost efficient distribution network and effective customer service capabilities. We further intend to implement new IT and other initiatives to provide customer centric solutions to our customers.

Attract and retain talent

We believe that the key to our success will be our ability to continue to recruit and develop a pool of strong and experienced professionals. We have been able to build a team of talented professionals with relevant experience, in Credit evaluation, Risk management, Retail products, Treasury and Technology. We intend to continuously reengineer our management and organisational structure to allow us to respond effectively to changes in the business environment and enhance our overall profitability.

Expand our retail distribution footprint

We intend to enhance our retail market share by expanding our retail distribution capabilities. We will increase and expand various channels for reaching our customers and for selling our products. We will continue to leverage our wide network of branches. We expect these initiatives to increase our reach in a cost effective manner. We will also pursue alternate channels and/or alliances for selling our products.

Enhance our fee revenues

We aim at strengthening and enhancing our fee-based income by entering into new fee generating businesses and alliances. This will also help us in increasing the product portfolio offered to our customers. We have already entered into agreements with insurance/MF companies for sales and distribution of insurance products and MFs. In Wholesale Banking we intend increasing the share of fee income by actively developing fee products and offer them to the entire set of customers. The Bank has built up a strong product capability and sales franchise in Financial Markets over the past 18 months, which has significantly increased the Bank's fee revenues. The strategy is focused on effectively cross selling the entire suite of products to our customer base and we are actively building up the necessary product capability and technology platform to support our ambitions. The Bank will focus on Cash Management Services and Trade Finance besides effectively leveraging the Bank's onshore and the global ING Group's network to enhance the trade flows through the bank to boost its fee income.

OVERVIEW OF OUR OPERATIONS

A. Wholesale Banking:

a) Business Segments

(i) Corporate & Investment Banking

The Corporate and Investment Banking group is responsible for managing relationships with large corporates (typically with sales turnover greater than Rs 4,000 million) in both the private and public sector. The primary focus of this group is to market our products and services to the client base and cross selling of our retail banking products and services as also third party products to our corporate clients and their employees. In addition to the above, they cross-sell the products offered by other ING Groep N.V. managed entities in India like ING Vysya Life Insurance Company Private Limited and ING Vysya Mutual Fund.

(ii) Banking & Financial Institutions

The Banks and Financial Institutions group is a dedicated group created to leverage the business opportunities with private and public sector banks and financial institutions across India. The group has primary responsibility for origination of transactions and product and service delivery to the banks / Financial Institutions client base including funding products, correspondent bank relationships, treasury products, asset purchases and sales and deposit products.

(iii) Emerging Corporate

The Emerging Corporates group, focuses on managing relationships with all units engaged in manufacturing, processing and services sector having annual sales turnover ranging from around Rs 750 million to Rs 4,000 million. Additionally, the group focuses on providing commercial banking services for companies in specific industries such as diamond and textiles, irrespective of their size. This group focuses on selling a wide range of products to meet all needs of the business community, with special focus on export credit, regular working capital finance, term loans, non fund based facilities like letters of credits and guarantees and certain structured finance products.

(iv) Financial Markets

We have a well-equipped integrated dealing room at Mumbai. The latest technology, information systems and risk management systems have been deployed, manned by experienced market professionals.

The Money Desk also exploits arbitrage opportunities in the money market and locks in spreads in the inter-bank market in call and term money. Short-term asset/liability mismatches are managed by investments / sale, under guidance from ALCO. The arbitrage opportunities between money and forex markets are also well exploited. The Bank was one of the early entrants into the RTGS. Money Desk monitors flows through RTGS and this has helped the Bank to render better service to customers and also have more efficient settlements with other banks.

Treasury manages the SLR requirements and invests in Approved Securities and Treasury Bills keeping in view market developments, expectations of policy changes and interest rate movements.

Treasury also invests in Non SLR instruments such as commercial paper, corporate debentures, bonds, mutual funds, etc. This portfolio is managed with a view to capitalize on the market movements in interest rates and credit risk and also to strengthen the relationships with corporate customers. We are also active in Forex business. Market making in Spot and Forwards markets has enabled the Bank to capitalize well on the market movements. Treasury has been able to serve the customers' needs in Spot and Forwards markets across various currencies.

Our Bank is active in the derivatives business across various products such as Interest Rate Swaps, Currency Swaps, USD / INR and G7 currency options. Timely advice and delivery of these products has significantly benefited customers and thereby strengthened customer relationships. We expect that with the support of ING, we will be able to provide structured products solutions to our customers, offering further value addition.

The following table sets forth, as of the dates indicated, the allocation of our investment portfolio.

(Rs. in million)

As at March 31	**2007**	**2006**	**2005**
Government securities	40,448	37,529	33,781
Other approved securities	2	2	195
Equity Shares	16	54	77
Debentures and bonds	2,948	4,194	6,307
Investment in Subsidiaries/Joint Ventures and Associates	12	19	211
Others (mutual funds, commercial papers and post office deposits)	1,744	1,834	-
TOTAL	**45,170**	**43,632**	**40,571**

b) Product Offerings

(i) General lending

Working Capital Finance: Under working capital finance, we offer, *inter alia*, the following products and services to our customers.

Cash Credit / Overdraft Facilities: Under the cash credit facility, a line of credit is provided up to a pre-established amount based on the borrower's projected level of inventories, receivables and cash deficits. Up to this pre-established amount, disbursements are made based on the actual level of inventories and receivables. These are typically given to companies in the manufacturing, trading and service sectors on a floating interest rate basis. Interest is earned on this facility on a monthly basis, based on the daily outstanding amounts. The facility is generally given for a period of up to 12 months, with a review after that period. Our cash credit facility is generally fully secured with full recourse to the borrower. In most cases, we have a first charge on the borrower's current assets, which normally are inventory and receivables. Additionally, in some cases, we may take further security of a first or second lien on fixed assets including real estate, a pledge of financial assets like marketable securities, corporate guarantees and personal guarantees.

Bill Discounting: Bill discounting involves the financing of short-term trade receivables through negotiable instruments. These negotiable instruments can then be discounted with other banks if required, providing us with liquidity.

Guarantees: We issue guarantees on behalf of our borrowers in favour of corporations and government authorities. The term of these guarantees is generally up to 36 months though in specific cases, the term could be higher. This facility is generally secured by collateral similar. In addition, as a part of our project financing activity, we issue guarantees to foreign lenders, export credit agencies and domestic lenders on behalf of our clients.

Term finance: We provide term financing facility to our selected customer base for their long term funding needs for capital expenditure related products. We primarily focus on existing relationships for this product offering with a view to supporting them in building incremental capabilities or for their other expansion plans.

(ii) Structured Finance

We provide structured financing solutions to our select wholesale banking customers with a view to providing efficient funding solutions to the customers. We focus on select sectors such as telecom, utilities, infrastructure, shipping, etc. We provide solutions for both onshore and offshore structured finance solutions to our customers to meet their varying funding and balance sheet management needs.

(iii) Trade Finance

We provide trade and commodity finance services to our entire Wholesale Banking and Small and Medium Enterprise clients positioning us as an innovative solution provider of international trade flows of our clients. The products offered include pre-export finance, structured trade/commodity finance solutions and commodity derivatives.

Export Credit: We provide export credit for pre-shipment and post-shipment requirements of exporter borrowers in rupees and foreign currencies. The RBI provides export credit refinancing for an eligible portion of total outstanding export loans at the bank rate prevailing from time to time. We also earn fees and commissions from fee-based products offered to our export customers.

(iv) *Investment Banking*

Our investment banking services include providing financial advisory services for mergers and acquisitions, capital structuring/ restructuring, private capital raising and structured financing. We work very closely with our onshore customers with global ambitions to identify synergistic business opportunities with a view to building their global footprint. We also work closely with the ING network to identify potential investment opportunities for our global network clients and work closely to identify potential acquisition targets in India. The investment banking services are provided to both onshore and network customers. We are also a Category I Merchant Banking registered with SEBI.

(v) *Debt Capital Markets*

We also undertake syndication of Indian Rupee debt, both in loan and bond forms, including plain vanilla debt and structured debt. We also provide offshore foreign currency loans and offshore loan syndication capabilities to large Indian clients. These are provided through ING Bank branches located outside India and the Bank earns a fee income for origination of the business for ING Bank.

(vi) *Cash Management Services*

Under cash management services, we offer our corporate clients custom-made collection, payment and remittance services allowing them to reduce the time period between collections and remittances. Our cash management products include physical cheque-based clearing in locations where settlement systems are not uniform, electronic clearing services, central pooling of countrywide collections, dividend and interest remittance services and Internet-based payment products. Our customers pay a fee to us for these services based on the volume of the transaction, the location of the cheque collection centre and speed of delivery. We also act as bankers to companies for their dividend pay out and also for interest pay out to the company's investors and depositors, which result in interest-free float balances for us. Brief details of the products and services offered by us under cash management services are given below:

Escrow and Trust and Retention Accounts: We offer escrow account and trust and retention account facilities to lenders in limited and non-recourse project finance transactions that typically require the setting up of escrow accounts and trust and retention accounts as part of the project financing structure. This service enables us to capture the receivables of the project on behalf of the lenders and channel the cash flows in a pre-determined manner. We also offer escrow account facilities for securitisation and merger and acquisition transactions. Our customers pay a negotiated fee to us for this product based on the complexity of the structure and the level of monitoring involved in the transaction.

Payment Services: We offer online electronic payment facilities through our commercial Internet banking platform to our corporate customers and their suppliers and dealers as a closed user group, where the entire group is required to maintain bank accounts with us. Under this service, payments from our corporate customers to their suppliers and payments from the dealers to our corporate customers are made electronically. We presently do not charge a fee for this service, as it results in large low-cost funds being maintained for short durations in current accounts of customers.

(vii) *Foreign Exchange & Derivatives*

- *Forex Business*

  Our Forex business involves transaction in foreign currency with corporate and other banks. The Bank has a centralised dealing room in Mumbai to support the international trade business undertaken by the Bank's branches. These branches are equipped with modern infrastructure to undertake foreign exchange transactions and are SWIFT enabled for faster conduct and execution. The Bank provides foreign currency loans, a remittance service (payment for import and export bills and related services), hedging services (which includes the booking and cancellation of forward contracts), and foreign exchange advisory services (including advice on short-term currency movements).

  As an authorised dealer in foreign exchange, the Bank provides a wide range of foreign exchange products like travellers' cheques and foreign remittances. The Bank also has correspondent banking arrangements, which enables it to provide remittance facilities to all major countries. The Bank also offers deposits in foreign currency in the form of FCNR and EEFC accounts.

- *Derivatives Business*

  Our Bank is active in the derivatives business across various products such as interest rate swaps, currency swaps, USD / INR and G7 currency options. The various derivative products are described below:

  Call & Put Options: A buyer of a Call Option has the right, but not the obligation, to buy the currency at predetermined rate (strike rate). A buyer of a put option has the right, but not the obligation, to sell the currency at predetermined rate (strike rate).

Barrier option: Basic vanilla options that have conditions embedded into them. If a knock-out barrier condition is met, the underlying option expires and if a knock-in barrier condition is met, the underlying option becomes live.

Digital: A digital (also called binary) are options with a either or condition (payment at hit/ maturity).

FX Range Accrual: A range accrual gives the buyer of the range accrual a fixed amount of money for every day/week/ month that the market trades within or outside the range.

Target redemption Notes: Strip structures that knock out once a desired minimum profit target (in amount terms) is achieved by the client.

Target Accelerator: Target redemption Notes where profit accrual accelerates if given specified condition are met.

Contingent Forwards: Forward that comes alive/expires based on a spot level observed/condition met.

FX Snowball Structure: FX strip structure where payoff at any point in time is dependent on previous fixings/payoffs. The strike rates will change dependent upon the profit or loss in the previous settlement.

(viii) Corporate Deposits

We offer a variety of deposit products to our corporate customers. We market corporate deposits from branches and directly from our corporate office. Our deposit products for corporations include current accounts - non-interest-bearing demand deposits; time deposits - fixed-term deposits that accrue interest at a fixed rate and may be withdrawn before maturity by paying penalties; and certificates of deposit - a type of time deposits. We take rupee or foreign currency denominated deposits with fixed or floating interest rates.

We believe that our relationships with corporate deposit customers significantly reduce the volatility in our corporate deposit base. We also offer inter-bank call rate-linked floating rate deposits. We also provide liquidity management services to our corporate customers to enable them to invest their short-term cash surpluses in a variety of short-term treasury and deposit-based instruments, including treasury bills, commercial paper and certificates of deposit. We also facilitate the holding of foreign currency accounts. In addition to large public and private sector companies, our other target customers for these products are provident funds.

B. Retail Banking

Our Retail Banking business provides the entire suite of products, aimed at meeting the needs of individuals and small corporates in India. The span of operations cover deposits, advisory for wealth products, loans, business facilities and social banking. Our product set has expanded to cater to the diverse customer profiles across urban and rural India. Our focus has been on delivering products, which are easy to use and transparent in nature.

The Retail banking business comprises of four segments:

i. Retail Deposits

ii. Retail Assets

iii. Business Banking

iv. Agriculture & Rural Banking

i) Retail Deposits

Our consumer liability products include savings accounts, current accounts and term deposits. Resource mobilization is a core activity of the Bank. Our deposit base was Rs.154,135 million as on March 31, 2007 comprising a mix of savings, current and term deposits. We offer various avenues of saving to our customers across demand deposits, fixed deposits, wealth management products and 24 hour accessibility to the funds via our branches, ATMs, telephone Banking and Internet Banking.

Our consumer liability portfolio includes the following products:

1.a) Savings Products

Orange Savings Account: Launched in August 2003 this product has a quarterly average balance requirement of Rs. 5000 only. The key features of this product includes free unlimited access to over 25,000 other bank ATM's and 188 ATM's of the Bank free membership to Smartserv (Personal assistance service) and other facilities like Internet Banking, Tele banking, Anywhere Banking and other privileges**.**

General saving banks Account: The target segment for this product is the existing customer base of the Bank, who value personalized services. We have metro-urban/semi-urban and rural variants with quarterly average balance requirement of Rs. 5000, Rs. 2500 and Rs. 1000.

Orange Salary Account: The target segment is upwardly mobile professionals who prefer remote banking platform. The product provides banking convenience by offering customers free unlimited access to over 25,000 other Bank ATM's and 188 ATM's of the Bank. The deployment of latest technology has ensured that this customer segment can transact through ATMs / Multiple Channels, without stepping into the Branch.

Saral: No Frills Account: The Saral account is a product, designed for the underprivileged sections of society with the objective to inculcate banking habits. The Saral Account supports the objective of Financial Inclusion initiated by the Government of India.

i.b) Current account Products

Orange Current Account: The target customers for Orange Current Account are corporate in the manufacturing, services and trading segment. The product offers a free remittance package (Free DDs/Payable At par Cheque/RTGS/NEFT) of Rs. 240 million. The quarterly average balance requirement for this product is Rs.0.10 million

Advantage Current Account: The target segment for this product is medium sized manufactures and traders. The product offers a free remittance package (Free DDs/Payable At par Cheque/RTGS/NEFT) of Rs. 60 million per annum. The quarterly average balance requirement for this product is Rs. 0.05 million.

Comfort Current Account: This product is designed to cater to the needs of proprietorship and partnerships concerns. The product offers a free remittance package (Free DDs/Payable At par Cheque/RTGS/NEFT) of Rs. 30 million per annum. which can lead to a saving of up to Rs 60,000 per annum. The quarterly average balance requirement for this product is Rs. 0.025 million.

General Current Account: General Current A/c is a basic product, which caters to the requirements of business community with a quarterly average balance requirement of Rs.0.01 million.

i.c) Term Deposits

*Akshaya Deposit***:** Deposit product wherein a lump-sum amount is deposited at one time, and the principal and interests thereon are repaid on maturity.

*VYS Units***:** It is a unique product, which helps the customer to withdraw the required amount as per his/her liquidity requirement and continue the remaining amount at the originally agreed interest rate. This also help customers to avoid levying of penal interest on the amount withdrawn prematurely.

ii) Retail Assets

Consumer lending deals with granting secured loans to individuals, partnership firms, and companies as well as unsecured loans to individuals for various purposes. Our consumer lending business is primarily driven through 19 asset booking centres spread over the country, where consumer finance loans are disbursed.

The business is sourced through multiple channels like direct sales agents, direct sales teams, branches, internet, etc. Each region has marketing persons (product wise) who coordinate with the various channels. On receipt of the application, a dedicated team processes the application to ensure compliance with the Bank's internal norms and verifies the documents and default list before recommending the case for sanctioning credit.

Consumer lending requires a robust collection mechanism to rule out credit and operational losses. We have in place our own collection mechanism headed by a national collection manager. Under him at each of the regions we have collection managers who are assisted by a number of outsourced collection agencies. These agencies are assigned the task of follow up and recovery of overdue accounts. The overdue accounts are assigned to the respective collection agencies depending on the age of the overdues. There is a system in place for repossession and disposal of assets where repayments do not come within the stipulated tolerance period.

The Consumer lending product management department performs the functions of designing new products, modifying existing products in line with market, credit and operational risk, overall profitability, etc.

The RBI requires banks to lend up to 3.0% of their incremental deposits in the previous Fiscal Year for housing finance. This can be in the form of home loans to individuals or investments in the debentures and bonds of the National Housing Bank and housing development institutions recognised by the Government of India.

We have the following principal consumer lending products in our portfolio:

Home Loans - Loan can be given for constructing a home, purchasing a ready built house/flat, residential site or even for refinancing existing loans. Key features include funding upto 85% of the cost of property, floating rate of interest, flexible repayment options, nil penalty on partial pre-payment. The target customers are salaried individuals in the age group of 30-40 years. We focus on funding purchase of residential units from approved developers and projects.

Personal Loans - An unsecured loan upto Rs. 1.5 million for any requirement like purchase of consumer durables/marriage/Education/ travel/family function/business expansion/home improvement or purchase of property etc. The key features include no requirement of security/collateral/guarantor and multiple repayment options such as post dated cheques, ECS or standing instructions. Our target customers are a mix of salaried and self employed individuals in the age band of 30-45.

iii) Business Banking

We have traditionally focused on the Small and Medium Enterprises business, which has accounted for a sizeable proportion of our total advances. This segment focuses on the needs of all business enterprises including trading of goods / services with annual sales turnover upto Rs. 750 million for both domestic and export credit requirements. We have a large number of relationships which is a core strength enabling us to cross sell other products like savings / current / term deposits, insurance and mutual fund investments, credit card, Vys-DP etc.

This business segment operates across 11 sub-regions of the Bank and has about 14,000 customers with a total fund based outstanding of Rs. 29,104 million and non-fund based utilization of Rs.7,798 million, as on March 31, 2007.

We also offer structured products to our customers. As on March 31, 2007, percentage of productised portfolio in the total portfolio was 41.94%. Productised portfolio has gone up from Rs.9,812 million as on March 31, 2006 to Rs.12,206 million as on March 31, 2007 and Rs.13,110 million as on September 30, 2007.

Brief features of some of the Business Banking products are as follows:

MPower-Rent: A scheme for discounting of rentals of commercial properties given by way of term Loan for period upto 8 years. These loans are given to property owners who have let out their property to reputed corporate, multi national companies, banks, insurance companies etc.

MPower-BLT: A scheme for Traders upto maximum of Rs.20 million in the form of secured overdraft / term loan / composite loan, covering both working capital as well as term loan & also Non-Fund based limits.

MPower Business Account: This overdraft product offers value added features like collection of outstation cheques at par across all regions, payable at par cheques, free demand drafts / pay orders based on sanction limit, International Debit Card, cash / cheque pickup & delivery at select centres, free telephone banking at select centres, SMS alerts and free financial advisory services at select centres.

Mpower - Rice Mill: A product for financing to rice mills for working capital and for acquiring machinery & other fixed assets by way of cash credit / term loans.

Mpower - Contractors: A scheme for financing to construction contractors for working capital requirements and also to acquire equipments / machinery by way of cash credit / term loans.

MPower - Educational Institutions: A scheme for financing to educational institutions by way of term loan / short-term loan / non-fund based limits.

Mpower - RBI Relief Bonds: An overdraft scheme for financing against Government. of India Relief Bonds to business units to meet working capital / capital expenditure.

M Power – SSI: This product was launched in Fiscal 2007 for small scale industry units engaged in activities like manufacturing, processing and Small Scale Service & Business Enterprises including information technology and software industry.

iv) Agriculture and Rural Banking

Agriculture and Rural Banking deals with all banking business in rural branches and business related to agricultural activities and lending to government sponsored schemes in other non-rural branches. The main concentration of Agriculture and Rural Banking is to meet the regulatory requirement of maintaining 40% of total advances under priority sector including 18% under the agriculture sector. While Agriculture and Rural Banking is responsible for achieving 18% under Agriculture credit, it also coordinates with other business units / departments to meet the regulatory requirement of maintaining 40% priority sector advances. Agriculture and Rural Banking also takes care of social obligation loans such as the Prime Minister's Rozgar Yojna, Swarna Jayanthi Gram Swarozgar Yojna and Swarna Jayanthi Shahari Rozgar Yojna.

We have designed specific products to meet the requirements of the specific clientele base, apart from regular crop loans and other agricultural loans, brief details of which are as follows:

Kisan Credit Card (KCC): This product has been designed to meet the production and investment credit needs, of farmers.

Vys-Krishi: This product is designed to provide term loans to the farming sector for purchase of tractors.

Produce loan: This product is intended to provide short-term loans to the farming community to enable them to store their produce in designated warehouse/ cold storage units to facilitate their taking advantage of more remunerative prices.

Rural Housing Loan: Our rural housing product is designed to give long-term rural housing loans to individuals in the rural/ semi urban areas secured by the mortgage of property financed. These loans are given for purchase, construction or renovation of residential premises, at floating rates.

C. Private Banking

At Private Banking, we provide advisory and executionary capabilities on various products across asset classes ranging from direct equity, derivatives, mutual funds, bonds, insurance, structured credit, and real estate funds to high net worth individuals. The Private Bankers are the client facing team responsible for the overall relationship management. They are supported by Advisory Desk, Capital market Operations Team, Credit Desk, Compliance and Products.

The product suite of Private Banking has the following products:

i) Direct Equity – This involves advising and trading on behalf of the clients in the secondary market. At Private Banking, we have launched the following strategies:

- Focused Equity Portfolio – This portfolio is based on a concentrated equity strategy with investment in a few stocks with high conviction ideas.
- Dynamic Equity Strategy – Diversified Equity portfolio with focused representation across sectors and market caps.
- Model Equity Portfolio – Diversified portfolio across various sectors and marker caps.
- Customized Equity portfolio – The same is customized as per the client's instructions.

ii) Mutual Funds – We advice on the schemes of various asset management companies in the market. At ING Vysya Bank, we have a tie-up to distribute schemes of various AMCs.

iii) Structured Credit – We provide credit limits to clients, which are fully backed by eligible financial assets like Fixed Deposits and Units of Debt Mutual Fund schemes.

iv) Insurance – We distribute insurance products of ING Vysya Life Insurance Company Private Limited.

v) Real Estate Funds – 3rd party distribution of real estate funds

vi) Private Investment Banking – Through PIB, we aim at offering business families advice and solutions to their requirements.

NRIs: We assist the NRIs in execution and reporting of their transaction starting from acquiring their PAN, obtaining required approvals to open their trading account and daily reporting to SEBI and RBI on behalf of trades executed for them.

Delivery Channels

a) Branch Banking

We have a wide spread of branch network for retail banking. For administrative convenience and effective management, our branches have been split into four zones, which are North and East, Andhra Pradesh, South and West. These zones are further divided into 11 regional offices and 474 outlets. Our delivery network as on September 30, 2007 was as under:

S. No.	Region	Branches	Extension Counters	Satellite Offices (SO)	Total (Branches, SOs, Extension Counters)	ATMs
1.	Anantapur	38	1	6	45	8
2.	Hyderabad	72	5	2	79	16
3.	Vijayawada	42	1	1	44	5

S.No.	Region	Branches	Extension Counters	Satellite Offices (SO)	Total (Branches, SOs, Extension Counters)	ATMs
4.	Vizag	23	1	5	29	8
5.	Bangalore	63	13	9	85	38
6.	Hubli	34	12	2	48	2
7.	Chennai	33	4	3	40	15
8.	Ernakulam	23	0	0	23	12
9.	Delhi	28	2	0	30	42
10.	Kolkatta	15	1	0	16	6
11.	Mumbai	35	0	0	35	36
	Total Bank	**406**	**40**	**28**	**474**	**188**

b) Alternate Channels

Aligned to the Bank's growth plans, alternative channels including the ATM network, self bank kiosks, telephone banking, mobile banking and net banking has been repositioned into ensuring self-service catering to clients 'Anytime, Anywhere, Anyhow'.

Directed Lending

Prudential ceilings and exposure norms

The RBI requires banks to lend to certain sectors of the economy. Such directed lending comprises priority sector lending, export credit and housing finance. The position of our Bank as on March 31, 2007 and these areas is given below:

Port Folio	Minimum Stipulation	As on March 31,2007
Priority Sector Advances	40% of ANBC	40.70%
Agriculture	18% of ANBC	8.90%
Weaker Section Advances	10% of ANBC	3.81%
Export Credit	12% of ANBC	10.12%

(a) Priority Sector Lending

The RBI guidelines require banks to lend 40.0% of their net bank credit (total domestic loans less marketable debt instruments and certain exemptions permitted by the RBI from time to time) to certain specified sectors called priority sectors. Priority sectors include small-scale industries, the agricultural sector, food and agri-based industries, small businesses and housing finance up to certain limits. Out of the 40.0%, banks are required to lend a minimum of 18.0% of their net bank credit to the agriculture sector

Our Bank is making continuous efforts to improve credit off-take from these sectors, and has identified micro finance institutions / self help groups, small traders, residential housing segment for priority sector lending. Any shortfall in the amount required to be lent to the priority sectors may be required to be deposited with Government sponsored Indian development banks like the National Bank for Agriculture and Rural Development and the Small Industries Development Bank of India. These deposits have a maturity of up to five years and carry interest rates lower than market rates

Position of priority sector advances as on March 31, 2007

Particulars as on March 31, 2007	**(Rs. in million)**
Agriculture	12,553.70
SSI	8,775.30
Other PSA	25,458.70
Total PSA	**46,787.70**
Less provisions	483.60
PSA Net of Provisions	**46,304.10**

ANBC as on March 31, 2007 was Rs. 113,771.30 million.

(b) *Export Credit*

As part of directed lending, the RBI also requires banks to grant loans to exporters at concessional rates of interest. Export credit is provided for pre-shipment and post-shipment requirements of exporter borrowers in rupees and foreign currencies. At end of any Fiscal Year, 12% of a bank's net bank credit is required to be in the form of export credit. This requirement is in addition to the priority sector lending requirement but credits extended to exporters that are small-scale industries or small businesses may also meet part of the priority sector-lending requirement. The RBI provides export refinancing for an eligible portion of total outstanding export loans at the bank rate prevailing in India from time to time.

As at March 31, 2007, 10.12% of the Bank's net credit is in the form of export credit.

(c) *Housing Finance*

The RBI requires banks to lend up to 3% of their incremental deposits in the previous Fiscal year for housing finance. This can be in the form of home loans to individuals or investments in the debentures and bonds of the National Housing Bank and housing development institutions recognised by the Government of India.

Loan Concentration

The Bank has its own policy on portfolio diversification. The Bank's total financing exposure in a particular segment is evaluated in line with segment wise growth and profitability forecast. Various control departments in the Bank, which includes the three risk management departments, compliance and audit group, continuously monitor the sector wise exposure. Any sign of economic changes in an industrial segment is followed by review of the entire portfolio, and restriction, if required, on new exposures to that segment. Thus the Bank has an effective portfolio management process in place.

Industry Exposure:

The table below shows the composition of the Bank's corporate loan portfolio by industry section (Top nine) in terms of gross outstanding amounts lent to each industry:

(Rs. in million)

Industry / Sector	**Funded Outstanding**
NBFCs	8,061.30
Commercial Real Estate	6,402.20
Textiles	5,805.00
Gems & Jewellery	5,747.80
Housing Finance Companies	5,024.70
Infrastructure	4,688.80
Chemicals & Fertilizers	4,313.10

(Rs. in million)

Industry / Sector	Funded Outstanding
Steel	3,280.10
Pharmaceuticals	2,533.60
Total	**45,856.60**

The following table sets forth our total outstanding fund based exposure to our 10 largest single borrowers as at March 31, 2007.

(Rs. in million)

S. No.	Customer Name	Funded Outstanding
1.	Borrower 1	2,422.40
2.	Borrower 2	1,500.00
3.	Borrower 3	1,006.70
4.	Borrower 4	1,003.50
5.	Borrower 5	1,000.10
6.	Borrower 6	990.00
7.	Borrower 7	956.10
8.	Borrower 8	859.90
9.	Borrower 9	832.60
10.	Borrower 10	799.90

Asset classification

The Bank's assets are classified in accordance with RBI Guidelines on classification of assets. Under these guidelines an asset is classified as non-performing if any amount of interest or principal remains overdue for more than 90 days, in respect of term loans. In respect of overdraft or cash credit, an asset is classified as non performing, if the account remains overdue for a period of 90 days and in respect of bills, if the account remains overdue for more than 90 days.

As at March 31, 2007, the Bank's doubtful advances comprised 70.87 % of net NPAs, sub-standard advances comprised 44.42% of net NPAs. Based on the existing RBI guidelines for asset classification, details of the classification of the Bank's gross loans and other data in respect of NPAs as at March 31, 2005, 2006 and 2007 and September 30, 2007 are as follows:

(Rs in Million)

	September 30, 2007	March 31, 2007	March 31, 2006	March 31, 2005
Gross NPA	2,628.70	3,108.70	4,286.40	4,661.80
Gross NPA/Gross credit (%)	2.06	2.55	4.09	4.98
Net NPA	962.60	1,140.20	1,804.70	1,932.90
Net NPA (%)	0.77	0.95	1.76	2.13

Banks NPA recovery strategy: The SARFAESI Act has strengthened the ability of lenders to resolve non-performing assets by granting them greater rights as to enforcement of security and recovery of dues from borrowers including abatement of reference to the Board for Industrial and Financial Reconstruction and stay if any, thereon. Banks can now accelerate recovery process through enforcement of SARFAESI Act. We are utilising SARFAESI Act to the maximum extent in all eligible cases. Besides, we are pursuing the legal route also wherever necessary.

Capital Adequacy

While the total capital adequacy ratio required by the RBI is 9 %, as at March 31, 2006 and 2007, the Bank's total capital adequacy ratio was 10.67% and 10.56%, respectively, and its Tier I capital ratio was 7.14% and 6.38% as at March 31, 2006 and 2007, respectively. The following table sets out the capital adequacy ratios for the Bank as at March 31, 2005, 2006 and 2007.

As at March 31	September 30, 2007	2007	2006	2005
Total Capital ratio	10.51%	10.56%	10.67%	9.09%
Tier I capital ratio	6.47%	6.38%	7.14%	5.20%
Tier II capital ratio	4.04%	4.18%	3.53%	3.89%

Risk Management

Risk is an integral part of banking business in an ever-dynamic environment, which is undergoing radical changes both on technology front and product offerings. 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 Market risk, Credit 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.

Market Risk

Market risk refers to the potential losses resulting from changes in interest rates, foreign currency exchange rates, equity and commodity prices. Market risk arises with respect to all market risk sensitive financial instruments, including securities, foreign exchange contracts, equity and derivative instruments as well as from balance sheet or structural positions. Market risk is primarily controlled through a series of limits, which are used to align risk-taking activities based on then Bank's risk appetite. The 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.

Liquidity Risk

Liquidity risk is the risk of being unable to raise necessary funds from the market to meet operational and debt servicing requirements. The purpose of Liquidity management is to ensure sufficient cash flow to meet all financial commitments and to capitalise on opportunities for business expansion. ALCO meeting is held regularly to review the liquidity position based on historic data. In addition, the Bank also tracks the potential impact of prepayment of loans or premature closure of deposits and arrives at a realistic estimate of the Bank's near to medium-term liquidity position. The Bank has developed and implemented comprehensive policies and procedures to identify, monitor and manage such risks.

Interest rate risk

Management of Interest rate risk is one of the critical components of Market risk management in Banks. The Banks net interest margin is dependent on the movement of interest rates and mismatches in the cash flows. Interest rate risk management is achieved by establishing and monitoring various risk limits such as earnings at risk, interest rate, sensitivity gap limits.

Credit Risk

Credit risk is defined as the possibility of losses associated with the diminution in the credit quality of the borrower or the counter party or the failure on its part to meet its obligations in accordance with the agreed terms.

The Credit Risk Management 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. The credit risk manual is periodically amended to incorporate changes in the environment and regulatory guidelines.

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.

Operational Risk

Operational risks may arise from a variety of factors like unauthorised transactions/decisions, improper documentation, non-adherence to operational and information security procedures, failure of computer system, software or equipment, perpetration of frauds, execution errors etc. In short it can result from a variety of factors, failed internal processes, people and systems or from external events. Our Operational Risk Management (ORM) policy aims at minimising losses and customer dissatisfaction due to failure in processes, focusing on flaws in products and their design that can expose the Bank to losses, analysing the impact of failures in technology/systems and develop mitigating controls to minimise the impact and developing plans for external shocks that can adversely impact the continuity in the Bank's operations. Our approach is designed to mitigate operational risk by maintaining a comprehensive system of internal controls, establishing systems and procedures to monitor transactions, maintaining key back–up procedures and undertaking regular contingency planning.

The Board is primarily responsible for ensuring effective management of operational risks in the Bank. We have set up an Operational Risk Committee (ORC) reporting to Risk Management Review Committee.

Bank has adopted the Scorecard approach as provided by ING Group's global Corporate ORM with the purpose of measuring the quality of operational risk identification, assessment, monitoring and mitigation processes within a business. A scorecard measures the degree of implementation of an operational risk management process within an organisation, and in turn, within each business / operational units. Managing the scorecards effectively is important to the Bank, as a well-managed and controlled scorecard would help the Bank to prove to the regulators about the readiness towards Basel II. A comprehensive exercise is underway to strengthen operational risk awareness in the Bank.

Further, we have necessary systems and procedures in place to comply with the Know Your Customer Guidelines and Anti Money Laundering Standards issued by the RBI

Legal Risk

The uncertainty of the enforceability of the obligations of our customers and counter-parties, including the foreclosure on collateral, creates legal risk. Changes in laws and regulations could adversely affect us. Legal risk is higher in new areas of business where the law is often untested by the courts. We seek to minimise legal risk by using stringent legal documentation, employing procedures designed to ensure that transactions are properly authorised and consulting internal / external legal advisors.

Internal Audit Department

The internal audit function of the Bank is an independent activity continuously providing reasonable assurance to the Audit Committee of the Board on effectiveness of the internal control environment in the Bank through examination and evaluation of adherence to processes, procedures, regulatory and legal requirements. The function also pro-actively recommends quality enhancement measures in operational processes to address process and control gaps based on audit findings. The Internal Audit Group undertakes a comprehensive audit of branches and business units, following the Risk Based Audit Approach and other best practices. The Audit Committee of our Board of Directors approves a risk-based audit plan for every Fiscal Year. Audit resources are allocated based on an assessment of the various types of skills required for each audit. The Internal Audit Group also has a dedicated team responsible for information technology audits. The annual audit plan covers various components of information technology including applications, databases, networks and operating systems.

In addition, we are also adhering to the regulatory guidelines to have a process of concurrent audits at branches, central processing units, treasury operations, centralized payments and collection hubs so as to cover a minimum of 50% of business volumes.

RBI requires banks to have a process of concurrent audits at branches handling large volumes, to cover a minimum of 50% of business volumes. We have a process of concurrent audits, using external accounting firms. Concurrent audits are also performed at centralised processing units, treasury operations and centralised collection / payment hubs. The scope of concurrent audits includes ensuring existence of and adherence to internal controls.

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 ING Groep N.V., a compliance implementation plan has been prepared loaded with technical support to strengthen the compliance framework within the Bank.

Human Resources - Employees

The Bank has built up a team of professionals comprising experts in Risk Management, Credit analysis, Treasury, Relationship management, Retail products and Information Technology as well as general Banking professionals.

As of September 30, 2007 we have 5,685 employees. Following is a table of our total number of employees as on the dates indicated below:

Staff position

Category	September 30, 2007	March 31, 2007	March 31, 2006	March 31, 2005
Officers	3,361	3,022	2,940	2,573
Other Employees	2,324	2,319	2,372	2,390
Total	**5,685**	**5,341**	**5,312**	**4,963**

The Bank has also provided incentives to its employees by issuance of ESOS option for the years 2002, 2005 and 2007, pursuant to the shareholders resolution adopted in the annual general meeting dated September 29, 2001, September 22, 2005 and the scheme approved by shareholders through postal ballot on May 11, 2007 respectively.

Information Technology

The IT infrastructure of the Bank is built on a robust architecture which links the Bank's network of branches, marketing offices and ATM's. The Bank is focussed on leveraging technology to create customer centric solutions like Core Banking, Internet Banking and SMS banking. The IT strategy of the Bank has supported business initiatives by a process of continuous update in technology and process platforms. The Bank also has a disaster recovery centre at Hyderabad. During Fiscal 2007 we completed the core banking system rollout, integrating all branches and extension counters.

Insurance

The Bank maintains ongoing insurance policies in respect of its premises, office automation, furniture and fixtures, electronic equipments, employee fidelity, cash in premises, cash in transit, other valuables and documents. These assets are insured against burglary, theft, fire, perils, terrorism, strike riots and civil commotion. The Bank also has special contingency cover towards public liability, cyber crimes and ATM's. All these insurance policies of the Bank are principally arranged through The Oriental Insurance Company Limited. Management believes that the Bank maintains all material insurance policies commonly required by a Bank in India.

Intellectual Property

The Bank has registered its Internet Banking and Solo account names, being the product offered by the Bank, under the Indian Trademark regulation. Applications have been filed for three other product names, which are pending for approval with the Registrar of Trademarks.

Properties

The Registered Office is located in a premise owned by the Bank. Out of the 14 regional office premises three are owned by the Bank and the remaining are leased premises. Of the nine regional collection centres /cash management services premises seven are leased and two are owned. The competence development centre is operating from the Bank's own premises located at Bangalore.

In respect of the branch premises, the Bank owns 18 and 523 branch premises are under lease. Further, the Bank owns 10 offsite ATM premises.

The Bank also owns 349 residential properties in eight cities across the country. The Data centre at Information Technology Park in Bangalore and the disaster recovery centre situated in Hyderabad are also leased properties of the Bank.

Competition

We face competition in all our business areas from large public sector banks as well as peer level banks. Such competition has always helped us to bring out the best in us. Therefore we view such competition positively and a means to continue to improve our services and product offerings.

REGULATIONS AND POLICIES

The main legislation governing commercial banks in India is the Banking Regulation Act. Other important laws include the RBI Act, FEMA, the Negotiable Instruments Act, 1881 and the Banker's Books Evidence Act, 1891. Additionally, RBI, from time to time, issues guidelines that we are required to follow.

RBI Regulations

Commercial banks in India are required under the Banking Regulation Act to obtain a licence from RBI to carry on banking business in India. Before granting the licence, RBI must be satisfied that certain conditions are complied with, including (i) that the bank has the ability to pay its present and future depositors in full as their claims accrue; (ii) that the affairs of the bank will not be or are not likely to be conducted in a manner detrimental to the interests of present or future depositors; (iii) that the bank has adequate capital and earnings prospects; (iv) that the public interest will be served if such licence is granted to the bank; and (v) that having regard to the banking facilities available in the proposed principal area of operations of the company, the potential scope for expansion of banks already in existence in the area and other relevant factors the grant of the licence would not be prejudicial to the operation and consolidation of the banking system consistent with monetary stability and economic growth. RBI can cancel the licence if the bank fails to meet the above conditions or if the bank ceases to carry on banking operations in India.

We, being licensed as a banking company registered in India, are regulated and supervised by RBI. RBI requires us to furnish periodical returns, statements, information and certain details relating to our business. It has issued guidelines and set prudential norms for commercial banks on several matters including recognition of income, classification of assets, valuation of investments, maintenance of capital adequacy and provisioning for impaired assets. RBI has set up a board for Financial Supervision, under the chairmanship of the Governor of RBI. The appointment of the statutory auditors of banks is subject to the approval of RBI prior to approval of the shareholders. RBI can direct a special audit in the interest of the depositors or in the public interest.

Guidelines on ownership and governance in private banks

Under the new RBI guidelines, as of February 28, 2005, RBI has prescribed the policy framework for the ownership and governance of private sector banks. The objective of the guidelines is to have a comprehensive framework of policy in a transparent manner relating to ownership and governance in the Indian private sector banks. The underlying thread of the guidelines is to ensure that the ultimate ownership and control of banks is well diversified, banks are owned and managed by "fit and proper" persons/ entities (as laid down in the RBI guidelines dated February 3, 2004 and the RBI circular June 25, 2004) who are well capitalised and that the processes are transparent and fair. The guidelines propose that the capital requirement of existing private sector banks should be on par with the entry capital requirement for new private sector banks prescribed in the RBI guidelines of January 3, 2001, which is initially Rs. 2,000 million, with a commitment to increase to Rs. 3,000 million within three years.

Regulations relating to the opening of branches

Banks are required to obtain licences from RBI to open new branches. Permission is granted based on factors such as the financial condition and history of the company, its management, adequacy of capital structure and earning prospects and the public interest. RBI may cancel the licence for violations of the conditions under which it was granted. It is left to the judgement of the individual banks to assess the needs for opening additional branches.

Directed Lending

Priority Sector Lending

RBI requires commercial banks to lend a certain percentage of their net bank credit to the priority sectors, broadly consisting of agriculture (direct and indirect finance), small enterprises (including small and micro enterprises under the manufacturing sector with original investment ceilings in plant and machinery not exceeding Rs. 50 million and Rs. 2.5 million respectively and small and micro enterprises under service sector with investment ceilings in original equipment not exceeding Rs. 20 million and Rs.1 million respectively), retail trade (pertaining to retail traders dealing in essential commodities, being fair price shops, consumer co-operative stores and advances granted to private retail traders with credit limits not exceeding Rs.2 million), micro credit (directly or indirectly through a Self Help Group ("SHG") or Joint Liability Group ("JLG") mechanism to NBFCs or MFs for on-lending up to Rs. 0.05 million per borrower), educational loans (up to Rs. 1 million for studies in India and Rs. 2 million for studies abroad) and housing loans (up to Rs.2 million to individuals for purchase or construction of dwelling unit per family and loans given for repairs to the damaged dwelling units of families up to Rs. 0.10 million in rural and semi-urban areas and Rs. 0.20 million in urban and metropolitan areas).

Total priority sector advances should be 40% of Adjusted Net Bank Credit ("ANBC") with agricultural advances up to 18% of ANBC and advances to weaker sections up to 10% of ANBC. 1% of total advances outstanding as at the end of the previous year is required to be lent under differential rate of interest scheme.

Domestic scheduled commercial banks having a shortfall in achieving priority sector target (40% of ANBC) and/or agriculture target (18% of ANBC) shall be allocated amounts for contribution to the RIDF established with NABARD.

Credit Exposure Limits

As a prudent measure aimed at better risk management and avoidance of concentration of credit risk, RBI has prescribed credit exposure limits for banks and long-term lending institutions in respect of their lending to individual borrowers and to all companies in a single group (or sponsor group).

The limits set by RBI are as follows:

- Exposure ceiling for a single borrower is 15% of capital funds effective March 31, 2002. Group exposure limit is 40% of capital funds effective March 31, 2002. In case of financing for infrastructure projects, the single borrower exposure limit is extendable by another five per cent, i.e., up to 20% of capital funds and the group exposure limit is extendable by another 10% (i.e., up to 50% of capital funds). In May 2004, RBI permitted banks to increase exposure to a borrower by a further five per cent of capital funds (i.e., 20% for single borrowers and 45% for group borrowers) and by a further 10% for financing infrastructure projects, with the specific approval of the board of directors. Capital funds is the total capital as defined under capital adequacy standards (Tier I and Tier II capital).
- Non-fund based exposures are calculated at 100% and in addition, banks include forward contracts in foreign exchange and other derivative products, like currency swaps and options, at their replacement cost value in determining individual or group borrower exposure ceilings, effective from April 1, 2003.

Regulations on Asset Liability Management

At present, RBI's regulations for asset liability management require banks to draw up asset-liability gap statements separately for Rupee and for four major foreign currencies. These gap statements are prepared by scheduling all assets and liabilities according to the stated and anticipated re-pricing date, or maturity date and behaviour studies that may be conducted by banks. These statements have to be submitted to RBI on a monthly basis. RBI has advised banks to actively monitor the difference in the amount of assets and liabilities maturing or being re-priced in a particular period and place internal prudential limits on the gaps in each time period, as a risk control mechanism. Additionally, RBI has asked banks to manage their asset-liability structure such that the negative liquidity gap in the 1-14 day and 15-28 day time periods does not exceed 20% of cash outflows in these time periods. This 20% limit on negative gaps was made mandatory with effect from April 1, 2000.

Loan-loss provisions and NPAs

In April 1992, the RBI issued formal guidelines on recognition of income, classification of assets, provisioning against standard assets and valuation of investments applicable to banks which are revised from time to time. These guidelines are applicable for the calculation of impaired assets under Indian GAAP.

The principal features of these RBI guidelines, which have been implemented with respect to the Bank's loans, debentures, lease assets, bills and credit substitutes, are set forth below.

NPAs

An NPA is a loan or an advance where:

(i) interest and/or instalment of principal remains overdue for a period of more than 90 days in respect of a term loan;

(ii) the account remains "out-of-order" in respect of an OD/CC;

(iii) the bill remained overdue for a period of more than 90 days in case of bills purchased and discounted;

(iv) a loan granted for short duration crops will be treated as an NPA if the instalments of principal or interest thereon overdue for two crop seasons; and

(v) a loan granted for long duration crops will be treated as an NPA if the instalments of principal or interest therein remain overdue for one crop season.

Banks should classify an account as an NPA only if the interest imposed during any quarter is not fully repaid within 90 days from the end of the relevant quarter.

"Out-of-order" status

An account should be treated as "out-of order" if the outstanding balance remains continuously in excess of the sanctioned drawing limit. In circumstances where the outstanding balance in the principal operating account is less than the sanctioned drawing limit, but (i) there are no credits continuously for a period of 90 days as of the date of balance sheet of the Bank or (ii) the credits are not sufficient to cover the interest debited during the same period, these accounts should be treated as "out-of-order".

Asset classification

NPAs are classified as described below:

- Standard assets: Assets that do not have any problems or do not carry more than the normal risk attached to the business.
- Sub-standard assets: Assets that are non-performing for a period not exceeding 12 months (18 months until year-end fiscal 2004). In such cases, the current net worth of the borrower or the current market value of the security charged is not enough to ensure recovery of dues to the banks in full. Such as asset has well defined credit weaknesses that jeopardize the liquidation of the debt and are characterized by the distinct possibility that the bank will sustain some loss, if deficiencies are not corrected.
- Doubtful assets: Assets that are non-performing for more than 12 months and have not been written off, either wholly or partially (18 months until year end Fiscal 2004). A loan classified as doubtful has all the weakness inherent in assets that are classified as sub-standard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently known facts, conditions and values, highly questionable and improbable.
- Lost assets: Assets on which losses have been identified by the bank or internal or external auditors or RBI inspection but the amount has not been written off fully.

There are separate guidelines for projects under implementation which are based on the achievements of financial closure and the date of approval of the project financing.

The RBI also has separate guidelines for restructured loans. A fully secured restructured standard asset can be restructured by rescheduling principal repayment and/or the interest element, but must be separately disclosed as a restructured asset. The amount of sacrifice, if any, in the element of interest, measured in present value terms, is either written off or provision is made to the extent of the sacrifice involved. Similar guidelines are applicable to Sub-standard Assets. The sub-standard accounts which have been subjected to restructuring, whether in respect of principal instalment or interest amount by whatever modality, are eligible to be upgraded to the standard category only the specified period, that is, a period of one year after the date when first payment of interest of principal, whichever is earlier, falls due, subject to satisfactory performance during the period.

Provisioning and write-offs

Provisions are based on guidelines specific to the classification of the assets. The following guidelines apply to the various asset classifications:

- Standard assets: A general provision of 0.40% (0.25% up to Fiscal 2005) is required (excluding direct advances to the agriculture and small and medium enterprise sectors for which the requirements continues to be 0.25). In Fiscal 2007, the RBI increased the general provisioning requirement for standard advances in specific sectors including residential housing loans greater than Rs. 2.0 million from 0.40% to 1.00% in the following manner:

  i. 0.55% by June 30, 2006;

  ii. 0.70% by September 30, 2006;

  iii. 0.85% by December 31, 206; and

  iv. 1.00% by March 31, 2007.

  In January 2007, the RBI increased the general provisioning requirement for real estate sector loans (excluding residential housing loans) credit card receivables, loans and advances qualifying as capital market exposure, personal loans and exposures to non-deposit taking systematically important non-banking financial companies to 2.00%.
- Sub-standard assets: A general provision for 10% on the secured portion, and 20.00% on the unsecured portion, of sub-standard assets.
- Doubtful assets: A 100% provision in made against the unsecured portion of the doubtful asset and charged against income. The value assigned to the collateral securing a loan is the amount reflected on the borrower's books or the realizable value determined by third party appraisers. In cases where there is a secured portion of the asset, depending upon the period for which the asset remained doubtful, a 20% to 100% is required to be made against the secured asset as follows:
  - Up to one year: 20% provision.
  - One to three years: 30% provision.

- More than three years: Effective year end fiscal 2005, a 100% provision is required to be made for the secured portion of assets classified as doubtful for more than three years on or after April 1, 2004. For the second portion of assets classified as doubtful for more than three years at March 31, 2004, a provision of 60% was required to be made by year end Fiscal 2005, 75% by year end 2006 and 100% by year end Fiscal 2007.
- Loss Assets: The entire asset is required to be written off.
- Restructured Assets: A provision is made equal to the net present value of the reduction in the rate of interest on the loan over it majority.

In June 2006, the RBI issued prudential norms on the creation and utilisation of floating provisions (i.e. provisions which are not made in respect of specific NPAs or made in excess of regulatory requirements for provisions for standard assets). The norms state that floating provisions can be used only for contingencies under extraordinary circumstances for making specific provisions in impaired accounts after obtaining approval from the board of directors and with the prior permission of the RBI. Floating provisions for advances and investments would be held separately and cannot be reversed by credit to the profit and loss account. Until utilisation of such provisions, they can be netted off from gross NPAs to arrive at disclosure of net NPAs. Alternatively, floating provisions can be treated as part tier II capital within the overall calling of 1.25% of total risk-weighted assets. Further, floating provisions would not include specific voluntary provisions made by banks for advances at rates which are higher than the minimum provision stipulated by RBI guidelines.

Act Relating to Recovery of NPAs

As a part of the financial sector reforms, the GoI promulgated SARFAESI Act. SARFAESI Act provides banks and other lenders increased powers in the recovery of the collateral underlying NPAs.

Regulations relating to sale of assets to asset reconstruction companies

The SARFAESI Act provides for sale of financial assets by banks and financial institutions to asset reconstruction companies. The RBI has issued guidelines to banks on the process to be followed for sale of the financial assets to the asset reconstruction companies. These guidelines provide that a bank may sell financial assets to an asset reconstruction company provided, the asset is a non performing asset. These assets are to be sold on a 'without recourse' basis only. A bank may sell a standard asset only if the borrower has a consortium or multiple banking arrangement and at least 75% by value of the total loans to the borrower are classified as non performing and at least 75% by the value of the banks and financial institutions in the consortium or multiple banking arrangement agree to the sale. The banks selling financial assets should ensure that there is no known liability devolving on them and they do no assume any operational, legal or any other type of risks relating to the financial assets sold. Further banks may not sell financial assets at a contingent price with an agreement to bear a part of the shortfall on ultimate realisation. However, banks may sell specific financial assets with an agreement to share in any surplus realised by the asset reconstruction company in the future. No credit for expected profit will be taken until profit materializes on actual sale. Whilst each bank is required to make its own assessment of the value offered in the sale before accepting or rejecting an offer for purchase of financial assets by an asset reconstruction company, in consortium or multiple banking arrangement where more than 75% by values of the banks or financial intuitions accept the offer, the remaining banks or financial institutions are obliged to accept the offer. Consideration for the sale may be in the form of cash, bonds or debentures or security receipts or pass through certificates issued by the asset reconstruction company or trusts set up by it to acquire the financial assets.

The RBI has issued guidelines on the securitisation of standard assets with effect form February 1, 2006. The guidelines provide that for a transaction to be treated as a securitisation, a two stage process must be followed. In the first stage there should be a pooling and transferring of assets to a bankruptcy remote vehicle i.e. a SPV and in the second stage repackaging and selling the security interests representing claims on incoming cash flows from the pool of assets to the third party investors should be effected. Further, for enabling the transferred assets to be removed from the balance sheet of the seller in securitisation structure, the isolation of assets or "true sale" from the seller or originator to the SPV is an essential prerequisite. Also, an arms length relation shall be maintained between the originator, seller and the SPV.

Certain regulatory norms for capital adequacy, valuation, profit and loss on sale of assets, income recognition and prudential norms for investment in securities issued by the SPV, provisioning for originators and service providers like credit enhancers, liquidity support providers, underwriters, as well as investors and also the accounting treatment for securitisation transactions and disclosure norms have been prescribed. Quarterly reporting to the audit sub committee of the board by originating banks of the securitisation transactions has also been prescribed. Apart from banks, these guidelines are also applicable to financial institutions and non banking financial institutions.

Guidelines on sale and purchase of NPAs

In July 2005, the RBI issued guidelines on sale and purchase of non performing assets between banks, financial institutions and non bank finance companies. These guidelines require the board of directors of the bank to establish a policy for purchase and sale of NPAs. Purchase and sale of NPAs must be without recourse to the seller and on cash basis, with the entire consideration being paid upfront. An asset must have been classified as non performing for at least two years by the seller to be eligible for sale. The purchasing bank must hold the NPA on its books for at least 15 months before it can sell the assets to another bank. The asset cannot be sold back to the original seller.

Regulations relating to know your customer and Anti Money Laundering

The RBI has issued a notification dated November 29, 2004 prescribing guidelines for know your customer and anti money laundering procedures. Banks are required to have customer acceptance policy laying down explicit criteria for acceptance of customers and defining risk parameters. A profile of the customers should be prepared based on risk categorisation. Banks have been advised to apply enhanced due diligence for high risk customers. The guidelines provide that banks should undertake customer identification procedures while establishing banking relationship or carrying out a financial transaction or when the banks have doubts about the authenticity or the adequacy of the previously obtained customer identification data. Banks need to obtain sufficient information necessary to establish the identity of each new customer and the purpose of the intended banking relationship. The guidelines also provide that banks should monitor transactions depending on the account's risk sensitivity. In August 2005, the RBI simplified the know your customers procedures for opening accounts for those persons who intend to keep balances not exceeding Rs. 50,000 in all their accounts taken together and the total credit in all the accounts taken together is not expected to exceed Rs. 100,000 in a year in order to ensure that the implementation of the know your customer guidelines do not result in denial of the banking services to those who are financially or socially disadvantaged.

In a bid to prevent money laundering activities, GoI enacted the Prevention of Money Laundering Act, 2002. The Prevention of Money Laundering Act, 2002 seeks to prevent money laundering and to provide for confiscation of property derived from, or involved in money laundering and for incidental matters connected herewith.

In February 2006, the RBI issued guidelines on the obligations of banks under the Prevention of Money Laundering Act, 2002. The RBI also issued anti money laundering guidelines to other entities such as non-bank finance companies and authorised money changers.

The Prevention of Money Laundering Act, 2002 stipulates that banking companies, financial institutions and intermediaries shall maintain a comprehensive record of all their transactions, including the nature and value of such transactions. Further, it mandates verification of the identity of all their clients and also requires the banks and financial institutions to maintain records of their respective clients. These details are to be provided to the authority established under the Prevention of Money Laundering Act, who is empowered to order confiscation of property where the authority is of the opinion that a crime as recognised under Prevention of Money Laundering Act has been committed.

Credit Information Bureau

The Parliament of India has enacted the Credit Information Companies (Regulation) Act, 2005, pursuant to which every credit institution, including bank, has to become a member of a credit information bureau and furnish to it such credit information as may be required of the credit institution by the credit information bureau about persons who enjoy a credit relationship with it.

Foreign Currency Dealership

RBI has granted us a full-fledged authorised dealers' to deal in foreign exchange. Under this, we have been granted permission to:

- engage in foreign exchange transactions in all currencies;
- open and maintain foreign currency accounts abroad;
- raise foreign currency and Rupee denominated deposits from non resident Indians;
- grant foreign currency loans to on-shore and off-shore corporations;
- open documentary credits;
- grant import and export loans;
- handle collection of bills, funds transfer services;
- issue guarantees; and
- enter into derivative transactions and risk management activities that are incidental to our normal functions authorised under our organizational documents.

Our foreign exchange operations are subject to the guidelines specified by RBI under FEMA. As an authorised dealer, we are required to enroll as a member of the Foreign Exchange Dealers Association of India, which prescribes the rules relating to foreign exchange business in India. Authorised dealers are required to determine their limits on open positions and maturity gaps in accordance with the RBI guidelines and these limits are approved by RBI. Further, we are permitted to hedge foreign currency loan exposures of Indian corporations in the form of interest rate swaps, options, currency swaps and forward rate agreements, subject to certain conditions.

Ownership Restrictions

The GoI regulates foreign ownership in Indian banks. The total foreign ownership in a private sector bank, like us, cannot exceed 74% of the paid-up capital and Equity Shares held by foreign institutional investors under portfolio investment schemes through stock exchanges cannot exceed 49% of the paid-up capital. RBI's acknowledgement is required for the acquisition or transfer of a bank's Equity Shares which will take the aggregate holding (both, direct and indirect, beneficial or otherwise) of an individual or a group to equivalent of five per cent or more of its total paid up capital. RBI, while granting acknowledgement, may take into account all matters that it considers relevant to the application, including ensuring that shareholders whose aggregate holdings are above specified thresholds meet fitness and propriety tests. In determining whether the acquirer or transferee is fit and proper to be a shareholder, RBI may take into account various factors including, but not limited to the acquirer or transferee's integrity, reputation and track record in financial matters and compliance with tax laws, proceedings of a serious disciplinary or criminal nature against the acquirer or transferee and the source of funds for the investment.

While granting acknowledgement for acquisition or transfer of shares that takes the acquirer's shareholding to 10% or more and up to 30% of a private sector bank's paid-up capital, RBI may consider additional factors, including but not limited to:

- the source and stability of funds for the acquisition and ability to access financial markets as a source of continuing financial support for the bank,
- the business record and experience of the applicant including any experience of acquisition of companies,
- the extent to which the acquirer's corporate structure is in consonance with effective supervision and regulation of its operations; and
- in case the applicant is a financial entity, whether the applicant is a widely held entity, publicly listed and a well established regulated financial entity in good standing in the financial community.

While granting acknowledgment for acquisition or transfer of shares that takes the acquirer's shareholding to 30% or more of a private sector bank's paid-up capital, RBI may consider additional factors, including but not limited to whether or not the acquisition is in the public interest and shareholder agreements and their impact on the control and management of the bank's operations.

In February 2005, RBI issued guidelines on ownership and governance in private sector banks. The key provisions of the guidelines on ownership are:

- No single entity or group of related entities would be permitted to directly or indirectly hold or control more than 10% of the paid up equity capital of a private sector bank and any higher level of acquisition would require RBI's prior approval;
- In respect of corporate shareholders, the objective will be to ensure that no entity or group of related entities has a shareholding in excess of 10% in the corporate shareholder. In case of shareholders that are financial entities, the objective will be to ensure that it is widely held, publicly listed and well regulated;
- RBI may permit a higher level of shareholding in case of restructuring of problem banks or weak banks or in the interest of consolidation in the banking industry;
- Banks would be responsible for compliance of the "fit and proper" criteria for shareholders on an ongoing basis; and
- Banks with shareholders with holdings in excess of the prescribed limit would have to indicate a plan for compliance.

RBI has recently announced guidelines stating that these regulations would also apply in the event an existing shareholder's shareholding exceed the specified limit as a result of a rights issue of shares where other shareholders do not subscribe to the issue. Legislation introduced in the Parliament to amend the Banking Regulation Act provides that prior approval of RBI shall be mandatory for the acquisition of more than five per cent of a banking company's paid up capital or voting rights by any individual or firm or group.

Statutes Governing Foreign Exchange and Cross-Border Business Transactions

The foreign exchange and cross border transactions undertaken by banks are subject to the provisions of FEMA. All branches should monitor all non-resident accounts to prevent money laundering.

RBI issued guidelines on external commercial borrowings vide its master circular in July 2004, which stated that no financial intermediary, including banks, will be permitted to raise such borrowings or provide guarantees in favour of overseas lenders for such borrowings. Eligible borrowers may raise such borrowings to finance the import of equipment and to meet foreign exchange needs of infrastructure projects. In a guideline dated August 1, 2005 RBI has announced that external commercial borrowing proceeds can be utilized for overseas direct investment in joint ventures/wholly owned subsidiaries subject to the existing guidelines on Indian direct investment in joint ventures/wholly owned subsidiaries abroad. Further utilization of external commercial borrowing proceeds is not permitted for lending, capital market investments or acquisitions in India or real estate investment.

Guidelines for Mergers/Amalgamations of Private Sector Banks

In the guidelines for mergers/amalgamations of private sector banks announced on May 11, 2005, RBI announced the following key measures:

- These guidelines cover an amalgamation of two banking companies and an amalgamation of a non-banking finance company with a banking company;
- The decision of merger should be approved by a two-third majority of the total board members of each of the banking companies and not those present alone;
- The draft scheme of amalgamation should be approved by the shareholders of both banks with a two thirds majority;
- Directors who participate in such meetings should be signatories to the deeds of covenants as recommended by Ganguly Working Group on Corporate Governance;
- These guidelines specify the factors that the board of directors of the respective banking companies is required to consider before approving the merger. These factors include the values at which the assets, liabilities and the reserves of the amalgamated company are proposed to be incorporated into the books of the amalgamating banking company, whether due diligence exercise has been undertaken, the nature of the consideration being paid to the shareholders, whether the swap ratio has been determined by independent valuers, etc.;
- Specified information and documents should be submitted by the amalgamating banking company to RBI along with the application for the sanction of the scheme as approved by the shareholders of the banks;
- Specified information should be provided to RBI when it is required to determine the value of the shares of the banking company on the application of a dissenting shareholder;
- When a NBFC is proposed to be amalgamated into a banking company, the banking company is required to obtain the approval of RBI after the scheme of amalgamation is approved by its board of directors but before it is submitted to the High Court for approval; and
- SEBI regulations on Prohibition of Insider Trading are required to be strictly complied with even by unlisted banks/companies in spirit and to the extent applicable.

Requirements of the Banking Regulation Act

Permitted Business

The Banking Regulation Act specifies the business activities in which a bank may engage.

Reserve Fund

Any bank incorporated in India is required to create a reserve fund to which it must transfer not less than 25% of the profits of each year before dividends. If there is an appropriation from this account, the bank is required to report the same to RBI within 21 days, explaining the circumstances leading to such appropriation. The GoI may, on the recommendation of RBI, exempt a bank from requirements relating to its reserve fund.

Restrictions on Payment of Dividends

Pursuant to the provisions of the Banking Regulation Act, a bank can pay dividends on its shares only after all its capitalised expenses (including preliminary expenses, organization expenses, share selling commission, brokerage, amounts of losses and any other item of expenditure not represented by tangible assets) have been completely written off. The GoI may exempt banks from this provision by issuing a notification on the recommendation of RBI.

Only those banks, which comply with the following minimum prudential requirements, would be eligible to declare dividends:

(i) The bank should have :

- Capital-To-Risk-Weighted Assets Ratio ("CRAR") of at least 9% for preceding two completed years and the accounting year for which it proposes to declare dividend.
- Net NPA less than 7%.

In case any bank does not meet the above CRAR norm, but is having a CRAR of at least 9% for the accounting year for which it proposes to declare dividend, it would be eligible to declare dividend provided its net NPA ratio is less than 5%.

(ii) The bank should comply with the provisions of Sections 15 and 17 of the Banking Regulation Act.

(iii) The bank should comply with the prevailing regulations/ guidelines issued by RBI, including creating adequate provisions for impairment of assets and staff retirement benefits, transfer of profits to Statutory Reserves etc. The proposed dividend should be payable out of the current year's profit.

(iv) The RBI should not have placed any explicit restrictions on the bank for declaration of dividends.

In case any bank does not meet the above eligibility criteria no special dispensation shall be available from the Reserve Bank.

Further, as per the May 2005, RBI guidelines on payment of dividend, only those banks which comply with the following minimum prudential requirements are eligible to declare dividend without the prior approval of RBI:

- Capital to risk asset ratio of at least nine per cent for the preceding two completed years and for the accounting year for which it proposes to declare dividend;
- Net non-performing assets of less than seven per cent;
- The bank is in compliance with the prevailing regulations and guidelines issued by RBI, including the creation of adequate provision for the impairment of assets, staff retirement benefits, transfer of profits to statutory reserves, etc.;
- RBI has not placed any explicit restrictions on the bank for declaration of dividends;
- In case any bank does not meet the above capital to risk asset ratio norm, but is having a capital to risk asset ratio of 9% for the accounting year for which it proposes to declare a dividend, it would be eligible to declare a dividend provided its net NPA ratio is less than five per cent.

Banks that are eligible to declare dividends under the above rules can do so subject to the following:

- The dividend pay out ratio does not exceed 40%; the maximum permissible dividend payout ratio would vary from bank to bank, depending on the capital adequacy ratio in each of the last three years and the net nonperforming asset ratio;
- The proposed dividend is payable out of the current year's profit;
- In case the profit for the relevant period includes any extra-ordinary profits/ income, the payout ratio shall be computed after excluding such extra-ordinary items for reckoning compliance with the prudential payout ratio; and
- The financial statements pertaining to the financial year for which the bank is declaring a dividend should be free of any qualifications by the statutory auditors, which have an adverse bearing on the profit during that year. In case of any qualification to that effect, the net profit should be suitably adjusted while computing the dividend payment ratio.

In case we fulfil the conditions stated above, we can declare dividends without the consent of RBI, but if we do not comply with the conditions stated above but wish to declare dividend or a higher rate of dividend, we would require prior permission from RBI.

RBI has also notified that banks may also declare and pay interim dividends out of the relevant account period's profit without the prior approval of RBI if they satisfy the minimum criteria above, and the cumulative interim dividend is within the prudential cap on dividend payout ratio (40%) computed for the relevant accounting period. Declaration and payment of interim dividend beyond this limit would require the prior approval of RBI.

Restriction on Share Capital and Voting Rights

Banks can issue only ordinary shares. Only banks incorporated before January 15, 1937 can issue preference shares. The Banking Regulation Act specifies that no shareholder in a banking company can exercise voting rights on poll in excess of 10% of total voting rights of all the shareholders of the banking company. Legislation recently introduced in the Indian Parliament proposes to amend the Banking Regulation Act to remove the limit of 10% on the maximum voting power exercisable by a shareholder in a banking company and allow banks to issue redeemable and non-redeemable preference shares.

Appointment and Remuneration of the Chairman, Managing Director and Other Directors

We are required to obtain prior approval of RBI before we appoint our Chairman and Managing Director and any other whole-time Directors and fix their remuneration. RBI is empowered to remove an appointee to the posts of Chairman, Managing Director and whole-time Directors on the grounds of public interest, interest of depositors or to ensure our proper management. Further, RBI may order meetings of our Board to discuss any matter in relation to us, appoint observers to such meetings and in general, may make such changes to the management as it may deem necessary and may also order the convening of a general meeting of our shareholders to elect new directors. Additionally, we may not appoint persons as Directors who are already directors on the board of another banking company.

Penalties

RBI may impose penalties on banks and their employees in case of infringement of regulations under the Banking Regulation Act. The penalty may be a fixed amount or may be related to the amount involved in any contravention of the regulations. The penalty may also include imprisonment.

Restriction on Transfer of Equity Shares

RBI's acknowledgement is required for the acquisition or transfer of our Equity Shares by or to an individual or a group which acquires five per cent or more of our total paid up capital. RBI, while granting acknowledgement, may require such acknowledgement to be obtained for subsequent acquisition at any higher threshold as may be specified. In determining whether the acquirer or transferee is fit and proper to be a shareholder, RBI may take into account various factors including, but not limited to the acquirer or transferee's integrity, reputation and track record in financial matters and compliance with tax laws, proceedings of a serious disciplinary or criminal nature against the acquirer or transferee and the source of funds for the investment. While granting acknowledgement for acquisition or transfer of shares that takes the acquirer's shareholding to 10% or more of our paid-up capital, RBI may consider additional factors, including but not limited to the ability to access financial markets as a source of continuing financial support for us and the extent to which the acquirer's corporate structure is in consonance with effective supervision and regulation of our operations. While granting acknowledgement for acquisition or transfer of shares that takes the acquirer's shareholding to 30% or more of our paid-up capital, RBI may consider additional factors, including but not limited to whether or not the acquisition is in the public interest and shareholder agreements and their impact on the control and management of our operations.

Assets to be maintained in India

Every bank is required to ensure that its assets in India (including import-export bills drawn in India and RBI approved securities, even if the bills and the securities are held outside India) are not less than 75% of its demand and time liabilities in India.

Regulations and Guidelines of SEBI

SEBI was established to protect the interests of public investors in securities and to promote the development of, and to regulate, the Indian securities market. We are subject to SEBI regulations for our capital issuances, as well as our underwriting, custodial, depositary participant, investment banking, registrar and transfer agents, brokering and debenture trusteeship activities. These regulations provide for our registration with SEBI for each of these activities, functions and responsibilities. We are required to adhere to a code of conduct applicable for these activities.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Board of Directors

Under our Articles, we cannot have fewer than three Directors or more than 15 Directors. We currently have 10 Directors, comprising of one whole-time Directors and four non-executive and independent Directors and five non independent Directors. Therefore, more than 50% of our Board consists of non-executive and non independent directors.

The table below sets forth the details of our Board:

Name	Designation	DIN No.	Address
Mr. Vaughn Nigel Richtor	Managing Director and CEO, executive and non independent Director.	00698356	1 Kilpa Place St Ives NSW 2075.
Mr. K.R. Ramamoorthy	Part time Chairman, non executive and independent director	00058467	D 302-303, Mantri Gardens, Madhavan Park, Jaynagar I Block, Bangalore, 560 011.
Mr. Philippe Damas	Non executive and non independent Director	00129633	No. 4, Chats Worth Park, Singapore 249811
Mr. Willem Frederik Nagel	Non executive and non independent Director	00074493	1 Cornwall Road, Singapore, 119663.
Mr. Richard Wainwright Cox	Non executive and non independent Director	00533257	7 Dray Cott Drive # 06-01, Singapore 259421
Mr. Aditya Krishna	Non executive and independent Director	00031345	27F, Ranjith Road, Kotturpuram, Chennai 600 085, Tamil Nadu, India
Mr. K.R.V. Subrahmanian	Non executive and independent Director	00005292	No. 8 “Rushilla”, 17-C, Carmichael Road, Mumbai 400 026, Maharashtra, India
Mr. Ryan Andrew Padgett	Non executive and non independent Director	00095909	30, Bukit Chermin Road, Singapore 109 922
Mr. Arun Thiagarajan	Non executive and independent Director	00292757	Grace Home, 37, Kanakapura Road, Bangalore 560 004, Karnataka, India
Mr. Lars Kramer	Non executive and non independent Director	00071947	22, Kay Siang Road, Singapore 248 937

The business address of all our Directors is ING Vysya House, 22, M.G. Road Bangalore 560 001.

Brief profile of our Directors

Mr. Vaughn Nigel Richtor, aged 52 years, is the Managing Director and Chief Executive Officer of the Bank with effect from February 7, 2006. He holds a first class (Honours) Bachelor’s Degree in Business Studies from South Bank University, London, a Diploma in Corporate Finance from London Business School. He started his career as Business Analyst at SKF, UK, subsequent to which he worked in Rank Xerox Limited as Senior Treasury Dealer/Assistant Treasurer and Treasury Analyst. He has also worked in Sedgwick Group as an Assistant Treasurer, International. Further, he has worked in ABN Bank, UK/ ABN AMRO, as Head of Special Products/Head of Corporate and Commercial Banking. During his association with ING Group since 1991, he had held positions of General Manager, International and Corporate Banking at ING Mercantile Mutual Bank, Deputy General Manager and Head of Corporate Banking at ING Bank (UK), General Manger at ING Bank (Dublin), head of Corporate Banking at ING Bank (UK) and as the Chief Executive Officer of ING Bank (Australia).

Mr. K.R. Ramamoorthy, aged 67 years, is the Non-Executive Part-Time Chairman of our Bank with effect from May 5, 2006. He holds a Bachelor’s Degree in Economics from Delhi University and Bachelor’s Degree in Law from Madras University and is a Fellow Member of the Institute of Company Secretaries. Prior to joining our Bank, he was the Chairman and Chief Executive Officer of Corporation Bank. He has also served as an advisor to CRISIL, a credit rating agency in India, in its Advisory Division (banking sector) from 2001 to 2004. He has been providing consultancy services for commercial banks in India and other developing countries. His services are availed by the International Monetary Fund, International Finance Corporation and World Bank. Before joining the banking sector, he was involved in the pharmaceutical, entertainment, engineering and consumer product marketing sectors for two decades. He has served in Liptons, a consumer product marketing organisation, for 15 years. He has been a member of various committees constituted by the RBI and the Indian Bank's Association. He has also served the CII, Karnataka Chapter, as a convenor of the Economic Affairs Panel.

Mr. Philippe Damas, aged 57 years, is the Chief Executive Officer of Private Banking and Retail Banking (Asia), ING Bank, Singapore. He is the Director of the Bank with effect from September 22, 2005. He holds a Bachelor's Degree in Civil Engineering from Brussels University and a Master's Degree in Business Administration from Columbia University. He joined ING Group as the Managing Director of BBL and was in charge of Asset Management and International Networking. He was also in charge of reorganising and integrating ING Baring in London.

Mr. Willem Frederik Nagel, aged 51 years, is the Chief Executive Officer of Wholesale Banking (Asia), Singapore. He is the Director of the Bank with effect from September 22, 2005. He holds a Master's Degree in Science and Economics from Free University, Amsterdam. Mr. Nagel has worked with Amro Bank for nearly 10 years in various capacities, including head of Aerospace and Structured Finance. He has been associated with ING Group since 1991.

Mr. Richard Wainwright Cox, aged 39 years, is the Head, Credit Risk Management at ING (Asia region), Singapore and having taken charge as a Director of the Bank on July 13, 2006. He holds a Master's Degree in English language and Literature from Oxford University and is also a Fellow Member of the Institute of Chartered Accountants in England and Wales. Before joining ING Group, he worked with KPMG for six years in different capacities in UK and Asia.

Mr. Aditya Krishna, aged 47 years, is a Director in our Bank having taken charge from December 21, 2006. He holds a Master's Degree in Economics from St. Stephens College, New Delhi and Post Graduation Diploma in Business Administration in Finance and Marketing from North Eastern University, Boston, USA. Before joining us, he had worked with Chase Manhattan Bank N.A., New York from 1985 to 1987. He has also worked in Citibank, New York, USA, as a member of the Business Analysis Department of the Credit Card Business. He was appointed as Vice President- Credit Director and Financial Controller, Citibank, India. He was the founder promoter of Nation Wide Finance Limited and was the Managing Director of the company from 1995 to 2001. He is also the founder promoter of Saksoft Limited, which was incorporated in 2000 and is presently serving as the Managing Director of that company.

Mr. K.R.V. Subrahmanian, aged 74 years, is a Director in our Bank with effect from May 29, 2000. He also holds a Master's Degree in Economics from the University of Madras. He obtained his Management Education from Urwick Orr and Partners, UK and the Columbia University, USA. Prior to joining our Bank, he had worked with Indian Chamber of Commerce, Kolkata as a Commercial Assistant, Voltas Limited as a Management Trainee and then as Commercial Officer. He has also served Scottish Machine Tools (India) Limited as Company Secretary, Colour-Chem Limited as Commercial Manager and then as the Vice Chairman and Managing Director. He had also been associated with the Bombay Chamber of Commerce and Industry, Indo-German Chamber of Commerce and India Chemical Manufacturers' Association in the past.

Mr. Ryan Padgett, aged 49 years, is the Managing Director, Regional Head of Treasury, Asia, ING Bank N.V., Singapore. He is the Director of the Bank with effect from December 11, 2002. He holds a Bachelor's Degree in Business Administration with Honors from the University of Hawaii. Prior to joining ING Group, he was a System Analyst with BA Asia Limited, Hong Kong. He has also worked in Bank of America as Assistant Manager in Asia Division Liability Management, Singapore and then as a Foreign Exchange Dealer and later as Senior Dealer, Corporate Treasury Department. He has also worked with Bank of America as the Vice President, Wardley Limited - Hong Kong as the Treasury Manager, New Wave Investment Limited, Hong Kong - as Managing Director and Bank Brussels Lambert, Singapore, as a Treasurer.

Mr. Arun Thiagarajan, aged 63 years, is a Director in our Bank having taken charge of the same on January 30, 2003. He holds a Bachelor's Degree in Business Administration and Information Systems from Uppsala University, Sweden and a Master's Degree in Engineering from Royal Institute of Technology, Stockholm, Sweden. He has also attended the Advanced Management Programme at Harvard Business School. He started his career at Asea AB Vasteras, Sweden. He has also worked with Flakt India Limited, Asea Brown Boveri Limited, Wipro Limited and Hewlett Packard India Private Limited as President. He has also served as the Chairman of Southern Region and Karnataka State Committees of the Confederation of Indian Industry ("CII"). He has also been the Chairman of CII National Committees on Information Technology and Quality.

Mr. Lars Kramer, aged 40 years, is the Chief Financial Officer of the ING Bank N.V. (Asia Region). He took charge as a Director of our Bank on October 17, 2003. He holds a Bachelor's Degree in Accounting Sciences (BCompt) from the University of South Africa and a Master's Degree in Business Administration in Finance from the Graduate School of Business. He also holds a Post Graduation Diploma in Accounting from the University of Cape Town. Prior to joining ING Group as the regional head of Asian Equity Derivative Product Control, Hong Kong, he has worked for 11 years in companies like Coopers and Lybrand, Swiss Bank Corporation, Hambros Bank and Credit Suisse First Boston.

Compensation and Benefits in Kind Granted to the Directors.

Remuneration Details of Executive Directors

Pursuant to the resolution approved by our Board on January 19, 2006 and our shareholders on September 26, 2006, Mr. Vaughn Nigel Richtor has been appointed as our Managing Director and CEO for a period of three years commencing from February 7, 2006. Mr. Richtor is entitled to a basic salary of Rs. 650,000 per month. In addition to his salary, he is entitled to perquisites, allowances and other benefits as approved by RBI.

No other Director is eligible for any remuneration apart from sitting fees and reimbursement of out of pocket expenses for attending Board/ Committee meetings.

Sitting fee of Directors

All the independent Directors of the Bank are paid a sitting fee of Rs. 20,000 per board meeting/committee meeting attended.

Directors' Interest

Our Articles do not require our Directors to hold any Equity Shares. Except for 15,080 Equity Shares held by Mr. Arun Thiagarajan none of our Directors hold any Equity Shares.

Corporate Governance

Corporate governance is administered through our Board and the committees of the Board, particularly, the audit committee, the remuneration committee and the shareholders'/investors' grievance committee. However, primary responsibility for upholding high standards of corporate governance and providing necessary disclosures within the framework of legal provisions and institutional conventions with commitment to enhance shareholders' value vests with our Board.

A brief description of each of the audit committee, the remuneration committee and the shareholders'/investors' grievance committee is set forth below:

a) Audit Committee

The members of the audit committee of our Board are:

1. Mr. Arun Thiagarajan, Chairman;
2. Mr. Lars Kramer, Vice Chairman;
3. Mr. K.R. Ramamoorthy;
4. Mr. K.R.V. Subrahmanian;
5. Mr. Phillippe Damas; and
6. Mr. Aditya Krishna.

The terms of reference of the audit committee include the matters specified under Clause 49 of the listing agreement, RBI requirements as well as in provisions of the Companies Act.

b) Corporate Governance Committee/Remuneration Committee

The members of the remuneration committee of our Board are:

1. Mr. Philippe Damas, Chairman;
2. Mr. K.R. Ramamoorthy;
3. Mr. Arun Thiagarajan; and
4. Mr. Aditya Krishna.

The Corporate Governance Committee has been constituted to *inter alia*, introduce, implement and review the corporate governance practices at all levels in our Bank, induct and sustain a pro-active governance framework at all levels and ensure that interests of all the stakeholders, namely, the shareholders, customers, employees and the society at large is sub-served. It acts as the 'Remuneration Committee' for determining and reviewing the Bank's policy on specific remuneration packages for executive (whole time directors), whenever required.

The committee also acts as the 'Compensation Committee' as required by the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 for the purpose of formulation of policy, procedures and scheme and the overall supervision and administration of Employee Stock Option Scheme in the Bank.

c) ***Investors Committee***

The members of the investors committee of our Board are:

1. Mr. K.R.V. Subrahmanian, Chairman;
2. Mr. Vaughn Nigel Richtor; and
3. Mr. Arun Thiagarajan.

The investors' grievance committee has been constituted to look into the redressal of grievances of shareholders/investors like non-transfer of shares, non-reciept of balance sheet and non-reciept of declared dividends. The committee also addresses investor relations, share transfer (to the extent not delegated to officials) and monitors servicing of investor requirements.

Other committees

In addition, our Board has constituted a Risk Management and Review Committee, a committee to monitor frauds, a committee to address customer services and a Board Credit Committee.

Policy on Disclosures and Internal Procedure for Prevention of Insider Trading

Regulation 12 (1) of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 applies to our Directors and designated employees and requires us to implement a code of internal procedures and conduct for the prevention of insider trading. We have already implemented an employee code of conduct policy in line with the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 in this regard.

Senior Management

Our operations are overseen by a professional management team. The top management team has the requisite experience and the qualification for their respective responsibilities. In addition to our Board of Directors as set forth above, the following are our Senior Management personnel:

Mr. Uday Sareen (Country Head, Retail Banking), aged 39 years, holds a bachelor's and a master's degree in electronics engineering from the Birla Institute of Technology and Science, Piliani. He also holds a Post Graduation Diploma in Business Management in faculty of management studies from University of Delhi. He joined us on July 2, 2007. Prior to joining us, he was working in Citibank, N.A. He has over 13 years of experience of banking business.

Mr. Biswajit Mazumder (Chief, Corporate Audit Group), aged 46 years, holds a bachelor's degree in science from Gorakhpur University, a bachelor's degree in law from University of Calcutta, a Post Graduation Diploma in Business Management from Indian Institute of Management, Calcutta, and is a member of the Indian Chartered Accountants Institute. He joined us on February 15, 2007. Prior to joining us, he was working with Central Bank of Oman, Muscat Oman. He has over 13 years of experience in banking business.

Mr. Donald Joseph Koch (Chief Operating Officer), aged 46 years, holds a diploma and a master's degree in banking and finance from University of Technology, Sydney. He also holds a graduate certificate in financial studies from University of Technology. He joined us on September 6, 2006. Prior to joining us, he was working in ING Bank, Slaski, Poland. He has over 27 years of experience in banking business.

Mr. Samir Bimal (Country Head, Private Banking), aged 38 years, holds a bachelor's degree in commerce from University of Delhi, and a Master of Finance and Control from University of Delhi. He joined us on August 21, 2006. Prior to joining us, he was working with BNP Paribas Private Bank, Baharain.

Mr. Jayant Mehrotra (Chief Finance Officer), aged 45 years, holds a bachelor's degree in commerce (honours) from St. Xavier's College, Calcutta University. He is a chartered accountant and is a member of the Institute of Chartered Accountants of India and Institute of Cost and Works Accountants of India. He joined us on May 9, 2006. Prior to joining us, he worked with Industrial Development Bank of India.

Mr. Janak Desai (Country Head, Wholesale Banking), aged 43 years, holds a bachelor's degree in commerce from University of Mumbai and holds a Masters in Management Studies from University of Mumbai. He joined us on November 2, 2005. Prior to joining us, he was working with IDBI Bank Limited, Mumbai. He has over 16 years of experience in banking business.

Mr. Prasad J.M. (Chief, Human Resources), aged 46 years, holds a bachelor's degree in commerce from R.A. Podar College, Mumbai. He also holds a diploma in public relations from St. Xavier Institute of Communication, Mumbai and a post graduation diploma in business administration from XLRI Jamshedpur. He joined us on March 8, 2004. Prior to joining us, he worked in I2 Technology Software Private Limited, Bangalore. He has over 3 years of experience in banking business.

Mr. Ned Swarup (Chief Risk Officer), aged 56 years, holds a bachelor's degree in engineering and a post graduation diploma in business administration from XLRI Jamshedpur. He joined us on February 2, 2003. Prior to joining us, he was working with ING Bank N.V. He has over

27 years of experience in banking business.

Mr. Ashok Rao B (Chief of Staff), aged 50 years, holds a bachelor's degree in science from Bangalore University and is a member of the Institute of Chartered Accountants of India. He joined us on April 30, 2002. Prior to joining us, he was working in Ali Redha Trading Company, Muscat. He has over 20 years of experience in banking business.

Mr. Apparao M.V.S (Corporate Secretary and Vice President, Compliance), aged 52 years, holds a bachelor's degree in commerce from S.V. University, Tirupathi and is a Fellow member of Institute of Company Secretaries of India. He joined us on April 6, 1994. Prior to joining us, he was working at Cement Corporation of India Limited, New Delhi, a Government of India Undertaking. He has over 13 years of experience in banking business.

Interests of our Senior Management

Our Senior Management personnel do not have any interest in our Bank other than to the extent of the remuneration or benefits to which they are entitled to, as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business, and to the extent of their shareholding, if any, in our Bank. Further they are entitled to such options granted to them pursuant to the employee stock options granted to them by us from time to time.

Transactions with Senior Management

During the Fiscal 2007 there has not been any transaction between our Senior Management, their relatives and us.

ORGANIZATIONAL STRUCTURE AND PRINCIPAL SHAREHOLDERS

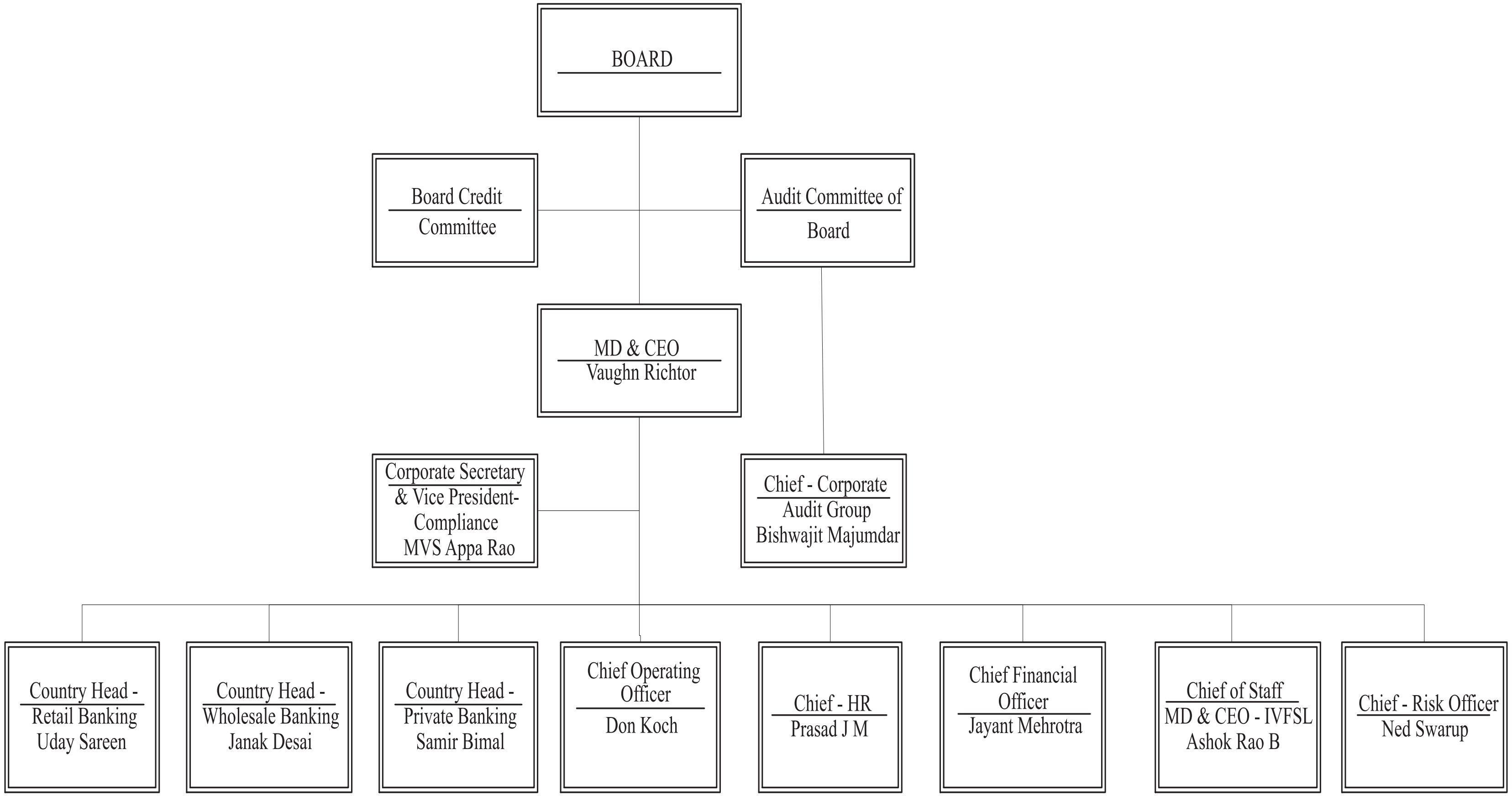
The following table contains information as of September 30, 2007 concerning the ownership of our Equity Shares:

Category of Shareholder	Number of Equity Shares	Total shareholding as a % of the total No. of issued and outstanding Equity Shares
Promoters' Holding		
Indian promoters		
Individuals/Hindu undivided families	1,964	0.00
Central government/state governments	Nil	0.00
Bodies corporate	285,209	0.31
Financial institutions/banks	Nil	0.00
Any other	Nil	0.00
Foreign promoters		
Individuals (non residential individuals / foreign individuals)	Nil	0.00
Bodies corporate	39,872,480	43.80
Persons acting in concert	Nil	0.00
Total Promoter Holding	**40,159,653**	**44.11**
Non-promoters' shareholding		
Institutions		
Mutual funds/Unit Trust of India	10,816,349	12.70
Financial institutions/banks	906,956	0.94
Central government/State government	Nil	0.00
Venture capital funds	Nil	0.00
Insurance companies	Nil	0.00
Foreign institutional investors	21,737,759	22.87
Foreign venture capital investors	Nil	0.00
Any other	Nil	0.00
Non-institutions		
Bodies corporate	1,603,836	1.81
Individual shareholders holding nominal share capital up to Rs. 1 million	8,719,490	9.74
Individual shareholders nominal share capital in excess of Rs. 1 million	2,440,694	2.65
Non resident Indians	4,593,357	5.07
Trusts	10,613	0.01
Clearing members	49,648	0.03
Foreign nationals	1,000	0.00
Total non promoter shareholding	**50,879,702**	**55.89**
Total	**91,039,355**	**100**

The following table contains information as of September 30, 2007 concerning the ownership of our Equity Shares. Each person who we know beneficially owns 1% or more of our Equity Shares.

Name of the shareholder	Number of Equity Shares	% of total number of Equity Shares
Aberdeen Asset Managers Limited	4,726,280	5.19
International Finance Corporation	4,540,000	4.99
Dilip Ramniklal Mehta	4,500,000	4.94
Winterfall Limited	4,487,935	4.93
FID Funds (Mauritius) Limited	3,553,720	3.90
Merril Lunch Capital Markets Espana SASV	1,548,960	1.70
Prudential ICICI Trust Limited – Discovery Fund	1,500,000	1.65
UTI Equity Fund	1,135,841	1.25
UTI Master Equity Plan Unit Scheme	1,291,636	1.42
Fidelity Trustee Company Private Limited	965,130	1.06
Total	**28,249,502**	**31.03**

Organizational Structure



ISSUE PROCEDURE

Set forth below is a summary intended to present a general outline of the procedure relating to the bidding, payment and Allotment of Equity Shares under the Issue. The procedure followed in the Issue may differ from the one mentioned below and the investors are assumed to have appraised themselves of the same from us or the Lead Manager. The investors are advised to inform themselves of any restrictions or limitations that may be applicable to them.

Qualified Institutional Placements

The Issue is being made in reliance upon Chapter XIII-A of the SEBI Guidelines through the recently introduced mechanism of QIP wherein a listed company may issue and allot equity shares/fully convertible debentures/partly convertible debentures or any other security (excluding warrants) on a private placement basis to QIBs.

We have applied for and await receipt of in-principal approval of the Stock Exchanges, under Clause 24 (a) of the listing agreements.

Issue Procedure

1. We and the Lead Manager shall circulate the Preliminary Placement Document either in electronic form or physical form to not more than 49 Eligible QIBs.
2. The Lead Manager shall deliver to Eligible QIBs a Bid cum Application Form. The list of Eligible QIBs to whom the Bid cum Application Form is delivered shall be determined by the Lead Manager at its sole discretion.
3. Eligible QIBs may submit the Bids (including revision of bids) through the Bid cum Application Form during the Bidding Period to the Lead Manager.
4. Eligible QIBs would have to indicate the following in the Bid:
   a. Name of the Eligible QIB.
   b. Number of Equity Shares Bid for.
   c. Price at which they are agreeable to apply for the Equity Shares, provided that investors may also Bid at Cut-off Price.
   d. Details of the Depository Participant account of the Eligible QIB.
5. The Bid Closing Date shall be notified to the Stock Exchanges and the Eligible QIBs shall be deemed to have been given notice of the same.
6. Based on the Bids received, we shall decide the Issue Price the number of Equity Shares to be issued in consultation with the Lead Manager. We will notify the Stock Exchanges of the Issue Price. On determination of the Issue Price, the Lead Manager will send the CAN to the Eligible QIBs who have been Allocated Equity Shares. The dispatch of CAN shall be deemed a valid, binding and irrevocable contract for the Eligible QIBs to pay the entire Issue Price for all the Equity Shares Allocated to such Eligible QIB. The CAN shall contain details like the number of Equity Shares Allocated to the QIB and payment instructions including the details of the amounts payable by the QIB for Allotment of the Equity Shares in its name and the Pay-In Date as applicable to the respective QIB. The decision of the Bank and the Lead Manager in this regard shall be at their sole and absolute discretion.
7. Pursuant to receiving the CAN the QIBs would have to make the payment of application monies, by high value cheques or through electronic transfer for the application monies to the designated bank account of the Company by the Pay- In Date as specified in the CAN sent to the respective QIBs.
8. Upon receipt of the application monies from the Eligible QIBs, we shall issue and Allot the Equity Shares to the Eligible QIBs as per the details provided in the CAN. We will intimate to the Stock Exchanges the details of the Allotment.

9 After passing the Allotment resolution and prior to crediting the Equity Shares into the depositor, participant accounts of the Eligible QIBs, we shall apply to the Stock Exchanges for in-principle approval for listing and trading of the Equity Shares.

10. After receipt of the approvals of the Stock Exchanges, we shall credit the Equity Shares into the Depository Participant accounts of the Eligible QIBs.
11. We shall then apply for the final listing and trading permissions from the Stock Exchanges.
12. The Equity Shares that have been so allotted and credited to the Depository Participant accounts of the Eligible QIBs shall be eligible for trading on the Stock Exchanges only upon the receipt of final listing and trading approvals from the Stock Exchanges.
13. The Stock Exchanges shall notify the final listing and trading permissions which is ordinarily available on their websites and we shall

communicate the receipt of the final listing and trading permissions from the Stock Exchanges to the Eligible QIBs who have been allotted the Equity Shares. We and the Lead Manager shall not be responsible for any delay or non-receipt of the communication of the final listing and trading permissions from the Stock Exchanges or any loss arising from such delay or non-receipt. Eligible QIBs are advised to appraise themselves of the status of the receipt of the permissions from the Stock Exchanges or us.

Qualified Institutional Buyers

Only QIBs, as defined in Clause 2.2.2B(v) of the SEBI Guidelines, are eligible to invest. Currently these include;

- Public financial institutions as defined in section 4A of the Companies Act;
- Scheduled commercial banks;
- MFs registered with SEBI;
- Foreign institutional investors registered with SEBI;
- Multilateral and bilateral development financial institution;
- Venture capital funds registered with SEBI;
- Foreign venture capital investors registered with SEBI;
- State industrial development corporation;
- Insurance companies registered with Insurance Regulatory and Development Authority, India;
- Provident fund with minimum corpus of 250 million; and
- Pension fund with minimum corpus of 250 million.

No Allotment shall be made pursuant to the Issue, either directly or indirectly, to any QIB being our promoter or any person related to our promoter(s). QIBs, who have all or any of the following rights shall be deemed to be a person related to promoter(s):

a) rights under a shareholders agreement or voting agreement entered into with our promoters or persons related to our promoters;

b) veto rights; or

c) right to appoint any nominee director on our Board.

We and the Lead Manager are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the Placement Document is filed with the Stock Exchanges. Eligible QIBs are advised to make their independent investigations and satisfy themselves that they are eligible to Bid. Eligible QIBs are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Placement Document. Further, Eligible QIBs are required to satisfy themselves that their Bids would not eventually result in triggering a tender offer under the Takeover Code.

Note: Affiliates or associates of the Lead Manager who are Eligible QIBs may participate in the Issue in compliance with applicable laws.

A minimum of 10% of Equity Shares in this Issue shall be allotted to MFs. If no MF is agreeable to take up the minimum portion as specified above, such minimum portion or part thereof, as the case may be, may be allotted to other Eligible QIBs.

BIDDING & APPLICATION

Bid cum Application Form

Eligible QIBs shall only use the serially numbered Bid cum Application Form supplied by the Lead Manager in either electronic form or by physical delivery for the purpose of making a Bid in terms of the Preliminary Placement Document.

By making a Bid for Equity Shares pursuant to the terms of the Preliminary Placement Document, the Eligible QIB will be deemed to have made the following representations and warranties:

(i) The Eligible QIB confirms that it is a qualified institutional buyer in terms of Clause 2.2.2B(v) of the SEBI Guidelines and is eligible to participate in this Issue;

(ii) The Eligible QIB confirms that it is not a promoter and is not a person related to the promoters, either directly or indirectly and its Bid does not directly or indirectly represent our Promoter or our promoter group;

(iii) The Eligible QIB confirms that it has no rights under a shareholders agreement or voting agreement with the promoters or persons related to the promoters, no veto rights or right to appoint any nominee director on our Board other than that acquired in the capacity of a lender;

(iv) The Eligible QIB has no right to and shall not withdraw its Bid after the Bid Closing Date;

(v) The Eligible QIB confirms that if it is Allotted Equity Shares, it shall, for a period of one year from the date of Allotment, sell the Equity Shares so acquired only on the floor of the Stock Exchanges;

(vi) The Eligible QIB confirms that it is eligible to Bid and hold Equity Shares so Allotted and together with any Equity Shares held by the Eligible QIB prior to the Issue. The Eligible QIB further confirms that the holdings of the Eligible QIB, does not and shall not, exceed the level permissible as per any regulations applicable to the Eligible QIB;

(vii) The Eligible QIB confirms that the Bid would not eventually result in triggering a tender offer under the Takeover Code;

(viii) The Eligible QIB confirms that to the best of its knowledge and belief together with other Eligible QIBs in the Issue belonging to the same group or under common control, the Allotment to the Eligible QIB shall not exceed 50% of the Issue Size. For the purposes of this statement:

a. The expression 'belonging to the same group' shall derive meaning from the concept of 'companies under the same group' as provided in sub-section (11) of Section 372 of the Companies Act;

b. "Control" shall have the same meaning as is assigned to it by Clause (c) of Regulation 2 of the Takeover Code.

The Eligible QIBs would also be sent a serially numbered Preliminary Placement Document either in electronic form or by physical delivery.

ELIGIBLE QIBS WOULD NEED TO PROVIDE THEIR DEPOSITORY ACCOUNT DETAILS, THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. ELIGIBLE QIBS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD.

Demographic details like address, bank account etc. will be obtained from the Depositories as per the depository participant account details given above.

By submitting the Bid cum Application Form, the Eligible QIB will be deemed to have made the representations and warranties as specified in the section titled "**Issue Procedure – Bidding & Application – Bid cum Application Form", mentioned above and further that such Eligible QIB shall not undertake any trade in the Equity Shares credited to its depository participant account until such time that the final listing and trading approval for the Equity Shares is issued by the Stock Exchanges.**

Eligible QIBs are advised to instruct their Depository Participant to accept the Equity Shares that may be allotted to them pursuant to this Issue.

Bids by MFs

The Bids made by the asset management companies or custodian of MFs shall specifically state the names of the concerned schemes for which the Bids are made. Each scheme/fund of a mutual fund will have to submit separate Bid Form.

The Bids made by the asset management companies or custodian of MFs shall specifically state the names of the concerned schemes for which the Bids are made. In case of a MF, a separate Bid can be made in respect of each scheme of the MF registered with SEBI and such Bids in respect of more than one scheme of the MF will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made.

As per the current regulations, the following restrictions are applicable for investments by MFs:

No MF scheme shall invest more than 10% of its net asset value in Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No MF under all its schemes should own more than 10% of any company's paid-up capital carrying voting rights.

The above information is given for the benefit of the Bidders. We and the Lead Manager are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Placement Document. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

Submission of Bid cum Application Form

All Bid cum Application Forms shall be duly completed with information including the name of the Eligible QIB, the price and the number of Equity Shares bid. The Bid cum Application Form shall be submitted to the Lead Manager either through electronic form or through physical delivery at the following address:

Name	:	**The Board of Directors,** **ING Vysya Bank Limited**
Address	:	**C/o Enam Securities Private Limited** 801, Dalamal Tower, Nariman Point Mumbai 400 021, India Tel: + 91 22 6638 1800 Fax: + 91 22 2284 6824 Contact Person: Mr. G. Venkatesh Email: ivblqip@enam.com

PRICING AND ALLOCATION

Build up of the Book

The Eligible QIBs shall submit their Bids (including the revision of their Bids) through the Bid cum Application Form within the Bidding Period to the Lead Manager who shall maintain the book. The Lead Manager shall not be required to provide any written acknowledgement of the same.

Price discovery and Allocation

We, in consultation with the Lead Manager, shall finalize the Issue Price which shall be at or above the Floor Price.

Method of Allocation

We shall determine the Allocation in consultation with the Lead Manager in compliance with Chapter XIII-A of the SEBI Guidelines.

Bids received from the Eligible QIBs at or above the Issue Price shall be grouped together to determine the total demand. The Allocation to all such Eligible QIBs will be made at the Issue Price. Allocation shall be decided by us, in consultation with the Lead Manager on a discretionary basis to a maximum of 49 Eligible QIBs. Allocation to MFs for up to a minimum of 10% of the Issue Size shall be undertaken subject to valid Bids being received at or above the Issue Price.

Allotment of Equity Shares to each investor will be restricted in such a manner that it's holding will be less than 5% of the post issue paid up capital.

THE DECISION OF OUR BANK AND THE LEAD MANAGER IN RESPECT OF ALLOCATION SHALL BE BINDING ON ALL ELIGIBLE QIBS. ELIGIBLE QIBS MAY NOTE THAT ALLOCATION OF EQUITY SHARES IS AT OUR SOLE AND ABSOLUTE DISCRETION AND ELIGIBLE QIBS MAY NOT RECEIVE ANY ALLOCATION EVEN IF THEY HAVE SUBMITTED VALID BIDS AT OR ABOVE THE ISSUE PRICE. NEITHER WE NOR THE LEAD MANAGER IS OBLIGED TO ASSIGN ANY REASONS FOR SUCH NON-ALLOCATION.

Number of Allottees

The minimum number of allottees of Equity Shares shall not be less than:

(a) two, where the issue size is less than or equal to Rs. 2.5 billion;

(b) five, where the issue size is greater than Rs. 2.5 billion.

Provided that no single allottee shall be allotted more than 50% of the issue size.

Provided further that Eligible QIBs belonging to the same group or those who are under common control shall be deemed to be a single allottee for the purpose of this clause. For details of what constitutes "same group" or "common control" see the section titled "**Issue Procedure – Bidding & Application – Bid cum Application Form**" beginning on page 99 of this Placement Document.

THE DECISION OF OUR BANK AND THE LEAD MANAGER IN RESPECT OF ALLOTMENT SHALL BE FINAL AND BINDING ON ALL ELIGIBLE QIBS.

The maximum number of allottees of Equity Shares shall not be greater than 49 allottees.

CAN

Based on the Bids received, we and the Lead Manager will, in their sole and absolute discretion, decide the list of Eligible QIBs to whom the CAN shall be sent the CAN shall, *inter alia,* include details of the bank account for transfer of funds if done electronically and Pay-In Date.

The dispatch of the CAN forms an irrevocable, binding, non-negotiable and non transferable obligation on QIB to acquire the Equity Shares Allocated to them and to pay the amount payable and they will not be entitled to withdraw or cancel or terminate your Bid.

The eligible QIBs shall also be sent a serially numbered Placement Document either in electronic form or by physical delivery.

QIBs are advised to instruct their Depository Participant to accept the Equity Shares that may be Allocated/Allotted to them pursuant to this Issue.

Bank Account for Payment of Application Money

We have opened a special bank account with the Payment Collection Bank. An Eligible QIB will be required to deposit the entire amount payable for the Equity Shares Allocated to it by the Pay-In Date as mentioned in the respective CAN.

If the payment is not made favoring the bank account (as above) within the time stipulated in the CAN, the Bid of the Eligible QIB and the CAN is liable to be cancelled.

In case of cancellations or default by the Eligible QIBs, we and the Lead Manager, at our sole discretion have the right to reallocate the Equity Shares at the Issue Price to one or more Eligible QIBs, whether or not they have already been allotted Equity Shares in the Issue.

Payment Instructions

- The payment of application money shall be made by the Eligible QIBs in the name of IVBL Share Application Money A/C – QIP, as per the payment instructions provided in the CAN.
- Eligible QIBs may make payment through cheques or electronic fund transfer.

Note: QIBs may make payment through cheques / drafts or RTGS. Payment of the amounts through outstation cheques are liable to be rejected. Payments through cheques should be only through high value cheques pay able at Mumbai.

Designated Date and Allotment of Equity Shares

(a) We will endeavor to complete the Allotment of Equity Shares by the probable Designated Date for those Eligible QIBs who have paid subscription money as stipulated in the respective CANs. The Equity Shares will not be allotted unless the Eligible QIBs pay the Issue Price in the bank account as stated above.

(b) In accordance with the SEBI Guidelines, Equity Shares will be issued and allotment shall be made only in the dematerialized form to the allottees. Allottees will have the option to re-materialize the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

(c) We reserve the right to cancel the Issue at any time up to Allotment without assigning any reasons whatsoever.

(d) Post Allotment and credit of Equity Shares into the Eligible QIBs' Depository Participant Accounts, we would apply for trading/listing approvals from the Stock Exchanges.

(e) The Payment Collection Bank shall not release the monies lying to the credit of the special account to us, till such time that we deliver to the Payment Collection Bank the approval of the Stock Exchanges for the listing and trading of the Equity Shares offered in this Issue.

(f) In the unlikely event of any delay in the Allotment or credit of Equity Shares, or receipt of trading or listing approvals or cancellation of the Issue, no interest or penalty would be payable by us.

Submission to SEBI

We shall submit the Placement Document to SEBI within 30 days of the date of Allotment for record purposes.

Other Instructions

Permanent Account Number or PAN

The Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her PAN allotted under the I.T. Act. **Pursuant to a recent SEBI circular No. MRD/DOP/Cir-05/2007 dated April 27, 2007, with effect from July 2, 2007, the PAN is the sole identification number for participants transacting in the securities market, irrespective of the amount of transaction. A copy of the PAN card or PAN allotment letter is required to be submitted with the Bid cum Application Form.** Applications without this information and document will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN, as the Bid is liable to be rejected on this ground.** In a case where the sole/first Bidder and joint Bidder(s) is/are not required to obtain a PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the Joint Bidder(s) have applied for a PAN which has not yet been allotted, each of the Bidder(s) should enter "Applied for" on the Bid cum Application Form. Further, where the Bidder(s) has entered "Applied for" or "Not Applicable", the sole/first Bidder and each of the joint Bidder(s), as the case may be, would be required to submit Form 60 (form of declaration to be filed by a person who does not have a Permanent Account Number and who enters into any transaction specified in Rule 114B of the Income Tax Rules, 1962), or Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income tax in respect of transactions specified in Rule 114B of the Income Tax Rules, 1962), as may be applicable, duly filed along with a copy of any one of the following documents in support of the address: (a) ration card, (b) passport, (c) driving licence, (d) an identity card issued by any institution, (e) copy of an electricity bill or telephone bill showing a residential address, (f) any document or communication issued by any authority of the Central Government, State Government or local bodies showing a residential address, or (g) any other documentary evidence in support of the address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended via a notification issued on December 1, 2004 by the Central Board of Direct Taxes, Department of Revenue, Ministry of Finance. All Bidders are requested to furnish, where applicable, the revised Form 60 or Form 61 as the case may be.**

Our Right to Reject Bids

We, in consultation with the Lead Manager, may reject Bids, in part or in full, without assigning any reasons whatsoever. The decision of our Bank and the Lead Manager in relation to the rejection of a Bid shall be final and binding.

Equity Shares in dematerialized form with NSDL or CDSL

As per the provisions of Section 68B of the Companies Act, the Allotment shall be only in a de-materialized form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

(a) An Eligible QIB applying for the Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.

(b) Allotment to a successful Eligible QIB will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Eligible QIB.

(c) Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. The Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

(d) The trading of the Equity Shares would be in dematerialized form only for all Eligible QIBs in the dematerialized segment of the Stock Exchanges.

(e) We will not be responsible or liable for the delay in the credit of Equity Shares due to errors in the Bid cum Application Form or on part of the Eligible QIBs.

SELLING RESTRICTIONS

The distribution of this Placement Document or any offering material and the issue, sale or delivery of the Equity Shares is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Placement Document or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Placement Document may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised. No action has been taken or will be taken that would permit a public offering of the Equity Shares in any jurisdiction other than India, or the possession, circulation or distribution of this Placement Document or any other material relating to us or the Equity Shares in any jurisdiction where action for such purpose is required. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither this Placement Document nor any offering materials or advertisements in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with all applicable rules and regulations of any such country or jurisdiction. We, our representatives and our agents will not be obligated to recognize any acquisition, transfer or resale of the Equity Shares made other than in compliance with applicable legal restrictions.

Hong Kong

No Equity Shares have been offered or sold, and no Equity Shares may be offered or sold, in Hong Kong, by means of any document, other than to persons whose ordinary business is to buy or sell shares or debentures, whether as principal or agent; or to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or in other circumstances which do not result in the document being a "Red Herring Prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong. No document, invitation or advertisement relating to the Equity Shares has been issued or may be issued, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted under the securities laws of Hong Kong) other than with respect to Equity Shares which are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

Singapore

This Placement Document has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the "Securities and Futures Act"). Accordingly, the Equity Shares may not be offered or sold or made the subject of an invitation for subscription or purchase nor may this Placement Document or any other document or material in connection with the offer or sale or invitation for subscription or purchase of any Equity Shares be circulated or distributed, whether directly or indirectly, to the public or any member of the public in Singapore other than (a) to an institutional investor or other person falling within Section 274 of the Securities and Futures Act, (b) to a relevant person, or any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act, or (c) otherwise than pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Each of the following relevant persons specified in Section 275 of the Securities and Futures Act which has subscribed or purchased Equity Shares, namely a person who is:

(a) a corporate (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor,

should note that shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the Equity Shares under Section 275 of the Securities and Futures Act except:

(1) to an institutional investor under Section 274 of the Securities and Futures Act or to a relevant person, or any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions, specified in Section 275 of the Securities and Futures Act;

(2) where no consideration is given for the transfer; or

(3) by operation of law.

United States of America

The Equity Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States and may not be offered or sold to any person within the United States. The Equity Shares may only be offered, sold or delivered outside the United

States in offshore transactions (as defined in Regulation S) in reliance on Regulation S and in accordance with applicable law. The Equity Shares are not transferable except in accordance with the restrictions described under "Transfer Restrictions".

European Economic Area (Members of the European Union, Iceland, Norway and Liechtenstein)

This Placement Document has not been submitted for approval to the national securities regulator of any country in the European Economic Area.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that Member State (the "Relevant Implementation Date"), Equity Shares may only be offered or sold in that Relevant Member State:

(a) at any time, to legal entities that are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(b) at any time, to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a balance sheet with a total balance of more than •43,000,000 and (3) an annual net turnover of more than •50,000,000, (in the case of (2) and (3)) as shown in its last annual or consolidated accounts); or

(c) at any time, in any other circumstances which do not require the publication by the Bank of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this paragraph, the expression "offer of Equity Shares" in relation to any Equity Shares in any Relevant Member State means the communication in any form and by any means of sufficient information regarding the terms of the offer and the Equity Shares to be offered to enable an investor to decide to purchase or subscribe for the Equity Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom (in addition to European Economic Area restrictions, above)

The Lead Manager has represented and agreed that:

- it is a person that is a qualified investor within the meaning of Section 86(7) of the FSMA, being an investor whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell the Equity Shares other than to persons who are qualified investors within the meaning of Section 86(7) of the FSMA or who it reasonably expects will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Equity Shares would otherwise constitute a contravention of Section 19 of the FSMA;
- it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Equity Shares in circumstances in which Section 21(1) of the FSMA does not apply to it; and
- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Equity Shares in, from or otherwise involving the United Kingdom.

TRANSFER RESTRICTIONS

Because of the following restrictions, investors are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of the Equity Shares offered hereby.

Each subscriber of the Equity Shares in the Global Issue by accepting delivery of this Placement Document and the Equity Shares will be deemed to have represented, agreed and acknowledged that it:

- It is authorised to consummate the purchase of the Equity Shares in compliance with all applicable laws and regulations.
- It acknowledges (or if it is a broker-dealer acting on behalf of a customer, its customer has confirmed to it that such customer acknowledges) that such Equity Shares have not been and will not be registered under the U.S. Securities Act.
- It certifies that either (A) it is, or at the time the Equity Shares are purchased will be, the beneficial owner of the Equity Shares and is located outside the United States or (B) it is a broker-dealer acting on behalf of its customer and its customer has confirmed to it that (i) such customer is, or at the time the Equity Shares are purchased will be, the beneficial owner of the Equity Shares, and (ii) such customer is located outside the United States.
- It agrees (or if it is a broker-dealer acting on behalf of a customer, its customer has confirmed to it that such customer agrees) that it (or such customer) will not offer, sell, pledge or otherwise transfer such Equity Shares except (A) (i) to a person whom it reasonably believes (or it or anyone on its behalf reasonably believes) is a "qualified institutional buyer" under Rule 144A purchasing for its own account or the account of a "qualified institutional buyer" under Rule 144A in a transaction meeting the requirements of Rule 144A, (ii) in an offshore transaction complying with the provisions of Regulation S, (iii) pursuant to any other available exemption from registration under the U.S. Securities Act, or (iv) pursuant to an effective registration statement under the U.S. Securities Act and (B) in accordance with all applicable securities laws of the states of the United States and any other jurisdiction, including India.
- It acknowledges that we, the Lead Manager and its affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that, if any of such acknowledgments, representations or agreements deemed to have been made by virtue of its purchase of the Equity Shares are no longer accurate, it will promptly notify us, and if it is acquiring any Equity Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

Any resale or other transfer or attempted resale or other transfer, made other than in compliance with the above-stated restrictions, will not be recognised by us.

RESTRICTIONS ON FOREIGN EXCHANGE REMITTANCES AND ON TRANSFERS OF EQUITY SHARES INTO AND FROM INDIA

Restrictions on Conversion of Rupees into Foreign Currency

There are certain restrictions on the conversion of Rupees into foreign currency. FEMA regulates transactions involving foreign exchange and provides that certain transactions cannot be carried out without the general or special permission of the RBI. FEMA has eased restrictions on current account transactions. However, the RBI continues to exercise control over capital account transactions (i.e., those which alter the assets or liabilities, including contingent liabilities, of persons). The RBI has from time to time issued regulations, circulars and guidelines under FEMA to regulate the various kinds of capital account transactions, including certain aspects of the purchase and issuance of shares of Indian companies. The RBI has permitted authorised dealers to freely allow remittances by individuals up to U.S.$ 200,000 per calendar year for any permissible current or capital account transactions or a combination of both. Dividends on equity shares received by foreign investors can be freely repatriated in foreign currency.

Restrictions on Transfers of equity shares into and from India and on Repatriation of Sale Proceeds

After October 4, 2004, prior FIPB and RBI approvals are not required for the transfer of shares or convertible debentures of an Indian company other than those engaged in financial services sector, from resident to non-resident and vice versa, subject to certain conditions set forth in the RBI circular of that same date. Further, the sale of shares under the portfolio investment scheme prescribed by the RBI does not require the approval of the RBI, provided the sale is made on a recognised stock exchange and through a registered stockbroker.

A non-resident person holding equity shares is permitted to sell them on a recognized Indian stock exchange through a registered broker. The sale proceeds of equity shares (net of taxes) sold by a person resident outside India may be remitted outside India. In the case of an FII, the sale proceeds may be credited to a special non-resident Rupees account that it holds. In the case of an NRI, if the equity shares sold were held on a repatriation basis, the sale proceeds (net of taxes) may be credited to his non-resident rupee account or foreign currency account and if the equity shares sold were held on a non- repatriation basis, the sale proceeds may be credited to his NRO Account subject to payment of taxes.

If the prior approval of the RBI has been obtained for the sale of equity shares, then the sale proceeds shall be remitted as per the terms of such an approval and FEMA regulations. Under currency exchange controls that are in effect in India and for repatriation of the proceeds thereof, any approval granted by the RBI for a transfer of equity shares by a non-resident of India to a resident of India will require the equity shares to be transferred at a price based on a specified formula, and a higher price per share may not be permitted. However, if equity shares are sold under the portfolio investment scheme, then the sale proceeds may be remitted through an authorised dealer without the approval of the RBI, provided that the equity shares are sold on a recognised stock exchange through a registered stock broker and a no objection/tax clearance certificate from the income-tax authority or the provision of an undertaking in the prescribed format along with a certificate from an accountant has been obtained. There can be no assurance that any required approval from the RBI or any other governmental agency can be obtained on any particular terms or at all.

A person resident outside India or a non-resident Indian may generally transfer by way of sale the equity shares held by him to any other non-resident of India or non-resident Indian, respectively, without the prior approval of the RBI or the FIPB. However, if the acquirer of the equity shares has an existing or previous venture or tie-up in India through an investment in shares or a technical collaboration, trademark agreement or investment howsoever called in the same field that the Bank is engaged in, then the acquirer is required to obtain the prior permission of the Government of India to acquire the equity shares. However, the prior permission of the Government of India would not be required even in cases where the foreign investor has a joint venture, technology transfer or trademark agreement in the industry where the foreign investor's investment in the existing joint venture is less than 3%, or where the existing joint venture is defunct or sick, or in the case of an investment to be made by venture capital funds registered with SEBI.

A non-resident of India may transfer equity shares held by him to a person resident in India by way of a gift. Any non-resident seeking to sell equity shares on one of the Stock Exchanges or to sell or transfer equity shares to a resident of India should seek advice from Indian legal advisers as to the applicable requirements. If any approval is required, we cannot guarantee that any approval will be obtained in a timely manner or at all. Because of possible delays in obtaining requisite approvals, investors in the equity shares may be prevented from realizing gains during periods of price increases or limiting losses during periods of price declines.

TAXATION

Certain Indian Tax Considerations

The following is a summary of the material Indian tax consequences of owning and disposing of equity shares purchased in the Issue and held as capital assets by holders who are not resident in India, whether of Indian origin or not (each a "Non-Resident"), and does not address the tax consequences which may be relevant to other classes of Non-Resident investors, including dealers. The discussion assumes that each such person will remain a Non-Resident when any income by way of dividends and capital gains is earned. The following summary is based on the current provisions of the Indian Income Tax Act, 1961 (the "IT Act") and rules and regulations made thereunder, and applicable to the Fiscal year ending March 31, 2008. The IT Act is amended every year by the Finance Act of the relevant year. Some or all of the tax consequences mentioned hereunder may be amended or changed by future amendments to the IT Act possibly on a retroactive basis.

Under Section 90(2) of the IT Act, the provisions of the IT Act would apply to the extent they are more beneficial than the provisions of any tax treaty between India and the country of residence of a non-resident.

This summary is not intended to constitute a complete analysis of the Indian tax consequences under Indian law of the acquisition, ownership and sale of equity shares by Non-Resident investors. Individual tax consequences of an investment in equity shares may vary for Non-Residents in various circumstances.

YOU SHOULD CONSULT YOUR OWN TAX ADVISERS CONCERNING THE INDIAN TAX IMPLICATIONS AND CONSEQUENCES OF PURCHASING, OWNING AND DISPOSING OF EQUITY SHARES UNDER THE TAX LAWS OF INDIA, THE JURISDICTION OF THEIR RESIDENCE AND ANY TAX TREATY BETWEEN INDIA AND THEIR COUNTRY OF RESIDENCE.

This summary is based on the provisions as of the date of this Placement Memorandum and may change after the date hereof.

Levy of Income Tax

In India, tax is charged on the basis of the residential status of a person (under terms of the provisions of the IT Act) on his total income in the previous year, at the rates specified in the Finance Act that is applicable to the relevant assessment year. An assessment year is a period of 12 months commencing on the first day of April every year ("Assessment Year"). Generally, the previous year means the Fiscal year immediately preceding the Assessment Year.

In general, in the case of a person who is resident in India in the previous year, his/her global income for the Assessment Year is subject to tax in India. In the case of a person who is not resident in India (i.e., a "non-resident"), only the income which is received or deemed to be received, or the income which accrues or is deemed to accrue, to such person in, or otherwise arises in, or is deemed to arise in, India is subject to tax in India. In the case of a person who is "not ordinarily resident" in India, the income chargeable to tax is the same as for persons who are resident and ordinarily resident except that the income which accrues or arises outside India is not included in his total income unless it is derived from a business controlled, or a profession organized, in India.

Residence

For purposes of the Income Tax Act, 1961, an individual is considered to be a resident of India during any financial year if he or she is in India in that year for:

- a period or periods amounting to 182 days or more; or
- 60 days or more if within the four preceding years he/she has been in India for a period or periods amounting to 365 days or more; or
- 182 days or more, in the case of a citizen of India or a person of Indian origin living abroad who visits India and within the four preceding years has been in India for a period or periods amounting to 365 days or more; or
- 182 days or more, in the case of a citizen of India who leaves India for the purposes of employment outside India in any previous year and has within the four preceding years been in India for a period or periods amounting to 365 days or more.

A company is resident in India, for a financial year, if it is formed and incorporated in accordance with the Companies Act, 1956 and has its registered office in India or the control and management of its affairs is situated wholly in India during that year. A firm or other association of persons is resident in India except where the control and management of its affairs is situated wholly outside India.

Taxation of Dividends

The Bank is liable to pay a "dividend distribution tax" currently at the rate of 15% (plus a surcharge of 10% and education cess at the rate of 3% on the dividend distribution tax and surcharge) on the total amount distributed as a dividend. Dividends are not taxable in India in the hands of the recipients. Distribution to Non-Residents of bonus shares or of rights to subscribe for equity shares are not subject to Indian tax.

Securities Transaction Tax

Pursuant to the Finance (No. 2) Act, 2004, as amended from time to time, a securities transaction tax ("STT") has been levied on taxable securities transactions, as specified below:

Taxable Securities Transaction	Rate	Payable by
Purchase of an equity share in a company or a unit of an equity oriented fund (delivery based), where: (i) the transaction of such purchase is entered into on a recognized stock exchange; and (ii) the contract for the purchase of such share or unit is settled by the actual delivery or transfer of such share or unit.	0.125%	Purchaser
Sale of an equity share in a company or a unit of an equity oriented fund (delivery based), where: (i) the transaction of such sale is entered into on a recognized stock exchange; and (ii) the contract for the sale of such share or unit is settled by the actual delivery or transfer of such share or unit.	0.125%	Seller
Sale of an equity share in a company or a unit of an equity oriented fund (non-delivery based), where: (i) the transaction of such sale is entered into on a recognized stock exchange; and (ii) the contract for the sale of such share or unit is settled otherwise than by the actual delivery or transfer of such share or unit.	0.025%	Seller
Sale of a derivative, where the transaction of such sale is entered into on a recognised stock exchange.	0.017%	Seller
Sale of a unit of an equity oriented fund to a mutual fund.	0.25%	Seller

The responsibility for collection of the STT lies with the stock exchange where the purchase of securities takes place.

Taxation of Capital Gains

Subject to any relief under any relevant double taxation treaty, a gain arising from the sale of an equity share will generally give rise to a liability for Indian income tax in the hands of the transferor. Equity shares held by a Non-Resident for a period of more than 12 months shall be treated as long-term capital assets. If the equity shares are held for a period of less than 12 months, the capital gain arising on the sale thereof is to be treated as short-term capital gain.

The amount of gain on the disposition of an equity share must be computed by converting the cost of acquisition and full value of the consideration received as a result of such disposition into the same foreign currency as was initially utilised for acquisition, and the capital gains so computed in foreign currency shall be reconverted into Rupees.

Generally, Double Taxation Avoidance Treaties ("DTATs") between India and other countries, including the U.S., the U.K. and Singapore, do not limit India's ability to impose tax on capital gains. However, capital gains on the sale of equity shares purchased by residents of certain other countries may not be taxable in India by virtue of the provisions contained in the DTATs between India and such countries.

Long-Term Capital Gains

With effect from October 1, 2004, any gain realised by a Non-Resident from the sale of listed equity shares that have been held for more than 12 months ("long-term capital gain") will not be subject to Indian capital gains tax if the sale is on a recognized stock exchange and STT has been paid on the transaction. Any gain realised on the sale of equity shares held for more than 12 months, where the sale is made otherwise than on a stock exchange and as a result no STT is paid, will be subject to Indian capital gains tax at the rate of 10% plus a surcharge of 2.5% in the case of a non-resident company and 10% in the case of a non-resident individual where income exceeds Rs. 10 million, and education cess at the rate of 3.0% of the tax and surcharge, if applicable, is levied on both non-resident companies & non-resident individuals.

Short-Term Capital Gains

Non-Residents Generally: Capital gain realised in respect of equity shares held for 12 months or less (short-term gain), if the sale is made on a recognized stock exchange and on which STT is paid in the manner and rates set out above, is subject to tax at the rate of 10% plus an applicable surcharge and an education cess on the tax and surcharge. In the event that the sale is made otherwise than on a stock exchange and as a result no STT is paid, short-term gain is subject to tax at variable rates with the maximum rate being 40% plus an applicable surcharge and an education cess on the tax and surcharge. The actual rate of tax on short-term gains depends on a number of factors, including the legal status of the Non-Resident and the type of income chargeable in India. The provisions of the Agreement for Avoidance of Double Taxation entered into by the Government of India with the country of residence of the Non-Resident investor will be applicable to the extent they are more beneficial to the Non-Resident investor.

Foreign Institutional Investors: If equity shares held by FIIs are held by way of an investment, the gains, whether short term or long term, realized on the disposition of such equity shares will be computed as above, except that short term capital gain on sale of shares otherwise than on a stock exchange as a result of which no STT is paid will be subject to tax at the rate of 30% plus applicable surcharge and education cess.

However, where the equity shares form a part of the FII's stock-in-trade, any income realized in the disposition of such equity shares will be treated as business profits, taxable in accordance with the DTATs between India and the country of residence of the FII. The nature of the equity shares held by the FII is usually determined on the basis of a number of factors including, the substantial nature of the transactions, the manner of maintaining books of account, the magnitude of purchases and sales and the ratio between purchases and sales and the holding.

If the income realized in the disposition of equity shares is characterized as business income, it would be chargeable to tax in case the FII has a Permanent Establishment ("PE") in India in accordance with the DTATs between India and the country of residence of the FII, or if the FII has a business connection in India as per the IT Act and in case there is no DTAT between India and the country of residence of the FII. In case the income realized in the disposition of equity shares is chargeable to tax in India as business income, FIIs could claim rebate from tax payable on such income with respect to STT paid on purchase/sale of equity shares. Business profits are subject to tax at variable rates with the maximum rate being 40% plus an applicable surcharge and education cess. The actual rate of tax on business profits depends on a number of factors, including the legal status of the Non-Resident and the quantum of total income.

FIIs should consult their own tax advisers as to the tax consequences of such purchase, ownership and disposition under the tax laws of India, the jurisdictions of their residence and any tax treaty between India and their country of residence.

Non-Resident Indians: The capital gains regime applicable to Non-Residents generally is also applicable to non-resident Indians.

Rights

Distributions to non-resident investors of equity shares or rights to subscribe for equity shares are not subject to Indian tax in the hands of the non-resident investors.

It is unclear whether capital gains derived from the sale of rights outside India by a non-resident investor to another non-resident investor that is not entitled to exemption under a tax treaty would be subject to Indian capital gains tax. If the rights are deemed by the Indian tax authorities to be situated within India, as the Bank's situs is in India, then the capital gains realized on the sale of rights would be subject to customary Indian capital gains taxation as discussed above.

Tax Deduction at Source

Generally, tax, surcharge and education cess on a capital gain are withheld at the source by the purchaser/ person paying for the equity shares in accordance with the relevant provisions of the Income Tax Act, except capital gains incurred by FIIs.

Capital Loss

In general terms, loss arising from a transfer of a capital asset in India can only be set off against capital gain. Since long-term capital gains on the sale of listed equity shares in respect of which STT has been paid are not liable to capital gain tax, it is doubtful whether any long-term capital loss arising on account of such sale would be allowed to be set off. A long term capital loss on sale of listed securities in respect of which STT has not been paid can be set off only against long term capital gain. A short-term capital loss can be set off against capital gain whether short-term or long-term. To the extent that the loss is not absorbed in the year of transfer, it may be carried forward for a period of eight assessment years immediately succeeding the assessment year for which the loss was first determined by the tax authority and may be set off against the capital gains assessable for such subsequent assessment years. In order to set off a capital loss as above, the Non-Resident investor would be required to file appropriate and timely returns in India and undergo the usual assessment procedure.

DESCRIPTION OF EQUITY SHARES

Set forth below are some of the relevant provisions with respect to the Equity Shares Bank as provided in the Articles of Association.

CAPITAL

Capital

Article 4 provides that the Authorized Share Capital of the Bank is Rs. 450,00,00,000 (Rupees Four Hundred and Fifty Crore only) divided into 35,00,00,000 (Thirty Five Crore) Equity Shares of Rs. 10 each and 10,00,00,000 (Ten Crore) Preference Share of Rs. 10/- each with power to increase, reduce or modify the said capital form time to time in accordance with the Regulations and the legislative provisions applicable to the Bank for the time being in force in this behalf and fix the terms and conditions for issue of Equity Shares.

Membership

Article 5 provides that any person competent to contract, or guardian or manager of property of a person under disability, or any duly incorporated company or institution by its trustees are eligible to become members of the Bank provided however that no person can claim admission as a matter of right. It is entirely left to the discretion of the Board of Directors to admit or not, any person as a member of the Bank.

Application for Shares

Article 6 provides that applications for shares shall be made in the form prescribed by the Bank along with the application/allotment money as per the terms of the issue or allotment. The Bank may call upon to pay the amount towards both face value as well as premium if the terms of issue include such premium, if any. Should the application be rejected, the amount so deposited less refund expenses, if any, shall be returned to the applicant without interest.

Board to consider application for allotment

Article 7 provides that every application for shares shall be placed before the Board, who can allot the full number of shares applied for, or less, or reject the same without assigning any reason. If less number of shares than applied for are alloted, the share fee and the share amount deposited on shares, not allotted may be adjusted towards the amount due on allotment.

Issue and Allotment of Shares

Article 8 provides that the shares shall be under the control of the Board who at their discretion may issue, allot the shares either at par or at premium to such persons for such valuable consideration including consideration other than Cash and on such terms as they may determine.

Distinctive Nos for Shares

Article 8A provides that the Share in the Capital shall be numbered progressively according to their denomination provided however, that the provisions relating to progressive numbering shall not apply to the shares of the Bank which are dematerialised or may be dematerialised in future or issued in future in dematerialised form.

Bank to dematerialise its shares

Article 8B provides that the Bank shall be entitled to dematerialise its existing shares, rematerialise its shares held in the Depositories and / or to offer further shares, and or other securities in a dematerialised form pursuant to the Depositories Act, 1996 and the rules framed thereunder.

Register and Index of Members

Article 8C provides that the Bank shall cause to be kept a Register and Index of Members in accordance with the Companies Act, 1956 and the Depositories Act, 1996 with the details of shares kept in physical and/or dematerialised form in any medium as may be prescribed by the law including any form of electronic media.

Attainment of Status of Shareholders

Article 9 provides that every person to whom a share is allotted shall be deemed a shareholder.

Issue of Share Certificates

Article 10 provides that the Bank shall deliver the share certificates within 3 months after the allotment of any of its shares or within the time that may be specified by the concerned authorities from time to time. Every shareholder shall be entitled to the share certificates in the marketable units or the total number of shares if the number of shares allotted is less than the Marketable unit. Such marketable units may be determined from time to time in consultation with the Stock Exchanges where the shares are listed or in accordance with the laws, rules and regulations prevailing as amended from time to time. Bank shall not charge any amount for issuing such additional share certificates.

Delivery of Certificates to Joint Holders

Article 10A provides that in respect of share(s) registered in the joint names of two or more persons, the Company shall deliver Share Certificate(s) only to the person who is the first named joint holder on the register and such delivery shall be sufficient delivery to all.

Replacement of Certificates

Article 11 provides that (a) If a share certificate is old, decrepit or worn out or if the cages therein for recording transfers have been fully utilised, the Bank will issue a new certificate in replacement of such certificate without any charge. (b)If a share certificate is torn, defaced or destroyed, the Bank will issue a new certificate(s) in its place without any charges provided that in each case, the old share certificate, unless it is lost or destroyed, shall be delivered to the Bank before the new share certificate is issued.

Endorsement of Transfer on Certificates

Article 12 provides that every endorsement upon the Certificate of any share, in favour of any transferee thereof shall be signed by the Chairman or the Secretary or any other person duly authorised by the Board.

Splitting up of Certificates

Article 13 provides that the Board/Committee/Authorised Official may split/consolidate the existing shares on production of the original share certificates into marketable units or into such denomination of shares as the Board or the authorised official deems fit and reasonable.

Purchase of Bank's own shares

Article 16 provides that no part of the funds of the Bank shall be employed in the purchase of the Bank's shares except to the extent and for purposes, the shares could be bought back, as may be permitted under the Companies Act, 1956 as amended from time to time.

CALLS

Power to make Calls

Article 17 provides that the Board may from time to time make calls upon the members in respect of any moneys unpaid on their shares including the premium if any, as per the terms of issue and each member shall pay to the Bank, the amount called on his shares within the time limit as may be specified by the Board. A call money may be made payable by instalments or in lumpsum as the Board may deem fit.

Effective time of the call

Article 18 provides that a call shall be deemed to have been made at the time when the resolution of the Board authorizing such call was passed and notice thereof duly given.

Notice of Calls

Article 18A provides that not less than 14 days' notice of every call shall be given specifying the time and place of payment of such call and the Board of Directors may by notice in writing to the members revoke or postpone the same.

Extension of time for payment of calls

Article 19 provides that the Board may from time to time at their discretion extend the time fixed for payment of any call, to all or any of the shareholders.

Calls to carry interest

Article 20 provides that all overdue amounts in respect of any calls shall carry interest at the rate as may be decided by the Board at the time of making calls on the shares, but not exceeding the rate of interest permissible as per the provisions of The Companies Act, 1956 as amended from time to time.

Payment of calls in advance

Article 21 provides that the Board may if it thinks fit receive from any of the shareholders, willing to pay in advance all or any part of the moneys, uncalled and unpaid, upon any share held by him, and upon all or any of the moneys so paid in advance, may, until the call or calls in respect of which the advance is made, may not pay or pay interest at such rate, as may be agreed by the Board as is permissible under the provisions of The Companies Act, 1956 as amended from time to time. Money so paid in excess of the calls shall not rank for dividend and also for voting rights.

Partial payment not to preclude forfeiture

Article 22 provides that neither the receipt by the Bank of portion of any money, which shall be due form any shareholder to the Bank in respect of his shares, either as principal or as interest, nor any indulgence granted by the Bank in respect of the payment of any such money, shall preclude the Bank from thereafter proceeding to enforce a forfeiture of such shares.

Rights of Shareholder when exercisable

Article 23 provides that no person shall be entitled to exercise or claim any rights or privileges of a shareholder, until he shall have paid all calls and other moneys for the time being due on each share held by him, and in respect of which he is a defaulter.

Trust not ordinarily recognized and Notice of Beneficial Interest

Article 24 provides that no person shall be recognized by the Bank as holding any share upon any trust and the Bank shall not be bound by, or be compelled in any way to recognize (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any interest in any fractional part of a share or any other rights in respect of any share except an absolute right to the entirety thereof of the registered holder.

Without prejudice to the foregoing, the Bank may at its sole discretion take notice of the beneficial interest in shares as provided in Section 187C of The Companies Act, 1956 or any other applicable provisions, if any, as amended from time to time.

LIEN

Lien on Shares and dividends

Article 25 provides that the Bank shall not be entitled to any lien on its fully paid up shares. In respect of partly paid up shares the Bank shall be entitled to a first and paramount lien only to the extent of moneys called or payable at a fixed time in respect of such shares. Such lien shall extend to all dividends from time to time declared in respect of such shares. Unless otherwise agreed to, registration of a transfer shall operate as a waiver of the Bank's lien (if any) on such shares.

Enforcing Lien by sale

Article 26 provides that the Bank shall be entitled to give effect to such lien by sale, or forfeiture and reissue of the shares subject thereto, or by retaining all dividends and profits in respect thereof, or by any combination of the said means, but no sale or forfeiture shall be made until such period as aforesaid shall have arrived and until notice in writing of the intention to sell or forfeit shall have been issued to the registered address of such member his executors or administrators, and default shall have been made by him or them in payment, fulfillment, or discharge of such debts, liabilities or engagements for seven days after issue of such notice.

Purchaser's name to be entered in the register

Article 27 provides that upon any sale after forfeiture, or for enforcing a lien, in purported exercise of the powers hereinbefore given, the Bank may cause the purchaser's name to be entered in the register in respect of the share sold, and the purchaser shall not be bound to see to the regularity of the proceedings, or to the application of the purchase money, and after his name has been entered in the register in respect of such shares the validity of the sale shall not be impeached by any person.

Appropriation of deposits and dividends towards Banks dues

Article 28 provides that the Board shall at its liberty, at any time to appropriate the whole or any portion of the amount of deposits or dividends or any other money due by the Bank, towards the calls, debts, liabilities or engagements of the indebted shareholder or depositor, without any consent, and notwithstanding any opposition on his part, when after such debt shall have accured due, a notice requiring payment within 14 days has been given and not complied with.

FORFEITURE OF EQUITY SHARES

Notice to Shareholder if call not paid

Article 29 provides that if any shareholder fails to pay any call or instalment made on a share on or before the day appointed for the payment thereof the Board may at any time thereafter during such time as any part of such call or instalments remains unpaid, serve a notice on him, or post the notice to the registered address of such member, requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and all expenses that have been incurred by the Bank thereon.

Form and contents of notice

Article 30 provides that the notice shall name a further day (not earlier than the expiration of 14 days from the date of notice) and a place on and at which the money due, as aforesaid is to be paid, and the notice shall also state that in the event of non-payment of such money at the time and place appointed the shares in respect of which the same is owning will be liable to be forfeited.

Power to forfeit

Article 31 provides that if the requisitions of any such notice as aforesaid are not complied with, every share, in respect of which is given, may at any time thereafter be declared forfeited by a resolution of the Board to that effect.

Notice of forfeiture

Article 32 provides that when any share is declared to be so forfeited notice of forfeiture shall be given to the holder of such share, either by advertisement in one or more newspapers published in the Mysore State, or in writing sent to the registered address of the holder of such share through the post or by messenger.

Forfeited Shares become the property of the Bank

Article 33 provides that any share so forfeited shall be deemed to be the property of the Bank, and the Board may reallot or otherwise dispose off the same in such manner as they think fit.

Cancellation of Share Certificate in respect of forfeited shares

Article 33A provides that upon any sale, re-issue, re-allotment or other disposal pursuant to the preceeding Articles relating to forfeiture of shares the certificate or certificates originally issued in respect of the relevant shares shall (unless the same shall on demand by the Company have been previously surrender to it by the defaulting member) stand cancelled and become null and void and of no effect, and the Board of Directors shall be entitled to issue fresh certificate or certificates in respect of the said shares to the person or persons becoming entitled thereto.

Liability of the Shareholder not withstanding forfeiture

Article 34 provides that a shareholder whose shares have been forfeited shall, notwithstanding forfeiture, remain liable to pay and shall forthwith pay to the Bank all calls, instalments, interest and expenses owing upon or in respect of such shares at the time of forfeiture together with interest thereon from the time of forfeiture until payment at the rate as may be determined by the Board and the Board may enforce the payment thereto if they think fit.

Effect of forfeiture

Article 35 provides that a shareholder whose shares have been forfeited shall cease to be a member of the Bank in respect of the forfeited shares and shall lose all interest in and also of all claims and demands against the Bank in respect of the shares and all dividends and bonuses due and payable in respect thereof and also all other rights incidental to the shares.

Certificate of forfeiture

Article 36 provides that a certificate in writing under hands of two Directors and countersigned by the Chairman or by the Secretary that a share of the Bank has been duly forfeited on the date stated therein, shall be conclusive evidence of the facts therein, stated as against all persons claiming to be entitled to the share. That certificate and the receipt of money for the price of such share shall constitute a good title to the share and the person to whom the share is sold or disposed of shall be registered as the holder of the share discharged from all the calls due prior to such purchase, and he shall not be bound to see to the application of the purchase money nor shall his title to the same be affected by any irregularity of invalidity in the proceedings in reference to the forfeiture, sale or disposal of the share.

Power to annul forfeiture

Article 37 provides that the Board at any time before any share so forfeited have been realloted or otherwise disposed off annul the forfeiture thereof upon such conditions as they think fit.

TRANSFER AND TRANSMISSION OF SHARES

Application for Transfer of shares

Article 38 provides that an application for the registration of transfer of shares in the Bank may be made by the Transferor or Transferee.

Execution of Transfer

Article 39 a) provides that the instrument of transfer of any shares of the Bank shall be executed both by the transferor and transferee. However, in case the shares along with the transfer deeds executed by different transferors are lodged by a single transferee one or more transfer deeds (popularly known as Jumbo transfer deeds), the same shall be considered as proper lodgement of instruments of transfer as is permissable under the provisions of different Legislative provisions as amended from time to time.

Form of Transfer

Article 39 b) provides that the Instrument of transfer of any share be in writing in such form as may be prescribed by rules made by the Central Government from time to time.

Transfer of shares among the beneficial owners

Article 39 c) provides that nothing contained in clauses (a) and (b) above shall apply to transfer of shares effected by the transferor and the tranferee, both of whom are approved as beneficial owners in the records of a Depository.

Transfer to minor etc.

Article 39 d) provides that the Board of Directors may at their absolute discretion approve a minor, becoming a Member of the Company on such terms as the Board of Directors may stipulate.

Board may decline to register a transfer

Article 40 a) provides that the Board may decline to register any transfer of shares voluntary or otherwise without assigning any reason therefor provided that they will not decline to register or acknowledge any transfer of shares on the ground of the transferor being either alone or jointly with any person or persons, indebted to the Bank on any account whatsoever.

Transfer of not fully paid shares/ shares under lien

Article 40 b) provides that the Board may also decline to register any transfer of shares not being a fully paid share to a person whom they do not approve of, and also may decline to register any transfer of shares on which the Bank has a lien.

Transfer beyond the limits prescribed

Article 40 c) provides that without prejudice to the foregoing provisions and without limiting in any manner the generality of the above provisions the Board of Directors of the Company may at their absolute discretion, refuse to register the transfer of any shares or other securities of the company being shares or securities issued by the company, in favour of any transferee whether individual, firm, group, constituent of a group , body corporate or bodies corporate under the same management or otherwise and whether in his or its own name or in the name of any other person if the paid up value of the shares or other securities intended to be so transferred, by itself or together with the paid up value of any shares or other securities already held in the Company by such individual, firm, group, constituent of a group body corporate or bodies corporate under the same management or otherwise shall exceed 1% of the paid up Equity Share Capital of the Company or such other percentage as may be prescribed or if the Board of Directors is satisfied that as a result of the proposed transfer of any shares or securities or block of shares or securities of the Company, a change in the composition of the Board of Directors or a change in the controlling interest of the Company is likely to take place and that such change would be prejudicial to its interest or to the public interest. For the purpose of this Article, the Board of Directors shall be entitled inter alia, to rely upon this Article to form its own opinion as to whether such registration of transfer of any of its shares or other securities equivalent to or exceeding 1% of the Paid up Equity Share Capital of the Company or such percentage as may be prescribed should be refused or not.

Exemption to sub clause (c)

Article 40 d) provides that notwithstanding anything to the contrary, the Board may at its discretion waive the applicability of the restrictive provisions contained in the preceding sub clause (c) in respect of transfer of shares or other securities in favour of; i) Public Financial Institutions within the meaning of Section 4A of the Companies Act, 1956; ii)Public Sector Banks; iii) Multilateral Agencies, Foreign Banks and Lending Institutions; Public Sector Mutual Funds being Mutual Funds sponsored, promoted or managed by a Public Financial Institution or a Public Sector Bank.

Article 40 e) provides that no person or group of persons shall acquire any shares of the Bank which would take his/her/its holding to a level of 5% or more (or such percentage as may be prescribed by the Reserve Bank of India from time to time) of the total paid up capital of the Bank, unless prior approval of the Reserve Bank of India has been obtained in this regard by such person or group of persons.

Refusal of transfer to be intimated

Article 41 i) provides that if the transfer is refused, the Bank should intimate the applicant of the refusal to transfer within 2 months from the date, the application, is delivered at the Registered Office of the Bank.

Period of Delivery of share certificates

Article 41 ii) provides that the share certificates shall be delivered within two months or within such time as may be permitted under the provisions of The Companies Act, 1956 as amended from time to time, from the date of delivery of application for transfer, if transfer is allowed.

Transfer not binding without Boards approval

Article 42 provides that transfer of shares, voluntary or otherwise, transmission of shares, split, consolidation, issue of duplicate share certificate or any sort of issuing share certificates shall be recognised as binding on the Bank if it is approved by the Board, the Committee of the Board, any official, any outside Agency or persons as may be authorised by the Board/Committee from time to time.

Application to be accompanied by Share Transfer Fee, etc.,

Article 43 provides that the Board may decline to recognise any instrument of transfer unless; a) the instrument of transfer is accompanied by the certificate of the shares to which it relates, and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer; b) the instrument of transfer is duly stamped. The Bank shall not charge any fee in respect of transfer or transmission of any shares lodged with the Bank for registration.

Acceptance of application for transfer of minimum 50 shares

Article 43A provides that the Directors shall not accept application for transfer of less than 50(fifty) shares of the Bank provided, however, that his restriction shall not apply to:

a) The transfer of shares made in pursuance of a statutory provision or an order of a Court of Law or in case of transmission of shares. b) The transfer of the entire shares by an existing shareholder of the Bank holding less than 50 (fifty) shares by a single transfer to a single or joint name(s). c) The transfer of more than 50 (fifty) shares in the aggregate in favour of the same transferee under two or more transfer deeds out of which one or more relate/s to the transfer of less than 50 (fifty) shares.

Production of Share Certificate for Transfer

Article 44 provides that prior to the registration of a transfer the transferee shall produce for the inspection of the Board, the certificate of the share to be transferred and on such production the transfer shall be endorsed on the certificate and returned to the transferee.

Production of evidence of title

Article 45 provides that the instrument of transfer shall be present to the Bank with such evidence as the Board may require to prove the title of the transferee and generally under and subject to such conditions and regulations as the Board shall from time to time prescribe. All the instruments of transfers which the Board/Committee. Authorised officials may decline to register shall on demand be returned to the persons depositing the same. The Board/ Committee/ Authorised officials may cause to be destroyed all transfer deeds lying wth the Company after such period as may be prescribed.

Closing of Register of Members

Article 46 provides that the Bank may, after giving not less than seven days previous notice by advertisement in some newspapers circulating in the District in which the Registered Office of the Bank is situate, close the register of members for any period or periods not exceeding in the aggregate forty-five days in each year, but not exceeding thirty days at any one time.

Recognition of a Legal Representative of deceased shareholder

Article 47 provides that 1) On the death of a member, the survivor or survivors where the member was joint holder, and his legal representatives where he was the sole holder, shall be the only person recognised by the Bank as having title to his interest in the shares, provided that it shall be lawful for the Directors in their absolute discretion to dispense with the production of probate or letters of administration or other legal representation upon such terms as to indemnity or otherwise as the Directors may deem fit. 2) Nothing in clause (1) shall release the estate of deceased joint holder from any liability in respect of any share which had been jointly held by him with other persons.

Nomination

Article 47A provides that (1) Notwithstanding any thing contained in other articles of the Articles of Association, every single shareholder of the Bank may, at any time, nominate in the prescribed manner, a person to whom his shares in the Bank shall vest in the event of his death. (2) Where the shares in the Bank are held by more than one person jointly, the joint holders may together nominate, in the prescribed manner, a person to whom all the rights in the shares of the Bank shall vest in the event of death of all the joint holders. (3) Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise, in respect of such shares in the Bank, where a nomination made in the prescribed manner purports to confer on any person the right to vest the shares in the Bank, the nominee shall, on the death of the shareholder, or on the death of the joint holders, become entitled to all the rights in the shares of the Bank, all the joint holders, in relation to such, as the case may be, shares in the Bank, to the exclusion of all other persons, unless the nomination is varied, cancelled in the prescribed manner. (4) Where the nominee is a minor, it shall be lawful, for the holder of the shares to make the nomination to appoint in the prescribed manner, any person to become entitled to share(s) of the Bank in the event of his death during the minority.

Article 47B provides that (i) A nominee, upon production of such evidence, as may be required by the Board and subject as hereinafter provided, elect, either (a) to be registered himself as holder of the share or: (b) to make such transfer of the share as the deceased shareholder could have made; (ii) If the nominee elects to be registered as holder of the share(s), himself, he shall deliver or send to the Bank, a notice in writing signed by him stating that he so elects and such notice shall be accompanied with the death certificate of the deceased shareholder; iii) a nominee shall be entitled to the same dividends and other advantages to which he would be entitled to, if he were registered holder of the share(s), except that he shall not, before being registered as a member in respect of his share(s), be entitled in respect of any right conferred by membership in relation to meetings of the Bank. Provided that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or transfer the share, and if the notice is not complied within ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable or rights accruing in respect of shares, until the requirements of the notice have been complied with.

The Bank not liable for disregarding any notice prohibiting transfer

Article 48 provides that the Bank shall not be liable for affecting a transfer of a share in favour of any apparent legal owner notwithstanding that the Bank may have had notice prohibiting such transfer by any person claiming any right, title or interest in the same.

Registration in case of Transfer by operation of law

Article 49 provides that any person becoming entitled to shares in consequence of the death or insolvency of any member, upon producing proper evidence that he sustains the character in respect of which he proposes to act under this clause or of his title, as the Directors think sufficient, may, with the consent of the Directors, which they shall not be under any obligations to give, be registered as a member in respect of such shares, or may subject to the regulations as to transfer hereinbefore contained, transfer such shares.

The Board's Right to decline registration of transfer even by transmission

Article 50 provides that the Directors shall have the same right to refuse to register a person entitled by transmission to any shares or his nominee, as if he were the transferee named in an ordinary transfer presented for registration. If the Directors refuse to register any such transmission or right, they shall give notice of such refusal to the person giving intimation of such transmission.

ALTERATION OF CAPITAL

Increase of Capital

Article 51 provides that the Bank may, from time to time, by ordinary resolution, increase the share capital by the creation of further shares of such amount as may be deemed expedient.

Rights of Holder of Shares

Article 53 provides that any capital so raised shall, except so far as is otherwise, directed by any such resolution as aforesaid, be considered as part of the original capital and shall be subject to the same provisions with reference to the payment of call, instalment, lien, transfer and transmission, forfeiture, voting and otherwise.

Allotment of further shares

Article 54 provides that notwithstanding anything to the contrary contained in the other Articles of this Articles of Association, further shares may be offered and alloted at the discretion of the Board either to the existing shareholders or to others subject to the provisions of Sections 81(1) and 81(1 A) and other applicable provisions, if any, of the Companies Act, 1956 and rules and regulations as may be applicable and amended from time to time.

Consolidation/ sub division/Cancellation of Shares

Article 55 provides that the Bank may, by ordinary resolution, (a) Consolidate and divide all or any of its share capital into shares of larger amount than its existing shares; (b) Sub-divide its existing shares, or any of them into shares of smaller amount than is fixed by the memorandum subject to the provisions of the Companies Act, 1956; (c) Cancel any share which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person.

Reduction of Share Capital

Article 56 provides that subject to confirmation by the Court, and following the procedure that may be laid in the provisions of The Companies Act, 1956, the Bank may, by Special Resolution, reduce its share capital in any way; and in particular and without prejudice to the generality of the foregoing power, may- a) extinguish or reduce the liability on any of its shares in respect of share capital not paid up; b) either with or without extinguishing or reducing liability on any of its shares, cancel any paid up share capital which is lost, or is unrepresented by available assets; or c) either with or without extinguishing or reducing liability on any of its shares, pay off any paid up share capital which is in excess of the wants of the Bank.

GENERAL MEETINGS

CONVENING OF MEETINGS

Annual General Meetings

Article 57 provides that a) The Directors shall in addition to any other meetings hold a General Meeting which shall be styled as Annual General Meeting at the intervals, and in accordance with the provisions, specified below; i) Annual General Meeting shall be held by Bank within such time as may be permitted under the Companies Act, 1956 and/or Banking Regulation Act, 1949 for the time being in force as may be amended from time to time. ii) Not more than fifteen months shall elapse between the date of one Annual General Meeting and that of the next. iii) Every Annual General Meeting shall be called for a time during business hours, on a day that is not a public holiday, and shall be held either at the Registered Office of the Bank or at some other place, within the City, town or village in which the Registered Office of the Bank is situate.

Extraordinary General Meetings

Article 57 b) provides that all General Meetings other than Annual General Meetings shall be called Extraordinary General Meetings.

Who may call for Extraordinary General Meetings

Article 58 provides that the Directors, may whenever they think fit, convene an Extraordinary General Meeting and they shall, on the requisition of members of the Bank representing not less than one-tenth of such of the paid-up capital of the Bank as at the date of deposit of the requisition carried the right of voting in that matter forthwith proceed duly to call an Extraordinary General Meeting and in the case of such requisition the following provisions shall have effect: i) The requisition shall set out the matters for the consideration of which the meeting is called and shall be signed by the requisitionists and deposited at the Registered Office, and may consist of several documents in like form each signed by one or more of the requisitionists. ii) If the Directors do not, within twenty one days from date of deposit of a valid requisition proceed duly to convene a meeting on a day not later than 45 days from the date of the requisition the meeting may be called by the requisitionists themselves or such of the requisitionists as represent either a majority in value of the paid-up share capital held by or not less than one-tenth of such of the paid-up share capital of the Bank as at that date carries the right of voting, whichever is less, but any meeting so convened shall not be held after three months from the date of deposit of the requisition. iii) In the case of a meeting at which a resolution is to be proposed as a Special Resolution, the Directors shall be deemed not to have duly convened the meeting if they do not give such notice as is required by sub-section (2) of Section 189 of the Companies Act, 1956, or any statutory modifications thereof. iv)Any meeting convened under this clause by the requisionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Directors.

Circulation of Members Resolutions

Article 59 provides that the Directors shall, on the requisition in writing of members representing not less than one-twentieth of the total voting power of all the members having at the date of the requisition a right to vote on the resolution or business to which the requisition related or not less than 100 members having the right aforesaid and holds shares on which there has been paid up an aggregate sum of not less than one lakh of rupees in all, give to members of the Bank entitled to receive notice of the next Annual General Meeting, notice of any resolution which may properly be moved and is intended to be moved at that meeting along with any statement supplied by the requistionists in accordance with the provisions of Section 188 of the Companies Act, 1956, or any statutory modifications thereof.

Period of notice and persons to whom is to be given

Article 60 provides that a) A General Meeting of the Bank may be called by giving not less than twenty-one days notice in writing or after giving such shorter notice as provided for in section 171(2) of the Companies Act, 1956, or any notice statutory modifications thereof. b) Notice of every meeting of the Bank shall be given: i) To every member of the Bank, ii) To the person entitled to a share in consequence of the death or insolvency of a member, and iii) To the Auditor or Auditors for the time being of the Bank in the manner provided for in section 172 of the said Act or any statutory modifications thereof.

Effect of accidental omission to give notice

Article 61 provides that the accidental omission to give notice of any meeting to, or the non-receipt of any such notice by any member or other person to whom it should be given shall not invalidate the proceedings at the meeting.

PROCEEDINGS AT GENERAL MEETINGS

Ordinary and special business in Annual General Meetings

Article 62 provides that the business of an Annual General Meeting shall be the consideration of the accounts, balance sheet and reports of the Board of Directors and Auditors, the declaration of dividend, the appointment of Directors in the place of those retiring and the appointment of and the fixing of the remuneration of the Auditors. All other business transacted at an Annual General Meeting and all business transacted at any other meeting will be deemed special.

Quorum for General Meetings

Article 63 provides that 1) The quorum for a general meeting shall be five members personally present. 2) No business shall be transacted at any General Meeting unless the quorum requisite shall be present at the commencement of the business.

Procedure if there is no quorum

Article 64 provides that 1) If within half an hour from the time appointed for holding ameeting of the Bank, the quorum is not present the meeting if convened upon requistion of members, shall stand dissolved. 2) In any other case the meeting shall stand adjourned to the same day in the next week, at the same time and place or if that day is public holiday, till the next succeeding day which is not a public holiday at the same time and place or such other day, and at such other time and place as the Board may determine. 3) If at the adjourned meeting a quorum is not present within half an hour from the time appointed for holding the meeting, any two members who are personally present shall be quorum and may transact business for which the meeting was called.

Chairman of General Meetings

Article 65 provides that the Chairman of the Board shall, if present and willing, preside as Chairman at every general meeting of the Bank. If there is no Chairman, or if he is unwilling to take the Chair, or if at any meeting he is not present within 30 minutes after the time appointed for holding the meeting, the members present shall choose one of the Directors present to be the Chairman. If only one Director be present he shall be the Chairman of the meeting, but if he also declines the members present shall elect any shareholder as Chairman.

Adjournment of Meetings by Chairman and business thereat

Article 66 provides that the Chairman of a General Meeting, may adjourn the meeting from time to time and from place to place but no business shall be transacted at an adjourned meeting other than the business left unfinished at the meeting from which the adjourned meeting took place.

Resolutions how decided

Article 67 provides that 1) At any General Meeting, a resolution put to vote of the meeting shall, unless a poll is demanded, be decided on a show of hands. 2) The Chairman shall, both on a show of hands and at poll, if any, have a second or casting vote in addition to his own.

Declaration of Chairman as to resolution being carried or lost, effect of

Article 68.A provides that a declaration by the Chairman of any meeting that on a show of hands _ a resolution has or has not been carried, or has not been carried either, unanimously or by a particular majority, and an entry to that effect in the books containing the minutes of the proceedings of the Bank, shall be conclusive evidence of the fact, without proof of the number of proportion of the votes cast in favour of or against such resolution.

Chairman to be the judge of validity of any vote

Article 68A provides that the Chairman of any meeting shall be the sole judge of the validity of every vote tendered either on a show of hands or on a poll at such meeting.

Demand for Poll

Article 69 provides that 1) At any General meeting before or on the declaration of the result of the voting on any resolution on a show of hands a poll may be ordered to be taken by the Chairman of the meeting on his own motion and shall be ordered to be taken by him on a demand made in that behalf by any member or members present in person or by proxy and holding shares in the company. i) Which confer a power to vote on the resolution not being less than one tenth of the total voting power in respect of the resolution, or ii) On which an aggregate sum of not less than fifty thousand rupees has been paid-up, or iii) By such number of members or members carrying such percentage of voting rights or such members having such amount of paid up capital as may be stipulated under the provisions of the Companies Act, 1956 from time to time. 2) The demand for poll may be withdrawn at any time by the person or persons who made the demand.

Results by Poll

Article 70 provides that if a poll is demanded as aforesaid it shall be taken in such manner and at such time not being later than forty-eight hours from the time when the demand was made, as the Chairman of the meeting directs and the result of the poll shall be deemed to be the decision of the meeting on the resolution on which the poll was taken. In case of any dispute as to the admission or rejection of a vote, the Chairman shall determine the same, and such determination made in good faith shall be final and conclusive.

Poll regarding election of Chairman

Article 71 provides that any poll demanded on the election of Chairman of a meeting or on any question of adjournment shall be taken forthwith. If a poll is demanded on the election of Chairman, the Chairman elected on a show of hands shall exercise all the powers of Chairman.

If some other person is elected Chairman as a result of the poll, he shall be the Chairman for the rest of the meeting.

Other business to be transacted pending the taking of Poll

Article 72 provides that the demand of a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which a poll has been demanded.

Scrutineers at Poll

Article 73 provides that where a poll is to be taken, the Chairman of the meeting shall appoint two scrutineers to scrutinise the votes given on the poll and to report thereon to him. The Chairman shall have power, at any time before the result of the poll is declared, to remove a scrutineer from office and to fill vacancies in the office of scrutineers arising from such removal or from any other cause. Of the two scrutineers appointed under this Article one shall always be a member (not being an officer or employee of the Bank) present at the meeting, provided such a member is available and willing to be appointed.

Chairman to regulate manner of taking Poll

Article 74 provides that the Chairman of the meeting shall have power to regulate the manner in which poll shall be taken.

Extent of Voting Right of Shareholders

Article 75 provides that on a show of hands every member present in person shall have one vote and on a poll every member shall have voting rights in proportion to his share of paid up capital (face value) of the Bank provided that no shareholder shall have more than 10 percent or such percentage, as may be permitted under the prevailing laws as may be amended from time to time, of total voting rights of all the shareholders of the Bank, irrespective of the number of shares held by him. But no shareholder shall exercise any voting rights in respect of any shares registered in his name on which calls or other sums presently payable by him have not been paid or in regard to which the Bank has, and has exercised, any right of lien.

Non-voting rights

Article 75A provides that notwithstanding anything contained in any other Article, but subject to the provisions of the Companies Act, 1956 or any statutory modification or re-enactment thereof, the Board may, from time to time and at any time, issue to any person(s), as it may deem proper, shares, whether equity, preference or any other class, or any other Financial Instruments or securities, by whatever name called, with non-voting rights and the Shares/Instruments/Securities so issued may carry rights as to Dividend, Capital or otherwise which may be disproportionate to the rights attached to the other shares or securities of the Bank.

Right of Joint Holders

Article 76 provides that if there be joint registered holders of any share, the shareholder whose name stands first on the register and no other shall be entitled to speak or vote in the general meeting but the other or others of the joint holders shall be entitled to be present at the general meeting but not to speak or vote.

Voters in respect of Insane Members

Article 77 provides that a member of unsound mind or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll by his committee or other legal guardian of such committee or guardian may, at a poll vote by proxy.

Rights of Proxies

Article 78 provides that any member of a Bank entitled to attend and vote at a meeting of the Bank shall be entitled to appoint another person, whether a member or not, as his proxy to attend and vote instead of himself; but a proxy so appointed shall not have any right to speak at the meeting.

Form of Proxy

Article 79 provides that the Instrument appointing a proxy shall be in writing: and be signed by the appointer or his attorney duly authorised in writing. A person may be appointed a proxy though he is not a member of the Bank.

Deposit of Instrument of Proxy and the time for Deposit

Article 80 provides that the instrument appointing a proxy and the Power of Attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power of authority shall be deposited at the Registered Office of the Bank not less than forty-eight hours before the time for holding the meeting at which the person named in such instrument proposes to vote; and in default the instrument of proxy shall not be treated as valid.

Continuance of the validity of the Proxy in spite of death, etc., of principal

Article 81 provides that a vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal or the revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the shares in respect of which the proxy is given, PROVIDED that no intimation in writing of the death, insanity, revocation or transfer shall have been received by the Bank at its office or by the Chairman of the meeting before the commencement of the meeting or adjourned meeting at which the proxy is used.

Form of Instrument of Proxy

Article 82 provides that every instrument of proxy whether for a specified meeting or otherwise shall as nearly as circumstances will admit, be in one of the forms prescribed under Schedule IX to The Companies Act, 1956 or in any form as may be prescribed from time to time.

AUDIT

Accounts to be Audited Annually

Article 133 provides that once in every year the accounts of the Bank shall be examined and the correctness thereof and of the Balance Sheet ascertained by the Auditor or Auditors of the Bank.

Appointment of Auditors

Article 134 provides that the Bank at each Annual General Meeting shall appoint an Auditor or Auditors to hold office from the conclusion of that meeting until the next Annual General Meeting, and shall within seven days, or such period as may be prescribed under the Companies Act, 1956 from time to time of appointment giving intimation thereof to every auditor so appointed, unless he is a retiring auditor. The Bank may also appoint if it deems fit, auditor and auditors to inspect branches as provided in Section 228 of the Companies Act, 1956. Their appointment, retirement, remuneration, rights and duties shall be governed by the Companies Act, 1956 and the Banking Regulation Act, 1949.

When Accounts should be deemed finally settled

Article 135 provides that audited accounts of the Directors when approved by a General Meeting shall be conclusive except as regards any error therein discovered within 3 months next after the approval thereof. Whenever any such error is discovered within this period, the accounts shall forthwith be corrected by the Board and hence forth shall be conclusive.

DIVIDENDS

Annual Dividends

Article 136 provides that the Bank in General Meeting may declare dividends but no dividends shall exceed the amount recommended by the Directors. All Dividends shall be declared in relation to the nominal value of shares shall be payable only in respect of such shares where there are no calls in arrears.

Dividends only out of the net profits

Article 137 provides that no dividend is payable except out of the net profit, arising out of the business of the Bank and no dividend shall carry interest as against the Bank.

Interim Dividend

Article 138 provides that the Directors may from time to time pay to the members such interim dividends as appear to them to be justified by the profits of the Bank.

Lien on Dividends

Article 139 provides that the Directors may retain any dividend and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

Notice of Dividend

Article 140 provides that notice of the declaration of any dividend, whether interim or otherwise, shall be given to the registered holder of share in the manner hereinafter provided.

Transfer of Shares shall not pass right to declared dividends

Article 141 provides that a transfer of shares shall not pass right of dividend declared thereon before registration of the transfer.

Dividend Warrants

Article 142 provides that as soon as possible, but within 42 days after the dividend has been declared, dividend warrants shall be issued to shareholders and made payable to or to the order of the person to whom it is issued or such dividend amount be credited to the account of the shareholder with any bank through Electronic Clearing System (ECS) or through any other system adopted by the Depositories.

Discharge of Dividend amount by any of joint holders sufficient

Article 144 provides that any one of two or more joint holders of a share may given effectual receipts for all dividends, bonuses or other moneys payable in respect of such share.

Unclaimed Dividends

Article 145 provides that all unpaid dividends which remain unclaimed or unpaid for a period of seven days from the date of such transfer to the unpaid dividend account shall be transferred to Investors Education and Protection Fund established under sub-section (1) of Section 205C of the Companies Act, 1956. No claim from the shareholder will be entertained after such transfer to the Fund.

Capitalisation of Profits

Article 145A. provides that 1) The Bank in General Meeting may, upon the recommendation of the Board, resolve – a) that it is desirable to capitalise any part of the amount for the time being standing to the credit of any of the Bank's reserve accounts or to the credit of the profit and loss accounts or otherwise available for distribution and b) that such sum be accordingly set free for distribution in the manner specified in sub-clause (2) amongst the members who would have been entitled thereto if distributed by way of dividend and in the same proportion. (2) The sum aforesaid shall not be paid in cash but shall be applied, subject to the provision contained in sub-clause (3), either in or towards – i) Paying up any amounts for the time being unpaid on shares held by such members respectively. ii)Paying up in full, unissued shares as bonus shares of the Bank to be allotted and distributed, credited as fully paid-up to and amongst such members in the proportions aforesaid; or iii)Partly in the way specified in sub-clause (i) and partly in that specified in sub-clause (ii). 3) A share premium account and a capital redemption reserve account may, for the purpose of this regulation, only be applied in the paying up of unissued shares to be issued to members of the Bank as fully paid bonus shares. 4) The board shall give effect to the resolution passed by Bank in pursuance of this regulation.

Power of Directors for declaration of bonus

Article 145B provides that:

(1) Whenever such a resolution as aforesaid shall have been passed, the Board shall-

 a. make all appropriations and applications of the undivided profits resolved to be capitalised thereby, and all allotments and issues of fully paid shares if any, and

 b. generally do all acts and things required to give effect thereto.

(2) The Board shall have full power –

 a) to make such provision, by the issue of fractional certificates or by payment in cash or otherwise, as it think fit, for the case of shares becoming distributable in fraction; and also

 b) to authorise any person to enter on behalf of all the members entitled thereto, into an agreement with the Bank providing for the allotment to them respectively, credited as fully paid-up, of any further shares to which they may be entitled upon such capitalization or (as the case may require) for the payment by the Bank on their behalf by the application thereto of their respective proportions of the profits resolved to be capitalised, of the amounts or any part of the amounts remaining unpaid on their existing shares.

(3) Any agreement made under such authority shall be effective and binding on all such members.

Winding up

Article 165 provides that (1) If the Bank shall be wound up, the liquidator may, with sanction of a special resolution of the Bank and any other sanction required by the Companies Act, 1956, divide amongst the members in specie or in kind, the whole or any part of the assets of the Bank whether they shall consist of property of the same kind or not.

1) For the purpose aforesaid the liquidator may set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members.

2) The liquidator may, with the like sanction, vest the whole or any part of such asset in trustee upon such trusts for the benefit of the contributories as the liquidator with the like sanction shall think fit, but so that no member shall be compelled to accept any shares or other securities whereon there is any liability.

LEGAL PROCEEDINGS

Except as described below, we and our Directors are not involved in any material legal proceedings, and no proceedings are threatened, which may have, or have had, a material adverse effect on our business, properties, financial condition or operations. We have listed all litigation outstanding over Rs. 1 million against the Bank.

I. Pending litigation against our Bank.

SEBI Cases

1. SEBI by an order dated April 27, 2006 had directed our Bank not to open any fresh demat accounts on the grounds that it had not complied with “Know Your Clients” norms laid down by SEBI. SEBI had alleged that our Bank had allowed a number of key operators to open demat accounts in fictitious and benami names and a large number of initial public issue applications reserved for the retail investors category were made under these fictitious names and shares were allotted in these names. However by an order dated July 28, 2006, the order restricting us from opening the demat account was lifted and an enquiry into the matter was ordered. Pursuant to the submission of the enquiry report, SEBI passed a disgorgement order dated November 21, 2006, directing our Bank to pay a sum of Rs. 5.5 million by way of equitable remedy. Our Bank has filed an appeal bearing Appeal No. 9 of 2007 dated December 28, 2006, before the Securities Appellate Tribunal, against the disgorgement order of the SEBI dated November 21, 2006 read with order dated April 27, 2006 and order dated July 28, 2006 praying to set aside the impugned order on the grounds that the disgorgement order was passed without giving the Bank a fair hearing and without proper investigation into the matter. The appeal has been admitted by Securities Appellate Tribunal and the next date of hearing is yet to be fixed.

2. Following the issue of the disgorgement order, SEBI issued a notice dated November 22, 2006 instituting an enquiry proceeding against the Bank under SEBI (Procedure for Holding Enquiry by Enquiry Office and Imposing Penalty), Regulations, 2002. We have filed our reply dated December 19, 2006 denying all charges made in the enquiry notice. SEBI conducted the enquiry on January 15, 2007. The order of the Enquiry Officer is awaited.

Civil Cases

1) Shree Hanuman Foundry & Engineering Company Limited has filed a suit bearing C.S. No. 280 of 2004, before the High Court of Calcutta against us, claiming a sum of Rs. 226.59 million. The plaintiff has alleged that we refused to renew the tenure of a bill discounting facility granted to them on December 1989 pursuant to which it had suffered huge damages. The plaintiff also alleged that we had released a sum of Rs. 10 million only out of the overall limit of Rs. 33.68 million of the credit facility assured to it, as a result of which it could not meet its financial and working capital requirements. Further, it is alleged that we fraudulently induced it to withdraw an earlier suit (bearing C.S. No. 206 of 1998) by entering into a ‘terms of settlement’ with it in a meeting dated July 10, 2001. We have filed a statement of objections. We have also filed an interim application bearing G.A. 95 of 2005 seeking rejection of the plaint for the reason that recovery case with respect to the same is pending before Debt Recovery Tribunal. The next date of hearing is yet to be fixed.

2) Shankarlal Exports Private Limited and others have filed a civil suit bearing C.S. No. 523 of 1998, before the High Court of Calcutta, claiming a sum of Rs. 27.6 million on the ground that the Bank had charged an interest over the export credit facility granted to them, in excess and beyond the limit prescribed under the RBI norms. In the said suit, the plaintiffs have also prayed for an order directing us to refund the interest and commission charged in excess of the norms prescribed by the RBI and a perpetual injunction restraining us from disposing off the property of the plaintiffs located at C.R. Avenue, Calcutta held by us as a security for the said export credit facility granted to them. Our Bank has filed its statement of objections. The High Court, Calcutta passed an interim order dated December 10, 1998 directing a status quo with regard to the said security held by us until further orders. The matter is currently pending in the High Court and is yet to be listed for hearing.

3) International Finance Investment & Commerce Bank Limited (in Dhaka, Bangladesh) has filed a suit bearing No. 41 of 1999, before the Court of the Fifth Subordinate Judge, Dhaka, claiming a sum of Rs. 6.66 million from us. The plaintiff had opened three letters of credit in favour of M/s Shankarlal Exports Private Limited, and our Bank was acting as the negotiating bank for the letters of credit on behalf of M/s Shankarlal Exports Private Limited. The plaintiff has alleged that our Bank has illegally and fraudulently debited the plaintiff’s account in Sonali Bank, also a defendant in this suit, despite being informed that the documents handed over were not in compliance with the letter of credit. Our Bank has filed an application before High Court, Dhaka contending that the suit is not maintainable as the court lacks the inherent jurisdiction to entertain the suit. Next date of hearing to be fixed.

4) GMRL Exports Limited has filed a civil suit bearing C.S No. 121 of 1998, before the High Court at Calcutta against us, claiming Rs. 12.5 million on the ground that we illegally and arbitrarily sold 50,000 shares of the plaintiff held in the Bank of Rajasthan which were pledged to us against a Foreign Usuance Bill Purchase (FUBP) facility for Rs. 2 million granted to them on July 24, 1995, for non payment of their overdue bills. It is alleged that the said facility did not permit us to sell the pledged equity shares as a means to adjust the non-

payment of overdue bills by the plaintiff. Our Bank has filed its statement of objections denying all liabilities. The matter is currently pending in the High Court and is yet to be listed for hearing.

5) G.R. Magnets Limited has filed a civil suit bearing C.S. No. 129C of 1997 dated April 1, 1997, before the High Court at Calcutta against us, claiming Rs. 39.76 million. We had provided a FUBP facility of Rs. 370 million to the plaintiff on March 31, 1995. A collateral security by way of lien on deposit of Rs 370 million was created for the said facility. It is alleged that we did not advance any amount to the plaintiff as the amount credited to current account by discounting the bills were fully converted into deposits and that we were not entitled to charge an interest in excess of the over-due interest. The plaintiff also contests, amongst others that payments under certain bills were not made to it by us. Our Bank has filed its statement of objections denying all liabilities. The matter is currently pending in the High Court and is yet to be listed for hearing.

6) G.R. Magnets Limited has filed a civil suit bearing C.S. No. 259 of 1997, before the High Court of Calcutta against us, claiming the return of Rs. 2.64 million, deposited with our Bank as security, along with an interest of 24% per annum from February 17, 1997 till the date of payment. The plaintiff had availed a bank guarantee of a sum of Rs. 2.64 million from us in favour of the Customs Authority, to claim certain benefits under the custom duties for import of equipment. The plaintiff was allowed to import equipments with an obligation to re-export the manufactured goods. The bank guarantee was to expire once the re-export obligation was performed. The plaintiff alleged that despite having completed the re-export obligation and receiving a letter of release from the Customs Authority and despite repeated demands our Bank failed to return the deposit. Our Bank has filed its statement of objections denying all liabilities. The matter is currently pending in the High Court and is yet to be listed for hearing.

7) The Assistant Collector, Central Excise, Division IV, Ahmedabad has filed a civil suit bearing C.S. No. 5994 of 1993, before the Court of Civil Judge, Ahmedabad against us and M/s Rustom Mills & Industries Limited, claiming Rs. 3 million. We had provided six bank guarantees worth Rs. 3 million in total, on August 9, 1985 on behalf of M/s Rustom Mills & Industries Limited favouring the plaintiff. It is alleged that on the invocation of the said bank guarantees by the plaintiff, we did not pay the stipulated amounts as various litigations were pending against the plaintiff in various courts. The matter is pending in the said court and is yet to be listed for hearing.

8) Mrs. Sharada Rasiklal Thakkar & Rasiklal Ratilal Thakkar has filed a petition bearing C.P. No. 191of 2002, before the High Court of Karnataka, under section 433 (e) of the Companies Act, 1956, for winding up of our Bank for failure to refund an amount of Rs. 20.14 million to the petitioners. The petitioner has also filed a suit before the National Consumer Redressal Commission, which is pending disposal. (See page 126 of the under the heading 'Legal Proceedings' for details on the consumer case.) We have filed a statement of objections claiming that our Bank cannot be held vicariously liable for the acts committed by its employees on fraudulent grounds. The arguments are concluded and the matter is currently reserved for orders.

9) Kesaria Tea and Co Limited has filed a petition bearing Special Leave to Appeal No. 21755 of 2002, before the Supreme Court of India against the order of the High Court of Kerala, dated February 24, 1999. The petitioner filed a suit bearing O.P No. 9415 of 1997 before the High Court of Kerala, Ernakulum claiming that the RBI had wrongfully rejected its application to recover a sum of Rs. 1.67 million pursuant to the RBI Circular No. A.D (M.A. Series) 30, which provided that exporters who are entitled to payment from purchasers in the erstwhile USSR to make a claim by submitting an application before the RBI. Our Bank has also been mentioned as a respondent in the petition. The High Court dismissed the petition directing the petitioners to resort to arbitration. The matter is pending in the Supreme Court and is yet to be listed for hearing.

10) M/s Finolex Industries Limited filed a suit bearing Special Civil Suit No. 10 of 1997, before the Court of Civil Judge, Senior Division, Pune, to recovery a sum of Rs. 9.67 million from us. The plaintiff stated that it had given a loan of Rs. 50 million to one, Classic Global Securities Limited ("Borrower"), also a party to the suit against a fixed deposit of Rs. 50 million of the Borrower held by our Bank. The plaintiff alleged that our Bank did not pay the said amount despite repeated requests, when the Borrower failed to repay the whole loan. Our Bank has filed its statement of objections denying all charges. Our Bank had filed an application for rejection of plaint on the grounds that the plaintiff is not a banking company and therefore the provisions of Bombay Money Lenders Act, 1946 are not applicable. However the application was rejected by the court by an order dated July 27, 2006 on the grounds that suit required detailed evidence and the facts have to be considered at the time of trail. The matter was posted for framing of issues on December 22, 2007.

11) Hindustan Photo Films Manufacturing Limited has filed a suit bearing Suit No. 1043 of 1996, before the High Court of Delhi to recover a sum of Rs. 5 million from us, for non-payment of the said amount on invocation of the bank guarantee issued by our Bank in favour of the plaintiff. By an order dated August 2, 2007, the High Court has directed our Bank to pay a sum of Rs. 5 million along with simple interest at 12 percent. Our Bank has already deposited the said amount with the Court. The copy of the decree is awaited.

12) M/s Shoes East Limited has filed a suit bearing No. 1299 of 1997, before the High Court of Delhi, for recovery of a sum of Rs. 149.9 million from us against an underwritten amount of public issue of fully convertible debentures issued by the plaintiff. The plaintiff alleged that, as the public issue was under subscribed, our Bank, which was one of the underwriters, was entitled to pay the underwritten amount. Our Bank in its reply has contended that since the plaintiff had closed the public issue stating that it was oversubscribed a month after its closure, we refused to pay the amount. By an order dated March 4, 2007 the High Court of Delhi has directed the parties

to refer the dispute to arbitration and accordingly the matter has been referred to arbitration and Justice(Retired) Manju Goel has been appointed as the arbitrator. The plaintiff has filed his application before the arbitrator on October 18, 2007 and the matter is posted for filing of the reply by the Bank on December 8, 2007.

13) Prakasham District Co-Operative Central Bank Limited has filed a suit bearing O.S. No. 2 of 2001, before the District Judge Court, Ongole, against us along with other defendants to recover a sum of Rs. 118.51 million which has allegedly been illegally and fraudulently deducted from its account. The plaintiff has alleged that our Bank along with other banks had collected the stolen cheques and had paid the other defendants without proper verification. Our Bank, in its written statement has contended that the demand draft was accepted and the amount was credited only after obtaining clearance from the plaintiff. The matter is posted for arguments on November 26, 2007.

14) M/s Jaswinder Paul Batra and Others have filed a suit bearing No. 2063 of 2001, before the High Court of Bombay, for recovery of a sum of Rs.124.2 million from us. The plaintiff alleged that he was the rightful owner of the amount deposited in various foreign currency non-resident accounts held in our Bank by his late father, Mr. J.S. Premi. The plaintiff further alleged that we had colluded with two other accused Mr. Baljit Singh, the attorney of late Mr. Premi and Mr. Ram Singh Batra who was the nephew of Mr. J.S Premi, and that we had credited the amount wrongfully to the account of Mr. Ram Singh Batra. Our Bank has filed its written statement contending that the amount was deposited as per the instructions of the attorney who is also the accused in the case. The plaintiff has filed a Notice of Motion No. 3283 of 2007 dated August 27, 2007 before the High Court seeking directions from the Court that Mr. Ram Singh Batra, one of the defendant in the case furnish a security against the claim amount. Next date of hearing to be fixed.

15) State Bank of India, Hyderabad, has filed two suits bearing O.S. No 248 of 2007 and O. S. No 249 of 2007, before the City Civil Court, Court of the IInd Additional Judge, Hyderabad claiming an amount of Rs. 1.02 million. The plaintiff has alleged that Mr. P. Venkateswara Rao and Mr. Ramesh Kumar, also defendants in this suit, who are account holder in our Bank, had presented two demand drafts for a sum of Rs. 0.48 million each before the plaintiff which were paid by the plaintiff. On enquiry the plaintiff realised that the demand drafts were fake and immediately approached us to pay the amount, which was deposited with us and later withdrawn. The plaintiff has further alleged that despite repeated demands our Bank refused to pay the amount and it was negligent in verifying the credentials of Mr. Venkateswara Rao and Mr. Ramesh Kumar before opening the account. The matter is posted for framing of issues on December 4, 2007.

16) State Bank of India, Hyderabad, has filed a suit bearing O.S. No 250 of 2007, before the City Civil Court, Court of the IInd Additional Judge, Hyderabad claiming an amount of Rs. 1.02 million. The plaintiff has alleged that Mr. K. Ratnakar, also a defendant in this suit, who is an account holder in our Bank, had presented two demand drafts for a sum of Rs. 0.48 million each before the plaintiff which was paid by the plaintiff. On enquiry the plaintiff realised that the demand drafts were fake and immediately approached us to pay the amount, which was deposited with us and later withdrawn. The plaintiff has further alleged that despite repeated demands our Bank refused to pay the amount and it was negligent in verifying the credentials of Mr. K. Ratnakar before opening the account. The matter is posted for framing of issues on December 4, 2007.

17) Ispat Industries Limited has filed a suit bearing No. 5249 of 19999, before the High Court of Mumbai to claim a sum of Rs. 4.22 million from us. The plaintiff had produced certain documents before us to claim payment from Shri. Dewan Steels (India) Limited, also a defendant in this suit, who had obtained a letter of credit from us. The documents were rejected on the ground that they were not in order. The plaintiff alleged that documents were presented on time but we did not respond within a reasonable time. Further, on producing all the correct documents, we refused to pay the amount on the grounds that the documents were produced after the expiry of the letter of credit. The suit is yet to be posted for hearing.

18) Mafatlal Finance Company Limited has filed a suit bearing No. 4317 of 2000, before the High Court of Bombay, to claim a sum of Rs. 2.67 which was to be paid as interest on a sum of Rs. 30 million deposited with us as an additional margin amount against a letter of credit facility availed by the plaintiff. Our Bank has filed a written statement praying for dismissal of the suit with costs. Next date of hearing is yet to be fixed.

19) The State of Andhra Pradesh, represented by the Superintending Engineer, Karimanagar has filed a suit bearing O.S. No. 22 of 2003, before the Court of the District Judge, claiming a sum of Rs. 6.94 million as the unpaid guarantee amount from us. Our Bank had given a guarantee of Rs. 12.47 million in favour of the plaintiff on behalf of M/s Sri Ram Engineers and Contractors for completion of certain contract work within a fixed time period. The plaintiff alleged that the contractors failed to complete the work on time and hence invoked the bank guarantee. The contractor filed a suit before the High Court of Hyderabad to restrain our Bank from encashing the bank guarantee. The plaintiff has further alleged that despite the court's order to pay the entire guaranteed amount to plaintiff, our Bank had paid only a sum of Rs. 5.52 million and the remaining amount of Rs. 6.94 million remains unpaid. The matter is posted for submission of commissioner's report on November 21, 2007.

20) Crew Members of the ship has filed a suit before the High Court of Chennai, against us claiming a sum of Rs. 1.18 million. Our Bank was a part of consortium, which had provided a term loan of Rs. 5.4 million to M/s Parekh Ocean Carriers Private Limited to purchase a ship, and the loan provided by our Bank was Rs. 2.7 million. However the borrower failed to repay the loan amount, a suit was filed by our Bank to recover the amount. Our Bank along with Syndicate Bank was appointed as the receiver for the sale of the ship. A sum of Rs.

2.3 million including interest was recovered from the sale of the ship and the same was kept in the suspense account of our Bank. The plaintiff has alleged that they are entitled to receive a sum of Rs. 1.18 million as the unpaid wages out of the sale proceeds recovered by our Bank.

21) B. Seetarama Rao has filed a suit bearing O.S No.428 of 2006, before the City Civil Court, Hyderabad, to claim a sum of Rs. 1.07 million as compensation from us. The plaintiff has alleged that our Bank had terminated the services of the plaintiff with out any notice period and in breach of the contract. The contract was for a period of five years and a notice period of three months in the event of termination. The plaintiff has filed a suit challenging the dismissal order and has further claimed an interest of 18% from the date of the suit till the realisation of the amount. Our Bank has filed its written statement. The next date of hearing is on November 12, 2007.

22) N. Sreedhara Rao has filed a petition bearing W.P.No.17355 of 2005, before the High Court of Karnataka, claiming a sum of Rs. 2.4 million as compensation for the injuries suffered by the Petitioner during the course of the employment. The petitioner was an employee of our Bank, in charge of transporting of cash. During the course of such transportation he met with an accident and was grievously injured. The petitioner has alleged that our Bank refused to pay the medical bills and was also compulsorily retired from services. The High Court by an order dated September 20, 2007 has dismissed the petition and has directed the matter be referred to police investigation. The copy of the order is awaited.

23) M/s Tropical Islands has filed a suit bearing O.S. 645 of 82, before the High Court of Chennai, claiming a sum of Rs.1.39 million from us. The plaintiff has alleged that it had delivered goods to M/s Jaju Exports, also named as defendants in this suit, relying on certain letter of credit issued by our Bank. The Bank has already filed its written statement denying all charges and has further contended that they had not issued any such letters of credit to M/s Jaju Exports. The case is posted for filing of written statements by other defendants. The next date of hearing, to be fixed.

24) Cosmo Films Ltd has filed a suit bearing Spl. C.S. No. 276 of 2006, before the Civil Court, Aurangabad, claiming an amount of Rs. 1.42 million. Our Bank was acting as the banker to the plaintiff who had availed a bill discounting facility against security of letter of credit/ letter of guarantee. The said suit has been filed against the Bank on grounds of negligence by the Bank in claiming and invocation of bank guarantee on time as a result of which the plaintiff was not able to recover the amount due from the other defendants to the this suit. Our Bank has filed its written statement. The matter is posed for filing of written statement by the other defendants on November 15, 2007.

25) M/s Global Software has filed a suit bearing C.S. No. 765 of 2007, before the High Court of Madras against an order passed by the Debt Recovery Tribunal in favour of the Bank. The Debt Recovery Tribunal had passed an order dated October 10, 2004 directing the Bank to attach the non convertible debenture certificates of a sum of Rs. 62.5 million of a company by name M/s Scandent Solutions, held by one, M/s DSO Software, a company which had defaulted in making payment under the letter of credit availed by it from the Bank. The plaintiff has contended that the debenture certificates have already been sold to the plaintiff for a valid consideration by an agreement dated August 1, 2002 between M/s Global Software and M/s DSO Software. The Bank has filed its reply on October 23, 2007. The case is posted on November 22, 2007 for filing of written statements by other respondents.

26) M/s LMJ Shipping Private Limited has filed a suit bearing O.S No. 1210 of 2007 before the District Judge, Alipore, Kolkata claiming a sum of Rs. 1.5 million from the Bank. The plaintiff has alleged that it had deposited as sum of Rs. 1.5 million with the Bank as earnest money deposit to take part in an online auction of properties conducted by the Bank. The bid was awarded in favour of the Plaintiff. On failure to deposit 25% of the bid amount excluding the earnest money deposit on winning the bid, the Bank refused to return the earnest money deposit and approached the second bidder to purchase the property. The Bank has contended that the Plaintiff failed to deposit 25% of the bid value despite several extensions and hence the earnest money deposit was to be forfeited. The court by an order dated September 13, 2007 has stayed the forfeiture of the earnest money deposit and the sale of the property to the second bidder. The Bank has filed an appeal bearing No FMAT No. 2861 of 2007 before the High Court of Kolkata against the order of the lower court; simultaneously the Bank has also filed an interlocutory application bearing CAN No. 8910 of 2007 before the High Court of Kolkata on October 16, 2007 for vacation of the injunction. The High Court has given time to the plaintiff to file its reply. Next date of hearing is yet to be fixed.

Consumer Cases

1) M/s Zaveri Exports has filed a complaint, bearing Original Petition No. 75 of 2001, before the National Consumers Disputes Redressal Commission, New Delhi, seeking payment of Rs. 27.4 million and an interest of 31.5% on a quarterly basis from January 1, 2001 till the date of the payment of the aforesaid amount. The petitioner has filed the suit against us on the grounds that we failed to take timely action to recover the said amount as per the circular issued by RBI, which stated that all the exporters who were entitled to receive payment from purchasers from erstwhile USSR, to forward their claims to their bankers. The petitioner has alleged that our Bank, who was their banker, failed to inform the petitioner of the RBI circular immediately, resulting in delay in filing the claim before the RBI, due to which the petitioner was not able to recover the amount. Our Bank has filed a statement of objections denying all charges and has contended that it had forwarded the claim to the RBI on time and there was no negligence from our part. The National Consumers Disputes Redressal Commission by an order dated October 1, 2003 has directed that the case will be listed before it only after the

disposal of the special leave petition pending in the same matter before the Supreme Court of India. Next date of hearing to be fixed. It may be noted that the petitioner had also filed a writ petition bearing O.P No. 6415 of 1997 before the single bench of High Court of Kerala, Ernakulam, to recover Rs. 27.4 million from us on the same grounds stated earlier. The High Court dismissed the suit on the grounds that the writ petition was not maintainable, as the dispute was with respect to a private contract. The High Court directed the petitioner to refer the dispute to arbitration. The petitioner has field a special leave petition bearing S.L.P (C) No. 21755 of 2000 before the Supreme Court against the order of the division bench of the High Court. The matter is pending in the said court as is yet to be listed for hearing.

2) Mrs. Sharada Rasiklal Thakkar & Rasiklal Ratilal Thakkar has filed a complaint, bearing O.P No 466 of 2002, before the National Consumers Disputes Redressal Commission, for recovery of a sum of Rs. 20.14 million from us on grounds of misappropriation of the said amount deposited by the plaintiffs by some of our employees. Our Bank has filed its evidence by way of affidavit contending that, it cannot be held liable for the frauds committed by our employees. The date of next hearing is yet to be decided.

3) M/s Pushpa Builders Limited has filed a complaint bearing O.A 327 of 98, before the National Consumer Disputes Redressal Commission, New Delhi for recovery of a sum of Rs. 416.15 million from us. The plaintiff and its two associate companies had availed various credit facilities from our Bank; to repay the loans borrowed from our Bank, the plaintiff agreed to sell certain property pursuant to a memorandum of understanding. The plaintiff alleges that after adjustment of the loan amount with the purchase consideration, our Bank was entitled to pay the outstanding amount, including maintenance charges and other expenses incurred by the plaintiff as set out in the memorandum of understating. The plaintiff further alleges that our Bank had not released other securities in its possession despite settlement of all dues. Our Bank has filed the written statement denying all charges against it. The next date of hearing is yet to be fixed.

Our Bank has also filed a suit bearing Original Petition No. 205 of 1998, before the Debt Recovery Tribunal, New Delhi to recover a sum of Rs. 75.99 million from M/s Pushpa Builders Ltd on the grounds that the plaintiff failed to meet its commitments under the memorandum of understanding. Our Bank has further alleged that the plaintiff has filed the suit before the National Consumer Disputes Redressal Commission to counter the recovery proceeding filed by us. The plaintiff has filed has filed its statement before the Debt Recovery Tribunal. The matter is posted for hearing on November 11, 2007.

4) M/s Budalani Engineering Private Limited has filed a complaint bearing S.C. Case No.88/0 of 2000, before the State Consumer Disputes Redressal Commission, West Bengal, Calcutta, claiming a sum of Rs. 1.9 million as compensation from us. The plaintiff has alleged that we had negligently misplaced the original title deeds deposited with us as security against the bank guarantee of Rs. 1.5 million given in favour of the plaintiff. The plaintiff further alleged that we have not released the mortgaged property despite the expiry of the bank guarantee. The State Consumer Dispute Redressal Commission by an order dated October 17, 2006 has dismissed the complaint of the plaintiff on the grounds that the consumer forum is not the right forum to deal with issues relating to breach of contract. Aggrieved by the order, the plaintiff has filed an appeal before the National Consumer Dispute Redressal Commission on December 20, 2006. The matter is posted for arguments on maintainability on March 24, 2008.

5) Maddala Seetharamaiah has filed a complaint bearing C.D.No 227 of 2002, before the District Consumer Forum, Guntur to claim a sum of Rs.1.55 million as interest due on the fixed deposit. Maddala Sujatha has also filed a suit bearing C.D No 256 of 2002 before the District Forum to claim a sum of Rs. 1.31 million on the same grounds. The District Forum by a common order dated September 29, 2004 directed us to pay the amount to both the plaintiffs. Aggrieved by the order we filed an appeal bearing F.A No. 1484 of 2004 before the Andhra Pradesh Consumer Dispute Redressal Forum, which disposed off the matter on September 6, 2005 confirming the order of the District Forum. The plaintiffs have further filed an interim application bearing I. A No 357 of 2005 and 359 of 2005 before the Andhra Pradesh Consumer Dispute Redressal Forum praying to pass an order directing us to release the amount. The Andhra Pradesh Consumer Dispute Redressal Forum by a common order dated March 13, 2006 directed us to pay the amount as stated in the petition to plaintiff 1 and 2. Our Bank has deposited a sum of Rs. 0.71 million with respect to C.D No. 227 of 2002 and a sum of Rs. 0.61 million with respect to C.D No. 256 of 2002.

Further, the plaintiffs filed revision petition No. 115 of 2006 and 126 of 2006 against the order dated March 13, 2007, before the Andhra Pradesh Consumer Dispute Redressal Forum, praying to modify the order of the District Forum, stating the correct amount as per the statement of calculation submitted by the plaintiff and to issue the fixed deposit certificates. The revision petition was heard by the Commission and has passed an order dated April 18, 2007 directing that the Plaintiffs are at liberty to withdraw the amount lying with the District Forum, however it will not be as full satisfaction. The next date is fixed on December 3, 2007.

6) Shri. Arvind Mittal has filed a complaint bearing No: 679 of 2006, before the District Consumers Redressal Forum (Central) Forum, Kashmere Gate, Delhi, claiming a compensation of Rs. 2 million, for misplacing the original title deeds deposited with us against a housing loan borrowed by the plaintiff. Our Bank has filed a written statement. The parties have concluded their arguments and the matter is reserved for judgement.

7) Mr. Shivaram has filed a complaint bearing H.D.F. No 193 of 2006, before the District Consumer Forum, Hassan, claiming a compensation of Rs. 1 million from us. The complainant has alleged that he had mortgaged his property, which was under encumbrance to secure a loan

for purchase of a tractor. The Bank, however, failed to sanction the loan nor was the tractor delivered to the complainant, which resulted in hardship and inconvenience to the complainant. Our Bank has filed a written statement. The matter is posted for reporting of the out of court settlement arrived at by the parties, if no settlement is reported the case will proceed for final arguments on November 19, 2007.

8) Mr. Ranganathan has filed a complaint bearing No. 396 of 2006, before the Office of the Consumer Disputes Redressal Forum, Kollam, claiming a compensation of Rs. 1.7 million from us due to inconvenience caused to the complainant due to the alleged negligent act of our Bank. The complainant has alleged that he had taken a vehicle loan of Rs. 400,000 with the assurance that we would get the vehicle insured. Subsequently the vehicle met with an accident and when the complainant approached us to take possession of the insurance policy; he was told that the vehicle was not insured as a result he had to incur all expenses for the repair. The complainant has further alleged that despite paying the loan instalment on time, our Bank seized the vehicle illegally without any prior notice of the act. The matter is posted for filing of written statement on November 14, 2007.

9) Mr. Dev Kumar Bhuyan has filed a complaint bearing Consumer Complaint No. 26 of 2007, before the State Consumer Redressal Commission, Orissa, claiming a compensation of Rs. 2.05 million from us, for the inconvenience and loss suffered by him due to the acts of our Bank. The complainant had availed a vehicle loan of Rs. 0.64 million from us; our Bank seized the vehicle on default of payment by the complainant. The complainant has filed the said complaint before the State Commission to direct our Bank to return the vehicle; the State Commission has directed the complainant to pay the remaining unpaid instalments amount. The complainant has alleged that our Bank refused to accept the demand drafts presented to clear the instalments and has also refused to return the vehicle. The complainant has further filed a Miscellaneous Case No.392 of 2007 before the State Commission praying to appropriate action to be taken against our Bank. The matter is posted for final hearing on November 11, 2007.

10) Sri. Veeresha Yadav has filed a complaint bearing Consumer Dispute No. 67 of 2003, before the State Consumer Dispute Redressal Commission, Bangalore, claiming a sum of Rs. 2.34 million as compensation. The complainant has alleged that he had paid a sum Rs. 1.1 million to Khaja Educational Society to secure an MBBS seat for his daughter in the society, which was misappropriated by the college authorities along with other accomplices. The complainant has further alleged that an account was opened in our Bank and the misappropriated amount was deposited, hence our Bank has also been made a party to the dispute. The State Commission by an order dated September 16, 2004 has directed only Khaja Educational Society to repay the misappropriated amount. An appeal bearing F.A No. 427 of 2004 has been filed by Khaja Educational Society, before the National Consumer Disputes Redressal Commission, New Delhi to set aside the order of the State Commission. Our Bank has not been made a party to the appeal filed. A fresh summons has been served on our Bank. Next date of hearing is fixed on February 8, 2007.

11) 1) Daljit Singh Dogra has filed a complaint, bearing Compliant No. 16 of 2007, before the State Consumer Disputes Redressal Commission, Punjab, claiming a sum of Rs. 9 million from the Bank. The complainant had deposited two cheques for a sum of Rs. 4 million and Rs. 5 million each with the Bank for clearance, issued to him by one, Rattan Lal Sharma, an account holder in UCO Bank, also named as opposite party in this complaint. It is alleged by the complainant that despite repeated enquiries the Bank failed to intimate him on the status of the cheques and had conspired with Rattan Lal Sharma in withholding the clearance of the cheques and later altering the name on the cheques from the name of the complainant to that of Rattan Lal Sharma, thereby committing fraud. The complainant has further alleged that he has suffered financial loss due to the unfair trade practice and deficient service offered by the Bank. The complainant has prayed that the Bank pay him a sum of Rs. 9 million along with an interest of 12% p.a. from the date of presentation of the cheques till realization and an additional compensation for the costs incurred. The matter is posted for hearing on December 3, 2007.

Debt Recovery

Lord Krishna Bank Ltd. filed a suit bearing O.A No 79 of 2004, before the Debts Recovery Tribunal, Mumbai, for recovery of a sum of Rs. 18.36 million from us, for the payment due against six letters of credit issued by our Bank on behalf of one of its customer. Our Bank had issued six letters of credit on behalf of M/s. Fancy Enterprises one of our customers in favour of M/s. Hardware & Welding Stores. On production of certain bill of exchange before the plaintiff by M/s Hardware and Welding Stores and on confirmation by our Bank, the plaintiff discounted/negotiated the bills and handed over the amount to M/s Hardware and Welding Stores. It was later found out by the plaintiff that M/s. Hardware & Welding Stores was a fictitious firm; further our Bank did not pay the overdue amount against the letters of credit. The case is posted for arguments. The matter is posted for final hearing on December 21, 2007.

Tax Cases

1) Our Bank has filed an appeal on January 25, 2007 before the Commissioner of Income Tax (Appeals)-I, against the order passed by the Deputy Commissioner of Income Tax, Bangalore, dated December 29, 2006 under section 143(3) of the IT Act in respect of the assessment year 2004-2005. The Deputy Commissioner had disallowed the exemptions and deductions claimed by our Bank under various heads of the IT Act such as non-banking assets, and software purchase claimed as revenue expenditure. The matter is pending before the Commissioner of Income Tax (Appeals)-I, and the date of next hearing has not yet been fixed. The total disputed amount of tax involved is Rs. 340 million.

2) Our Bank has filed an appeal on April 26, 2006 before the Commissioner of Income Tax (Appeals)-I, against the order passed by the Assistant Commissioner of Income Tax, Bangalore, dated March 23, 2006 under section 143(3) of the IT Act in respect of the assessment year 2003-2004. The Assistant Commissioner had disallowed the exemptions and deductions claimed by our Bank under various heads of the Income Tax Act such as amortisation of investments under 'held to maturity', disallowance under section 14A of the IT Act and loss on acquisition of land, depreciation on leased assets. The total disputed amount of tax involved is Rs. 37.1 million. The matter is pending before the Commissioner of Income Tax (Appeals)-I, and the date of next hearing has not yet been fixed.

3) Our Bank has filed an appeal on April 25, 2005 before the Commissioner of Income Tax (Appeals)-I, against the order passed by the Assistant Commissioner of Income Tax, Bangalore, dated February 25, 2005 under section 143(3) of the IT Act in respect of the assessment year 2002-2003. The Assistant Commissioner had disallowed the exemptions and deductions claimed by our Bank under various heads of the Income Tax Act such as write off of non-convertible debentures amounting to Rs. 111.84 million amortisation of investments under 'held to maturity' amounting to Rs. 31.36 million disallowance under section 14A of the IT Act amounting to Rs. 42.84 million, claim under section 43 B to the extent of Rs. 4.48 million and depreciation on leased assets of Rs. 4.51 million. The total disputed amount of tax involved is Rs. 68.8 million. The matter is pending before the Commissioner of Income Tax (Appeals)-I, and the date of next hearing has not yet been fixed.

4) Our Bank has filed an appeal on April 29, 2002 before the Commissioner of Income Tax (Appeals), against the order passed by the Deputy Commissioner of Income Tax, Bangalore, dated March 26, 2002 under section 143(3) of the IT Act in respect of the assessment year 2001-2002. The Deputy Commissioner had disallowed the exemptions and deductions claimed by our Bank under various heads of the Income Tax Act such as a sum of Rs. 230.55 million as expenditure incurred on Vysyamulya Project undertaken by our Bank, a sum of Rs. 74.84 million claimed as depreciation in the value of the debentures, amortisation on permanent investments of Rs. 31.94 million, an amount of Rs. 43.11 million under section 14A of the IT Act, depreciation on leased assets to the extent of Rs. 6.02 million, and a sum of Rs. 0.10 million being the provision claimed under section 36(1)(viia) of the IT Act. The total disputed amount of tax involved is Rs. 141.5 million.

5) Our Bank has filed an appeal on June 30, 2006 before the ITAT, against the order passed by the Commissioner of Income Tax (Appeals), Bangalore, dated March 31, 2006 under section 250 of the IT Act in respect of the assessment year 2000-2001. The Commissioner of Income Tax Appeals had, *inter alia*, upheld the order of the Deputy Commissioner of Income Tax dated March 26, 2002 for addition of Rs. 40.54 million under section 14A of the IT Act, disallowance of Rs. 10.58 million as deduction with respect to tier II capital, disallowance of Rs. 8.02 million on leased assets and non-setting off of the income under the head 'Income from House Property' against unabsorbed depreciation. The total disputed amount of tax involved is Rs. 85.9 million. The matter is pending before the Income Tax Appellate Tribunal, and the date of next hearing is December 3, 2007.

6) Our Bank has filed an application on July 10, 2000 before the Settlement Commission for settlement of total income for each of the assessment years 1994-1995 to 1999-2000 taking into account the income assessable in respect of the lease activity, eligibility to avail depreciation in respect of leased assets, year-wise eligibility of the amount of bonus to employees deductible, quantum of allowable deduction under sections 80M, 10(15) and 10(23G) of the IT Act, depreciation on the investment portfolio of our Bank classified as permanent investment and share issue and other expenses allowable. The amount of income which has not been disclosed to the Assessing Officer for the said assessment years is Rs. 1,757.46 million. Further, the additional amount of income tax payable on the said income is Rs. 393.38 million. The matter is pending for settlement before the Settlement Commissioner.

INDEPENDENT AUDITORS

Our audited financial statements as of and for three years ended March 31, 2005, March 31, 2006 and March 31, 2007, included in this Placement Document have been audited by M/s BSR & Co., Chartered Accountants. The audited financial statements for these years are prepared in accordance with Generally Accepted Accounting Standards in India as applicable to banks. For the Fiscal 2008, we have appointed M/s S.R. Batliboi and Co., Chartered Accountants as statutory auditors in terms of RBI guidelines.

STATEMENT OF TAX BENEFITS

The following tax benefits interalia, will be available to ING Vysya Bank and the Equity shareholders as mentioned below. The tax benefits are given as per the prevailing tax laws and may vary from time to time in accordance with the amendments or enactments thereto. An equity shareholder is advised to consider in his own case the tax implications in respect of subscription to the Equity Shares after consulting his tax advisor as alternate views are possible and we are absolved of any liability to the equity shareholders for placing reliance upon the contents of this material.

I. Income Tax

A) To the Bank:

1. Income by way of interest, premium on redemption or other payment on notified securities, bonds, certificates issued by Central Government is exempt under Section10 (15) of Income Tax Act, 1961 (herein after referred to as 'the Act') in accordance with and subject to the conditions and limits as may be specified in the notifications, subject to the restrictions under section14A of the Act, to the extent applicable.

2. Dividends earned by the bank are exempt in accordance with and subject to the provisions of section 10(34) read with Section115-O of the Act and subject to the restrictions under section 14A of the Act, to the extent applicable. However, as per Section 94(7) of the Act, the losses arising from sale/transfer of shares, where such shares are purchased three months prior to or sold within nine months from the record date, will be disallowed to the extent of exemption availed u/s 10(34) of the Act.

3. Income received by the Bank on its investments in units of a specified Mutual Fund is exempt under Section 10(35)of the Act subject to the restrictions under section14A of the Act, to the extent applicable.

4. Any bad debt or part thereof written off as irrecoverable would be allowed as a deduction from Bank's total income in accordance with and subject to the provisions of Section 36(1)(vii) of the Act. The deduction is limited to the amount of such debts or part thereof, which exceeds the credit balance in the provision for bad and doubtful debts account made under Section 36(1)(viia) of the Act subject to compliance of Section 36(2)(v) of the Act which requires that such debt or part of debt should be debited to the provision for bad and doubtful debts account.

5. Under Section 36(1)(viia) of the Act, subject to the conditions specified therein, deduction is allowed in respect of any provision made for bad and doubtful debts to the extent of 7.5% of the total income (computed before making any deduction under this section and Chapter VIA) and 10% of the aggregate average advances made by the rural branches.

   An option is allowed to claim deduction in respect of provision made for any assets classified as doubtful or loss assets as per the guidelines of Reserve Bank of India, to the extent of 5%.

   As per the third proviso to the section and subject to the conditions specified therein, the bank at its option is allowed a further deduction for an amount not exceeding the income derived from redemption of securities in accordance with a scheme framed by the Central Government.

6. Under Section 36(1)(viii) of the Act, subject to the conditions specified therein, deduction is allowed in respect of an amount not exceeding twenty percent of the profits derived from the eligible business [viz., providing long-term finance for industrial or agricultural development or development of infrastructure facility in India or construction or purchase of houses in India for residential purposes] provided such amount is transferred to the special reserve created for this purpose and maintained by the Bank

7. The interest on certain categories of bad and doubtful debts as specified in Rule 6EA of the Income Tax Rules, 1962, shall be chargeable to tax only in the year of receipt or credit to the Profit & Loss Account whichever is earlier in accordance with the provisions of section 43D of the Act.

B) To the resident shareholders:

1. Dividends earned on the shares of the Bank are exempt in accordance with and subject to the provisions of Section 10 (34) read with section 115-O of the Act. However, as per Section 94(7) of the Act the losses arising from shares on sale/transfer, where the shares are purchased three months prior to or sold within nine months from the record date, the loss will be disallowed to the extent of exemption availed u/s 10(34) of the Act.

2. Long term capital gain arising on sale of Bank's shares is fully exempt in accordance with the provisions of Section 10(38) of the Act, where the sale is made on or after October 1, 2004 on a recognized stock exchange and the transaction is chargeable to securities transaction tax.

3. As per the provisions of Section 54EC of the Act, the long term capital gain arising on sale [other than the sale referred to in Section10 (38) of the Act] of the Bank's shares is exempt to the extent the same is invested [maximum permissible investment during the financial year which is eligible for deduction is Rs.50 lakhs] in long-term specified assets within a period of six months after the date of such transfer.

4. As per the provisions of Section 54F of the Act, the long term capital gain arising to an individual or a HUF on sale [other than the sale referred to in Section 10(38) of the Act] of the Bank's shares is exempt if the net consideration is invested to purchase a residential house within a period of one year before or two years after the date or in the construction of a residential house within a period of three years after the date of transfer [new asset]. If only a part of the net consideration is invested in the new asset then the exemption is available proportionately.

5. Long term capital gains would accrue [if it is not exempt u/s 10(38) or any other section of the Act] to a resident shareholder where the Equity Shares are held for a period of more than 12 months prior to the date of transfer of the shares. In accordance with and subject to the provisions of Section 48 of the Act, in order to arrive at the quantum of capital gains, the following amounts would be deductible from the full value of consideration:

   (a) Cost of acquisition/improvement of the shares as adjusted by the Cost Inflation Index notified by the Central Government; and

   (b) Expenditure incurred wholly and exclusively in connection with the transfer of shares

6. Long Term Capital Gains on transfer of equity shares, if they are not exempted under Section 10(38) of the Act, would be taxed at 10% (plus applicable surcharge and education cess) without considering the indexation benefits or at 20% (plus applicable surcharge and education cess) after considering the benefit of indexation.

   Short term capital gains on the transfer of these shares, where the shares are held for a period of not more than 12 months would be taxed at 10% (plus applicable surcharge and education cess), where the sale is made on or after October 1, 2004 on a recognized stock exchange and the transaction is chargeable to securities transaction tax. In all other cases, the short term capital gains would be taxed at the normal rates of tax (plus applicable surcharge and education cess). Cost indexation benefits would not be available in computing tax on short term capital gain.

C) To non-resident shareholders including Non Resident Indians ("NRIs"), Overseas Corporate Bodies ("OCBs"), and Foreign Institutional Investors (FIIs):

1. Dividends earned on the shares of the Bank are exempt in accordance with and subject to the provisions of Section 10(34) read with Section115-O of the Act. However, as per Section 94(7) of the Act the losses arising from shares on sale/transfer where the shares are purchased three months prior to or sold within nine months from the record date, the loss will be disallowed to the extent of exemption availed u/s 10(34) of the Act.

2. Long term capital gain arising on sale of Bank's shares is fully exempt in accordance with the provisions of Section 10(38) of the Act, where the sale is made on or after October, 1 2004 on a recognized stock exchange and the transaction is chargeable to securities transaction tax.

3. As per the provisions of Section 54EC of the Act, the long term capital gain arising on sale [other than the sale referred to in Section 10 (38) of the Act] of the Bank's shares is exempt to the extent the same is invested in long-term specified assets within a period of six months after the date of such transfer.

4. As per the provisions of Section 54F of the Act, the long term capital gain arising to an individual or a HUF on sale [other than the sale referred to in Section 10 (38) of the Act] of the Bank's shares is exempt if the net consideration is invested to purchase a residential house within a period of one year before or two years after the date or in the construction of a residential house within three years after the date of transfer [new asset]. If only a part of the net consideration is invested in the new asset, then the exemption is available proportionately.

5. Long term capital gains would accrue [if it is not exempt u/s 10(38) or any other section of the Act] to a non-resident shareholder where the equity shares are held for a period of more than 12 months prior to the date of transfer of the shares. In accordance with and subject to the provisions of Section 48 of the Act, in order to arrive at the quantum of capital gains, the following amounts would be deductible from the full value of consideration:

   (a) Cost of acquisition/improvement of the shares; and

   (b) Expenditure incurred wholly and exclusively in connection with the transfer of the shares

   As per the first proviso to Section 48 of the Act, capital gains arising from the transfer of equity shares acquired by the non-resident in foreign currency, are to be computed by converting the cost of acquisition/improvement, expenditure incurred wholly and exclusively in connection with such transfer and the full value of the consideration received or accruing as a result of transfer of the capital asset into the same foreign currency as was initially utilized in the purchase of the shares or debentures, and the capital gains so computed in such foreign currency shall be reconverted into Indian currency. Cost indexation benefits will not be available in this case.

6. As per Section 112(1)(c) of the Act, long term capital gains on transfer of equity shares by a non-resident [not being a company] or to a foreign company, if they are not exempted u/s 10(38) of the Act, would be taxed at 20% (plus applicable surcharge and education cess).

   Short term capital gains on the transfer of these shares, where the shares are held for a period of not more than 12 months would be taxed at 10% (plus applicable surcharge and education cess), where the sale is made on or after October 1, 2004 on a recognized stock exchange and the transaction is chargeable to securities transaction tax. In all other cases, the short term capital gains would be taxed at the normal rates of tax (plus applicable surcharge and education cess). Cost indexation benefits would not be available in computing tax on short term capital gain.

7. Option available to NRI as per Chapter XII-A of the Act:

   (i) In respect of NRIs, in accordance with and subject to the provisions of section115E of the Act, long term capital gains arising on transfer of capital assets (including on the Bank's equity shares) acquired out of convertible foreign exchange, are taxable at the rate of 10% (plus applicable surcharge and education cess). Short-term capital gains are however, taxable at the normal rates of tax. Cost indexation benefits will not be available in such case.

   (ii) In respect of NRIs, in accordance with and subject to the provisions of section115F of the Act, long-term capital gains arising on sale of shares acquired by a NRI shareholder out of convertible foreign exchange shall be exempt from income tax entirely/proportionately, if the entire/part of the net consideration is invested for a period of three years in any savings certificates specified under Section 10(4B) or specified assets as defined in Section 115C(f) of the Act, within six months from the date of transferring the shares.

   The amount so exempted will be chargeable to tax under the head 'Capital Gains' if these new assets are transferred or converted (otherwise than by way of transfer) into money within three years from the date of its acquisition in accordance with the provisions of Section 115F(2) of the Act.

   (iii) As per Section 115G of the Act, a NRI would not be required to file a return of income under Section 139(1) of the Act, where the total income consists only of investment income and/or long-term capital gains and tax has been deducted at source from such income.

   (iv) Under Section 115H of Act, where the NRI becomes assessable to tax as a resident in India, he may furnish to the Assessing Officer a declaration in writing alongwith his return of income for that assessment year to the effect that the provisions of Chapter XII-A shall continue to apply to him in relation to the investment income derived from any foreign exchange asset (including shares of the Bank) for that year and subsequent years until such assets are converted into money.

   (v) As per the provisions of Section 115I of Act, a NRI may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income for that assessment year under Section 139 of the Act to the effect that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the provisions of the Act.

8. As per Section 115AD of the Act, long term capital gains arising on transfer of shares purchased by FIIs, in convertible foreign exchange, are taxable at the rate of 10% (plus applicable surcharge and education cess) if such long term capital gains are not covered u/s 10(38) of the Act.

   Short term capital gains are however, taxable at the rate of 10% (plus applicable surcharge and education cess) if the transaction is chargeable to Securities transaction tax [proviso to Section 115AD(1)(ii)]. In all other cases the short term capital gains shall be taxed at 30% (plus applicable surcharge and education cess). Cost indexation benefits will not be available. Further, the provisions of the first proviso of section 48 of the Act will not apply.

9. As per Section 195 of the Act the dividend paid by the Bank would not be subject to deduction of tax at source for the assessment year 2008-09.

10. As per Section 196D(2) of the Act no deduction of tax shall be made in respect of capital gains arising on the sale proceeds to the FII on the transfer of shares of the Bank.

D. To Mutual Funds:

As per the provisions of Section 10(23D) of the Act, the exemption is available in respect of income (including the capital gains arising on transfer of shares of the Bank) of a Mutual Fund registered under the SEBI Act 1992 or such other Mutual fund set up by a public sector bank or a public financial institution or authorized by the Reserve Bank of India and subject to the conditions as the Central Government may specify by notification.

E. Wealth Tax:

Shares are not treated as assets within the meaning of Section 2(ea) of the Wealth Tax, 1957. Accordingly, shares purchased in the issue are not liable to Wealth Tax in the hands of the shareholders.

FINANCIAL STATEMENTS

To

The Board of Directors
ING Vysya Bank Limited
No 22, M.G. Road
Bangalore - 560 001

October 29, 2007

Dear Sirs,

We were engaged by the Bank to report on the consolidated financial information of the Bank annexed to this report in Annexure I to Annexure V (collectively referred as "the financial information"), which is required in accordance with Chapter XIII-A read with Schedule XXIA of the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 ("the Guidelines"), as amended from time to time, issued by Securities and Exchange Board of India ("SEBI") on January 19, 2000 in pursuance of section 11 of Securities and Exchange Board of India Act, 1992, to the extent that they are not inconsistent with the Banking Regulation Act, 1949.

The financial information, annexed to this report, is proposed to be included in the Placement Document ('PD') of the Bank for the issue of upto 7,475,276 equity shares to Qualified Institutional Buyers ("QIBs") on a private placement basis and upto 6,072,762 equity shares to ING Mauritius Holdings and ING Mauritius Investment I ("ING Group") on a preferential allotment basis in accordance with Chapter XIII-A of the Guidelines.

The Bank's management is responsible for the preparation of the financial information in accordance with the Guidelines. Our responsibility is to report based on the work done. We have performed such tests and procedures, which in our opinion were necessary for our reporting to you. These procedures include comparison of the annexed financial information with the Bank's consolidated audited financial statements.

We report that

1 The annexed consolidated financial information of the Bank has been extracted from the audited consolidated financial statements of the Bank prepared in accordance with Indian GAAP and the provision 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, as at and for the years ended March 31, 2005, March 31, 2006 and March 31, 2007.

2 We had issued our unqualified audit opinions dated July 27, 2005, July 13, 2006 and May 18, 2007 on the consolidated financial statements of the Bank as at and for the years ended March 31, 2005, March 31, 2006 and March 31, 2007 respectively. For the purpose of issuing our audit report on the consolidated financial statement of the Bank, we had conducted our audit in accordance with the 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 of material misstatement. 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provided a reasonable basis for our opinions dated July 27, 2005, July 13, 2006 and May 18, 2007 respectively wherein we had reported that the consolidated financial statements prepared by the Bank's management were 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.

3 In respect of this report we have not performed any further additional audit procedures on the consolidated financial statements of the Bank for the years ended March 31, 2005, March 31, 2006 and March 31, 2007, including evaluating the possible impact, if any, of subsequent events on the earlier audited consolidated financial statements of the Bank.

4 The financial information annexed to this report is not presented or classified on a consistent basis, rather presented as they were produced in the respective years audited consolidated financial statements. Similarly, the financial information have been prepared using the accounting policies as they were followed in the respective years The accounting policies and notes to accounts have been reproduced as they were disclosed in the respective years.

5 The financial statements of the Bank's subsidiary namely ING Vysya Financial Services Limited ('IVSFL') for the year ended March 31, 2005 were audited by a firm of chartered accountants other than us i.e. K R Kumar & Co. Accordingly, while performing our audit of the consolidated financial statements of the Bank as at and for the year ended March 31, 2005, we had relied entirely upon the audited financial statements of IVSFL for the year ended March 31, 2005, which were audited by K R Kumar & Co.

6 We have not audited any financial statements of the Bank as of any date or for any period subsequent to March 31, 2007. This report has been issued by us in our capacity as independent firm of chartered accountants vide our engagement letter dated October 24, 2007.

In accordance with the requirements of Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ("the Act"), the Guidelines and our terms of engagement with the Bank dated October 24, 2007, requesting us to make this report for the purpose of the PD, as aforesaid, we further report that read with our comments in paragraph 3 and 4:

We have examined the following financial information relating to the Bank for the purpose of inclusion in the PD:

(i) The consolidated balance sheets of the Bank as at March 31, 2005, March 31, 2006 and March 31, 2007 as appearing in Annexure I to this report;

(ii) The consolidated profit and loss accounts of the Bank for the years ended March 31, 2005, March 31, 2006 and March 31, 2007 as appearing in Annexure II to this report;

(iii) The consolidated statement of cash flows in respect of the years ended March 31, 2005, March 31, 2006 and March 31, 2007 as appearing in Annexure III to this report;

(iv) Schedules of account in respect of years ended March 31, 2005, March 31, 2006 and March 31, 2007 as appearing in Annexure IV to this report; and

(v) Statement of dividend paid by the Bank is respect of years ended March 31, 2005, March 31, 2006 and March 31, 2007 as appearing in Annexure V to this report.

In our opinion, read with our comments in paragraph 3 and 4, the financial information of the Bank, read with significant accounting policies and notes to accounts attached in Annexure IV to this report, have been appropriately extracted from the audited consolidated financial statements of the Bank for the respective years.

This report should not be in any way construed as a re-issuance or re-dating of any previous audit reports issued by us or by other firms of chartered accountants nor should this report be construed as a new opinion on any of the financial statements referred to herein.

This report is intended solely for your information and for inclusion in the PD to be filed by the Bank in connection with the issue of upto 7,475,276 equity shares to Qualified Institutional Buyers ("QIBs") on a private placement basis and upto 6,072,762 Equity Shares to ING Mauritius Holdings and ING Mauritius Investment I ("ING Group") on a preferential allotment basis and is not to be used, referred to or distributed for any other purpose without our prior written consent.

Yours faithfully

for **BSR & Co.**
Chartered Accountants

Zubin Shekary
Partner
Membership No: 48814
Date: October 29, 2007
Bangalore

Annexure I

CONSOLIDATED BALANCE SHEET

(Rs. in Million)

PARTICULARS	Schedule	March 31, 2007	March 31, 2006	March 31, 2005
CAPITAL AND LIABILITIES				
Capital	1	909	907	227
Share application money (pending allotment)	18.22	-	-	1,324
Reserves and Surplus	2	10,101	9,271	6,622
Deposits	3	154,135	133,352	125,694
Borrowings	4	8,436	11,075	8,308
Other Liabilities and Provisions	5	19,190	13,128	11,156
TOTAL		**192,771**	**167,733**	**153,331**
ASSETS				
Cash and Balances with Reserve Bank of India	6	9,458	8,417	6,667
Balance with Banks and Money at call and short notice	7	6,459	2,838	5,653
Investments	8	45,170	43,632	40,571
Loans and advances	9	119,762	102,316	90,806
Fixed Assets	10	3,967	4,061	3,129
Other Assets	11	7,955	6,469	6,505
TOTAL		**192,771**	**167,733**	**153,331**
Contingent Liabilities	12	402,098	273,920	142,302
Bills for collection		14,480	14,785	13,183
Significant accounting policies	17			
Notes on Accounts	18			

Annexure II

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED

(Rs. in Million)

PARTICULARS	Schedule	March 31, 2007	March 31, 2006	March 31, 2005
INCOME				
Interest Earned	13	14,017	12,224	9,906
Other Income	14	1,912	2,251	1,309
TOTAL		**15,929**	**14,475**	**11,215**
EXPENDITURE				
Interest Expended	15	8,593	7,412	6,338
Operating Expenses	16	4,999	5,286	3,847
Provisions and Contingencies		1,438	1,462	1,386
TOTAL		**15,030**	**14,160**	**11,571**
PROFIT/(LOSS)				
Net Profit/(Loss) for the period		899	315	(357)
Share of loss in Associates		(17)	(8)	(230)
Consolidated Net Profit / (Loss) for the year attributable to the Group		882	307	(587)
Add: Brought forward consolidated profit / (loss) attributable to the Group		(143)	(511)	80
Add: Reversal on account of divestment of associate		-	(197)	-
Add: Transfer from Investment Fluctuation Reserve		-	551	-
TOTAL		**739**	**150**	**(507)**
Transfer to statutory reserve		222	23	-
Transfer to capital reserve		396	260	-
Transfer to other reserves		6	5	2
Transfer to Investment reserve		31	-	-
Proposed dividend		59	-	-
Dividend tax		16	5	2
Balance carried to consolidated Balance Sheet		9	(143)	(511)
TOTAL		**739**	**150**	**(507)**
Earnings Per Share (Rs. Per Equity Share of Rs.10 each)				
Basic		9.71	3.48	(25.88)
Diluted		9.64	3.46	(25.88)
Number of shares used in computing Earnings Per Share				
Basic		90,768,759	88,480,518	22,668,330
Diluted		91,380,335	88,859,339	22,668,330

Annexure III

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED

(Rs. in Million)

PARTICULARS	March 31, 2007	March 31, 2006	March 31, 2005
(A) Cash Flow from Operating Activities			
Net Profit before Tax and Extraordinary Items	1,302	260	(507)
Adjustments for :			
Share of Loss in Associate	17	8	230
Depreciation charges	416	413	369
Employee compensation expense (ESOS)	7	8	4
Provision/write off of Advances and Investments	661	1,102	1,543
Profit on revaluation of investment	542	-	-
Provision for Standard Assets	311	165	51
Other Provisions	46	35	334
(Profit)/Loss on Sale of Non banking Assets (net)	-	3	7
(Profit)/Loss on Sale of Assets (net)	(50)	(30)	(9)
Dividend income	(4)	-	-
Write off of other assets	-	110	-
Cash Generated from Operation	3,247	2,074	2,021
Less: Direct Taxes Paid	492	156	85
	2,755	1,918	1,936
Adjustments for :			
Decrease / (Increase) in Advances	(18,142)	(12,043)	(20,341)
Decrease / (Increase) in Other assets	(1,605)	533	817
Non-Banking Assets sold	-	30	31
Decrease/ (Increase) in Investments	(1,901)	(2,942)	(626)
Increase / (Decrease) in Deposits	20,783	7,659	20,918
Increase / (Decrease) in Other liabilities	3,899	97	1,053
Increase/ (Decrease) in Borrowings	(2,639)	2,767	(1,336)
Net Cash flow from / (used in) Operating Activities	**3,150**	**(1,981)**	**2,452**

(Rs. in Million)

PARTICULARS	March 31, 2007	March 31, 2006	March 31, 2005
(B) Cash Flow from Investing Activities			
Movement in Capital Work in Progress	30	(1,047)	(32)
Purchase of Fixed assets / leased assets	(429)	(464)	(244)
Sale of Fixed assets/ Leased assets	127	127	278
Investment in Associates	-	-	(90)
Dividend income	4	-	-
Sale of Investments	8	-	-
Sale proceeds-investments in Subsidiaries and Associates	-	609	-
Net Cash flow used in Investing Activities	(260)	(775)	(88)
(C) Cash Flow from Financing Activities			
Proceeds from issue of shares	2	388	1
Share premium collected	21	1,356	19
Tier II bonds	1,756	1,120	-
Dividend & Dividend tax	(7)	(3)	(113)
Net Cash Flow from Financing Activities	**1,772**	**2,861**	**(93)**
Net Increase/ (Decrease) in Cash and Cash Equivalents	**4,662**	**105**	**2,271**
Cash and Cash equivalents as at the beginning of the year (Including Money At Call and Short Notice)	**11,255**	**11,150**	**10,048**
Cash and Cash equivalents as at the end of the year (Including Money At Call and Short Notice)	**15,917**	**11,255**	**12,319**

Annexure IV

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT

(Rs. in Million)

PARTICULARS	March 31, 2007	March 31, 2006	March 31, 2005
SCHEDULE 1 – CAPITAL			
AUTHORISED CAPITAL			
350,000,000 (March 31, 2006 and 2005:100,000,000) Equity shares of Rs.10 each	3,500	1,000	1,000
100,000,000 Preference shares of Rs.10 each	1,000	1,000	1,000
ISSUED CAPITAL			
91,259,970 (March 31, 2006: 91,087,698 and March 31, 2005: 22,746,738)			
Equity shares of Rs.10 each	913	911	227
SUBSCRIBED AND CALLED UP CAPITAL			
90,904,791 (March 31, 2006: 90,720,579 and March 31, 2005: 22,708,448)			
Equity shares of Rs.10 each fully called and paid up	909	907	227
TOTAL	**909**	**907**	**227**
SCHEDULE 2 - RESERVES AND SURPLUS			
I. STATUTORY RESERVE			
Opening balance	2,008	1,985	1,985
Additions during the year	222	23	-
TOTAL (A)	**2,230**	**2,008**	**1,985**
II. CAPITAL RESERVE			
(a) Revaluation Reserve			
Opening balance	1,116	1,175	1,196
Less: Revaluation reserve reversed consequent to sale of assets/ transfer of assets	-	51	12
Less: Depreciation transferred to Consolidated Profit and Loss Account	8	8	9
TOTAL (B)	**1,108**	**1,116**	**1,175**
(b) Others			
Opening balance	649	389	389
Add: Transfer from Consolidated Profit and Loss Account	396	260	-
TOTAL (C)	**1,045**	**649**	**389**
III. SHARE PREMIUM			
Opening balance	4,362	1,974	1,955
Add: Additions during the year	20	2,388	19
TOTAL (D)	**4,382**	**4,362**	**1,974**
TOTAL CAPITAL RESERVE (B+C+D)	**6,535**	**6,127**	**3,538**

(Rs. in Million)

PARTICULARS	March 31, 2007	March 31, 2006	March 31, 2005
IV. CAPITAL RESERVE ON CONSOLIDATION			
Opening balance	120	174	119
Add: Additions during the year	9	(54)	55
TOTAL (E)	**129**	**120**	**174**
V. REVENUE AND OTHER RESERVES			
(a) Revenue Reserves			
Opening Balance	1,143	871	869
Addition on consolidation of subsidiary	6	5	2
Transferred during the year from Consolidated Profit and Loss Account	-	267	-
TOTAL (a)	**1,149**	**1,143**	**871**
(b) Investment Fluctuation Reserve	-	551	551
Less: Transfer to Consolidated Profit and Loss Account	-	551	-
TOTAL (b)	**-**	**-**	**551**
(c) Investment Reserve			
Add: Additions during the year	31	-	-
TOTAL (c)	**31**	**-**	**-**
TOTAL (F) (a+b+c)	**1,180**	**1,143**	**1,422**
(G) Employee stock option scheme outstanding (net)	18	16	14
VI. BALANCE IN CONSOLIDATED PROFIT AND LOSS ACCOUNT (H)	9	(143)	(511)
TOTAL (I to VI)	**10,101**	**9,271**	**6,622**
SCHEDULE 3 - DEPOSITS			
A I. Demand deposits			
i. From banks	584	513	241
ii. From others	18,351	14,577	13,141
II. Savings bank deposits	25,639	20,935	17,077
III. Term deposits			
i. From banks	13,742	8,865	10,585
ii. From others	95,819	88,462	84,650
TOTAL (I to III)	**154,135**	**133,352**	**125,694**
B. Deposits of branches in India	154,135	133,352	125,694
TOTAL	**154,135**	**133,352**	**125,694**

(Rs. in Million)

PARTICULARS	March 31, 2007	March 31, 2006	March 31, 2005
SCHEDULE 4 - BORROWINGS			
I. Borrowings in India			
i. Reserve Bank of India	600	440	450
ii. Other banks	1,500	3,066	2,099
iii. Other institutions and agencies	150	211	1,166
II. Borrowings outside India	6,186	7,358	4,593
TOTAL (I to II)	**8,436**	**11,075**	**8,308**
Secured borrowings included in (I) and (II) above is NIL (2006 and 2005 : NIL)			
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS			
I. Bills payable	3,678	3,139	2,937
II. Inter office adjustments (net)	1,937	157	735
III. Interest accrued	292	232	252
IV. Subordinated debt -Tier II bonds (Refer Note 18.20)	6,376	4,620	3,500
V. Contingent Provision against Standard Assets	697	387	-
VI. Others (including provisions)	6,210	4,593	3,732
TOTAL (I to VI)	**19,190**	**13,128**	**11,156**
SCHEDULE 6- CASH AND BALANCES WITH			
RESERVE BANK OF INDIA			
I. Cash in hand (including foreign currency notes)	1,526	1,124	853
II. Balances with Reserve Bank of India	-	-	-
i. In current account	7,932	7,293	5,814
ii. In other accounts	-	-	-
TOTAL (I to II)	**9,458**	**8,417**	**6,667**

(Rs. in Million)

PARTICULARS	March 31, 2007	March 31, 2006	March 31, 2005
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	934	1,055
b) In other deposit accounts	1,754	1,891	3,975
ii) Money at call and short notice			
a) With banks	1,000	-	-
b) With others	-	-	-
TOTAL (i to ii)	**3,987**	**2,825**	**5,030**
II. Outside India			
i) In current accounts	38	13	108
ii) In other deposit accounts	2,434	-	515
TOTAL (i to ii)	**2,472**	**13**	**623**
GRAND TOTAL (I to II)	**6,459**	**2,838**	**5,653**
SCHEDULE 8 - INVESTMENTS (NET)			
I. Investments in India			
i) Government securities	40,448	37,529	33,781
ii) Other approved securities	2	2	195
iii) Shares	16	54	77
iv) Debentures and bonds	2,948	4,194	6,307
v) Investment in Subsidiaries/Joint Ventures and Associates	12	19	211
vi) Others (mutual funds, commercial papers and post office deposits)	1,744	1,834	-
TOTAL	**45,170**	**43,632**	**40,571**
II. Investments outside India	**-**	-	-
GRAND TOTAL	**45,170**	**43,632**	**40,571**
GROSS INVESTMENTS	45,441	43,992	40,925
Less: Depreciation/Provision for Investments	(271)	(360)	(354)
NET INVESTMENTS	**45,170**	**43,632**	**40,571**

(Rs. in Million)

PARTICULARS			March 31, 2007	March 31, 2006	March 31, 2005
SCHEDULE 9 - ADVANCES (net)					
A.	i)	Bills purchased and discounted	7,742	6,965	6,760
	ii)	Cash credits, overdrafts and loans repayable on demand	49,549	43,979	35,414
	iii)	Term loans	62,471	51,372	48,632
		TOTAL	**119,762**	**102,316**	**90,806**
B.	i)	Secured by tangible assets	101,519	87,087	80,336
	ii)	Covered by Bank/Government guarantees	1,468	2,321	2,559
	iii)	Unsecured	16,775	12,908	7,911
		TOTAL	**119,762**	**102,316**	**90,806**
C.	**I**	ADVANCES IN INDIA			
		i) Priority sector	42,001	36,570	28,308
		ii) Public sector	2,249	1,604	1,668
		iii) Banks	533	242	860
		iv) Others	74,979	63,900	59,970
	II	ADVANCE OUTSIDE INDIA	**-**	-	-
		TOTAL	**119,762**	**102,316**	**90,806**
SCHEDULE 10 - FIXED ASSETS					
I.	**Premises**				
	i)	At cost as on March 31, of preceding year	1,033	1,136	1,203
	ii)	Appreciation in the value	1,173	1,198	1,244
	iii)	Additions during the year	-	5	1
			2,206	2,339	2,448
	iv)	Deductions during the year	(51)	(133)	(99)
	v)	Depreciation to date	(200)	(177)	(171)
I	**A.**	**Premises under construction**	1,040	1,039	3
		TOTAL	**2,995**	**3,068**	**2,181**
II.	**Other Fixed Assets (Including Furniture and Fixtures)**				
	i)	At cost as on March 31, of the preceding year	2,750	2,387	2,271
	ii)	Additions during the year	429	430	243
			3,179	2,817	2,514
	iii)	Deductions during the year	(51)	(67)	(126)
	iv)	Depreciation to date	(2,373)	(2,055)	(1,732)
II	**A.**	**Capital work in progress**	52	83	72
		TOTAL	**807**	**778**	**728**

(Rs. in Million)

PARTICULARS	March 31, 2007	March 31, 2006	March 31, 2005
III. Lease Fixed Assets			
i) At cost as on March 31 of the preceding year	1,816	1,816	2,243
ii) Additions during the year	-	-	-
	1,816	1,816	2,243
iii) Deductions during the year	(275)	-	(45)
iv) Depreciation to-date	(1,310)	(1,493)	(1,820)
v) Add: Lease adjustment account	191	153	111
vi) Less: Provision / Write off of non performing assets	(257)	(261)	(269)
TOTAL	**165**	**215**	**220**
GRAND TOTAL (I to III)	**3,967**	**4,061**	**3,129**
SCHEDULE 11- OTHER ASSETS			
I. Interest accrued	1,428	1,241	1,007
II. Tax paid in advance and tax deducted at source (net)	640	893	1,035
III. Stationery and stamps	10	22	17
IV. Non banking assets acquired in satisfaction of claims (net)	1,027	1,027	1,061
V. Others	4,850	3,286	3,385
TOTAL	**7,955**	**6,469**	**6,505**
SCHEDULE 12- CONTINGENT LIABILITIES			
I. Claims against the bank not acknowledged as debts	85	118	154
II. Liability for partly paid investments	-	-	-
III. Liability on account of outstanding forward exchange contracts	150,744	90,477	117,096
IV. Liability on account of outstanding derivative contracts	211,623	150,340	-
V. Guarantees given on behalf of constituents in India	22,126	17,921	11,263
VI. Acceptances, endorsements and other obligations	15,853	13,716	12,454
VII. Other items for which the bank is contingently liable	1,667	1,348	1,335
TOTAL	**402,098**	**273,920**	**142,302**

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED

(Rs. in Million)

PARTICULARS		March 31, 2007	March 31, 2006	March 31, 2005
SCHEDULE 13 - INTEREST EARNED				
i.	Interest/Discount on advances/bills	9,596	8,245	6,468
ii.	Income on investments	3,329	3,027	2,587
iii.	Interest on balances with RBI and other inter bank funds	289	265	258
iv.	Others (includes IRS income)	803	687	593
	TOTAL	**14,017**	**12,224**	**9,906**
SCHEDULE 14 - OTHER INCOME				
i.	Commission, Exchange and Brokerage	1,832	1,446	1,241
ii.	Profit/ (Loss) on sale of investments (net)	251	396	(480)
iii.	Profit/ (Loss) on revaluation of investments (net)	(542)	-	-
iv.	Profit/ (Loss) on sale of land, buildings and other assets (net)	50	30	9
v.	Profit/ (Loss) on Exchange transactions (net)	(45)	71	242
vi.	Income earned by way of dividends etc.from associate/ companies and joint ventures abroad/in India	4	5	6
vii.	Lease income	4	4	3
viii.	Miscellaneous income (including bad debt recoveries)	358	299	288
	TOTAL	**1,912**	**2,251**	**1,309**
SCHEDULE 15 - INTEREST EXPENDED				
i.	Interest on Deposits	7,125	6,170	5,162
ii.	Interest on Reserve Bank of India/Inter-Bank borrowings	269	329	207
iii.	Others (including interest onTier II Bonds and IRS)	1,199	913	969
	TOTAL	**8,593**	**7,412**	**6,338**

(Rs. in Million)

PARTICULARS		March 31, 2007	March 31, 2006	March 31, 2005
SCHEDULE 16- OPERATING EXPENSES				
i.	Payments and Provisions for Employees	2,478	2,455	1,812
ii.	Rent, Taxes and Lighting	401	353	285
iii.	Printing and Stationery	112	106	79
iv.	Advertisement and Publicity	36	56	62
v.	Depreciation on Bank's Property	383	374	369
vi.	Director's Fees, Allowances & Expenses	7	8	4
vii.	Auditors' Fees and Expenses (Including Branch Auditors)	11	10	13
viii.	Law Charges	21	21	11
ix.	Postage,Telegrams,Telephones	196	190	140
x.	Repairs and Maintenance	249	355	196
xi.	Insurance	195	189	120
xii.	Other expenditure	910	1,169	756
	TOTAL	**4,999**	**5,286**	**3,847**

SCHEDULE 17 - SIGNIFICANT ACCOUNTING POLICIES

BACKGROUND

ING Vysya Bank Limited ("IVB" or "the Bank") was incorporated on March 29, 1930 and is headquartered in Bangalore. Subsequent to acquisition of stake in the Bank by ING Groep N.V. in August 2002, the name of the Bank was changed from " The Vysya Bank Limited" to "ING Vysya Bank Limited".

These Consolidated financial statements of the Bank have been extracted from the audited consolidated financial statements of the Bank as at and for the Fiscal Years ended March 31, 2007, March 31, 2006 and March 31, 2005 as published and audited for the respective years. The numbers presented in these financial statements have not been presented or classified on a consistent basis, rather presented as they were produced in the respective year.

Similarly, these financial statements have been prepared using the accounting policies as they existed in the respective year and the numbers presented for different years are not based on same accounting policies. Similarly, the accounting policies and notes to accounts are reproduced as they were disclosed in the respective years.

Accounting Policies followed for the year ended March 31, 2007

1. 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").

2. 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.

3. BASIS OF CONSOLIDATION

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

ii. 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.

iii. 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.

iv. 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.

v. The reporting date for the subsidiary and associate is March 31, 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 March 31, 2007 is Rs. 12 millions, which represents the proportionate share of the net worth of the associate.

4. REVENUE RECOGNITION

i. 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.

ii. 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 March 31, 2001 and in accordance with AS 19 – “Leases” in respect of leases given from April 1, 2001.

iii. 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.

iv. 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.

v. 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.

5. TRANSACTIONS INVOLVING FOREIGN EXCHANGE

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.

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.

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’:

“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 September 2, 2004, the investment in SLR securities under this category is permitted to a maximum of 25% of Demand and Time Liabilities.

“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.

“Available for Sale” (AFS) securities are those, which do not qualify for being classified in either of the above categories.

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:

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.

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.

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.

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.

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

i. - at 0.25% for loans to Small and Medium Enterprises and direct agricultural advances;

ii. - at 1% on residential housing loans beyond Rs.2 million; and

iii. - 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 December 31, 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.

Depreciation on Premises is charged on straight line basis at the rate of 1.63% upto March 31, 2002 and at 2% with effect from April 1, 2002.

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 April 1, 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 April 1, 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.

10. 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.

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

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

Contributions payable to the recognised Provident Fund, which is a defined contribution scheme, are charged to the profit and loss account.

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

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 consolidated profit and loss account is after considering the following:

i. - Provision/ write off of Non-Performing Assets as per the norms prescribed by RBI;

ii. - Provision for income tax and wealth tax;

iii. - Depreciation/ write off of Investments; and

iv. - 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 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.

Accounting Policies followed for the year ended March 31, 2006

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The consolidated financial statements of the Bank, its wholly owned subsidiary and its associate companies (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 ("GAAP") in India and conform to the statutory requirements prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by the 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")

2. 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.

3. BASIS OF CONSOLIDATION

i. The consolidated financial statements include the financial statements of the Bank, its subsidiary and associates.

ii. 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.

iii. 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.

iv. Further, the Bank accounts for its investments in associates 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 investments in its associates 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.

v. The reporting date for the subsidiary and associates is March 31, 2006. 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 investments in associates in the consolidated financial statements as on March 31, 2006 is Rs 182 million which represents the proportionate share of the net worth of the associate.

4. REVENUE RECOGNITION

i. 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.

ii. 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 March 31, 2001 and in accordance with AS 19 – "Leases" in respect of leases given from April 1, 2001.

iii. 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.

iv. 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. TRANSACTION INVOLVING FOREIGN EXCHANGE

i. 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.

ii. Outstanding forward exchange contracts, bills and balances in Nostro accounts 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.

iii. 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.

Trading derivative positions are Marked to Market ("MTM") with resulting gains/losses recognised in the profit and loss account and in other assets/other liabilities. Hedging derivatives 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':

"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 September 2, 2004, the investment in SLR securities under this category is permitted to a maximum of 25% of Demand and Time Liabilities.

"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.

"Available for Sale" (AFS) securities are those, which do not qualify for being classified in either of the above categories.

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:

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.

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.

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.

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.

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.

As per RBI guidelines, a general provision at the rate of 0.40% (except for loans to Small and Medium Enterprises and direct agricultural advances, where general provision is made at the rate of 0.25%) is made on all standard advances. These provisions are included in “Other Liabilities”.

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.

Depreciation on Premises is charged on straight line basis at the rate of 1.63% up to March 31, 2002 and at 2% with effect from April 1, 2002.

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. - 20% in respect of Electrical and Electronic equipment.

ii. - 10% and 20% respectively on Furniture and Fixtures and Vehicles.

iii. - 33.33% on Computers and Software.

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 April 1, 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 April 1, 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.

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.

10. 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.

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. 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.

13. STAFF BENEFITS

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

Contributions payable to the recognised Provident Fund, which is a defined contribution scheme, are charged to the profit and loss account.

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

Provision for leave encashment, which is a defined benefit scheme, is made based on actuarial valuation and provided for in the books.

14. TAXES ON INCOME

Deferred tax assets and deferred tax liabilities are recognised for the future tax consequences attributable to differences between carrying amounts of existing assets and liabilities in the consolidated financial statements and their respective tax bases. Current taxes are measured at the amounts expected to be paid using the applicable tax rates and tax laws. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantially enacted at the balance sheet date. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the profit and loss account in the period of change. The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance for any tax benefits for which it is more likely than not that some portion or all of such benefits will not be realised.

The Group 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.

15. NET PROFIT/(LOSS)

Net profit / (loss) disclosed in the consolidated profit and loss account is after considering the following:

i. - Provision/ write off of non-performing assets as per the norms prescribed by RBI;

ii. - Provision for income tax and wealth tax;

iii. - Depreciation/ write off of Investments; and

iv. - Other usual, necessary and mandatory provisions, if any.

16. 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.

Accounting Policies followed for the year ended March 31, 2005

1. BASIS OF PREPARATION

The consolidated financial statements of the Bank, its majority owned Group and its associate companies (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 ("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 and current practices prevailing within the banking industry in India. The financial statements comply with the applicable Accounting Standards ("AS") issued by the Institute of Chartered Accountants of India ("ICAI").

2. 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.

3. BASIS OF CONSOLIDATION

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

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.

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.

Further the Bank accounts for its investments in associates 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 investments in its subsidiary/associates over its portion of equity of the subsidiary/associate, at the date on which investment in the subsidiary/associate is made, is recognised as goodwill/capital reserve in the consolidated financial statements.

The reporting date for the subsidiary and associates is March 31, 2005. For the purposes of preparation of these consolidated financial statements, the audited financial statements of subsidiary and associates have been considered. The carrying value of the investments in associates in the consolidated financial statements as on March 31, 2005 is Rs 211 million, which represents the proportionate share of the net worth of the associates.

4. REVENUE RECOGNITION

i. Income and Expenditure is accounted on an 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 RBI.

ii. 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 March 31, 2001 and in accordance with the AS – 19 in respect of leases given from April 1, 2001.

iii. Premium/discount on acquired loans

During the year ended March 31, 2005, the Bank changed its accounting policy on the treatment of premium paid/discount received on loans acquired under deeds of assignment, to recognising such premium/discount in the profit and loss account in the year of such purchase. Consequently the un-amortised premium of Rs. 153 million has been fully expended in the profit and loss account for the year ended March 31, 2005.

Upto March 31, 2004, the Bank followed the policy of recognising the premium paid/discount received on loans acquired under deeds of assignment in the profit and loss account over the residual term of the relevant loans based on the interest rate implicit in the terms of assignment.

iv. 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. TRANSACTION INVOLVING FOREIGN EXCHANGE

i. 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.

ii. Outstanding forward exchange contracts, bills and balances in Nostro accounts 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.

iii. Gain/loss arising out of money market hedging swap transactions are accounted for on accrual basis based on FEDAI guidelines.

6. DERIVATIVE TRANSACTIONS

Derivative transactions comprise interest rate swaps, currency swaps, currency and cross currency options to hedge on-balance sheet assets and liabilities or to take trading positions.

Trading derivative positions are marked to market (MTM) with resulting gains/losses recognised in the profit and loss account and in other assets/other liabilities. Hedging derivatives are accounted for on an accrual basis.

7. INVESTMENTS

For presentation in the Balance sheet, investments (net of provisions) are classified under the following – Government Securities, Other approved Securities, Shares, Debentures and Bonds, Investments in associates 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" 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 September 2, 2004, the investment in SLR securities under this category is permitted to a maximum of 25% of Demand and Time Liabilities. Before this, investment in securities under this category was permitted to a maximum of 25% of total investments.

b. "Held for Trading" 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" securities are those, which do not qualify for being classified in either of the above categories

d. Transfer of security 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:

For investments classified as " Held to Maturity", excess of cost over face value is amortized over the remaining period of maturity. The discount, if any, being unrealised is ignored.

Investments classified as "Held for Trading" are revalued at monthly intervals and the net depreciation under each category is recognised in the profit and loss account. The net unrealised gains on valuation are not taken to the income account or the Investment Fluctuation Reserve.

Investments classified as "Available for Sale" are revalued every quarter. 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.

In the case of incomplete REPO transactions, the difference between the book value of security and the contracted price is held in "REPO Price Adjustment account", to be reversed on its completion. The funding cost of the transaction up to the year-end is accounted for as interest expense.

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 of the Bank comprising sub-standard, doubtful and loss assets are made in accordance with the RBI guidelines. Non-performing advances are identified by periodic appraisals of the loan portfolio by management.

As per RBI guidelines, a general provision at the rate of 0.25% is made on all standard advances of the Bank.

9. FIXED ASSETS

Fixed Assets are stated at historical cost less accumulated depreciation, with the exception of premises in case of the Bank, which were re-valued as at December 31, 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.

i) Depreciation on premises is charged at the rate of 1.63% up to March 31, 2002 and at 2% with effect from April 1, 2002 in case of the Bank.

ii) Additional depreciation on account of revaluation of assets is deducted from the current period depreciation and adjusted in the Revaluation Reserve Account in case of the Bank.

Depreciation on the following items of fixed assets is charged over the estimated useful life of the respective assets on “Straight Line” basis. The rates of depreciation in case of the Bank are:

20% in respect of Electrical and Electronic equipment;

10% and 20% respectively on Furniture and Fixtures and Vehicles; and

33.33% on Computers and Software.

Depreciation on leased assets is provided on WDV method at the rates stipulated under Schedule XIV to the Companies Act, 1956 by the Bank.

In respect of fixed assets leased before April 1, 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 April 1, 2001, the Bank follows AS-19 on “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 is 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.

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:

- 20% in respect of Office equipment;
- 10% in respect of Furniture and Fixtures;
- 20% in respect of Vehicles;
- 33.33% in respect of Computers; and
- 100% in respect of Software.

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

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.

10. 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.

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. 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.

13. STAFF BENEFITS

Provision for gratuity has been made based on actuarial valuation and contributed to the approved Gratuity Fund. In case of IVFSL, gratuity liability is provided on the basis of amount payable as per the Payment of Gratuity Act.

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

Provision for pension has been made based on actuarial valuation and contributed to the approved pension fund.

Provision for Leave Encashment has been made based on actuarial valuation and provided for in the books. In case of IVFSL, leave encashment is provided in accordance with the contractual obligations as per the Company’s rules.

14. TAXES ON INCOME

Deferred tax assets and deferred tax liabilities are recognised for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the standalone financial statements and its subsidiary and their respective tax bases. Current taxes are measured at the amounts expected to be paid using the applicable tax rates and tax laws. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantially enacted at the balance sheet date. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the profit and loss account in the period of change. The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance for any tax benefits for which it is more likely than not that some portion or all of such benefits will not be realised.

The Group 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.

15. NET LOSS

Net 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 on investments; and
- Other usual, necessary and mandatory provisions, if any.

16. 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, requires 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.

SCHEDULE – 18

18. Notes on Accounts

18.1 List of subsidiary and associate considered for consolidation

Sl No	Name	Country of incorporation	Extent of holding as on March 31, 2007	Voting Power as on March 31, 2007	Extent of holding as on March 31, 2006	Voting Power as on March 31, 2006	Extent of holding as on March 31, 2005	Voting Power as on March 31, 2005
Subsidiary								
1	ING Vysya Financial Services Limited (IVFSL)	India	100%	100%	100%	100%	100%	100%
Associates								
1	ING Vysya Life Insurance Company Private Limited (IVL)**	India	-	-	NIL	NIL	17.846%*	2.5%
2	ING Investment Management (India) Private Limited (IIM) ***	India	15.01%	15.01%	17.26%	17.26%	19.572%	19.572%

* Subsequent to the balance sheet date, the Bank's share has reduced to 14.876% in May 2005, as a result of the Bank not participating in a capital call made by IVL in March 2005. The Bank has decided to divest its entire stake in ING Vysya Life Insurance Company Private Limited and the sale would take place upon getting the necessary regulatory approvals.

** The Bank has divested its entire stake of 17.85% as on March 31, 2005 in IVL on August 24, 2005. Subsequent to sale the bank's holding in IVL has been and fully divested and IVL has cease to be an associate of the Bank.

*** On October 27, 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 March 31, 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 polices 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 March 31, 2007 is Rs. 1 million (0.002%) [March 31, 2006: Rs 9 million (0.02%); March 31, 2005: Rs 9 million (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 year 2006-07 are Rs. 6 million (0.15%) [March 31, 2006: Rs. 6 million (0.14%); March 31, 2005 Rs 4 million (0.14%)] and Rs. 3 million (0.85%) [March 31, 2006: Rs. 2 million (0.57%); March 31, 2005: Rs 1 million (0.34%)] respectively.

2006-07 and 2005-06

(iii) IVFSL does not have a policy for encashment of accrued leave.

2004-05

(iv) Leased assets including assets purchased and given on lease by IVFSL are carried at historical cost less accumulated depreciation. The carrying amount of these assets and the depreciation charge for the period in the consolidated financial statements are Rs. 9 thousands (0.0004%) and Rs. 10 thousands (0.03%) respectively.

(v) In case of IVFSL, leave encashment provision has been made in terms of the contractual obligation as per the company's rules. Further, gratuity liability is provided on the basis of amount payable as per the Payment of Gratuity Act.

18.3 Balancing of books and reconciliation

2006-07

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 as at March 31, 2007 and is expected to be completed in due course with no financial statement impact as on March 31, 2007.

2005-06

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 3 branches and is expected to be completed in due course with no financial statement impact as on March 31, 2006.

2004-05

The Bank is in the process of completing its Inter branch/bank reconciliation and elimination of entries is in progress. Reconciliation of subsidiary ledger balances/abstracts with general ledger/balancing registers accounts are in progress at some branches/offices and steps are being taken to regularize them. Management does not expect any material impact on the financial statements as on March 31, 2005 on account of these pending reconciliation.

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 September 29, 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 September 22, 2005. No further options have been granted under this scheme.

The movement in the scheme during the years is as under:

	Fiscal Year ended March 31, 2007	Fiscal Year ended March 31, 2006	Fiscal Year ended March 31, 2005
Stock options outstanding at the beginning of the year	609,680	199,292	282,345
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	56,583
Less: Options forfeited	100,925	56,994	26,470
Stock options outstanding at the end of the year	**361,730**	**609,680**	**199,292**

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 years is as under:

	Fiscal Year ended March 31, 2007	Fiscal Year ended March 31, 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 March 31, 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 March 31, 2003.

In accordance with the RBI letter DBOD. No. PSBS/132/16.01.77/2002-03 dated July 24, 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 million has been charged off to profit and loss account in the year 2006-07 (March 31, 2006 and March 31, 2005: Rs. 188 million) 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 (March 31, 2006: Rs. 94 million and March 31, 2005: Rs. 282 million) is being carried in the balance sheet as at March 31, 2007 as deferred revenue expenditure under "Other Assets" in Schedule 11 to the balance sheet.

18.6 *Provisions and contingencies bebited to the Profit and Loss Account include*

(Rs. million)

Items	Fiscal Year ended March 31, 2007	Fiscal Year ended March 31, 2006	Fiscal Year ended March 31, 2005*
Provision for income tax	397	70	(353)**
Provision for wealth tax	1	1	-
Provision for fringe benefit tax	23	79	-
Provision/ write off of NPAs	695	534	525
Depreciation/ write off of investments (net)*	-(34)	569	819
Others	356	209	384
Total	**1438**	**1462**	**1375**

* includes adjustment of Rs. Nil (March 31, 2006: 52 million and March 31, 2005: 478 million) on account of shifting of securities from AFS to HTM category.

** Includes provision for wealth tax also.

18.7 *Details of Provisions*

(Rs. million)

	March 31, 2007	March 31, 2006	March 31, 2005*
Opening balance	226	629	394
Additions during the year	44	60	322
Reversals during the year	28	123	29
Amounts used	23	340	58
Closing balance	219	226	629

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.

* Employee related provisions would be utilized within a period of one year, while other provisions would be utilized / released upon settlement. The provision for wage revision included above pertain to the incremental impact on salary costs arising on account of wage settlements with the employee unions on a periodic basis. The earlier wage settlement of the Bank expired in October 2002. During the year ended March 31, 2004, the Bank provided an amount of Rs. 117 million towards estimated incremental payments pending new wage settlements with its employees union. An amount of Rs. 218 million is provided during the year 2004-05. The final liability of the bank on account of wage settlement is not known at present and any adjustment on this account would be made as and when the liability is ascertained.

18.8 *Provisions for Income – Tax*

(Rs. million)

	Fiscal Year ended March 31, 2007	Fiscal Year ended March 31, 2006	Fiscal Year ended March 31, 2005*
Provision for income tax	397	70	-
Fringe benefit tax	23	80	-

* This disclosure was not presented for 2004-05 financial statements

18.9 Investments

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

2006-07

In accordance with RBI Circular No. DBOD.BP.BC.21/21/04.141/2003-04 dated September 2, 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 (2005-06: Rs. 828 million) 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 (2005-06: Rs.52 million) in the profit and loss account.

2005-06

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. Accordingly, the Bank had shifted securities of book value Rs. 828 million from AFS to HTM category in the month of May 2005, which was approved by the Board of Directors in their meeting dated May 18, 2005. Such transfer was carried out at the lower of cost/book value/market value and consequently the Bank has recorded a loss of Rs. 52 million (March 31, 2005: Rs. 478 million) in the profit and loss account for the year ended March 31, 2006.

2004-05

In accordance with RBI circular No. DBOD.BP.BC.21/21.04.141/2003-04 dated September 2, 2003, Banks were allowed to shift securities between categories only once a year with approval of the Board of Directors. Accordingly, the Bank had shifted securities of book value Rs 423 million from AFS to HTM category in the month of May 2004, which was approved by the Board of Directors in their meeting dated March 16, 2004.

During the current year, in view of the rising interest rates/yields on securities, RBI vide its circular No. DBOD.BP.BC.37/21/04/141/2004-05 dated September 2, 2004 allowed banks, as a one time measure, to transfer securities from AFS to HTM category at the lower of acquisition cost/book value/market value. In accordance with the above, the bank transferred securities of a book value of Rs 7,068 million (Face value: Rs 5,218 million) from AFS to HTM category and such transfer was approved by the Board of Directors in their meeting held on October 27, 2004. As such transfer was carried out at the lower of acquisition cost/book value/ market value, the Bank recorded a loss of Rs 478 million,, which has been recorded in the profit and loss account as Provisions and Contingencies.

18.9.2. Investment Fluctuation Reserve (IFR)

2006-07

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

2005-06

In accordance with RBI Circular No. DBOD.No.BP.BC.38/21.04.141/2005-06 dated October 10, 2005, the Bank has maintained capital of more than 9% of risk weighted assets for credit risk and market risk for both AFS and HFT category at March 31, 2006. Accordingly, the Bank is permitted to transfer the balance in IFR to the balance of profit and loss account below the line. At March 31, 2006, the Bank has therefore, transferred the entire balance of Rs 551 million in IFR to the profit and loss account below the line.

2004-05

As at March 31, 2005, the Bank carries an Investment Fluctuation Reserve of Rs. 551 million, which is 5.55% of the investment portfolio, excluding HTM investments.

18.9.3. Non-performing non SLR investments

(Rs. Million)

	Fiscal Year ended March 31, 2007	Fiscal Year ended March 31, 2006	Fiscal Year ended March 31, 2005
Opening balance	97	97	256
Additions during the year	28	-	-
Reduction during the year	56	-	159
Closing balance	69	97	97
Total provisions held	69	97	97

18.9.4. Value of Investments

(Rs. million)

Items	March 31, 2007	March 31, 2006	March 31, 2005*
Gross value of Investments			
a. In India	45,441	43,992	-
b. Outside India	-	-	-
Provisions for depreciation			
a. In India	271	360	-
b. Outside India	-	-	-
Net value of Investments			
a. In India	45,170	43,632	-
b. Outside India	-	-	-

* This disclosure was not presented for 2004-05 financial statements

18.9.5. Movement of provisions held towards depreciation on investments

(Rs. million)

Items	March 31, 2007	March 31, 2006	March 31, 2005*
Opening balance	360	354	375
Add: Provisions made during the year	28	58	82
Less: Write-off/write-back of excess provisions during the year	117 *	52	200
Closing balance	271	360	257

* Provision held against the NPA sold of Rs.51 million in 2006-07 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 July 13, 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. million)

	Fiscal Year ended March 31, 2007	Fiscal Year ended March 31, 2006	Fiscal Year ended March 31, 2005
(i) Total amount of loan assets subjected to restructuring, rescheduling, renegotiation;	763	1,556	1,894
- of which under Corporate Debt Restructuring (‘CDR’)	-	284	352
(ii) The amount of Standard assets subjected to restructuring, rescheduling, renegotiation;	763	752	1,430
- of which under CDR	-	-	68
(iii) The amount of Sub-Standard assets subjected to restructuring, rescheduling, renegotiation;	-	2	465*
- of which under CDR	-	-	284*
(iv) The amount of Doubtful assets subjected to restructuring, rescheduling, renegotiation;	-	802	-
- of which under CDR	-	284	-

* Includes both Sub Standard and Doubtful assets.

During the 2004-05, interest sacrifice of Rs. 61 million on the rescheduled loans have been provided in line with the applicable RBI guidelines

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

(Rs. million)

	Fiscal Year ended March 31, 2007	Fiscal Year ended March 31, 2006	Fiscal Year ended March 31, 2005 *
Standard			
Number of accounts	—	-	-
Amount	—	-	-
Interest sacrifice	—	-	-
Sub-standard			
Number of accounts	—	-	-
Amount	—	-	-
Interest sacrifice	—	-	-
Doubtful			
Number of accounts	—	1	-
Amount	—	284	-
Interest sacrifice	—	-	-
Total	—	284	-

* *This disclosure was not presented for 2004-05 financial statements*

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

(Rs. million)

	Fiscal Year ended March 31, 2007	Fiscal Year ended March 31, 2006	Fiscal Year ended March 31, 2005 *
Total amount of loan assets subjected to restructuring	253	179	-
Out of above:			
Amount of standard assets subject to restructuring	253	47	-
Amount of sub-standard/doubtful assets subjected to restructuring	-	-	-
Amount of doubtful assets subjected to restructuring	-	132	-

* *This disclosure was not presented for 2004-05 financial statements*

18.10.2. Movement in NPAs during the Fiscal Years ended March 31, 2007, March 31, 2006 and March 31, 2005

(Rs. million)

	Gross*	Net*
Opening balance as on April 1, 2004	**1,866**	**1,834**
Additions during the year ended March 31, 2005	2,157	2,157
Reductions (including write offs) during the year ended March 31, 2005	2,080	2,058
Closing balance as on March 31, 2005	**1,943**	**1,933**
NPAs to advances (%)$	-	-
Additions during the year ended March 31, 2006	2,283	2,283
Reductions (including write offs) during the year ended March 31, 2006	2,417	2,412
Closing balance as on March 31, 2006	**1,809**	**1,804**
NPAs to advances (%)	1.77	1.76
Additions during the year ended March 31, 2007	2,038	2,038
Reductions (including write offs) during the year ended March 31, 2007	2,583	2,702
Closing balance as on March 31, 2007	**1,264**	**1,140**
NPAs to advances (%)	1.05	0.95

* *After considering technical write off*

$ *This disclosure was not presented for 2004-05 financial statements*

18.10.3. Movement in provisions for NPA

(Rs. million)

	Fiscal Year ended March 31, 2007	Fiscal Year ended March 31, 2006	Fiscal Year ended March 31, 2005
Opening balance	—	-	-
Additions during the year	694	534	525
Technical write-offs/write backs during the year	694	534	525
Closing balance	**-**	**-**	**-**

18.10.4. Provisions on standard asset

(Rs. million)

Item	Fiscal Year ended March 31, 2007	Fiscal Year ended March 31, 2006	Fiscal Year ended March 31, 2005*
Provision towards standard assets during the year	311	165	-
Cumulative provision for standard assets as at year end	697	387	-

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

* *This disclosure was not presented for 2004-05 financial statements*

18.10.5. Purchase/ Sale of non performing assets

Details of non performing financial assets sold:

(Rs. million)

	Particulars	Fiscal Year ended March 31, 2007	Fiscal Year ended March 31, 2006*	Fiscal Year ended March 31, 2005*
1.	No. of accounts sold**	1	-	-
2.	Aggregate outstanding, net of provisions/ write offs	-	-	-
3.	Aggregate consideration received	51	-	-

* * *Provision held against the NPA sold of Rs.51 million in 2006-07 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 July 13, 2005 and is retained as provision for NPA.*

No non performing financial assets were purchased during the year 2006-07 (2005-06 and 2004-05: Nil)

* This disclosure was not presented for 2005-06 and 2004-05 financial statements

18.10.6. Securitisation of financial assets

(Rs. miliion)

Item	Fiscal Year ended March 31, 2007	Fiscal Year ended March 31, 2006	Fiscal Year ended March 31, 2005*
Total number of accounts	1	-	-
Total number of transactions	2	-	-
Book value (net of provisions) of accounts sold	1,000	-	-
Aggregate consideration received	1,003	-	-
Additional consideration realized in respect of accounts transferred in earlier years	-	-	-
Aggregate gain/ (loss) over net book value	3	-	-

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

* *This disclosure was not presented for 2004-05 financial statements*

Contribution Agreement (2006-07)

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.

18.10.7. (a) ***Exposure to capital market***

(Rs. million)

Items	March 31, 2007	March 31, 2006	March 31, 2005*
(i) Investments made in Equity Shares	126	188	-
(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	1,727	1,971	-
(v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers	159	142	-
Total exposure to capital market	2,012	2,301	-
(vi) Of (v) above, the total finance extended to stockbrokers for margin trading	-	-	-

Amounts above have been stated at their gross carrying values.

* *This disclosure was not presented for 2004-05 financial statements*

(b) ***Exposure to real estate sector***

(Rs. million)

Items	As at March 31, 2007	As at March 31, 2006	As at March 31, 2005*
(a) Direct exposure			
(i) Residential mortgages			
Individual housing loan up to 15 lakhs	3,911	2,819	-
Others	4,777	3,283	-
(ii) Commercial real estate			
Fund Based	6,243	3,480	-
Non- Fund Based	159	-	-
(iii) Investment in mortgage backed securities and other securitised exposures			
a. Residential	1,922	2,130	-
b. Commercial real estate	-	-	-
(b) Indirect exposure.			
Fund Based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	5,025	5,278	-
Non-Fund Based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	-	-	-
Total	**22,037**	**16,990**	**-**

* *This disclosure was not presented for 2004-05 financial statements*

18.11. Fixed Assets

Depreciation

The Bank has, effective from April 1, 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. (2005-06: 3 years). Consequently the depreciation rate of ATMs and VSAT equipments stands revised to 16.66% (2005-06: 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 April 1, 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 2006-07 are lower by Rs. 46 million and net profit for the year 2006-07 is higher by Rs. 46 million. Net Block of fixed assets is higher by Rs. 42 million and Capital Adequacy ratio is higher by 0.04% for the year 2006-07.

2006-07

The Capital work in progress (Premises) of Rs. 1,040 million includes Rs. 1,002 million 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.

2005-06

An amount of Rs. 1,109 million was carried under Schedule 11 “Other Assets” being the amount of lease premium and interest paid to Mumbai Metropolitan Regional Development Authority (‘MMRDA’) towards lease of premises in the earlier years. Upon completion of the lease agreement and certain administrative formalities, recently, an amount of Rs. 1,000 million has been transferred to Capital work in progress, being the initial lease premium and the balance of Rs. 110 million has been charged off in the profit and loss account as miscellaneous expenses.

18.12. Leases

Operating leases

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

(Rs. million)

	March 31, 2007	**March 31, 2006**	**March 31, 2005**
Not later than one year	29	26	26
Later than one year and not later than five years	23	13	48
Later than five years	0	0	15
Total minimum lease rental commitments	**52**	**39**	**89**

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 year 2006-07 is Rs. 227 million (March 31, 2006: Rs. 205 million and March 31, 2005: 167 million)

Finance leases

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

(Rs. million)

Items	March 31, 2007	March 31, 2006	March 31, 2005
Not later than one year	1	1	1
Later than one year and not later than five years	4	4	4
Later than five years	-	1	2
Total	5	6	7
Less: Finance charges	(1)	(2)	(2)
Present value of finance lease obligation	**4**	**4**	**5**

The present value of finance lease liabilities is as follows:

(Rs. million)

Items	March 31, 2007	March 31, 2006	March 31, 2005
Not later than one year	1	1	1
Later than one year and not later than five years	3	3	3
Later than five years	-	0	1
Total	**4**	**4**	**5**

18.13. Earnings Per Share ('EPS')

The details of EPS computation is set out below:

	March 31, 2007	March 31, 2006	March 31, 2005
Earnings for the year (Rs. million)	881	337	(587)
Basic weighted average number of shares (Nos)	90,768,759	88,480,518	22,668,330
Basic EPS (Rs.)	9.71	3.81	(25.88)
Basic (as restated for Rights issue) (Rs.)		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	22,668,330
Diluted EPS (Rs.)	9.64	3.79	(25.88)
Diluted (as restated for Rights issue) (Rs.)		3.79	
Nominal value of shares (Rs.)	10.00	10.00	10.00

As the Group incurred loss during the year ended March 31, 2005, the potentially dilutive Equity Shares were anti dilutive in nature and accordingly were not considered for dilutive earnings per share.

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. 315 million (March 31, 2006: Rs. 96 million and March 31, 2005: Rs. 266 million) for the year 2006-07.

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

(Rs. million)

	As at March 31, 2007	As at March 31, 2006	As at March 31, 2005
Deferred tax assets			
on account of provisions	327	203	237
on leave encashment	57	58	47
on investments	473	273	142
on carried forward losses	-	-	44
on voluntary retirement scheme	-	1	-
Total deferred tax asset	857	535	470
Deferred tax liabilities			
on depreciation on fixed assets	193	225	245
on voluntary retirement scheme	-	-	24
on bad debts claim	159	159	159
Total deferred tax liability	353	384	428
Net deferred tax assets/(liability)	504	151	42

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 millions was recognized during the year 2006-07.

In 2005-06, an amount of Rs. 10 millions was transferred from provision for current taxes to deferred tax liability for the same reason.

In 2004-05 on account of the same an amount of Rs. 115 millions was transferred from provision for current taxes to deferred tax liability

2004-05

In the case of IVFSL based on the review of the provisions as on March 31, 2005 regarding accounting for taxes on income under AS-22, on the basis of prudence, deferred tax asset is not being considered in respect of certain leased assets for which the appeals are pending with Income Tax Authorities. IVFSL has not recognised deferred tax asset on unabsorbed carry forward depreciation and fixed assets.

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. millions)

	Gross block				Accumulated depreciation / amortization				Net block
	As at April 1, 2006	Additions	Deletion	As at March 31, 2007	As at April 1, 2006	Charge for the year	Deletions	As at March 31, 2007	As at March 31, 2007
Intangible assets									
Application software	389	45	-	434	338	43	-	381	54
Total	389	**45**	**-**	**434**	338	**43**	**-**	**381**	**54**

(Rs. millions)

	Gross block				Accumulated depreciation / amortization				Net block
	As at April 1, 2005	Additions	Deletion	As at March 31, 2006	As at April 1, 2005	Charge for the year	Deletions	As at March 31, 2006	As at March 31, 2006
Application software	344	48	3	389	304	37	3	338	52
Total	344	48	3	389	304	37	3	338	52

(Rs. millions)

	Gross block				Accumulated depreciation / amortization				Net block
	As at April 1, 2004	Additions	Deletion	As at March 31, 2005	As at April 1, 2004	Charge for the year	Deletions	As at March 31, 2005	As at March 31, 2005
Application software	331	15	1	344	275	30	1	304	41
Total	331	15	1	344	275	30	1	304	41

During the year ended March 31, 2004, application software amounting to Rs. 90 millions were purchased and Rs. 15 millions was amortized in the profit and loss account.

18.16. RELATED PARTY TRANSACTIONS

2006-07

List of related parties

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 millions)

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	- (2)	- (-)	- (2)
Investment in Tier II Bonds	Maximum – 10 (10) Outstanding 10 (10)	- (–)	Maximum – 10 (10) Outstanding – 10 (10)

(Rs. in millions)

Items / Related Party	**Related parties with significant influence and with whom there are transactions during the year**	**Key Management Personnel**	**Total**
Investment in Upper Tier II Bonds	Maximum – 987 (-) Outstanding – 987 (-)	- (-)	Maximum – 987 (-) Outstanding – 987 (-)
Deposits kept with Bank including lease deposit	Maximum – 805 (94) Outstanding – 487 (94)	Maximum- - (1) Outstanding - (1)	Maximum – 805 (95) Outstanding – 487 (94)
Borrowing	Maximum – 1,923 (3,431) Outstanding – 1,689 (1,289)	- (-)	Maximum – 1,923 (3,431) Outstanding – 1,689 (1,289)
Call borrowing	Maximum – 748 (-) Outstanding – - (-)	- (-)	Maximum – 748 (-) Outstanding – - (-)
Inter Bank Overseas Balance	(-) 15 (2)	- (-)	(-) 15 (2)
Retail loans given	1 (-)	- (-)	1 (-)
Interest paid	85 (48)	- (-)	85 (48)
Interest accrued but not due (payable)	14 (27)	- (-)	14 (27)
Purchase and sale of securities	350 (420)	- (-)	350 (420)
Rendering of services	115 (136) Outstanding – - (14)	- - - (-)	115 (136) Outstanding – - (14)
Receiving of services	91 (61) Outstanding – - (-)	- (-) - (-)	91 (61) Outstanding – - (-)
Contribution to employee welfare funds	104 (316) Outstanding – 62 (189)	- (-) - (-)	104 (316) Outstanding – 62 (189)

(Rs. in millions)

Items / Related Party	Related parties with significant influence and with whom there are transactions during the year	Key Management Personnel	Total
Managerial remuneration	- (-)	10 (4)	10 (4)
Bank guarantees given (Received)	(438) (230)	- (-)	(438) (230)
Derivative transactions - notional outstanding	Maximum – 51,910 (4,939) Outstanding – 15,718 (4,939)	- (-)	Maximum – 51,910 (4,939) Outstanding – 15,718 (4,939)
Forward transactions	Maximum – 146,825 (18,743) Outstanding – 815 (18,743)	- (-)	Maximum – 146,825 (18,743) Outstanding – 815 (18,743)
Premium received / (paid)	57 (-) (-) 8 (16)	- (-)	57 (-) (-) 8 (16)

(Previous year's figures are given in parentheses)

2005-06

List of related parties

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

ING Bank N.V. and its branches

ING Vysya Life Insurance Company Private Limited – Up to August 24, 2005

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.

(Rupees in Millions)

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	2 (5)	- -	2 (5)
Investments in Tier II Bonds	Maximum10 (-) Outstanding 10 (-)	- -	Maximum10 (-) Outstanding 10 (-)
Deposits kept with Bank including lease deposit	Maximum 94 (118) Outstanding 94 (78)	Maximum 1 (-) Outstanding 1 (-)	Maximum 117 (118) Outstanding 117 (78)
Investment during the year	- (90)	- (-)	- (90)
Borrowing	Maximum 3,431 (1,452) Outstanding 1,289 (1,452)	- (-)	Maximum 3,431 (1,452) Outstanding 1,289 (1,452)
Call borrowing	Maximum - (200) Outstanding - (-)	- (-)	Maximum - (200) Outstanding - (-)
Interest paid	48 (16)	- (-)	48 (16)
Interest accrued but not due [payable]	[27] (10)	- -	[27] (10)
Dividend received	- (-)	- -	22 (14)
Purchase and sale of securities	420 (5,656)	- -	420 (5,656)
Rendering of services	136 Outstanding 14 (41)	- -	149 Outstanding 14 (47)
Receiving of services	61 - (19)	- -	239 Outstanding 82 (37)
Contribution to employee welfare funds	316 Outstanding 189 (179)	- -	316 Outstanding 189 (179)
Managerial remuneration	- -	4 (4)	4 (4)
Bank guarantees Given [Received]	[230] (205)	- (-)	[230] (205)

(Rupees in Millions)

Items / Related Party	Related parties with significant influence and with whom there are transactions during the year	Key Management Personnel	Total
Derivative transactions -notional outstanding	Maximum 4,939 (6,218) Outstanding 4,939 (4,705)	- (-)	Maximum 4,939 (6,218) Outstanding 4,939 (4,705)
Forward transactions	Maximum 18,743 (1,922) Outstanding 18,743 (1,922)	- (-)	Maximum 18,743 (1,922) Outstanding 18,743 (1,922)
Premium Received /[Paid]	[16] (-)	(-)	[16] (-)

(Previous year's figures are given in parentheses).

2004-05

List of related parties

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

ING Bank N.V. and its branches

ING Vysya Life Insurance Company Private Limited.

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

(Rupees in Millions)

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	46 (36)	-	46 (36)
Deposits kept with Group including lease deposit	Maximum 118 (84) Outstanding 78 (36)	-	Maximum 118 (88) Outstanding 78 (36)
Advances	-	-	Maximum NIL (300) Outstanding NIL (NIL)
Investment during the year	90 (249)	-	90 (249)

(Rupees in Millions)

Items / Related Party	Related parties with significant influence and with whom there are transactions during the year	Key Management Personnel	Total
Borrowing	Maximum 1,452 (814) Outstanding 1,452 (814)	-	Maximum 1,452 (814) Outstanding 1,452 (814)
Call borrowing	Maximum 200 (2,979) Outstanding NIL (NIL)	-	Maximum 200 (2,979) Outstanding NIL (NIL)
Call lending	Maximum NIL (320) Outstanding NIL (NIL)	-	Maximum NIL (320) Outstanding NIL (NIL)
Purchase of fixed assets	NIL (0.02)	-	NIL (0.02)
Interest received	NIL (2)	-	NIL (2)
Interest paid	16 (2)		16 (2)
Interest accrued but not due (payable)	10 (2)	-	10 (2)
Dividend received	-	-	14 (22)
Purchase and Sale of securities	5,656 (5,065)	-	5,656 (5,065)
Rendering of services	41 (22)	-	47 (28)
Receiving of services	19 (87)	-	37 (97)
Contribution to employee welfare funds	179 (80)	-	179 (80)
Management contracts	-	4 (45)	4 (45)
Off Balance Sheet items			
Bank Guarantees	205	-	205
Derivative transactions (notional outstanding)	Maximum 6,218 (6,204) Outstanding 4,705 (5,654)	-	Maximum 6,218 (6,204) Outstanding 4,705 (5,654)
Forward Transactions	Outstanding 1,922	-	Outstanding 1,922

18.17. Segmental Reporting:

Segment Results for Fiscal Year ended March 31, 2007

(Rs millions)

Business Segments	Treasury Banking	Other Operations Operations	Residual	Total
Revenue	4,641	13,855	269	18,765
Less: Inter Segment revenue	(50)	(2,538)	(247)	(2,835)
Net Revenue	**4,591**	**11,317**	**22**	**15,930**
Result	**463**	**1,780**	**93**	**2,336**
Unallocated expenses	-	-	-	-
Operating Profit				2,336
Provision and Contingencies				1,017
Income taxes				421
Share of loss in Associates				(17)
Consolidated Net Profit for the period				**881**
OTHER INFORMATION				
Segment Assets	48,795	143,813	163	192,771
Unallocated Assets				
Total Assets	**48,795**	**143,813**	**163**	**192,771**
Segment Liabilities	28,988	152,631	89	181,761
Unallocated Liabilities*				11,010
Total Liabilities	**28,988**	**152,631**	**89**	**192,771**

Segment Results for Fiscal Year ended March 31, 2006

(Rs millions)

Business Segments	Treasury	Other Banking Operations	Residual Operations	Total
Revenue	4,164	12,341	173	16,678
Less: Inter Segment revenue		(2,180)	(22)	(2,202)
Net Revenue	**4,164**	**10,161**	**151**	**14,476**
Result	**679**	**1,045**	**53**	**1,777**
Unallocated expenses				-
Operating Profit				1,777
Provision and Contingencies				1,312
Income taxes				150
Share of loss in Associates				(8)

(Rs millions)

Business Segments	Treasury	Other Banking Operations	Residual Operations	Total
Consolidated Net Profit for the period				307
OTHER INFORMATION				
Segment Assets	44,003	123,664	66	167,733
Unallocated Assets				
Total Assets	**44,003**	**123,664**	**66**	**167,733**
Segment Liabilities	24,861	132,627	66	157,554
Unallocated Liabilities*				10,179
Total Liabilities	**24,861**	**132,627**	**66**	**167,733**

Segment Results for Fiscal Year ended March 31, 2005:

(Rs millions)

Business Segments	Treasury	Other Banking Operations	Residual Operations	Total
Particulars				
Revenue	2,973	8,118	124	11,215
Less: Inter - segment Revenue		1,857	20	1,877
Net Revenue	2,973	6,261	104	9,338
Result	(105)	1,084	51	1,030
Unallocated expenses				-
Operating profit				1,030
Provision and Contingencies				1,728
Income taxes				(341)
Share of loss in Associates				230
Consolidated Net Profit for the period				**(587)**
OTHER INFORMATION				
Segment Assets	49,735	103,546	49	153,330
Unallocated assets				-
Total Assets	**49,735**	**103,546**	**49**	**153,330**
Segment liabilities	68,080	77,029	49	145,157
Unallocated liabilities *				8,173
Total Liabilities	**68,080**	**77,029**	**49**	**153,330**

* 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')'

2006-07:

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. 6 millions. 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.

2005-06:

Based on a special scrutiny of certain customer accounts, the Reserve Bank of India ('RBI') recently imposed a penalty on the Bank for Rs. 1 million under the provisions of the Banking Regulation Act, 1949. The said penalty was imposed mainly for not displaying prudence in the operations of certain deposit accounts, non compliance to Know Your Customer norms in certain accounts and non adherence to certain extant gudelines of the RBI.

During the course of its surveillance activities by SEBI in respect of dealing of market participants in certain initial public offering ('IPO'), SEBI, based on its findings, has passed an interim order, restraining the Bank from participating in future IPOs and directing the Bank not to open any further de-materialised accounts. The Bank has preferred an appeal against this interim order by SEBI.

2004-05:

The Reserve Bank of India following its observations emanating from its annual inspection for the year ended March 2004 vide its letter dated June 24, 2005, imposed a penalty of Rs. 0.50 million, under section 47A (1)(b) of the Banking Regulation Act, 1949. The observations relate, inter alia, to the treatment of unamortised VRS expenses in the computation of Capital Adequacy ratio, accounting for certain pending items in the inter branch reconciliation, for financing a borrower for equity investment, for offering interest concessions on loan products linked with life insurance cover and for classification of certain advances under priority sector.

These matters have already been appropriately adjusted/addressed in the current financial year 2004-05, in line with RBI's observations.

The standalone financial statements of the Bank for the year ended March 31, 2005 were approved in the meeting of Directors held on May 18, 2005. The auditors of the Bank had issued their opinion on those financial statements.

Subsequent to such approval, the Bank had received a letter from RBI dated June 24, 2005 imposing penalty of Rs. 0.50 million on account of RBI's views/findings on certain matters during their annual inspection for the year ended March 31, 2004. The imposition of penalty is to be disclosed in the financial statements of the Bank.

Accordingly, the earlier approved standalone financial statements were reopened and revised to include an amended note in the notes to account relating to the imposition of the penalty. The earlier approved standalone financial statements are thus superseded by the revised set of standalone financial statements. The revised standalone financial statements have been used for preparing the consolidated financial statements.

18.19 Off Balance Sheet Items

Derivative contracts

Interest Rate Swaps

(Rs. millions)

Items	**As at March 31, 2007**	**As at March 31, 2006**	**As at March 31, 2005***
The notional principal of swap agreements	129,282	133,657	-
Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements #	615	585	-
Collateral required by the bank upon entering into swaps	None	None	-
Concentration of credit risk arising from the swaps	Predominantly with Banks	Predominantly with Banks	-
	(81%)	(78%)	-
The fair value of the swap book	(115)	(54)	-

MTM netted off counterparty wise.

* *This disclosure was not presented for 2004-05 financial statements*

Forward Rate Agreements (FRA)

No Forward Rate Agreements were outstanding as at March 31, 2007. (2005-06 and 2004-05 - NIL)

Derivatives: Currency Swaps

(Rs. millions)

Items	**March 31, 2007**	**March 31, 2006**	**March 31, 2005***
The notional principal of swap agreements	9,969	7,141	-
Losses which would be incurred if counter parties failed to fulfill their obligations under the agreements#	145	242	-
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	131	104	-

-

MTM netted off counter party wise.

* *This disclosure was not presented for 2004-05 financial statements*

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 March 31, 2007 is Rs. 139,251 millions (March 31, 2006: Rs. 140,797 millions and March 31, 2005: 168,199 millions).

Interest rate and Currency Swaps 2006-07

Indian Rupee – Interest Rate Swaps

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

Forex - Interest Rate Swaps and Currency Swaps

Nature	Number	Notional Principal (Rs. millions)	Benchmark	Terms
Trading	16	5,942	LIBOR	Fixed Payable vs Floating Receivable
Trading	15	5,440	LIBOR	Fixed Receivable vs Floating Payable
Trading	14	8,440	LIBOR	Float Receivable vs Float Payable
Trading	14	2,356	Principal	Fixed Pay
Trading	6	1,193	Principal	Fixed Received
Trading	3	570	Principal	Principal only Swaps
Hedging	1	976	LIBOR	Float Receivable vs Float Payable
Hedging	1	984	LIBOR	Fixed Payable vs Floating Receivable
	Total	25,901		

Interest rate and Currency Swaps 2005-06

Indian Rupee – Interest Rate Swaps

Nature	Number	Notional Principal (Rs. millions)	Benchmark	Terms
Trading	118	29,050	MIFOR	Fixed payable vs Float receivable
Trading	124	31,100	MIFOR	Fixed receivable vs Float payable
Trading	115	29,900	NSE MIBOR	Fixed payable vs Float receivable
Trading	117	30,300	NSE MIBOR	Fixed receivable vs Float payable
Trading	2	1,000	MIOIS / MIFOR / LIBOR	Float receivable vs Float payable
Trading	1	250	MIFOR / LIBOR	Float receivable vs Float payable
	Total	121,600		

Forex - Interest Rate Swaps and Currency Swaps

Nature	Number	Notional Principal (Rs. millions)	Benchmark	Terms
Trading	14	5,214	LIBOR	Fixed payable vs Float receivable
Trading	13	4,701	LIBOR	Fixed receivable vs Float payable
Trading	8	6,382	LIBOR	Float receivable vs Float payable
Trading	6	1,144	Principal	Fixed pay
Trading	6	1,157	Principal	Fixed receive
Trading	3	599	Principal	Principal only swaps
	Total	19,197		

Interest rate and Currency swaps 2004-05

Indian Rupee-Interest Rate Swaps

Nature	Number	Notional Principal (Rs. millions)	Benchmark	Terms
Trading	156	38,850	MIFOR	Fixed payable v/s Floating receivable
Trading	163	40,750	MIFOR	Fixed receivable v/s Floating payable
Trading	117	28,650	NSE MIBOR	Fixed payable v/s Floating receivable
Trading	135	33,750	NSE MIBOR	Fixed receivable v/s Floating payable
Trading	1	250	MIFOR / LIBOR	Floating receivable v/s Floating payable
	Total	142,250		

Forex-Interest Rate and Currency Swaps

Nature	Number	Notional Principal (Rs. millions)	Benchmark	Terms
Hedging	11	5,375	LIBOR	Fixed payable v/s Floating receivable
Hedging	10	5,111	LIBOR	Fixed receivable v/s Floating payable
Hedging	12	12,514	LIBOR	Floating receivable v/s Floating payable
Hedging	7	1,595	PRINCIPAL	Fixed payable
Hedging	5	1,354	PRINCIPAL	Fixed receivable
	Total	25,949		

The fair value of Rupee and FX IRS and CS contracts as at March 31, 2007 is Rs. 15 millions (March 31, 2006: Rs. 49 millions and March 31, 2005: Rs. 53 millions), which represents the net mark to market gain on swap contracts. As at March 31, 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% (March 31, 2006: 77.92% and March 31, 2005: 74.42%). In case of an upward movement of one basis point in the benchmark interest rates, there will be a negative impact of Rs. 0.44 million (March 31, 2006: Rs. 0.40 million and March 31, 2005: Rs. 0.50 million) 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 March 31, 2007, notional outstanding for outstanding option contracts is Rs 72,372 millions (March 31, 2006: Rs 9,543 millions and March 31, 2005: Rs. 8,582 millions)

As at March 31, 2005, the marked to market loss of Rs.5 millions on trading swaps is recognized in the profit and loss account.

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 March 31, 2007 (March 31, 2006 and 2005: 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 an 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 2006-07:

(Rs. millions)

Sl. No	Particular	Currency derivatives	Interest rate derivatives
(i)	Derivatives (Notional Principal Amount) *		
	a) For hedging	1,960	-
	b) For trading	8,009	129,282
(ii)	Marked to Market Positions		
	a) Asset (+)	291	2,327
	b) Liability (-)	-161	-2,443
(iii)	Credit Exposure	521	2,794
(iv)	Likely impact of one percentage change in interest rate (100*PV01) #		
	a) on hedging derivatives	-	36
	b) on trading derivatives	-	-44
(v)	Maximum and Minimum of 100*PV01 #		
	a) on hedging		
	- Maximum	-	36
	- Minimum	-	36
	b) on trading		
	- Maximum	-	-74
	- Minimum	-	47

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.

Quantitative Disclosure 2005-06:

(Rs. millions)

Sl. No	Particular	Currency derivatives	Interest rate derivatives
(i)	Derivatives (Notional Principal Amount) *		
	a) For hedging		
	b) For trading	7,141	133,657
(ii)	Marked to Market Positions		
	a) Asset (+)	302	1,536
	b) Liability (-)	(199)	(1,590)
(iii)	Credit Exposure	430	1,903
(iv)	Likely impact of one percentage change in interest rate (100*PV01) #		
	a) on hedging derivatives	-	-
	b) on trading derivatives	-	(40)
(v)	Maximum and Minimum of 100*PV01 #		
	a) on hedging		
	- Maximum	-	-
	- Minimum	-	-
	b) on trading		
	- Maximum	-	52
	- Minimum	-	(41)

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.

Quantitative Disclosure 2004-05:

(Rs. millions)

Particulars	Currency Swaps	Interest Rate Swaps
Derivatives (Notional Principal Amount)		
a) For hedging	3,230	22,718
b) For trading	-	142,250
Marked to Market Positions		
a) Asset (+)	135	1,457
b) Liability (-)	(102)	(1,437)
Credit Exposure	1,016	1,874
Likely impact of one percentage upward movement in interest rate (100*PV01) (as at March 31, 2005)		
a) on hedging derivatives		10*
b) on trading derivatives		50

(Rs. millions)

Particulars	Currency Swaps	Interest Rate Swaps
Maximum and Minimum of 100*PV01 observed*		
a) on hedging		
- minimum		9*
- maximum		10*
b) on trading		
- minimum	-	1
- maximum	-	125

* Amounts stated are inclusive of impact on Currency Swaps as well as Interest Rate Swaps. The impact is as observed during the period between January 1, 2005 and March 31, 2005.

18.20.Subordinated Debt/ Upper Tier II

2006-07:

In August 2006, the Bank raised Tier II Capital in the form of subordinated debt of Rs. 780 millions 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 millions 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

2006-07:

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. 168 millions needed to be transferred to Capital Reserve in the current year. A further amount of Rs. 228 millions 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. 396 millions has been appropriated to Capital Reserve out of current years profits.

2005-06:

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 year and current year, an amount of Rs. 168 millions and will need to be transferred to Capital Reserve in future years.

18.22. Rights Issue

2005-06

The rights issue (68,240,214 Equity Shares) announced by the Bank in December 2004 closed on April 13, 2005 and was fully subscribed. As of March 31, 2005, Rs. 1,324 millions was collected towards share application money and the amount was disclosed in the balance sheet as such.

During the current year allotment was completed for the 67,911,385 Equity Shares and Rs. 679 millions was credited to share capital and Rs. 2,377 millions was credited to share premium.

2004-05

The rights issue (6,82,40,214 Equity Shares) announced by the Bank in December 2004 closed on April 13, 2005 and was fully subscribed. As of March 31, 2005, Rs.1,324 millions was collected towards share application money and the amount is disclosed in the Balance Sheet as such.

18.23. Adoption of revised as 15 on Employee Benefits

2006-07

The Revised AS 15 on “Employee benefits” is applicable to all companies from the accounting period commencing on or after December 7, 2006. On adoption of the revised standard, during the year 2007-08, as per the transition provisions, an amount of approximately Rs. 500 millions 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.

2005-06

Revised AS 15 on “Employee benefits” will be mandatorily applicable to the Bank from the accounting period commencing on or after April 1, 2006. The Bank will adopt revised AS 15 from April 1,2006. On adoption of revised AS 15, the Bank estimates an amount of approximately Rs. 650 millions to be debited to its reserves at April 1, 2006 as per transition provisions of the Accounting Standard. At March 31, 2006, adequate provisions have been made for retirement benefits based on the existing AS 15.

18.24. Prior Period Items

2006-07

Income recorded during the current year and reported under ‘Other income’ includes an amount of Nil (2005-06: Rs. 13 millions) pertaining to prior period.

The results for the year ended March 31, 2007 also includes an amount of Nil (2005-06: Rs. 77 millions) under items of interest expended and interest earned representing prior period income.

2005-06

Income recorded during the current year and reported under ‘Other income’ includes an amount of Rs.13 millions pertaining to prior year.

The results for the year ended March 31, 2006 also includes an amount of Rs.77 millions (reported under items of interest expended and interest earned) representing prior period income.

Annexure V

STATEMENT OF DIVIDEND

Particulars	Financial Year		
	2006-2007	2005-2006	2004-2005
Equity Share Capital (Rs in million)	909	907	227
Number of Equity Shares	90,904,791	90,720,579	22,708,448
Face Value of the Equity Shares (Rs.)	10/-	10/-	10/-
Dividend %	6.50%	-	-
Dividend (Rs in million)	59	-	-
Corporate Dividend Tax on above (Including dividend tax paid by Subsidiary) (Rs in million)	16	5	2

DECLARATION

We certify that all relevant provisions of Clause 13A.7.2 read with Schedule XXI-A of the SEBI Guidelines and Chapter XIII-A of the SEBI Guidelines have been complied with and no statement made in this Placement Document is contrary to the provisions of Clause 13A.7.2 read with Schedule XXI-A of the SEBI Guidelines and Chapter XIII-A of the SEBI Guidelines and that all approvals and permissions required to carry on our business have been obtained, are currently valid and have been complied with. We further certify that all the statements in this Placement Document are true and correct.

Managing Director and CEO

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