ING VYSYA BANK LIMITED

(Originally incorporated as The Vysya Bank Limited on March 29, 1930 under the Mysore Companies Regulation, 1917 with its registered office at 489, Avenue Road, Bangalore City. Subsequently, the registered office was shifted to No. 72, St. Marks Road, Bangalore 560001. The name was changed to ING Vysya Bank Limited on December 7, 2002. On August 20, 2003 the registered office was shifted to ING Vysya House, No. 22, M.G.Road, Bangalore 560001, India)

Registered and Corporate Office: ING Vysya House, No. 22, M.G.Road, Bangalore 560001, India
Tel: (+91 80) 2500 5000 **Fax:** (+91 80) 2500 5555
E-mail: rights@ingvysyabank.com; **Website:** www.ingvysyabank.com

For private circulation to the Equity Shareholders of the Bank only

LETTER OF OFFER

ISSUE OF 6,82,40,214 EQUITY SHARES OF Rs. 10/- EACH AT A PREMIUM OF RS. 35/- PER SHARE AGGREGATING RS. 3,07,08,09,630 TO THE EQUITY SHAREHOLDERS ON RIGHTS BASIS IN THE RATIO OF 3 EQUITY SHARES FOR EVERY 1 EQUITY SHARE HELD ON FEBRUARY 28, 2005 (i.e.THE RECORD DATE). THE ISSUE PRICE IS 4.5 TIMES OF THE FACE VALUE OF THE EQUITY SHARES

GENERAL RISKS

Investments in equity and equity related securities involve a degree of risk and Investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the Risk Factors carefully before taking an investment decision in this Issue. For taking an investment decision, Investors must rely on their own examination of the Issuer and the Issue including the risks involved. The securities have not been recommended or approved by the Securities and Exchange Board of India (SEBI) nor does SEBI guarantee the accuracy or adequacy of this document. **Investors are advised to refer to "Risk Factors" on page iv of this Letter of Offer before making an investment in this Issue.**

ISSUER'S ABSOLUTE RESPONSIBILITY

The Issuer, having made all reasonable inquiries, accepts responsibility for and confirms that this Letter of Offer contains all information with regard to the Issuer and the Issue, which is material in the context of this Issue, that the information contained in this Letter of Offer is true and correct in all material respects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Letter of Offer as a whole or any such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The existing Equity Shares of the Bank are listed on The Stock Exchange, Mumbai, The National Stock Exchange of India Limited (Designated Stock Exchange) and the Bangalore Stock Exchange. The Bank has received "in-principle" approvals from The Stock Exchange, Mumbai, The National Stock Exchange of India Limited and the Bangalore Stock Exchange for listing the Equity Shares arising from this Issue vide letters dated January 25,2005, January 17, 2005 and January 27,2005, respectively.

LEAD MANAGER TO THE ISSUE	REGISTRAR TO THE ISSUE
Enam Financial Consultants Private Limited 801/802, Dalamal Towers, Nariman Point, Mumbai 400021 Tel: +91 22 5638 1800 Fax: +91 22 2284 6824 Email: ingwg@enam.com	Karvy Computershare Private Limited "Karvy House"; 46, Avenue 4, Street No. 1 Banjara Hills, Hyderabad 500 034 TEL: +91 40 2331 2454 FAX: +91 40 2331 1968 EMAIL: ingvysyarights@karvy.com

ISSUE PROGRAMME

ISSUE OPENS ON	LAST DATE FOR REQUEST FOR SPLIT APPLICATION FORMS	ISSUE CLOSES ON
MARCH 15, 2005	MARCH 30, 2005	APRIL 13, 2005

ING Vysya BANK

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ING Vysya BANK

ABBREVIATIONS AND TECHNICAL TERMS

In this Letter of Offer, the terms "we", "us", "our" or "the Bank", unless the context otherwise implies, refer to ING Vysya Bank Limited. All references to "Rs." refer to Rupees, the lawful currency of India, "USD" or "US$" refer to the United States Dollar, the lawful currency of the United States of America, references to the singular also refers to the plural and one gender also refer to any other gender, wherever applicable, and the words "Lakh" or "Lac" mean "one hundred thousand" and the word "million" means "ten lakh" and the word "crore" means "ten million" or "one hundred lakhs" and the word "billion" means "1,000 million" or "one hundred crores". Any discrepancies in any table between total and the sums of the amount listed are due to rounding off.

General Terms and Abbreviations

Act	The Companies Act, 1956 and amendments thereto
Articles	Articles of Association of the Bank
Auditor	BSR & Co. (earlier known as Bharat S. Raut & Co.), Chartered Accountants, KPMG House, 20/2, Vittal Mallya Road, Bangalore 560 001.
AGM	Annual General Meeting
BgSE	Bangalore Stock Exchange
Board or Board of Directors	Board of Directors of ING Vysya Bank Limited
BR Act	The Banking Regulation Act, 1949 and amendments thereto
BSE	The Stock Exchange, Mumbai
Capital or Share Capital	Share Capital of the Bank
CDSL	Central Depository Services (India) Limited
DICGC Act, 1961	Deposits Insurance and Credit Guarantee Corporation Act, 1961
DP	Depository Participant
Equity Share(s) or Share(s)	means the Equity Share of the Bank having a face value of Rs. 10/-
Equity Shareholder	means a holder of Equity Shares
ESOS	Employee Stock Option Scheme
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999
FI	Financial Institutions
FII(s)	Foreign Institutional Investors registered with SEBI under applicable laws
FY / Fiscal	Financial Year ending March 31 or December 31, as the case maybe
GOI	Government of India
ING Bank N.V.	ING Bank N.V., a company incorporated under the laws of Netherlands and having its registered office at Amstelveenseweg 500, 1081 KL Amsterdam, P.O.Box 810, 1000 AV Amsterdam
ING Groep N.V.	ING Bank Groep N.V., a company incorporated under the laws of Netherlands and having its registered office at Amstelveenseweg 500, 1081 KL Amsterdam, P.O.Box 810, 1000 AV Amsterdam
ING Group	Shall mean and collectively refer to ING Bank N.V., ING Mauritius Holdings and ING Mauritius Investments I
ING Vysya Bank Limited or IVBL or the Bank or the Issuer	ING Vysya Bank Limited, a Bank originally incorporated as The Vysya Bank Limited on March 29, 1930 under the Mysore Companies Regulation, 1917 having its registered office at No. 22, M.G.Road, Bangalore 560001
ING Vysya Life Insurance Company Private Limited or IVL	IVL, a company incorporated under the Companies Act, 1956 and having its registered office at No. 22, M.G.Road, Bangalore 560001
ING Investment Management (India) Private Limited or IIML	IIML, a company incorporated under the Companies Act, 1956 and having its registered office at 17, Lincoln Lodge, Altamount Road, Mumbai 400 036, India
ING Mauritius Holdings or INGMH	ING Mauritius Holdings (earlier known as BBL Mauritius Holdings), a company incorporated under the laws of Mauritius having its registered office at 355 Barkly Wharf, Le Caudan, Waterfront, Port Louis, Mauritius.
ING Mauritius Investments I or INGMI	ING Mauritius Investments I (earlier known as BBL Mauritius Investments), a company incorporated under the laws of Mauritius having its registered office at 355 Barkly Wharf, Le Caudan, Waterfront, Port Louis, Mauritius.

IVFSL or Subsidiary	ING Vysya Financial Services Limited (originally incorporated as The Vysya Bank Leasing Limited), a public limited company incorporated under the Companies Act and having its registered office at No. 22, M.G.Road, Bangalore 560001
INR or Rs.	Indian Rupee
IT Act	The Income Tax Act, 1961 and amendments thereto
MD	Managing Director & CEO
Memorandum	Memorandum of Association of the Bank
MoU	Memorandum of Understanding
NBFC	Non Banking Financial Institution
NR	Non Resident
NRI(s)	Non Resident Indian(s)
NSE	National Stock Exchange of India Limited
NSDL	National Securities Depository Limited
RBI	The Reserve Bank of India
RBI Act,1934	Reserve Bank of India Act, 1934 and amendments thereto
ROC	Registrar of Companies
SARFAESI Act	The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, and amendments thereto
SEBI	Securities and Exchange Board of India
SEBI Act, 1992	Securities and Exchange Board of India,1992 and amendments thereto
SEBI DIP Guidelines	The (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI on January 19, 2000 read with amendments issued subsequent to that date
Takeover Regulation	The SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 as amended to date
WTO	World Trade Organisation

Issue Related Terms and Abbreviations

CAF	Composite Application Form
Consolidated Certificate	In case of physical certificates, the Bank would issue one certificate for the Equity Shares allotted to one folio.
Designated Stock Exchange	NSE
Enam or Lead Manager	Enam Financial Consultants Private Limited
Issue/ Rights Issue	Issue of 6,82,40,214 Equity Shares of Rs. 10/- each for cash at a premium of Rs. 35/- per share on rights basis to existing Equity Shareholders of the Bank in the ratio of 3 Equity Shares for every 1 share held on the Record Date being February 28,2005 aggregating Rs. 307.08 crores
Issue Closing Date	April 13, 2005
Issue Opening Date	March 15, 2005
Issue Price	Rs. 45/- per Equity Share
Investor(s)	Shall mean the holder(s) of Equity Shares of the Bank as on the Record Date, i.e February 28, 2005
Letter of Offer	Letter of Offer dated February 24, 2005 as filed with the Stock Exchanges after incorporating SEBI comments on the Draft Letter of Offer.
Offer	The Issue of Equity Shares pursuant to the Letter of Offer
Promoter(s)	Shall refer to ING Mauritius Holdings and ING Mauritius Investments I and Mr. G.M. Rao, a resident of India
Record Date	February 28, 2005
Registrar to the Issue or Registrar	Karvy Computershare Private Limited
Rights Entitlement	The number of Shares that a shareholder is entitled to in proportion to his/her shareholding in the Bank as on the Record Date
Stock Exchange(s)	Shall refer to the BSE, NSE and BgSE where the Shares of the Bank are presently listed

Technical Terms and Abbreviations

ALCO	Asset Liability Management Committee
ALM	Asset Liability Management
ASBU	Agriculture and Social Banking Unit
ATM	Automated Teller Machine
CAGR	Compounded Annual Growth Rate
C&IB	Corporate and Investment Banking Group
CAR	Capital Adequacy Ratio
CBS	Core Banking Solution
CDR	Corporate Debt Restructuring
CRMD	Credit Risk Management Department
CRR	Cash Reserve Ratio
CRiR	Credit Risk Rating
CV/CE	Commercial Vehicle/Consumer Equipment
DD	Demand Drafts
DSA	Direct Sales Agents
EC	Emerging Corporate Group
EMI	Equal Monthly Instalment
FRR	Facility Risk Rating
HCVs	Heavy Commercial Vehicles
HTM	Held To Maturity
IVERA	ING Vysya Enterprise wide Risk Assessment
IVRR	ING Vysya Reference Rate
KCC	Kisan Credit Card
LCVs	Light Commercial Vehicles
LRD	Loan Review Department
MAVs	Multi Axle Vehicles
MCVs	Medium Commercial Vehicles
MIBOR	Mumbai Inter Bank Offer Rate
MM	Money Market
MNCs	Multi National Corporations
MRMD	Market Risk Management Department
NABARD	National Bank for Agriculture and Rural Development
NAV	Net Asset Value
NBFC	Non Banking Finance Companies
NDTL	Net Demand and Time liabilities
NPA	Non Performing Asset
OCB(s)	Overseas Corporate Body(ies)
PAP	Payable at Par
PDC's	Post Dated Cheques
PO	Pay Orders
PF	Provident Funds
PSL	Priority Sector Lending
RAROC	Risk Adjusted Return on Capital
RMRC	Risk Management and Review Committee
RTGS	Real Time Gross Settlement
SLR	Statutory Liquidity Ratio
SME	Small and Medium Enterprises
SMS	Short Messaging Service
SO	Satellite office
TAT	Turn Around Times
VaR	Value at Risk

RISK FACTORS

Investors should consider the following risk factors together with all other information included in this Letter of Offer carefully, in evaluating us and our business before making any investment decision. Any projections, forecasts and estimates contained herein are forward looking statements and are based on certain assumptions that we consider reasonable. This Letter of Offer contains forward-looking statements that involve risks and uncertainties. Such statements can be identified by the use of forward-looking terminology such as "may", "believes", "will", "expect", "anticipate", "estimate", continue", "plan", "likely" or other similar words. Our actual results could differ from those anticipated in these forward-looking statements as a result of various factors, including those set forth in the following risk factors and elsewhere in this Letter of Offer.

An investment in Equity Shares involves a high degree of risk. You should carefully consider all the information in this Letter of Offer, including the risks and uncertainties described below, before making an investment in our Equity Shares. If any of the following risks actually occur, our business, results of operations and financial condition could suffer, the price of our Equity Shares could decline, and you may lose all or part of your investment. The financial and other implications of material impact of risks concerned, wherever quantifiable have been disclosed in the risk factors mentioned below. However there are a few risk factors where the impact is not quantifiable and hence the same has not been disclosed in such risk factors.

This Letter of Offer also includes statistical and other data regarding the Indian Banking industry. This data was obtained from industry publications, reports and other sources that we and the Lead Manager believe to be reliable. Neither we nor the Lead Manager have independently verified such data.

INTERNAL RISK FACTORS

Market acceptance of the ING Vysya brand is critical to our business

Achieving customer acceptance of the ING Vysya brand in the market segments in which we operate is critical to our business. We began our first brand development and advertising campaign in 2003-2004. Despite employing professional market research, advertisements and publicity services to develop our brand, we have insufficient information to make any assurances with regard to our brand's acceptance in the Indian market.

The ING Vysya brand is used by our subsidiary and other affiliates, being ING Vysya Financial Services Limited, ING Vysya Life Insurance Company Private Limited and ING Investment Management (India) Private Limited. Any financial or other impact on these companies could adversely affect the ING Vysya Brand.

The market acceptance of 'ING Vysya' brand is critically dependent upon our ability to use the 'ING' brand. We have been granted a non-exclusive, royalty free license by ING Groep N.V. for use of the 'ING' brand subject to the fulfillment of certain conditions prescribed in the Trademark License Agreement dated December 7, 2002. Please refer to the sub-section entitled 'Summary of Key Agreement' on page 57 of this Letter of Offer.

We have incurred substantial losses in the past as well as in the six months ended September 30, 2004

Our restated net profit (after tax and prior period items) has fallen from Rs. 81.71 crores in Fiscal 2003 to Rs. 60.12 crores in Fiscal 2004. Further, as per our restated profit and loss account for the six month ended September 30, 2004 we have incurred a loss of Rs. 49.24 crores. If we are not able to reverse this trend of declining profitability, the value of your investment in our Bank may erode.

Our total income has not grown substantially during last three fiscals

Our total income has grown by a CAGR of 3.43% during Fiscal 2003 and Fiscal 2004. Further, for the six months ended September 30, 2004; we have earned a total income of Rs. 488.79 crores which is a mere 37.97% of our total income earned during Fiscal 2004. If we are not able to achieve a higher CAGR, our profitability and your shareholding value in the Bank may be affected.

Our business and financial performance are dependent on building our branch network

Branches are the outlets from which we will make loans and sell products to, and obtain deposits from, both retail and business customers. Banks in India are required to obtain RBI approval and several state specific permits and licenses before any particular branch may be opened. In addition, the opening of branches is subject to delays and risks associated with obtaining real estate and fitting out premises. We have 446 outlets consisting of 362 branches, 28 satellite offices and 56 extension counters in India as on February 15, 2005 .We have also obtained license from RBI for 2 branches and one extension counter and in principle approval to open another 8 new branches. Our inability to open, or a significant delay in opening, additional branches will have a material adverse effect on our business and our financial performance.

The locations of most branches of the Bank are on leased premises and irregular termination of the lease may adversely affect our business operations

We have 362 branches of which 348 are located on premises that have been taken on commercial arrangements from certain individuals/entities by way of a lease or leave and license agreement. In addition, our 22 regional offices (and other offices), 28 satellite offices and 56 extension counters have been taken on commercial arrangements from certain individuals/entities by way of a lease or leave and license agreement. Any new offices, outlets or counters that may be opened by us in the future may also be taken on commercial arrangements from individuals/entities by way of a lease or leave and license agreement. Any unforeseen or irregular terminations of such lease or leave and license agreements by the lessors/licensors may disrupt the operations of our Bank, inconvenience our customers and adversely affect our business

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 our business and financial performance.

Our business could suffer if we are unable to manage our risks and control the level of non-performing loans in our portfolio

Our net non-performing asset as a percentage of our net advances has increased from 2.60% as on March 31, 2004 to 2.90% at the end of September 30, 2004.

Our non performing assets can be attributed to several factors, including increased competition arising from economic liberalisation in India, factors affecting industrial growth, a sharp decline in commodity prices, high level of debt in the financing of projects, capital structures of companies in India and significant fall in interest rates in the Indian economy after a large number of customers contracted their borrowings, which disincentivised repayments by customers. Further, our growth-oriented strategy would involve a significant increase in our asset portfolio, especially retail loans. While most of these loans have been granted against tangible collateral, we cannot assure you that these loans will or will not contribute to the non performing assets in our portfolio. Some of the factors, including developments in the Indian economy, prolonged recessionary conditions in India, rise in unemployment, movements in global commodity markets, global competition, interest rates and exchange rates are not within our control.

Although we are increasing our efforts to improve collections and to foreclose on existing non performing assets, 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 non performing assets, this could adversely affect our business, future financial performance and shareholders' funds.

We have implemented risk management policies and procedures in order to contain the non-performing assets. While we have employed risk management personnel and put in place risk management systems and procedures, our business and future financial performance will be dependent on our successfully implementing risk management policies and procedures and our ability to control the level of non-performing loans.

The Indian financial sector is very competitive and our growth strategy depends on our ability to compete effectively

We face intense competition from Indian and foreign commercial banks, non-bank finance companies, insurance companies, mutual funds and other entities operating in the Indian financial sector. Many of our competitors have greater resources than us, established brands and access to cheaper funding. Additionally, the Indian financial sector may experience further consolidation, resulting in fewer financial sector entities but increasing the scale and resources of those consolidated entities. Recently, Government of India vide its Press Note no. 2 (2004 series) dated March 5, 2004 has permitted foreign investment in private sector banks from all sources up to a composite ceiling of 74.0% of the paid up capital of the bank which would include FDI, investments under Portfolio investment scheme (PIS) by FIIs, NRIs and shares acquired prior to September 16, 2003 by OCBs, IPOs, Private placements, GDRs/ADRs and acquisition of shares from existing shareholders. Further, the Government of India is considering measures which may permit foreign banks to establish wholly owned subsidiaries in India or to own up to 74.0% of the equity in Indian private sector banks. These measures may make the private sector banks with foreign investments and foreign banks operating in India more competitive and as a result of which we may have to redesign our growth strategy and offer products and services at reasonable returns and this may adversely impact our business and our future financial performance.

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 the revenues and profitability of our individual businesses.

We have earned a significant portion of our revenue from a limited number of borrowers. As on September 30, 2004, our top 10 borrowers accounted for 13.50% of our total lending portfolio. This trend may continue in the future and we may continue to earn, a significant portion of our revenues from a limited number of borrowers. Please refer to the sub-section entitled 'Asset Composition and Classification' on page 46 of this Letter of Offer for further details on our industry wise exposure.

There are a number of factors, other than our performance, that could result in the loss of our borrowers. If we were to lose 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 affected adversely.

The recently circulated draft on a comprehensive policy framework for ownership and governance in private sector banks by RBI, if becomes a law, may require a dilution in shareholding by some of our major shareholders

The RBI has circulated a draft of a comprehensive policy framework for ownership and governance in private sector banks ("Draft Comprehensive Policy Framework") on July 2, 2004 relating to ownership and governance of Indian private sector banks. The Draft Comprehensive Policy Framework states that in the interest of diversified ownership of banks, the objective of the legal framework would be to ensure that no single entity or group of related entities has shareholding or control, directly or indirectly, in any bank, in excess of 10 per cent of the paid up capital of such a bank unless approved by the RBI. In addition, it has been stated that where the ownership of the shares is that of a financial entity, the objective will be to ensure that it is a widely held entity, publicly listed and a well established regulated financial entity in good standing in the financial community. RBI proposes to circulate a second version of the Draft Comprehensive Policy Framework based on feedback received on the first version and the same will be put in public domain for further discussion.

Our Promoters currently hold 44.12% of our pre-Issue equity (issued capital) and if the Draft Comprehensive Policy Framework becomes law, they may have to dispose off the Equity Shares held by them in the Bank as aforesaid and this may adversely impact the implementation of our business plan and our growth strategy. The RBI may also require our Promoters to reduce their shareholding in a short timeframe and offload it in the stock market. This may have an immediate impact on our shareholding pattern and potentially on the market price of our Equity Shares.

The Reserve Bank of India has prescribed restrictions on the transfer/allotment of shares in private sector banks.

As per the extant policy of RBI, any allotment or transfer of shares which will increase the aggregate shareholding of an individual or a group to equivalent of 5% or more of the paid up capital of the Bank requires prior acknowledgement of RBI.

In order to streamline the procedure of obtaining acknowledgement and to remove any uncertainties in relation to the transfer of shares, RBI has indicated certain criteria in this regard vide its circular dated February 3, 2004, including ensuring that shareholders whose aggregate holdings are above specified thresholds meet the fitness and propriety tests .

These criteria may adversely affect the liquidity of the Equity Shares of the Bank and an investor may not be able to dispose off his shareholding in the Bank in the event that the proposed transferee is not approved by the RBI. Further, an investor looking to subscribe to more than 5% of the paid up capital of the Bank through this Issue shall not be allotted such shares unless an acknowledgement from RBI is obtained for the same.

ING Bank N.V. will continue to control a significant percentage of our share capital, may exercise substantial influence over board decisions and our other shareholders may be unable to affect the outcome of shareholder voting

ING Bank N.V. through ING Mauritius Holdings and ING Mauritius Investments I currently holds 43.82% of our Pre- Issue equity (issued capital) at present and may hold up to 43.93% of the post Issue equity (issued capital) in terms of RBI letter dated November 30, 2004. Presently, ING Bank N.V. is represented by 8 directors (including our Managing Director) on the Board out of our total strength of 15 directors. While we are a Bank run by professional management under the supervision of a Board of Directors, ING Bank N.V. may be able to exercise substantial control over our Board and over matters that are subject to a shareholder vote, including having the power to elect and remove a majority of our directors and therefore determine the outcome of proposals such as lending and investment policies, revenue budgets, capital expenditure, dividend policy, acquisitions, mergers, dispositions, transactions with affiliated entities and the assertion of claims. The interests of these shareholders may conflict with the interests of our other investors, and you may not agree with actions they take.

We need to maintain our capital adequacy at a minimum of 9% of risk-weighted assets, which stands at 11.05% as on March 31, 2004

Under the prudential norms prescribed by RBI, a capital adequacy requirement of 9% is prescribed for banks. Our capital adequacy ratio, as per restated financials as on March 31, 2002, March 31, 2003 and March 31, 2004, was 10.87%, 9.78% and 11.05%, respectively. In the event of a failure of this Issue, we may have to curb our future expansion plan or reduce our risk weighted assets to maintain the prescribed capital adequacy requirements. This may have an adverse impact on our financials and growth.

Our business is vulnerable to volatility in interest rates

Our results from operations depend to a great extent on our net interest income. Net interest income represents excess of interest earned from the working fund over the interest expended on customer deposits and borrowings. Our net interest income for Fiscal 2003, Fiscal 2004 and the six months ended September 30, 2004 is Rs. 216.93 crores, Rs. 244.09 crores and Rs. 175.75 crores respectively.

Changes in interest rate may have an adverse impact on our financials. Decrease in interest rates can adversely affect our financial performance because the interest rates we are able to charge on loans tend to decline more quickly than interest rates we pay on deposits, thus reducing our net interest spread. While increases in interest rates may increase margins, an upward movement in interest rates can adversely affect our operations by reducing demand for our credit products, increasing our cost of funds and increasing the risk of customer default on variable rate loans.

Interest rates are highly sensitive to many factors beyond our control, including inflation, money supply, the RBI's monetary policies, de-regulation of the financial sector in India, domestic and international economic and political conditions and other factors. Any volatility in interest rates could adversely affect our business and our future financial performance.

Our management of interest rate sensitivity also affects our results of operations. Interest rate sensitivity refers to the relationship between changes in market interest rates and changes in net interest income. The composition of our banking assets and liabilities, and any gap position resulting from that composition, causes our net interest income to vary with changes in interest rates. A mismatch of interest-earning assets and interest-bearing liabilities in any given period could have a material adverse effect on our financial condition and results of operations.

Our funding is primarily short and medium-term; in case we move to long term financing and we do not find new depositors and/or depositors do not roll over deposited funds upon maturity, our business could be adversely affected

Most of our funding requirements are met through short-term (up to one year) and medium-term (up to five years) funding sources, primarily in the form of retail deposits. However, while currently a portion of our assets have medium-term maturities, we may decide to pursue loan products with long term maturities. In such an event, we may face a potential asset-liability mismatch. In our experience, we find new depositors and/or a substantial portion of our customer deposits has been rolled over upon maturity and therefore these funds have over time been a stable source of funding. However, if we are unable to find new depositors and/or if a substantial number of our existing depositors do not roll over deposited funds upon maturity, our liquidity position due to this funding mismatch could be adversely affected.

Since our business is concentrated in Southern and Western regions, any slow down in business in these regions could affect our business

Our business is concentrated in the Southern (including Andhra Pradesh) and Western regions of India and as at September 30, 2004, these two regions together constituted about 84.33% of our total advances and 88.23% of our total deposits. If the credit or deposit business in these regions slows down significantly, or our assets and liabilities in the other regions do not correspondingly increase, our operations and our financials could be adversely impacted.

Any downgrade in our ratings by the rating agencies could affect our ability to raise funds on competitive basis

We have received an AA+ from CRISIL and Fitch in relation to certain borrowing programs. Though these credit ratings have not been down-graded by either CRISIL or Fitch, any downgrade in our ratings in future may affect our ability to raise funds through certificates of deposit or any such similar program and therefore affect our business and financials. For an explanation regarding the rating symbols and for further details of ratings for our borrowing programs, please refer to page 6 of this Letter of Offer.

We may experience delays in enforcing our collateral when borrowers default on their obligations to us, which may result in failure to recover the entire amount of default and adversely affect our financial performance

A portion of our loans are expected to be secured by collateral. This collateral may include real assets (including property, plant and equipment); inventory, receivables and other current assets; and pledges of financial assets such as marketable securities, corporate guarantees and personal guarantees. Although in general our loans are collateralised, an economic downturn could result in a fall in realisable collateral values.

A portion of our loans to corporate customers is secured by assets, including property, plant and equipment. Our loans to corporate customers also include working capital credit facilities that are typically secured by a first lien/charge on inventory, receivables and other current assets. In some cases, we may have taken further security of a first or second lien/charge on fixed assets, a pledge of financial assets like marketable securities, corporate guarantees and personal guarantees.

In India, foreclosure on collateral for retail loans is relatively easier than in case of corporate loans, which generally involves a court process. This approach may be subject to delays and administrative requirements that may result, or be accompanied by, a decrease in the value of the collateral. In the event a corporate borrower makes a reference to a specialised quasi-judicial authority called the Board for Industrial and Financial Reconstruction (BIFR) or a Corporate Debt Restructuring (CDR) cell, foreclosure and enforceability of collateral can be stalled. These delays can last for several years leading to deterioration in the physical condition and market value of the collateral. We cannot guarantee that we will be able to realise the full value on our collateral, as a result of, among other factors, delays in bankruptcy foreclosure proceedings, defects in the perfection of collateral and fraudulent transfers by borrowers. A failure to recover the expected value of collateral security could expose us to a potential loss. Any unexpected losses could adversely affect our business, our future financial performance and our shareholders' funds

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 removal of reference to the BIFR and stay thereto. Although the constitutional validity of the SARFAESI Act has been upheld by the Supreme Court of India, the precise boundaries and mechanisms under the Act are being determined in practice and we cannot predict the extent to which we may benefit from the Act.

We are exposed to the risk of default by our borrowers.

Our principal business is providing financing to our clients, including to individuals, large corporate customers, many of whom have strong credit ratings, and select small and middle market companies. We expect our loans to small and middle market companies to be more severely affected by adverse developments in the Indian economy than our loans to large companies. In all of these cases, we are subject to the credit risk that our borrowers may not pay in a timely fashion or may not pay at all.

Though our loan portfolio is diversified and is managed by personnel with experience in the respective areas and we have in place appropriate credit appraisal/control policies and mechanism and risk management systems, these procedures may be ineffective. There are also certain factors that are beyond our control which may increase our credit risk. Increased competition arising from economic liberalization 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 have reduced the profitability of certain of our borrowers, which in turn has adversely affected our loan portfolio.

We have high concentrations of loans in certain sectors and if a substantial portion of these loans were to become non-performing due to volatility in these sectors, the quality of our loan portfolio could be adversely affected.

As of September 30, 2004, we had extended net advances amounting to Rs. 7,236.64 crores to several industrial sectors in India. At September 24 2004 (the last reporting Friday for the six months ended September 30,2004), our eight largest industry exposures comprised Infrastructure, Gems and Jewellery, Chemicals/Dyes/Paints/Drugs/Pharmaceuticals, Cotton and textiles, Other textiles, Iron and steel, paper and paper products and food processing. These eight industries constitute 23.95% of our gross exposure as at September 24, 2004. Out of these eight industries, Infrastructure constitutes 7.36% of our gross advances as on September 24, 2004 and Gems and Jewellery constitutes 4.91% of our total advances as on September 24, 2004. The global and domestic trends in these eight industries especially Infrastructure and Gems and Jewellery may have a bearing on our financial position. Although our loan portfolio contains loans to a wide variety of businesses, increased competition and declining spreads in these sectors could increase the level of non-performing assets and restructured assets and adversely affect our business and our future financial performance.

We are required to have a substantial exposure to the agriculture and other priority sectors and therefore our business could be adversely affected by market and other uncontrollable factors that impact these sectors

The directed lending norms of RBI require that every bank should extend at least 40.0% of its net bank credit to certain eligible sectors, such as agriculture and small-scale industries, which are categorized as ‘priority sectors’. Economic difficulties owing to various factors, such as uneven monsoons or other weather conditions, natural calamities and reductions in price supports or other changes in government policy, or other events and conditions, could adversely impact these priority sectors and therefore could negatively affect our business and level of non-performing assets. We may experience a significant increase in non-performing loans in our directed lending portfolio, particularly loans to the agriculture sector and small-scale industries, since economic difficulties are likely to affect those borrowers more severely and we would be less able to control the quality of this portfolio.

We are required to maintain cash reserve and statutory liquidity ratios and increases in these requirements could adversely affect our business

As a result of the Indian statutory reserve requirements, we are more structurally exposed to interest rate risk than banks in many other countries. Under RBI regulations, we are subject to a cash reserve ratio requirement under which we are required to keep 5.0% of our net demand and time liabilities in a current account with RBI. RBI stated that it increased the cash reserve ratio requirement in order to keep inflation in check and it may carry out further increases if it feels they are required. In addition, under RBI regulations, we are required to maintain a uniform statutory liquidity ratio requirement of 25.0% on our net demand and time liabilities, which are to be invested in Government of India and other approved securities. We earn interest on such cash reserves and securities at rates that are less favourable than those, which we would receive in respect of our retail and corporate loan portfolio. Increases in these cash reserve ratio and liquidity ratio requirements could adversely affect our business.

We may be required to meet higher capital adequacy and other norms when RBI implements the Basel II requirements

RBI is adopting the requirements of Basel II, the international capital adequacy framework for banks. Basel II will introduce minimum capital requirements for market risk and operational risk in addition to the requirement of minimum capital only for credit risk. The requirements for Tier 1 capital and total capital adequacy ratios are expected to increase with the proposed implementation of the Basel II standards in late 2006 or early 2007 and we may need to augment our capital base to meet these ratios. In preparation for the adoption of the Basel II accord, banks have already been required by RBI to take active measures in terms of risk management systems, evaluation of capital charges, including for operational risk, and bring about more transparency in financial reporting as part of market discipline. RBI in its annual policy statement of 2004-05 has proposed to implement the Basel II recommendations in a two year timeframe and in this regard has also issued Draft Guidelines For Implementation of The New Capital Adequacy Framework on February 15, 2004.

We are exposed to fluctuations in foreign currency rates

As a bank we are exposed to exchange rate risk. We comply with regulatory limits upon our unhedged foreign currency exposure by making foreign currency loans on terms that are generally similar to our foreign currency borrowings and thereby transferring the foreign exchange risk to the borrower or through active use of cross-currency swaps and forwards to generally match the currencies of our assets and liabilities. However, 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. Accordingly, volatility in foreign exchange rates could adversely affect our business and financial performance.

We are exposed to certain risks in relation to our treasury operations

Our treasury operations include maintaining our Statutory Liquidity Ratio and Cash Reserve Ratio requirements, foreign exchange activities, investment/trading in derivatives and securities (including government securities). Treasury revenue is vulnerable to volatility in exchange rates, interest rates, equity prices and other factors. Any increase in interest rates could have an adverse effect on the value of our fixed income securities portfolio and may have an adverse effect on our net interest revenue. Although we have operational controls and procedures in place for our treasury operations, such as value at risk limits, counterparty limits, position limits and exposure limits that are designed to mitigate the extent of any losses, we cannot assure that we will not lose money in our proprietary trading and any losses would adversely affect our financial performance.

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 total credit. While our export credit is steadily growing and is 10.52% as on September 24, 2004 (last reporting Friday for the quarter ended September 30, 2004), we have not been able to meet the export credit targets fixed by RBI for the last 4 years. While no action has been taken by RBI in this regard till date, any enforcement action by RBI in this respect may have an adverse impact on our profitability.

Significant security breaches in our computer systems and network infrastructure and frauds could adversely impact our business.

Although we seek to protect our computer systems and network infrastructure from physical break-ins as well as security breaches and other disruptive problems caused, inter alia, by our increased use of the Internet, computer break-ins and power disruptions could affect the security of information stored in and transmitted through these computer systems and network infrastructure. We employ security systems, including firewalls and password encryption, designed to minimize the risk of security breaches. Although we intend to continue to implement security measures, technology and establish operational procedures to prevent break-ins, damage and failures, there can be no assurance that these security measures will be successful. A significant failure in security measures could have a material adverse effect on our business and our future financial performance. Our business operations are based on a high volume of transactions. Although we believe we take adequate measures to safeguard against system-related and other failures, there can be no assurance that we would be able to prevent frauds. Our reputation could be adversely affected by significant frauds that may be committed by employees, customers or other third parties.

Technology system failures could adversely impact our business.

Given the increasing share of retail products and services and transaction banking services in our business, the importance of technology systems to our business has increased significantly. We are also heavily reliant on our systems technology in connection with financial controls and risk management. Apart from branches, our principal delivery channels include centralized banking solutions, ATMs and the Internet. Any failure in our technology systems, particularly for retail products and services and transaction banking, could result in business interruption, the loss of customers, damaged reputation and weakening of our competitive position and could have a material adverse effect on our financial condition and results of operations.

Inability to attract and retain talented professionals may impact our business.

Attracting and retaining talented professionals is a key element of our strategy and we believe it to be a significant source of competitive advantage. An inability to attract and retain talented professionals or the resignation or loss of key management personnel may have an adverse impact on our business and financial performance.

New products/services offered by us may not be successful

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

As of September 30, 2004, we had contingent liabilities amounting to Rs. 14,309.19 crores. A determination against us, including with respect to liability on account of outstanding forward exchange contracts of Rs. 12,178.23 crore, included in these contingent liabilities, may adversely impact our financial performance.

As of September 30, 2004, we had contingent liabilities of Rs. 14,309.19 crores, which primarily comprised items such as outstanding forward exchange contracts, guarantees given on behalf of constituents in India, acceptances, endorsements and other obligations, which are normal for the banking business. Our contingent liabilities include liability on account of outstanding forward exchange contracts of Rs. 12,178.23 crores. There can be no assurance that these matters will be settled in our favour, and that no further liability will arise out of these claims. For details of contingent liabilities and disputed tax demands, please see the section entitled ‘Outstanding Litigation and Defaults’ on page 182 of this Letter of Offer.

Crystallization of any of the above liabilities may require us to honour the demands raised, if any, which may adversely impact our profitability and may have a material adverse impact on our financial resources and net worth.

We have experienced recent and rapid growth in our consumer loan portfolio and our business strategy supports continued growth in this area. Our inability to grow further or succeed in consumer products and services may adversely affect our business.

At September 30, 2004, consumer loans represented 10.75% of our advances as compared to 10.67% of advances at year-end fiscal 2004. Our present business strategy reflects continued focus on further growth in this sector. While we anticipate continued significant demand in this area, we cannot assure you that our consumer loan portfolio will continue to grow as expected. Our inability to grow further or succeed in consumer products and services may adversely affect our business and our future financial performance.

Retail products and services could expose us to the risk of financial irregularities by various intermediaries and customers. We cannot assure you that our skills and management information systems will be adequate to successfully manage these retail products and services. Our retail loans are relatively new and there is no assurance that there will be no additional impaired loans on account of these loans and that such impaired loans will not have a materially adverse impact on the quality of our loan portfolio.

Our associate/ affiliates have incurred losses, which may adversely affect our financial performance on a consolidated basis.

Our affiliates have incurred losses in recent years, as set-forth in the table below:

Rs. in crores

Affiliates	**Year ended March 31, 2002**	**Year ended March 31, 2003**	**Year ended March 31, 2004**
ING Vysya Life Insurance Company Private Limited	(30.94)	(37.86)	(62.99)
ING Investment Management (India) Private Limited *	(2.18)	(4.16)	(6.94)

** Figures for ING Investment Management (India) Private Limited are for year ended December 31*

Although these losses can be primarily attributed to initial set-up and start-up costs and, particularly in the insurance industry, to a high level of operating expenses and reserving requirements in the initial years of expansion, any further losses in our subsidiary/affiliates may adversely affect our business and our future financial performance.

Banking is a heavily regulated industry and material changes in the regulations, which govern us could cause our business to suffer

Banks in India are regulated by the BR Act, Companies Act and SEBI and are also subject to detailed supervision and regulation by RBI and Ministry of Finance. Banks are in general subject to the risk of changes in Indian law, changes in regulations and government policies as well as changes in accounting principles. The laws and regulations governing the banking sector could change in the future and any such changes could adversely affect our business, our future financial performance and our shareholders' funds, by requiring a restructuring of our activities, increasing costs or otherwise. In addition, changes to regulations that directly impact our Equity Share holders, such as dividends and voting rights, could adversely affect the price of our Equity Shares.

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

Section 15(1) of the BR Act, states that "no banking company shall pay any dividend on its shares until all its capitalized 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." Recently, RBI vide its circular no. DBOD.NO.BP.BC.80/ 21.02.067/2003-04 dated April 23, 2004 has revised the guidelines for payment of dividend by shifting regulatory focus with regard to payment of dividend by banks from 'quantum of dividend' to 'dividend payout ratio'. Only those banks, which comply with the minimum prudential requirements in terms of the circular would be eligible to declare dividends without prior approval of RBI.

Section 12(2) of the Banking Regulation Act, states that 'no person holding shares in a banking company shall, in respect of any shares held by him, exercise voting rights on poll in excess of 10.0% of the total voting rights of all the shareholders of the banking company'.

The forms of business in which we may engage are specified and regulated by the BR Act. Section 8 of BR Act states that 'no banking company shall directly or indirectly deal in the buying or selling or bartering of goods, except in connection with the realization of security given to or held by it, or engage in any trade, or buy, sell or barter goods for others otherwise than in connection with bills of exchange received for collection or negotiation or with such of its business as is referred to in clause (i) of sub-section (1) of Section 6 of the BR Act, provided that this section shall not apply to any such business as is specified in pursuance of clause (o) of sub-section (1) of Section 6'. Goods for this purpose means every kind of movable property, other than actionable claims, stocks, shares, money, bullion and specie and all instruments referred to in section 6(1)(a) of

BR Act. Unlike a company ordinarily incorporated under the Companies Act, which may amend the objects clause of its Memorandum of Association to commence a new business activity, banking companies may only carry on business activities permitted by Section 6 of the BR Act or specifically permitted by the RBI. This may restrict our ability to pursue profitable business opportunities as they arise.

Section 17(1) of the BR Act requires every banking company to create a Reserve Fund and out of the balance of the profit of each year as disclosed in the profit & loss account transfer a sum equivalent to not less than 20% of such profit before paying any dividend. Further, pursuant to the revised guidelines issued by RBI, only those banks, which comply with the requirements of minimum capital adequacy ratio of at least 11.0% for preceding two completed years and the accounting year for which it proposes to declare dividend and net non-performing asset ratio of less than 3.0%, would be eligible to declare dividends without prior approval of RBI.

Section 19 of the BR Act prescribes the permissible areas of business that may be conducted by banks through subsidiaries, which may prevent us from exploiting emerging business opportunities. Similarly, section 23 of the BR 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 BR 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 to the extent that we rely on domestic resources for funding.

We are required to obtain approval of the RBI for the appointment and remuneration of our Chairman, Managing Director and other whole time directors. We are also required to obtain approval of the RBI for the creation of floating charges for our borrowings, thereby hampering leverage. Banks may have to resort to unsecured debt instruments for borrowings. The BR 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 the RBI in writing as not being incapable 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 the RBI and shall be in accordance with the provisions of the BR Act. The provisions for winding- up of banking companies as specified in the BR Act are at variance with the provisions of the Act. Further, the RBI can also apply for winding up of a banking company in certain circumstances and can also be appointed as the liquidator and the Government of India has powers to acquire the undertakings of banking companies in certain cases.

In addition to the above, various rights/powers of the shareholders available under the Companies Act are not available to the shareholders of the Banks. Shareholders Rights like requisition of general meetings, inspection of minutes and other material records, application by members for investigation of affairs of a company, application for relief in cases of oppression and mismanagement, voluntary winding up, right to receive dividend within 42 days , etc. are not available to shareholders of a Bank.

The Letter of Offer contains extensive information and covers inter alia information regarding the industry, business, management and financials of the company. Investors should note that such detailed disclosures and information as stated in the Letter of Offer will not be available to shareholders after listing, on a continuous basis.

Other restrictions, which inter-alia include disclosures in the profit and loss account and balance sheet to be made as per the format prescribed under the BR Act, reconstruction of banks through amalgamations etc., and issuance of further capital including issue of bonus shares/right shares only with prior approval of RBI.

We are required to maintain certain prudential limits set by RBI. These limits require us, among other things, to maintain certain capital adequacy ratios, to limit our exposure to certain borrowers and other risks and to maintain certain provisions against non-performing assets. We are also subject to the directed lending norms of RBI.

For more information, please refer to the section entitled ‘Regulations and Policies’ beginning on page 169 of this Letter of Offer.

We are involved in various legal and regulatory proceedings. Any judgment awarding material damages against us could have a material adverse impact on our future financial performance.

Approximately 9 criminal cases, 372 civil cases and 47 labour disputes have been filed against the Bank. The civil and labour claims amount to approximately Rs. 184.73 crores.

One of our Directors, Mr. K.R.V. Subrahmanian has been named in the willful defaulters list of the RBI in his previous capacity as a director of M/s Kothari Sugars and Chemicals Limited. The said company was listed a defaulter owing to the proceedings under the BIFR. Currently he is in no way associated with the said company.

Various regulatory authorities such as NSDL, SEBI and Labour Enforcement Officer, Kolkata have passed several strictures and penalties against us.

In addition, we have received 13 demand notices from Indian tax authorities in respect of various assessments years wherein the aggregate income and interest tax payable as assessed by the authorities is approximately Rs. 17.47 crores. We have appealed these assessments. We have also challenged the disallowance of certain amounts in certain tax assessments involving income-tax, wealth tax and interest tax where the aggregate amount involved is approximately Rs. 178.69 crores. We have provided for Rs. 138.85 crores as contingent liability in our books of account.

We have filed around 1,387 cases in relation to criminal matters including cases for dishonour of cheques, recovery suits and other civil matters, which may be quantified at approximately Rs. 821.28 crores.

We are aware of around two potential claims/disputes against our Bank that may arise in relation to civil claims and others miscellaneous matters.

However, it may be noted that some of the above claims are not quantifiable in terms of monetary compensation.

Based on legal advice regarding the merits of our cases, we have not established reserves in our financial statements to cover the entire amounts of potential liability. We cannot guarantee that the aforesaid litigations and/or claims will be concluded in a manner favourable to us. Should any new developments arise, such as a change in Indian law or a ruling against us by appellate courts or tribunals, we may need to establish reserves in our financial statements, which could increase our expenses and our current liabilities. Furthermore, if a claim is determined against us and we are required to pay all or a portion of the disputed amount, it could have a material adverse effect on our future financial performance.

All of the legal proceedings/claims are pending at different levels of adjudication before various courts, tribunals, enquiry officers, and appellate tribunals. For more information, please refer to the section entitled 'Outstanding Litigation and Defaults' beginning on page 182 of this Letter of Offer

We have received warnings from SEBI in relation to our registrations as Bankers to an Issue, and as a Depository Participant

We have received warnings from SEBI in relation to our activities performed in the capacities of 'Bankers to the Issue', the details of which are as follows:

- In 1995, our S.P.Road branch, Secunderabad acted as bankers to the issue in the case of V.R.Mathur Mass Communication Limited. SEBI issued a show cause notice alleging certain irregularities in collecting the application. SEBI accepted the explanation submitted by us and vide letter no. IES/SBM/2299/02 dated February 7, 2002 dropped the proceedings with a warning not to repeat such acts in future;
- In 1995, our H.B.Sarani branch, Kolkata acted as the controlling branch to the rights issue of Subhash Projects & Marketing Limited. SEBI issued a show cause notice alleging that the branch had accepted applications after the closure of the issue accompanied by cheques drawn outside the center. Upon filing of our reply, SEBI heard the matter and banned the branch from acting as bankers to the issue for 3 months. However, we countered the allegations after taking legal opinion and SEBI called for another hearing on May 3 and 8, 2002. After this hearing, SEBI vide letter no. IES/ID3/UN/AJS/9403/2002 dated May 29, 2002 dropped the penalty with a warning to us to exercise more care and diligence in dealings as Bankers to an Issue.
- In 1999, our Rajkot branch collected application forms for the initial public offering of Kashyap Radiant Systems Limited, though it was not an authorised collection branch. SEBI vide its letter no. PMD/AS/12298 dated August 1, 2002 ordered that the Rajkot branch will not be included as a Banker to the Issue for a period of 6 months, which ended on January 19, 2001.

We have also received warning from SEBI in relation to our activity as Depository Participant, details of which are given below:

SEBI, vide its letter no. D&CC/VBL-Ins/6652/2002 dated April 19, 2002 has warned us that prescribed procedures in relation to our Depository Participant license should be scrupulously adhered to.

Our Bank and one of our group companies have not been able to meet the projections made during our previous Rights Issue/Public Issue.

We have not been able to achieve the projected financials as detailed in the Letter of Offer for the previous Rights Issue in 1996. For more details on the shortfall please refer to the section titled "Promise versus Performance" on page 167 of this Letter of Offer. Further, one of the company listed as a group company GMR Industries Limited, has not been able to meet the projections made in its Public Issue in 1994. For more details on the shortfall please refer to page 87 of the Letter of Offer.

Our limited capital base could expose us to a higher level of risk in the event of sudden changes in the Indian financial markets

We are a relatively small participant in the Indian banking industry. As on September 30, 2004; our paid-up equity capital is Rs. 22.65 crores. This limited capital base restricts our ability to absorb sudden changes in the financial markets such as tightening of monetary policy, increases in interest rates and significant reductions in deposits. The Indian economy is prone to these sudden changes as a result of its political and economic situation and geographic location. Therefore, any sudden change in the Indian economy could have a material adverse effect on our business, results of operations and financial position.

EXTERNAL RISK FACTORS

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

The overall performance of the Indian Economy during 2003-04 was characterised by a high real GDP growth rate of 8.2%-the highest growth rate in 15 years and also the second highest growth rate among the emerging market economies after China. This broad based growth momentum continued for the first quarter of 2004-05. GDP growth at 7.4% was higher by about 2% than the growth recorded in the first quarter of 2003-04.

Any slowdown in the growth of Indian economy or future volatility in global commodity prices, in particular oil and steel prices, could adversely affect our borrowers and contractual counterparties. With the increasing importance of retail loans to our business, any slowdown in the growth of sectors like housing and vehicles could adversely impact our performance. Growth in agricultural production in India has been variable and dependent on climatic conditions, primarily the level and timing of rainfall. Any slowdown could adversely affect our business, including our ability to grow our asset portfolio, the quality of our assets, our future financial performance, our shareholders' funds and our ability to implement our strategy. This in turn could adversely affect our business and financial performance and the price of our Equity Shares.

A significant change in the Government of India's economic liberalization and deregulation policies could disrupt our business and adversely affect our financial performance

Our assets and customers are predominantly located in India. The Government of India has traditionally exercised and continues to exercise a dominant influence over many aspects of the economy. Its economic policies have had and could continue to have a significant effect on public and private sector entities, including us, and on market conditions and prices of Indian securities, including in the future our Equity Shares. The present Government, which was formed after the Indian parliamentary elections in April-May 2004, is headed by the Indian National Congress and is a coalition of several political parties. Any significant change in the Government's policies or any political instability in India could adversely affect business and economic conditions in India and could also adversely affect our business, our future financial performance and the price of our Equity Shares.

Material changes in Indian banking regulations could harm our business.

We operate in a highly regulated environment in which the Reserve Bank of India extensively supervises and regulates all banks. Our business could be directly affected by any changes in policies for banks in respect of directed lending and reserve requirements. In addition, we could be subject to other changes in laws and regulations such as those affecting the extent to which we can engage in specific businesses, as well as changes in other governmental policies, income tax laws and accounting principles. We cannot assure you that laws and regulations governing the banking sector will not change in the future or that any changes will not adversely affect our business and our future financial performance.

Financial difficulties and other problems in certain financial institutions in India could cause our business to suffer and the price of our Equity Shares to go down

We are exposed to the risks of the Indian financial systems, which in turn may be affected by financial difficulties and other problems faced by certain Indian financial institutions. The Indian financial system faces risks of a nature and extent not typically faced in developed countries. In addition, certain Indian financial institutions have experienced difficulties during recent years. Some co-operative banks have also faced serious financial and liquidity crises. The problems faced by individual Indian financial institutions and any instability in or difficulties faced by the Indian financial system generally could create adverse market perception about Indian financial institutions. This in turn could adversely affect our business and financial performance and the price of our Equity Shares.

Terrorist attacks and other acts of violence or war involving India, the United States, and other countries could adversely affect the financial markets, result in a loss of business confidence and adversely affect our business, results of operations and financial condition.

Terrorist attacks, such as the ones that occurred in New York and Washington, D.C. on September 11, 2001, New Delhi on December 13, 2001, Gandhinagar in Gujarat on September 24, 2002, Bali on October 12, 2002 and Mumbai on August 25, 2003, and other acts of violence or war may negatively affect the Indian stock markets and also adversely affect the global financial markets. These acts may also result in a loss of business confidence and have other consequences that could adversely affect our business, results of operations and financial condition.

After the December 13, 2001 attack in New Delhi and a terrorist attack on May 14, 2002 in Jammu, India, diplomatic relations between India and Pakistan became strained and there was a risk of intensified tensions between the two countries. The governments of India and Pakistan have recently been engaged in conciliatory efforts. However, any deterioration in relations between Indian and Pakistan might result in investor concern about stability in the region, which could adversely affect the price of our Equity Shares. India has also witnessed civil disturbances in recent years and it is possible that future civil unrest as well as other adverse social, economic and political events in India could have an adverse impact on us.

Military activity or terrorist attacks in the future could influence the Indian economy by disrupting communications and making travel and transportation more difficult. Such political tensions could create a greater perception that investments in Indian companies involve a higher degree of risk. This, in turn, could have a material adverse effect on the market for securities of Indian companies, including our Equity Shares and on the market for our services.

Our performance is linked to the stability of policies and the political situation in India

The role of the Indian central and state governments in the Indian economy on producers, consumers and regulators has remained significant over the years. Since 1991, the Government of India has pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector. Certain members of the current coalition government have been protesting against the privatization measures being undertaken by the Government of India. We cannot assure you that these liberalization policies will continue in the future. Protests against privatization could slowdown the pace of liberalization and deregulation. The rate of economic liberalization could change, and specific laws and policies affecting technology companies, foreign investment, currency exchange rates and other matters affecting investment in our securities could change as well. The withdrawal of one or more of these parties from a coalition government can result in political instability. Any political instability could delay the reform of the Indian economy and could have a material adverse effect on the market for our Equity Shares and on the market for our services.

A decline in India's foreign exchange reserves may affect liquidity and interest rates in the Indian economy, which could adversely impact our business and financial performance

India's foreign exchange reserves increased by approximately USD 36,900 crores during 2003-04 with foreign exchange reserve touching USD 11,300 crores-the sixth largest in the world. Further during April- June 2004 a net accretion of foreign exchange reserves excluding valuation effect of USD 750 crores took place. A decline in these reserves could result in reduced liquidity and higher interest rates in the Indian economy. Reduced liquidity or an increase in interest rates in the economy following a decline in foreign exchange reserves could adversely affect our business and financial performance and the price of our Equity Shares.

Any downgrading of India's debt rating by an international rating agency could have a negative impact on our business

Any adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely impact our ability to raise additional financing from overseas markets, and the interest rates and other commercial terms at which such additional financing is available. This could have a material adverse effect on our business and financial performance and adversely affect our ability to obtain financing from overseas markets.

Indian law limits our ability to raise capital outside India and may limit the ability of others to acquire us, which could prevent us from growing our business or entering into a transaction that is in the best interests of our shareholders.

Indian law restricts our ability to raise capital outside India through the issuance of equity or convertible debt securities and we may not be able to raise sufficient funds within India to support our growth. Generally, any foreign investment in, or an acquisition of, an Indian bank requires approval from relevant government authorities in India including the RBI. As a result, our ability to seek and obtain additional equity investment by foreign investors is constrained. In addition, these restrictions may prevent us from entering into a transaction, such as an acquisition by a non-Indian company, which would otherwise be beneficial for us and the holders of our Equity Shares.

Sensitivity to the economy and extraneous factors

The Bank's performance is highly correlated to the performance of the economy and the financial markets. The health of the economy and the financial markets in turn depends on the domestic economic growth, state of the global economy and business and consumer confidence, among other factors. Any event disturbing the dynamic balance of these diverse factors would directly or indirectly affect the performance of the Bank including the quality and growth of its assets.

Financial difficulties and other problems in certain financial institutions in India could cause our business to suffer.

As an Indian bank, we are exposed to the risks of the Indian financial system which in turn may be affected by financial difficulties and other problems faced by certain Indian financial institutions. As an emerging market system, the Indian financial system faces risks of a nature and extent not typically faced in developing countries, including the risk of deposit runs notwithstanding the existence of a national deposit insurance scheme. Certain Indian financial institutions have experienced difficulties in recent years. In July 2004, on an application by the Reserve Bank of India, the Indian government issued an order of moratorium on Global Trust Bank, a new private sector bank, and restricted withdrawals by depositors. The Reserve Bank of India subsequently announced a merger of Global Trust Bank with Oriental Bank of Commerce, a public sector bank. Some co-operative banks have also faced serious financial and liquidity crises. The problems faced by individual Indian financial institutions and any instability in or difficulties faced by the Indian financial system generally could create adverse market perception about Indian financial institutions and banks. This in turn could adversely affect our business and our future financial performance.

Notes to risk factors:

1. Net worth of the Bank as on September 30, 2004, is Rs. 540.52 crores. The size of the Rights Issue is Rs. 307.08 crores. The book value per share as on September 30, 2004 for Rs. 10/- face value is Rs. 238.62/-. Subsequently the Bank has issued 29,015 shares at a price of Rs. 203/- and 27,568 shares at a price of Rs. 255/- on December 15, 2004.)
2. Issue of 6,82,40,214 equity shares of Rs. 10/- each for cash at a premium of Rs. 35/- per equity share on rights basis to the existing Equity Shareholders of the Bank in the ratio of 3 equity shares for every 1 equity share held on the February

28, 2005 (i.e. Record Date) aggregating Rs. 3,07,08,09,630.

3. We would like to clarify that inspection by RBI is a regular exercise and is carried out periodically by RBI for all banks and financial institutions. The reports of RBI are strictly confidential. We are in dialogue with RBI in respect of observations made by RBI in their report for previous years. RBI does not allow disclosure of its inspection report and all disclosures made in this Letter of Offer are on the basis of our management and audit reports.

4. We had entered into certain related party transactions for fiscal 2003, fiscal 2004 and the six month period ended September 30, 2004, as below.

Six months ended September 30, 2004

Related parties where control exists:

- ING Vysya Financial Services Limited - wholly owned subsidiary of the Bank.

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

- ING Bank N.V. and its branches
- ING Vysya Life Insurance Company Private Limited.
- ING Investment Management India Private Limited.
- Ideaspace Solutions 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 crores)

Items/Related Party	**Related parties where control exists**	**Related parties with significant influence and with whom there are transactions during the year**	**Key Management Personnel**	**Total**
Deposits kept with Bank including lease deposit	Maximum 0.01 (0.44) Outstanding 0.01 (0.01)	Maximum 4.04 (NIL) Outstanding 4.04 (NIL)	Nil	Maximum 4.04 (NIL) Outstanding 4.04 (0.01)
Advances	Sanctioned Nil (3.0) Outstanding Nil (Nil)		Nil	Sanctioned Nil (3.0) Outstanding Nil (Nil)
Investments during the year Term borrowing	Nil (Nil)	19.0 (Nil) Maximum and Outstanding 83.34 (81.40)	Nil Nil	19.0 (Nil) Maximum and Outstanding 83.34 (81.40)
Call borrowing		Maximum 2.0 (297.87) Outstanding Nil (Nil)	Nil	Maximum 2.0 (297.87) Outstanding Nil (Nil)
Call lending		Maximum Nil (32.0) Outstanding Nil (Nil)	Nil	Maximum Nil (32.0) Outstanding Nil (Nil)
Purchase of fixed assets		Nil	Nil	Nil
Interest received		4.84	Nil	4.84

(Rs. in crores)

Items/Related Party	Related parties where control exists	Related parties with significant influence and with whom there are transactions during the year	Key Management Personnel	Total
Interest paid		3.37	Nil	3.37
Purchase and sale of securities		34.05	Nil	34.05
Rendering of services	0.63	2.04	Nil	2.67
Receiving of services	0.86	0.27	Nil	1.13
Interest on Bank Guarantees		0.19	Nil	0.19
Management Contracts			0.24	0.24
Off Balance Sheet items				
Bank Guarantees		Maximum and Outstanding 25.53	Nil	Maximum and Outstanding 25.53
Derivative transactions		Outstanding 528.36 (565.40)	Nil	Outstanding 528.36 (565.40)
Forward Transactions		Outstanding 232.69	Nil	Outstanding 232.69

(Previous year figures are given in parentheses)

2003-2004

Related parties where control exists:

- Vysya Bank Housing Finance Limited - Till July 2003.
- ING Vysya Bank Financial Services Limited - wholly owned subsidiary of the Bank.

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

- ING Bank N.V. and its branches
- ING Vysya Life Insurance Company Private Limited.
- ING Vysya Investment Management India Private Limited.
- Ideaspace Solutions 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 crores)

Items/Related Party	Related parties where control exists	Related parties with significant influence and with whom there are transactions during the year	Key Management Personnel	Total
Placement of Deposit by Bank		Maximum NIL (700.80) Outstanding NIL (NIL)	Nil	Maximum NIL (700.80) Outstanding NIL (NIL)

(Rs. in crores)

Items/Related Party	Related parties where control exists	Related parties with significant influence and with whom there are transactions during the year	Key Management Personnel	Total
Deposits kept with Bank including lease deposit	Maximum 0.44 (NIL) Outstanding 0.01 (NIL)	Maximum 5.09 (NIL) Outstanding 3.60 (NIL)	Nil	Maximum 5.53 (NIL) Outstanding 3.61 (NIL)
Advances	Sanctioned 3.00 (30.00) Outstanding Nil (Nil)		Nil	Sanctioned 3.00 (30.00) Outstanding Nil (NIL)
Investments during the year	NIL (NIL)	24.93 (6.00)	Nil	24.93 (6.00)
Term borrowing		Maximum and outstanding 81.40 (NIL)	Nil	Maximum and outstanding 81.40 (NIL)
Call borrowing		Maximum 297.87 (NIL) Outstanding NIL (NIL)	Nil	Maximum 297.87 (NIL) Outstanding NIL (NIL)
Call lending		Maximum 32.00 (NIL) Outstanding NIL (NIL)	Nil	Maximum 32.00 (NIL) Outstanding NIL (NIL)
Purchase of fixed assets		Maximum 0.02 (1.16)	Nil	Maximum 0.02 (1.16)
Interest received		0.24 *(0.13)	Nil	0.24 *(0.13)
Interest paid	0.01 (NIL)	0.17 (NIL)	Nil	0.18 (NIL)
Dividend received	2.21 (NIL)		Nil	2.21 (NIL)
Purchase and sale of securities	NIL (6.25)	506.53 (587.53)	Nil	506.53 (593.78)
Rendering of services	0.57 (Nil)	2.21 (0.21)	Nil	2.78 (0.21)
Receiving of services Management contracts	1.08 (0.10)	8.66 (9.85)	Nil 0.44 (0.36)	9.74 (9.95) 0.44(0.36)
Derivative transactions		Outstanding 565.40 (607.97)	Nil	Outstanding 565.40 (607.97)

*Interest differential for period ended 31 March 2004 recoverable from other related party with respect to deposits of Rs. 80.50 crores taken over.

(Previous year's figures are given in parentheses).

2002-2003

Following are the related parties where control existed:

- Vysya Bank Housing Finance Limited - Subsidiary of ING Vysya Bank
- The Vysya Bank Financial Services Limited - wholly owned subsidiary of ING Vysya Bank

ING Vysya Bank had entered into transactions with the following related parties:

- Subsidiaries
- Associate - ING Vysya Life Insurance Co. Private Limited
- Key Management Personnel i.e., whole time directors and their relatives
- Other related parties

Other Related Parties includes enterprises owned or significantly influenced by directors / key management personnel or their relatives. Other Related Parties comprise Idea Space Financial Technologies Private Limited, The Vysya Bank Staff Provident Fund, The Vysya Bank Staff Gratuity Fund, The Vysya Bank (Employees) Pension Fund and ING Bank Group and its affiliates

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

(Rs. in crores)

Items/Related Party	Subsidiaries	Associates/ Joint Ventures	Key Management Personnel	Other Related Parties	Total
Placement of Deposit			Nil	Maximum 700.80 (3,321.20) Outstanding NIL(NIL)	Maximum 700.80 (3,321.20) Outstanding NIL(NIL)
Advances	Sanctioned 30.00 (40.00) Outstanding Nil (8.09)	Sanctioned Nil (12.00) Outstanding Nil (Nil)	Nil	Sanctioned Nil (5.75) Outstanding Nil (1.27)	Sanctioned 30.00 (57.75) Outstanding Nil (9.36)
Investments during the year		6.00 (53.90)	Nil		6.00 (53.90)
Leasing / HP arrangements provided	Maximum 0.04 (0.04) Outstanding Nil (0.04)	Maximum Nil (0.57) Outstanding Nil (0.01)	Nil	Maximum 0.15 (Nil) Outstanding Nil (Nil)	Maximum 0.19 (0.61) Outstanding Nil (0.05)
Purchase of fixed assets	Nil (1.21)		Nil	1.16 (Nil)	1.16 (1.21)
Interest received			Nil	0.13 * (Nil)	0.13 (Nil)
Purchase and sale of securities	6.26 (16.39)	44.84 (136.45)	Nil	542.68 (2.57)	593.78(155.41)
Rendering of services		0.06 (0.01)	Nil		0.06 (0.01)
Receiving of services	0.10 (0.05)		Nil	9.85 (8.44)	9.95 (8.49)
Management contracts			0.36 (0.47)		0.36 (0.47)
Derivative transactions			Nil	Maximum 3,030.13 (965.28) Outstanding 607.97(364.04)	Maximum 3,030.13 (965.28) Outstanding 607.97(364.04)

*Interest differential for period ended March 31, 2003 recoverable from other related party with respect to deposits of Rs. 80.50 crores taken over.

(Previous year's figures are given in parentheses).

6 Before making an investment decision in respect of this Offer, you are advised to refer to the section entitled 'Basis for Issue Price' on page 165 of this Letter of Offer.

7 Please refer to the sub section entitled 'Basis of Allotment' on page 17 of this Letter of Offer for details on basis of allotment.

8 Average cost of acquisition of shares of our Bank currently held by our Promoters is as follows;

Name	Average cost of acquisition (in Rs.)
Mr. G.M.Rao	818.61*
ING Mauritius Holdings	509.18
ING Mauritius Investments I	149.97

*Mr. G.M.Rao, as an individual and as a HUF holds 144 shares. He, along with his relatives and promoter group companies, holds 69,312 shares and average cost of acquisition for the same is Rs 242.41/- share.

9 The Bank was originally incorporated as The Vysya Bank Limited on March 29, 1930. The name was changed to ING Vysya Bank Limited on December 7, 2002. The Bank is presently carrying on similar banking business activities and accordingly there have been no amendments to the objects clause of our Memorandum of Association in this behalf.

You may contact the Lead Manager for any complaints pertaining to the Issue including any clarification or information relating to the Issue. The Lead Manager is obliged to provide the same to you.

GENERAL INFORMATION

Dear Equity Shareholder(s),

Pursuant to the resolution passed by the Board of Directors of the Bank at its meeting held on December 15, 2004, it has been decided to make the following offer to the Equity Shareholders of the Bank:

ISSUE OF 6,82,40,214 EQUITY SHARES OF RS. 10/- EACH FOR CASH AT A PREMIUM OF RS. 35/- PER EQUITY SHARE ON RIGHTS BASIS TO THE EXISTING EQUITY SHAREHOLDERS OF THE BANK IN THE RATIO OF 3 EQUITY SHARE FOR EVERY 1 EQUITY SHARES HELD ON FEBRUARY 28, 2005 (I.E. THE RECORD DATE) AGGREGATING RS. 3,07,08,09,630.

Disclaimer Clause

AS REQUIRED, A COPY OF THIS DRAFT LETTER OF OFFER HAS BEEN SUBMITTED TO THE SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI). IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF THE DRAFT LETTER OF OFFER TO SEBI SHOULD NOT, IN ANY WAY BE DEEMED/ CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPOSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE, OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT LETTER OF OFFER. THE LEAD MANAGER ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT LETTER OF OFFER ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI GUIDELINES FOR DISCLOSURE AND INVESTOR PROTECTION IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER BANK IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT LETTER OF OFFER, THE LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE BANK DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE THE LEAD MANAGER ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED JANUARY 10, 2005 WHICH READS AS FOLLOWS:

1. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER MATERIALS MORE PARTICULARLY REFERRED TO IN THE ANNEXURE HERETO IN CONNECTION WITH THE FINALISATION OF THE DRAFT LETTER OF OFFER PERTAINING TO THE SAID ISSUE;
2. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE BANK, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE BANK;

   WE CONFIRM THAT:

   THE DRAFT LETTER OF OFFER FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;

   ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS ETC., ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH;

   THE DISCLOSURES MADE IN THE DRAFT LETTER OF OFFER ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO INVESTMENT IN THE PROPOSED ISSUE;
3. WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT LETTER OF OFFER ARE REGISTERED WITH SEBI AND TILL DATE SUCH REGISTRATION IS VALID; AND

The Lead Manager has confirmed that their responsibility about this Rights Issue shall continue even after closure of this Rights Issue.

We have already submitted an undertaking given by our promoter and Promoter group stating that transactions in securities by the Promoter, the Promoter group and the immediate relatives of the promoter during the period between the date of filing of the Letter of Offer with Stock Exchanges and the date of closure of the Rights Issue shall be reported to BSE, NSE and BgSE within 24 hours of the transaction.

The filing of the Letter of Offer does not, however, absolve the Bank from any liabilities under Section 63 or Section 68 of the Companies Act, 1956 or from the requirement of obtaining such statutory or other clearance as may be required for the purpose of the proposed Issue. SEBI further reserves the right to take up, at any point of time, with the Lead Manager any irregularities or lapses in the Letter of Offer.

Caution

The Bank and the Lead Manager accept no responsibility for statements made otherwise than in this Letter of Offer or in any advertisement or other material issued by the Bank or by any other persons at the instance of the Bank and anyone placing reliance on any other source of information would be doing so at his own risk.

The Lead Manager and the Bank shall make all information available to the Equity Shareholders and no selective or additional information would be available for a section of the Equity Shareholders in any manner whatsoever including at presentations, in research or sales reports etc. after filing of the Letter of Offer with SEBI.

Disclaimer with respect to Jurisdiction

This Letter of Offer has been prepared under the provisions of Indian Laws and the applicable rules and regulations thereunder. Any disputes arising out of this Issue will be subject to the jurisdiction of the appropriate court(s) in Bangalore, India only.

The Letter of Offer has been filed with SEBI, Mittal Court, 'A' Wing, Nariman Point, Mumbai 400021, for its observations. SEBI has given its observations, the final Letter of Offer would be filed with the Designated Stock Exchange as per the provisions of the Act.

Disclaimer Clause of the BSE

The Stock Exchange, Mumbai ("the Exchange") has given vide its letter dated January 25, 2005, permission to the Bank to use the Exchange's name in this Letter of Offer as one of the Stock Exchanges on which this Issuer's securities are proposed to be listed. The Exchange has scrutinized this Letter of Offer for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. The Exchange does not in any manner: (i) warrant, certify or endorse the correctness or completeness of any of the contents of this Letter of Offer; or (ii) warrant that this Issuer's securities will be listed or will continue to be listed on the Exchange; or (iii) take any responsibility for the financial or other soundness of this Issuer, its Promoters, its management or any scheme or project of this Issuer; and its should not for any reason be deemed or construed that this Letter of Offer has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Issuer may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange 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.

Disclaimer Clause of the NSE

As required, a copy of this Letter of Offer has been submitted to National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given vide its letter dated January 17,2005 granted permission to the Issuer to use the Exchange's name in this Letter of Offer as one of the Stock Exchanges on which the Issuer's securities are proposed to be listed. The Exchange has scrutinized this Letter of Offer for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Issuer. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that this Letter of Offer has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Letter of Offer; nor does it warrant that the Issuer's securities will be listed or will continue to be listed on the Exchange; nor does it take any responsibility for the financial or other soundness of the Issuer, its Promoters, its management or any scheme or project of this Issuer.

Every person who desires to apply for or otherwise acquire any securities of the Issuer may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange 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 any other reason whatsoever.

Disclaimer Clause of the BgSE

The Stock Exchange, Bangalore (BgSE), has, vide their letter dated January 27, 2005 given permission to the Issuer to use the name of the Exchange in this Letter of Offer as one of the Stock Exchanges on which this Issuer's securities are proposed to be listed. BgSE has scrutinized this Letter of Offer for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Issuer. BgSE does not in any manner:

1. warrant, certify or endorse the correctness or completeness of any of the contents of this Letter of Offer; or warrant that this Issuer's securities will be listed or will continue to be listed on the Exchange; or take any responsibility for the financial or other soundness of this Issuer, its Promoters, its Management or any scheme or project of this Issuer; and it should not for any reason be deemed or construed that this Letter of Offer has been cleared or approved by BgSE. Every person who desires to apply for or otherwise acquires any securities of this Issuer may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against BgSE, 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 in the Letter of Offer or any other reason whatsoever.

Impersonation

As a matter of abundant caution, attention of the applicants is specifically drawn to the provisions of subsection (1) of Section 68A of the Companies Act, 1956 which is reproduced below:

"Any person who- makes in a fictitious name an application to a Bank for acquiring, or subscribing for, any shares therein, or otherwise induces a Bank to allot, or register any transfer of shares therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years"

Minimum Subscription

If the Bank does not receive the minimum subscription of 90% of the Issue (excluding the amounts on the rights entitlement on the Equity Shares held in abeyance as explained in the notes to the section entitled 'Capital Structure'), the entire subscription shall be refunded to the applicants within forty-two days from the date of closure of the Issue. If there is a delay in the refund of subscription by more than 8 days after the Bank becomes liable to repay the subscription amount, i.e. forty-two days after closure of the Issue, the Bank will pay interest for the delayed period, at the rates prescribed in sub-sections (2) and (2 A) of Section 73 of the Companies Act, 1956.

The Issue will become undersubscribed after considering the number of shares applied as per entitlement plus additional shares. The undersubscribed portion shall be applied for only after the Issue Closing Date.

The Promoters intend to subscribe in excess of their entitlement in case of undersubscription, subject to compliance with guidelines/directions of RBI. Allotment to the Promoters of any unsubscribed portion, over and above their entitlement shall be done in compliance with Clause 40A of the Listing Agreement and other applicable laws prevailing at that time. Please note that the allotment to ING Mauritius Holdings, ING Mauritius Investments I or any of the affiliate(s) of ING Bank N.V. in this Rights Issue shall not exceed 43.93% of the post Issue equity (issued capital) of the Bank.

The above is subject to the terms mentioned under the section entitled 'Basis of Allotment' on page 17 of this Letter of Offer.

Utilisation of Issue Proceeds

The Board of Directors declares that:

1. The funds received against this Issue will be transferred to a separate bank account other than the bank account referred to sub-section (3) of Section 73 of the Act.
2. Details of all moneys utilised out of the Issue shall be disclosed under an appropriate separate head in the balance sheet of the Bank indicating the purpose for which such moneys has been utilised.
3. Details of all such unutilised moneys out of the Issue, if any, shall be disclosed under an appropriate separate head in the balance sheet of the Bank indicating the form in which such unutilised moneys have been invested.

The funds received against this Issue will be kept in a separate bank account and the Bank will not have any access to such funds unless it satisfies the Designated Stock Exchange with suitable documentary evidence that the minimum subscription of 90% of the Issue has been received by the Bank.

Undertaking by the Bank

1. The complaints received in respect of the Issue shall be attended to by the Bank expeditiously and satisfactorily.
2. All steps for completion of the necessary formalities for listing and commencement of trading at all Stock Exchanges where the securities are to be listed will be taken within 7 working days of finalization of basis of allotment.
3. The funds required for dispatch of refund orders/ allotment letters/ certificates by registered post shall be made available to the Registrar to the Issue.
4. The certificates of the securities/ refund orders to the non-resident Indians shall be dispatched within the specified time.
5. No further issue of securities affecting equity capital of the Bank shall be made till the securities issued/offered through the Issue are listed or till the application moneys are refunded on account of non-listing, under-subscription etc.
6. The Bank accepts full responsibility for the accuracy of information given in this Letter of Offer and confirms that to best of its knowledge and belief, there are no other facts the omission of which makes any statement made in this Letter of Offer misleading and further confirms that it has made all reasonable enquiries to ascertain such facts.
7. All information shall be made available by the Lead Manager and the Issuer to the Investors at large and no selective or additional information would be available for a section of the Investors in any manner whatsoever including at road shows, presentations, in research or sales reports etc.

Government Approvals

Our Bank was incorporated on March 29, 1930 under the Mysore Companies Regulation, 1917 and the Certificate of Commencement of Business was issued to us on July 24, 1930. The Bank has been classified as a Scheduled Bank in terms of Section 42 and 2(e) of the RBI Act, 1934. The Bank has complied with all the applicable guidelines/directions issued by RBI from time to time.

Pursuant to Circular No. DBOD.No.PSBS.BC.79/16.13/100/2001-02 dated March 20, 2002 issued by Department of Banking Operations and Development, RBI, separate approval of the RBI would not be required for this Rights Issue. However, in view of possible amendments to the regulatory framework, the Bank made an application to RBI vide letter dated November 4, 2004 seeking a clarification. RBI Vide its letter no. DBOD.NO. PSBS681/16.01.077/2004-05 dated November 30, 2004 has approved the Rights Issue subject to the following conditions:

- ING shareholding to remain at the current level of 43.93%;
- Total foreign shareholding from all sources (direct plus indirect) not to exceed the current level of 73.09%; and
- ING Group will abide by any condition that would be imposed by RBI in this regard from time to time and in particular on account of the policies governing the ownership and governance, which are under active review.

Please note that this approval by RBI should not, in any way, be deemed or construed to be an approval by RBI to this Letter of Offer nor does RBI take any responsibility either for the financial soundness of the Bank or for the accuracy of the statements made or opinions expressed in this connection.

We have obtained all necessary approvals to undertake our activities and we do not propose to enter into any new activities through this Rights Issue, for which further approvals may be required to be obtained.

Registered Office and Corporate office of the Bank

ING Vysya Bank Limited,
ING Vysya House,
No. 22, M.G.Road,
Bangalore 560001
Contact Person: Mr. M.V.S.Appa Rao
Tel: +91 80 2500 5000 extn 6538
Fax: +91 80 2500 5555
Email: apparaomvs@ingvysyabank.com
Website: www.ingvysyabank.com

Important

- This Rights Issue is pursuant to the resolution passed by the Board of Directors at its meeting held on December 15, 2004.
- This Issue is applicable to those Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the depositories in respect of the shares held in the electronic form and on the Register of Members of the Bank at the close of business hours on February 28, 2005 (i.e. the Record Date).
- Your attention is drawn to the section entitled ‘Risk Factors’ appearing on Page iv of this Letter of Offer.
- Please ensure that you have received the Composite Application Form (“CAF”) with this Letter of Offer.
- Please read the Letter of Offer and the instructions contained herein and in the CAF carefully before filling in the CAF. The instructions contained in the CAF are an integral part of this Letter of Offer and must be carefully followed. An application is liable to be rejected for any non-compliance of the provisions contained in the Letter of Offer or the CAF.
- All enquiries in connection with this Letter of Offer or CAF should be addressed to the Registrar to the Issue, quoting the Registered Folio number/ DP and Client ID number and the CAF numbers as mentioned in the CAF.
- All information shall be made available to the Investors by the Lead Manager and the Issuer, and no selective or additional information would be available for any section of the Investors in any manner whatsoever including at road shows, presentations, in research or sales reports, etc.
- The Lead Manager and the Company shall update the Letter of Offer and keep the public informed of any material changes till the listing and trading commences.
- All the legal requirements as applicable till the filing of the Letter of Offer with the Designated Stock Exchange have been complied with.

ISSUE SCHEDULE

Issue Opening Date	:	March 15, 2005
Last date for receiving requests for split forms	:	March 30, 2005
Issue Closing Date	:	April 13, 2005

ISSUE MANAGEMENT TEAM

Lead Manager to the Issue
Enam Financial Consultants Private Limited
801/802, Dalamal Towers
Nariman Point
Mumbai 400 021
Tel: +91-22-5638 1800
Fax: +91 22 2284 6824
Email:ingwg@enam.com

Registrar to the Issue
Karvy Computershare Private Limited
"Karvy House"
46, Avenue 4, Street No. 1
Banjara Hills, Hyderabad 500 034
Tel: +91 40 2331 2454
Fax: +91 40 2331 1968
Email:ingvysyarights@karvy.com

Auditors of the Bank
BSR & Co.
KPMG House
20/2 Vittal Mallya Road
Bangalore 560 001
Tel: +91-80-2227 6000
Fax: +91-80-2227 3000

Banker to the Issue
ING Vysya Bank Limited
ING Vysya House, No. 22, M.G.Road,
Bangalore 560001
Tel: +91 80 2500 5000
Fax: +91 80 2500 5555
E-mail: cmsissuebank@ingvysyabank.com

Legal Advisor for the Issue
Amarchand & Mangaldas & Suresh A. Shroff & Co.
201, Midford House,
Midford Garden,
M.G.Road,
Bangalore 560 001
Tel: +91 80 2558 4870
Fax: +91 80 2558 4266
Email: ingrights.workgroup@amarchand.com

Company Secretary & Compliance Officer
Mr. M.V.S.Appa Rao,
ING Vysya House, No. 22, M.G.Road,
Bangalore 560001
Tel: +91 2500 5000 Extn 6538
Fax: +91 2555 9212
Email: apparaomvs@ingvysyabank.com

Note: The Investors are advised to contact the Registrar to the Issue/Compliance Officer of the Bank in case of any pre-Issue/ post-Issue related problems such as non-receipt of Letter of Offer/Letter of Allotment/ share certificates/ refund orders/ etc.

Eligibility for the Issue

ING Vysya Bank Limited is an existing Bank registered under the BR Act, whose Equity Shares are listed on BSE, NSE and BgSE. It is eligible to offer this Rights Issue in terms of Clause 2.4.1(iv) of the SEBI DIP Guidelines. The Bank, its Promoters, its Directors or any of the Bank's associates or group companies are currently not prohibited from accessing the capital market under any order or direction passed by SEBI. Further the Promoters, their relatives (as per Companies Act, 1956), the Bank, group companies, associate companies are not detained as wilful defaulters by RBI / Government authorities.

Consents

The consents wherever required, has been received for making this Issue.

Filing

The Letter of Offer was filed with SEBI, Mittal Court, Nariman Point, Mumbai 400 021. All the legal requirements applicable till the date of filing the Letter of Offer with the Stock Exchanges has been complied with.

Allotment Letters / Refund Orders

The Bank will issue and dispatch letters of allotment/ share certificates/ demat credit or letters of regret along with refund order or credit the allotted securities to the respective beneficiary accounts, if any within a period of 42 days from the date of closure of the Issue. If such money is not repaid within 8 days from the day the Bank becomes liable to pay it, the Bank shall pay that money with interest as stipulated under Section 73 of the Act.

Letters of allotment/ share certificates/ demat credit/ refund orders above the value of Rs. 1,500 will be dispatched by registered post/ speed post to the sole/ first applicant's registered address. However, refund orders for value not exceeding Rs. 1,500 shall be sent to the applicants by way of under certificate of posting. Such cheques or pay orders will be payable at par at all the centres where the applications were originally accepted and will be marked 'A/c payee' and would be drawn in the name of the sole/ first applicant. Adequate funds would be made available to the Registrar to the Issue for dispatch of the letters of allotment/ share certificates/ demat credit/ refund orders.

In case the Bank issues letters of allotment, the corresponding share certificates will be kept ready within three months from the date of allotment thereof or such extended time as may be approved by the Companies Law Board under Section 113 of the Companies Act, 1956 or other applicable provisions, if any. Allottees are requested to preserve such Letters of Allotment, which would be exchanged later for the Security Certificates.

Listing

The existing Equity Shares are listed on the BSE, NSE and BgSE. The Bank has made applications to the BSE, NSE and BgSE for permission to deal in and for an official quotation in respect of the Equity Shares being offered in terms of this Letter of Offer. The Bank has received in-principle approvals from BSE, NSE and BgSE by letters dated January 25,2005, January 17, 2005 and January 27,2005 respectively. The Bank will apply to the BSE, NSE and BgSE for listing of the Equity Shares to be issued pursuant to this Issue.

If the permission to deal in and for an official quotation of the securities is not granted by any of the Stock Exchanges mentioned above, within six weeks from the Issue Closing Date, the Bank shall forthwith repay, without interest, all monies received from applicants in pursuance of this Letter of Offer. If such money is not paid within 8 days after the Bank becomes liable to repay it, then the Bank and every Director of the Bank who is an officer in default shall, on and from expiry of 8 days, be jointly and severally liable to repay the money with interest as prescribed under the Section 73 of the Act.

Credit rating

This being an issue of Equity Shares, no credit rating is required. The details of the ratings received by the Bank for other securities/ instruments in the last 3 years are as follows:

Borrowing Program	Amount Rs. (in crores)	Rating Agency	Rating	Date of Rating Letter
Subordinate Bond Issue- Tier II Bonds Series I	150	CRISIL	AA+	January 9, 2004
Subordinate Bond Issue- Tier II Bonds Series II	200	CRISIL, Fitch	AA+, AA + (ind)	July 28, 2003 August 28, 2003

The CRISIL rating of AA+ indicates a high degree of safety with regard to timely payment of interest and principal on the instrument.

The Fitch rating of AA+ indicates high credit quality with a low expectation of credit risk and strong capacity for timely payment of financial commitments, which capacity may vary slightly from time to time because of economic conditions.

CAPITAL STRUCTURE

			Nominal Amount (Rs.)
Authorised share capital			
10,00,00,000	Equity shares of Rs. 10/- each	1,00,00,00,000	2,00,00,00,000
10,00,00,000	Preference shares of Rs. 10/- each	1,00,00,00,000	
Issued share capital			
2,27,46,738(1)	Equity shares of Rs. 10/- each		22,74,67,380
Subscribed and Paid-up share capital(2)			
2,27,08,448	Equity shares of Rs. 10/- each		22,70,84,480
Present Issue being offered to the Equity Shareholders through this Letter of Offer(3)		**Nominal Amount (Rs.)**	**Premium (Rs)**
6,82,40,214	Equity Shares of Rs. 10/- each at a premium of Rs. 35/- each	68,24,02,140	2,38,84,07,490
Paid up capital after the Issue(4)			
9,08,33,792	Equity shares of Rs. 10/- each		90,83,37,920
Share premium Account			**Premium (Rs)**
Existing share premium account(5)			1,97,39,81,354
Share premium account after the Issue assuming allotment of all Equity Shares offered(6)			4,35,83,68,394

(1) Include 56,583 Equity Shares allotted to employees on December 15, 2004, after the date of audited financial information i.e September 30, 2004 under the existing ESOS. Please refer to Point No. 16 of the 'Notes to Capital Structure' on page 10 of this Letter of Offer.

(2) The difference between the issued capital and the paid-up capital represents 38,290 shares issued during the rights issue of 1995-96, whose allotment has been kept in abeyance pending settlement of title to those shares.

(3) Inclusive of rights entitlement of the above-mentioned 38,290 shares in the present issue which is 1,14,870 Equity Shares. However allotment of those 1,14,870 shares will be kept in abeyance till the time the aforesaid settlement get resolved

(4) Post Issue paid-up equity capital has been calculated assuming that all the Equity Shareholders subscribe to their entire Rights Entitlement (excluding the above-mentioned 1,14,870 Equity Shares for which allotment will be kept in abeyance).

(5) Include share premium on 56,583 shares mentioned in point (1) above. The amount shown here is diiferent from the Share Premium Account as shown in the audited financials as on September 30, 2004; on account of issuance of Equity Shares pursuant to conversion of ESOPs after September 30, 2004.

(6) Exclude the share premium of 1,14,870 Equity Shares allotment of which will be kept into abeyance.

Notes to the Capital Structure

1. Share Capital History

Name of Shareholder	Year of Allotment	No. of Shares allotted	Nominal value (Rs.)	Issue Price (Rs.)	Nature of Issue and payment	Cumulative number of shares
Subscribers to the Memorandum	1930	490	50	50	Initial Subscription	490
Issued Capital(from 1993 onwards)						18,00,000
Preferential allotment to GMR Group*	1993	6,00,000	10	573.00	Preferential Allotment	24,00,000
Preferential allotment to Employees	1994	2,43,600	10	573.00	Preferential Allotment	26,43,600
Rights basis to the then existing shareholders (in the ratio of 5:1)	1996	1,32,18,000 **	10	35.00	Rights Basis	1,58,61,600
Preferential allotment to BBL Mauritius Holdings	1996	8,34,800	10	326.07	Preferential Allotment	1,66,96,400

Name of Shareholder	Year of Allotment	No. of Shares allotted	Nominal value (Rs.)	Issue Price (Rs.)	Nature of Issue and payment	Cumulative number of shares
Preferential allotment to BBL Mauritius Holdings	1997	9,27,000	10	197.53	Preferential Allotment	1,76,23,400
Preferential allotment to BBL Mauritius Investments	1999	22,03,600	10	150.00	Preferential Allotment	1,98,27,000
Preferential allotment to (a) International Finance Corporation	2001	22,65,945	10	150.00	Preferential Allotment	2,20,92,945
(b) BBL Mauritius Investments	2001	5,51,666	10	150.00	Preferential Allotment	2,26,59,430
(c) BBL Mauritius Holdings	2001	14,819	10	150.00	Preferential Allotment	
Allotment under ESOS	2003	30,725	10	203.00	ESOS	2,26,90,155
Allotment under ESOS	2004	29,015	10	203.00	ESOS	2,27,19,170
Allotment under ESOS	2004	27,568	10	255.00	ESOS	2,27,46,738
Total number of Shares						**2,27,46,738**

* Known earlier as Management Group / Promoters

** Allotment of 38,290 shares issued has been kept in abeyance pending settlement of title to those shares.

2. Shareholding pattern before and after the Issue is as under:

Category	Existing		Post Issue[1]	
	Number of shares	% of issued capital	Number of shares	% of issued capital
Promoters Holding				
Indian Promoters:				
GMR Group	69,312	0.30	2,77,248	0.30
Foreign Promoters:				
(i) ING Mauritius Holdings	77,49,701	34.07	3,09,98,804	34.07
(ii)ING Mauritius Investments I	22,18,419	9.75	88,73,676	9.75
Sub-Total	**99,68,120**	**43.82**	**3,98,72,480**	**43.82**
Total Promoter Group Holding	**1,00,37,432**	**44.12**	**4,01,49,728**	**44.12**
Non-Promoter Holding				
Institutional Investors				
Mutual Funds & UTI	8,21,405	3.61	32,85,620	3.61
Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions/Non-Govt. Institutions)	4,92,526	2.17	19,70,104	2.17
Foreign Institutional Investors	40,18,290	17.67	1,60,73,160	17.67
Other Multilateral Institutions				
International Finance Corporations	11,35,000	4.99	45,40,000	4.99
Sub-Total	**64,67,221**	**28.44**	**2,58,68,884**	**28.44**
Others				
Private Corporate Bodies	8,08,826	3.55	32,35,304	3.55
Indian Public	42,48,675	18.68	1,69,94,700	18.68
NRIs/OCBs	11,46,294	5.04	45,85,176	5.04
Pending Allotment of Rights Shares during (1995-96) due to court dispute case/etc.	38,290	0.17	1,53,160	0.17
Sub-Total	**62,42,085**	**27.44**	**2,49,68,340**	**27.44**
Grand Total	**2,27,46,738**	**100.00**	**9,09,86,952**	**100.00**

[1]Post Issue shareholding is based on the assumption that all shareholders (including Promoters) will subscribe to their entire Rights Entitlement.

3. Details regarding top 10 Shareholders

(a) On the date of filing the Letter of Offer with Stock Exchanges

Sl. No.	Name of the Shareholder	No. of Shares held	Percentage Shareholding
1.	ING Mauritius Holdings	77,49,701	34.07%
2.	ING Mauritius Investments I	22,18,419	9.75%
3.	Aberdeen Asset Managers Limited A/C Aberdeen International India Opportunities Fund (Mauritius) Limited	11,81,570	5.19%
4.	International Finance Corporation	11,35,000	4.99%
5.	Dilip Ramniklal Mehta	11,25,000	4.95%
6.	Emerging Markets Management LLC	7,78,855	3.42%
7.	Winterfall Limited	7,21,302	3.17%
8.	Merrill Lynch Capital Markets Espana S.A. SVB	5,06,200	2.23%
9	Templeton Mutual Fund	2,70,000	1.19%
10.	Unit Trust of India (under different schemes)	2,20,098	0.96%

(b) 10 days prior to the date of filing the Letter of Offer with Stock Exchanges

Sl. No.	Name of the Shareholder	No. of Shares held	Percentage Shareholding
1.	ING Mauritius Holdings	77,49,701	34.07%
2.	ING Mauritius Investments I	22,18,419	9.75%
3.	Aberdeen Asset Managers Limited A/C Aberdeen International India Opportunities Fund (Mauritius) Limited	11,81,570	5.19%
4.	International Finance Corporation	11,35,000	4.99%
5.	Dilip Ramniklal Mehta	11,25,000	4.94%
6.	Emerging Markets Management LLC	7,78,855	3.43%
7.	Winterfall Limited	7,21,302	3.17%
8.	Merrill Lynch Capital Markets Espana S.A. SVB	5,06,200	2.23%
9.	Templeton Mutual Fund	2,70,000	1.19%
10.	Unit Trust of India (under different schemes)	2,32,781	1.02%

(c) 2 years prior to the date of filing the Letter of Offer with Stock Exchanges

Sl. No.	Name of the Shareholder	No. of Shares held	Percentage Shareholding
1.	BBL Mauritius Holdings	77,49,701	34.20%
2.	BBL Mauritius Investments	22,18,419	9.79%
3.	International Finance Corporation	11,35,000	5.01%
4.	Rajam Investments Pvt Ltd.	6,12,763	2.70%
5.	Unit Trust of India	4,46,623	1.97%
6.	Emerging Markets Mgt, LLC - A/c EMSAF Mauritius	3,78,855	1.67%
7.	Medvin Finance Pvt. Ltd.,	3,73,877	1.65%
8.	Monotype Sales Agencies Pvt. Ltd.,	3,57,541	1.58%
9.	Corporate Infrastructure Services Pvt. Ltd.,	3,56,656	1.57%
10.	Birla Sunlife Trustee Co Ltd - A/c Birla Mutual Fund - Birla Advantage Fund	3,43,247	1.51%

4. The Promoters of the Bank, their relatives and associates, the directors of the Bank have not purchased or sold or financed, directly or indirectly, any equity shares during a period of six months preceding the date on which this Letter of Offer is filed with Stock Exchanges save and except as follows:

Transferor	Transferee	No. of shares transferred
Smt . G. Varalakshmi	Vasavi Finance Private Limited	328
*Varalakshmi Investments Private Limited	Rao Investment Private Limited	100
*Vasavi Finance Private Limited	Rao Investment Private Limited	356

* Transfer of shares due to the merger of Varalakshmi Investments Private Limited and Vasavi Finance Private Limited into Rao Investment Private Limited, pursuant to the sanction of the scheme of amalgamation by the High Court of Andhra Pradesh on August 23, 2004 and December 8, 2004 respectively .

5. The Bank had 31,889 Equity Shareholders as on February 11, 2005

6. The Bank has been in discussion with its Promoters, being INGMH, INGMI and Mr. G.M.Rao regarding their intention to participate in the present Rights Issue. In this regard, ING Groep (which holds 100% of ING Bank N.V., which in turn controls 100% of INGMH and INGMI) has permitted ING Group to exercise its Rights Entitlement in this Rights Issue. The Bank has also received written confirmation from Mr. G.M.Rao that he will exercise his Rights Entitlement in this Rights Issue. Please note that the allotment to ING Mauritius Holdings, ING Mauritius Investments I or any of the affiliate(s) of ING Bank N.V. in this Rights Issue shall not exceed 43.93% of the post Issue equity (issued capital) of the Bank.

7. Neither the promoter of the Bank and its relatives and associates nor the directors of the Bank have entered into any buyback/standby arrangement for purchase of Equity Shares of the Bank from any person.

8. The Bank has not issued any Equity Shares out of its revaluation reserve in the past.

9. No further issue of equity capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner will be made by the Bank during the period commencing from submission of the Letter of Offer with SEBI until the securities referred to in this Letter of Offer have been listed or application money is refunded in case of failure of the Issue.

10. The Bank presently does not have any intention or proposal to alter its capital structure for a period of 6 (six) months from the Issue Opening Date, by way of split/consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible / exchangeable, directly or indirectly for Equity Shares) whether on preferential basis or otherwise, except that the Bank may issue stock options to our employees under our ESOS or we may choose to raise additional capital to fund any acquisition or use equity shares as currency for acquisition. We may also raise capital to comply with regulatory requirement, if any, resulting from any change in law.

11 There are no warrants, options or any other convertible instruments except options issued to employees under the ESOS, which would entitle any body to receive/acquire further shares.

12. At any given point of time, there shall be only one denomination for the Equity Shares of the Bank and the Bank shall comply with such disclosure and accounting norms as may be prescribed by SEBI and the RBI.

13. The Bank has not raised any bridge loan against the proceeds of this Issue.

14. Non-Resident Investors and FIIs will not need permission of the FIPB/RBI for investment in the Issue to the extent of their Rights Entitlement. However, in case of applications from such entities in excess of their entitlement, allotment will be subject to restrictions under applicable laws, including existing ceilings on FII holdings in the Bank and sectoral FDI caps on investment in the Bank, as applicable. Please note that non-resident shareholders and FIIs applying in excess of their entitlement may need FIPB / RBI approvals, if the circumstances so warrant. Such approvals will have to be secured by such shareholders of their own accord, and the Bank shall not be responsible for the same. Further, please note that the allotment to ING Mauritius Holdings, ING Mauritius Investments I or any of the affiliate(s) of ING Bank N.V. in this Rights Issue shall not exceed 43.93% of the post Issue equity (issued capital) of the Bank.

15. The Issue will remain open for 30 days. However, the Board will have the right to extend the issue period as it may determine from time to time but not exceeding 60 days from the issue opening date

16. The shareholders of the Bank, at their Annual General Meeting held on September 29, 2001 approved earmarking of 5,00,000 shares of the Bank to be granted under the ESOS, which options are to be granted in three tranches. The ESOS was approved later by the Management Committee, in its capacity as Compensation Committee.

Details of options granted, vested, exercised and lapsed are given below:

Details (till February 15, 2005)	Tranche 1	Tranche 2
Options Granted	1,66,800	1,60,490
Grant Date	October 1, 2002	October 1, 2003
Grant Price	Rs. 203/- per option/share	Rs. 255/- per option/share
Grant Period	One Year	One Year
Vesting Schedule	1.10.2003 - 20% 1.10.2004 - 20% 1.10.2005 - 20% 1.10.2006 - 20% 1.10.2007 - 20%	1.10.2004 - 20% 1.10.2005 - 20% 1.10.2006 - 20% 1.10.2007 - 20% 1.10.2008 - 20%
Options vested	60,450	28,868
Options Exercised	59,740	27,568
Shares arising out of exercise	59,740	27,568
Options lapsed	20,520	18,665
Variation of terms of options	NIL	NIL
Money realized by exercise of options	Rs.1,21,27,220	Rs.70,29,840
Total number of options in force (i.e. remaining unexercised and not lapsed)	86,540	1,14,257
Employee wise details of options granted to key managerial personnel	Mr. Shantanu Ghosh - 5000 Mr. M V S Appa Rao-1800 Mr. A.V. S. N. Murthy- 1800	Mr. Shantanu Ghosh - 3500 Mr. M V S Appa Rao-1600 Mr. Ashok Rao B - 3500
Any other employee who received a grant in any one year of options amounting to 5% or more of options granted during that year	NIL	NIL
Identified employees who were granted options, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.	NIL	NIL

17 Details of the preferential issues by the Bank in terms of the guidelines in relation to preferential issues (Preferential Issue Guidelines) issued by SEBI on August 4, 1994 and March 1, 1996 and the contents of the certificates given by the auditors regarding compliance with the Preferential Issue Guidelines with respect to those Preferential Issues are as follows:

(i) We have issued 8,34,800 Equity Shares to BBL Mauritius Holdings in 1996. Vishnu Bharath & Co., The Chartered Accounts, has confirmed vide their certificate dated January 9, 1997 that the same was in accordance with Preferential Issue Guidelines. Content of the said certificate is reproduced below:

"This is to certify that the Vysya Bank Ltd., has allotted 8,34,800 Equity Shares of Rs.10/- each at a premium of Rs.316.07 per share on Preferential basis to M/s.BBL Mauritius Holdings, Cure Pipe Mauritius and that the preferential issue has been made in accordance with the guidelines/requirements as stipulated by Securities Exchange Board of India vide its press releases dated 4th August, 1994 and 1st March 1996.

Further we certify that the entire application money has been brought into the bank before the allotment of Equity Shares, and the enfacement of lock-in period on Equity Shares has not been done as it will not be applicable to Preferential Issues of securities vide SEBI's press release dated 1st March, 1996."

(ii) We have issued 9,27,000 Equity Shares to BBL Mauritius Holdings in 1997. I.S. Prasad & Setty Associates, The Chartered Accounts, has confirmed vide their certificate dated December 12, 1997 that the same was in accordance with Preferential Issue Guidelines. Content of the said certificate is reproduced below:

"This is to certify that the Vysya Bank Ltd., has allotted 9.27,000 Equity Shares of Rs.10/- each at a premium of Rs.187.53 per share on Preferential basis to M/s.BBL Mauritius Holdings, Curepipe Mauritius and that the preferential issue has been made in accordance with the guidelines/requirements as stipulated by Securities Exchange Board of India vide its press releases dated 4th August and 1st March 1996.

Further we certify that the entire application money has been brought into the bank before the allotment of Equity Shares, and the enfacement of lock-in period on Equity Shares has not been done as it will not be applicable to Preferential Issues of securities vide SEBI's press release dated 1st March, 1996"

(iii) We have issued 2,203,600 Equity Shares to BBL Mauritius Investments in 1999. I.S. Prasad & Setty Associates, The Chartered Accounts, has confirmed vide their certificate dated November 26, 1999 that the same was in accordance with Preferential Issue Guidelines. Content of the said certificate is reproduced below:

"This is to certify that the Vysya Bank Ltd., has allotted 22,03,600 Equity Shares of Rs.10/- each at a premium of Rs.140 per share on 21st November 1999 to M/s.BBL Mauritius Investments a wholly owned subsidiary of M/s.BBL Mauritius Holdings, Curepipe Mauritius , Mauritius / Bank Brussels Lambert, Belgium on preferential basis and that the preferential issue has been in accordance with the guidelines/requirements as stipulated by Securities and Exchange Board of India vide its press release dated 4th August 1994 and 1st March 1996.

Further we certify that the entire application money has been brought into the Bank before the allotment of equity shares and the enfacement of Lock-in-Period on equity shares has not been done as it will not be applicable to preferential issues of securities vide SEBI's press release dated 1st March 1996."

(iv) We have issued 2,832,430 Equity Shares to International Finance Corporation, BBL Mauritius Holdings and BBL Mauritius Investments in 2001. I.S. Prasad & Setty Associates, The Chartered Accounts, has confirmed vide their certificate dated May 8, 2001 that the same was in accordance with Preferential Issue Guidelines. Content of the said certificate is reproduced below:

"This to certify that the Vysya Bank Limited has allotted 28,32,430 equity shares of Rs.10/- each at a premium of Rs.140/- per share on 31st March 2001 to the following:

1.	*International Finance Corporation (IFC), Washington*	*22,65,945 Equity Shares*
2.	*BBL Mauritius Holdings (A wholly owned subsidiary of BBL)*	*5,51,666 Equity Shares*
3.	*BBL Mauritius Investments (A wholly owned subsidiary of BBL)*	*14,819 Equity Shares*

On preferential basis and that the preferential issue has been in accordance with the guidelines/requirements as stipulated by Securities and Exchange Board of India vide its press release dated 4th August, 1994.

Further, it is to certify that the entire application money has been brought into the Bank before the allotment of equity shares and the enfacement of lock-in-period on equity shares certificates has been made in accordance with Clause 13.3. 1c of SEBI (DIP) Guidelines, 2000 as required by SEBI vide its letter PMID/SU/24274/2001, dated 28th February, 2001.

What is stated above is true to the best of my knowledge and belief."

TERMS OF THE ISSUE

The Equity Shares, now being issued, are subject to the terms and conditions contained in this Letter of Offer, the enclosed Composite Application Form ("CAF"), the Memorandum and Articles of Association of the Bank, approvals from the RBI, the provisions of the Companies Act, 1956, guidelines issued by SEBI, guidelines, notifications and regulations for issue of capital and for listing of securities issued by Government of India and/or other statutory authorities and bodies from time to time, terms and conditions as stipulated in the allotment advice or letter of allotment or security certificate and rules as may be applicable and introduced from time to time.

Authority of the Issue

The Issue is being made pursuant to the resolution passed by the Board of Directors of the Bank under Section 81(1) of Companies Act, 1956 at its meeting held on December 15, 2004.

Basis of the Issue

The Equity Shares are being offered for subscription for cash to those existing Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the depositories in respect of the shares held in the electronic form and on the Register of Members of the Bank in respect of shares held in the physical form at the close of business hours on February 28, 2005 (i.e. the Record Date) fixed in consultation with the Stock Exchanges.

The Equity Shares are being offered for subscription in the ratio of 3 Equity Shares for every 1 Equity Share held by the Equity Shareholders.

Rights Entitlement

As you were an Equity Shareholder on the Record Date, you are being made this Offer as shown in part A of the enclosed Composite Application Form.

Nomination facility

In terms of Section 109A of the Act, nomination facility is available in case of Equity Shares. The applicant can nominate any person by filling the relevant details in the CAF in the space provided for this purpose.

A sole Equity Shareholder or first Equity Shareholder, along with other joint Equity Shareholders being individual(s) may nominate any person(s) who, in the event of the death of the sole holder or all the joint-holders, as the case may be, shall become entitled to the Equity Shares. A Person, being a nominee, becoming entitled to the Equity Shares by reason of the death of the original Equity Shareholder(s), shall be entitled to the same advantages to which he would be entitled if he were the registered holder of the Equity Shares. Where the nominee is a minor, the Equity Shareholder(s) may also make a nomination to appoint, in the prescribed manner, any person to become entitled to the Equity Share(s), in the event of death of the said holder, during the minority of the nominee. A nomination shall stand rescinded upon the sale of the Equity Share by the person nominating. A transferee will be entitled to make a fresh nomination in the manner prescribed. When the Equity Share is held by two or more persons, the nominee shall become entitled to receive the amount only on the demise of all the holders. Fresh nominations can be made only in the prescribed form available on request at the registered office of the Bank or such other person at such addresses as may be notified by the Bank. The applicant can make the nomination by filling in the relevant portion of the CAF.

Only one nomination would be applicable for one folio. Hence, in case the Shareholder(s) has already registered the nomination with the Bank, no further nomination needs to be made for Equity Shares to be allotted in this Issue under the same folio.

In case the allotment of Equity Shares is in dematerialised form, there is no need to make a separate nomination for the Equity Shares to be allotted in this Issue. Nominations registered with respective DP of the applicant would prevail. If the applicant requires to change the nomination, they are requested to inform their respective DP.

Offer to Non-Resident Equity Shareholders/Applicants

Applications received from NRIs and non-residents for allotment of Equity Shares shall be inter alia, subject to the conditions imposed from time to time by the RBI under the Foreign Exchange Management Act, 2000 (FEMA) in the matter of refund of application moneys, allotment of Equity Shares, issue of letter of allotment / share certificates, payment of interest, dividends, etc. General permission has been granted to any person resident outside India to purchase shares offered on rights basis by an Indian Bank in terms of FEMA. The Board of Directors may at its absolute discretion, agree to such terms and conditions as may be stipulated by RBI while approving the allotment of Equity Shares, payment of dividend etc. to the non-resident shareholders. The rights shares purchased by non-residents shall be subject to the same conditions including restrictions in regard to the repatriability as are applicable to the original shares against which rights shares are issued. Please note that the allotment to ING Mauritius Holdings, ING Mauritius Investments I or any of the affiliate(s) of ING Bank N.V. in this Rights Issue shall not exceed 43.93% of the post Issue equity (issued capital) of the Bank.

Principal Terms and Conditions of the Issue

Equity Shares

Face value

Each Equity Share shall have the face value of Rs. 10/-.

Issue Price

Each Equity Share is being offered at a price of Rs. 45/- (including a premium of Rs. 35/-)

Entitlement Ratio

The Equity Shares are being offered on rights basis to the existing Equity Shareholders of the Bank in the ratio of three (3) Equity Shares for every one (1) Equity Share held as on the Record Date.

Market lot

The market lot for the Equity Shares in dematerialised mode is one. In case of physical certificates, the Bank would issue one certificate for the Equity Shares allotted to one folio ("Consolidated Certificate"). In respect of the Consolidated Certificate, the Bank will, upon receipt of a request from the Shareholder along with the Consolidated Certificate, split and duly return such split certificates as desired by the shareholders within 7 days from the date of such request.

Terms of payment

The issue price per Equity Share shall be payable as follows:

100% of the issue price i.e Rs. 45/- shall be payable on Application.

Ranking of the Equity Shares

The Equity Shares shall be subject to the Memorandum and Articles of Association of the Bank and shall rank pari passu in all respects including dividends with the existing Equity Shares of the Bank.

Option available to the Equity Shareholders

The Composite Application Form clearly indicates the number of Equity Shares that the Equity Shareholder is entitled to.

If the Equity Shareholder applies for an investment in Equity Shares, then he can:

- Apply for his entitlement in part
- Apply for his entitlement in part and renounce the other part
- Apply for his entitlement in full
- Apply for his entitlement in full and apply for additional Equity Shares
- Renounce his entire entitlement

Renouncees for Equity Shares can apply for the Equity Shares renounced to them and also apply for additional Equity Shares provided they have applied for all the shares renounced in their favour.

How to Apply

Resident Equity Shareholders

Application should be made only on the enclosed CAF provided by the Bank. The enclosed CAF should be completed in all respects, as explained in the instructions indicated in the CAF. Applications will not be accepted by the Lead Manager or by the Registrar to the Issue or by the Bank at any offices except in the case of postal applications as per instructions given in the Letter of Offer.

Non-resident Equity Shareholders

Applications received from the Non-Resident Equity Shareholders for the allotment of Equity Shares shall, inter alia, be subject to the conditions as may be imposed from time to time by the RBI, in the matter of refund of application monies, allotment of Equity Shares, issue of letters of allotment/ certificates/ payment of dividends etc. Please note that the allotment to ING Mauritius Holdings, ING Mauritius Investments I or any of the affiliate(s) of ING Bank N.V. in this Rights Issue shall not exceed 43.93% of the post Issue equity (issued capital) of the Bank.

The CAF consists of four parts:

Part A: Form for accepting the Equity Shares offered and for applying for additional Equity Shares

Part B: Form for renunciation

Part C: Form for application for renouncees

Part D: Form for request for split application forms

Acceptance of the Rights Issue

You may accept the Offer and apply for the Equity Shares offered, either in full or in part by filling Block III of Part A of the enclosed CAF and submit the same along with the application money payable to the Bankers to the Issue at the branches as mentioned on the reverse of the CAF before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by the Board thereof in this regard. Applicants at centers not covered by the branches of Banker to the Issue can send their CAF together with the demand draft (net of demand draft and postal charges) payable at Hyderabad to the Registrar to the Issue by registered post. Such applications sent to anyone other than the Registrar to the Issue are liable to be rejected.

Renunciation

As an Equity Shareholder, you have the right to renounce your entitlement for the Equity Shares in full or in part in favor of one or more person(s). Your attention is drawn to the fact that the Bank shall not allot and/or register any Equity Shares in favor of:

- More than three persons including joint holders
- Partnership firm(s) or their nominee(s)
- Minors
- Hindu Undivided Family
- Any Trust or Society (unless the same is registered under the Societies Registration Act, 1860 or any other applicable Trust laws and is authorized under its Constitutions to hold Equity Shares of a Bank)

Any renunciation from Resident Indian Shareholder(s) to Non-Resident Indian(s) or from Non-Resident Indian Shareholder(s) to another Non-Resident Indian or from Non-Resident Indian Shareholder(s) to Resident Indian(s) is subject to the renouncer(s)/ renounce(s) obtaining the approval of the FIPB and/or necessary permissions of the RBI under the Foreign Exchange Management Act, 1999 (FEMA) and other applicable laws and such permissions to be attached the CAF. Applications not accompanied by the aforesaid approvals are liable to be rejected.

The right of renunciation is subject to the express condition that the Board/ Committee of Directors shall be entitled in its absolute discretion to reject the request for allotment to renouncee(s) without assigning any reason thereof.

Procedure for renunciation

To renounce the whole offer in favour of one renouncee

If you wish to renounce the offer indicated in Part A, in whole, please complete Part B of the CAF. In case of joint holding, all joint holders must sign Part B of the CAF. The person in whose favor renunciation has been made should complete and sign Part C of the CAF. In case of joint renouncees, all joint renouncees must sign this part of the CAF.

To renounce in part/or renounce the whole to more than one person(s)

If you wish to either accept this offer in part and renounce the balance or renounce the entire offer in favour of two or more renouncees, the CAF must be first split into requisite number of forms.

Please indicate your requirement of split forms in the space provided for this purpose in Part D of the CAF and return the entire CAF to the Registrar to the Issue so as to reach them latest by the close of business hours on the last date of receiving requests for split forms. On receipt of the required number of split forms from the Registrar, the procedure as mentioned in paragraph above shall have to be followed.

In case the signature of the Equity Shareholder(s), who has renounced the Equity Shares, does not agree with the specimen registered with the Bank, the application is liable to be rejected.

Renouncee(s)

The person(s) in whose favour the Equity Shares are renounced should fill in and sign Part C of the Application Form and submit the entire Application Form to the Bankers to the Issue on or before the Issue Closing Date along with the application money.

Change and/ or introduction of additional holders

If you wish to apply for Equity Shares jointly with any other person(s), not more than three, who is/are not already a joint holder with you, it shall amount to renunciation and the procedure as stated above for renunciation shall have to be followed. Even a change in the sequence of the name of joint holders shall amount to renunciation and the procedure, as stated above shall have to be followed.

However, this right of renunciation is subject to the express condition that the Board of Directors of the Bank shall be entitled in its absolute discretion to reject the request for allotment from the renouncee(s) without assigning any reason thereof.

Please note that:

- Part A of the CAF must not be used by any person(s) other than those in whose favour this Offer has been made. If used, this will render the application invalid. Request for split form should be made for a minimum of 100 Equity Shares
- Request by the applicant for the Split Application Form should reach the Bank on or before March 30, 2005.
- Only the person to whom this Letter of Offer has been addressed to and not the renouncee(s) shall be entitled to renounce and to apply for Split Application Forms. Forms once split cannot be split again.
- Split form(s) will be sent to the applicant(s) by post at the applicant's risk.

Spliting Composite Application Form

Request for split forms should be sent to the Registrar to the Issue, Karvy Computershare Pvt. Ltd., before the closure of business hours on or before March 30, 2005 by filling in part D of the CAF along with entire CAF. Split forms can not be re-split. The renouncee(s) shall not be entitled to split form(s). The split form shall be sent to the applicant by post at the applicant's risk.

Additional Equity Shares

You are eligible to apply for additional Equity Shares over and above the number of Equity Shares you are entitled to, provided that you have applied for all the Equity Shares offered without renouncing them in whole or in part in favor of any other person(s). Applications for additional Equity Shares shall be considered and allotment shall be in the manner prescribed under the section entitled 'Basis of Allotment' on page 17 of this Letter of Offer. The renouncees applying for all the Equity Shares renounced in their favor may also apply for additional Equity Shares.

In case of application for additional Equity Shares by non-resident Equity Shareholders, the allotment of additional securities will be subject to the permission of the RBI. Please note that the allotment to ING Mauritius Holdings, ING Mauritius Investments I or any of the affiliate(s) of ING Bank N.V. in this Rights Issue shall not exceed 43.93% of the post Issue equity (issued capital) of the Bank.

Where the number of additional Equity Shares applied for exceeds the number available for allotment, the allotment would be made on a fair and equitable basis in consultation with the Designated Stock Exchange.

The summary of options available to the Equity Shareholder is presented below. You may exercise any of the following options with regard to the Equity Shares offered, using the enclosed CAF:

Option Available	Action Required
1. Accept whole or part of your entitlement without renouncing the balance.	Fill in and sign Part A (All joint holders must sign)
2. Accept your entitlement in full and apply for additional Equity Shares	Fill in and sign Part A including Block III relating to the acceptance of entitlement and Block IV relating to additional Equity Shares *(All joint holders must sign)*
3. Renounce your entitlement in full to one person *(Joint renouncees are considered as one).*	Fill in and sign Part B *(all joint holders must sign)* indicating the number of Equity Shares renounced and hand it over to the renouncee. The renouncees must fill in and sign Part C *(All joint renouncees must sign)*
4. Accept a part of your entitlement and renounce the balance to one or more renouncee(s) OR	Fill in and sign Part D *(all joint holders must sign)* requesting for Split Application Forms. Send the CAF to the Registrar to the Issue so as to reach them on or before the last date for receiving requests for Split Forms. Splitting will be permitted only once.
Renounce your entitlement to all the Equity Shares offered to you to more than one renouncee	**On receipt of the Split Form take action as indicated below.** For the Equity Shares you wish to accept, if any, fill in and sign Part A. For the Equity Shares you wish to renounce, fill in and sign Part B indicating the number of Equity Shares renounced and hand it over to the renouncees. Each of the renouncees should fill in and sign Part C for the Equity Shares accepted by them.
5. Introduce a joint holder or change the sequence of joint holders	This will be treated as a renunciation. Fill in and sign Part B and the renouncees must fill in and sign Part C.

Availability of duplicate CAF

In case the original CAF is not received, or is misplaced by the applicant, the Registrar to the Issue will issue a duplicate CAF on the request of the applicant who should furnish the registered folio number/ DP and Client ID number and his/ her full name and address to the Registrar to the Issue. Please note that the request for duplicate CAF should reach the Registrar to the Issue within 15 days from the Issue Opening Date. Please note that those who are making the application in the duplicate form should not utilize the original CAF for any purpose including renunciation, even if it is received/ found subsequently. If the applicant violates any of these requirements, he / she shall face the risk of rejection of both the applications as well as forfeiture of amounts remitted along with the applications.

Application on Plain Paper

An Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF may make an application to subscribe to the Rights Issue on plain paper, along with Demand Draft (net of demand draft and postal charges) payable at Hyderabad which should be drawn in favor of the Bank and send the same by registered post directly to the Registrar to the Issue.

The application on plain paper, duly signed by the applicants including joint holders, in the same order as per specimen recorded with the Bank, must reach the office of the Registrar to the Issue before the Issue Closing Date and should contain the following particulars:

- Name of Issuer, being ING Vysya Bank Limited
- Name and address of the Equity Shareholder including joint holders
- Registered Folio Number/ DP and Client ID no.
- Number of shares held as on Record Date
- Number of Rights Equity Shares entitled
- Number of Rights Equity Shares applied for
- Number of additional Equity Shares applied for, if any
- Total number of Equity Shares applied for
- Total amount paid at the rate of Rs. 45/- per Equity Share
- Particulars of cheque/draft
- Savings/Current Account Number and name and address of the bank where the Equity Shareholder will be depositing the refund order
- PAN or Form 60 (form of declaration to be filled by a person who does not have a permanent account number and who enters into any transaction specified in Rule 114B or Form 61(form of declaration to be filled by a person who has agricultural income and is not in receipt of any other income chargeable to income tax in respect of transaction specified in Rule 114B), as may be applicable duly filled, along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving License (d) Identiy card issued by any institution (e) Copy of electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. Please note that the Form 60 and Form 61 have been amended vide a notification dated December 1, 2004 issued by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. Please provide details of the Income Tax Circle/Ward/District where the application is for Equity Shares of a total value of Rs.50,000 or more for the applicant and for each applicant in case of joint names. The applicants are specifically requested not to submit the GIR number instead of the PAN number as their application is liable to be rejected.
- Signature of Equity Shareholders to appear in the same sequence and order as they appear in the records of the Bank

Payments in such cases, should be through a cheque/ demand draft (net of demand draft and postal charges) payable at Hyderabad drawn in favor of 'ING Vysya Bank A/c ING Vysya Bank Rights Issue' in case of Resident Indian and non-resident share holders holding on non-repatriation basis and in favour of 'ING Vysya Bank A/c ING Vysya Bank Right Issue - NR'. In case of non-resident shareholder holding on repatriation basis marked A/c payee.

Please note that those who are making the application otherwise than on original CAF shall not be entitled to renounce their rights and should not utilize the original CAF for any purpose including renunciation even if it is received subsequently. If the applicant violates any of these requirements, he/she shall face the risk of rejection of both the applications as well as forfeiture of amounts remitted along with the applications.

Last date of Application

The last date for submission of the duly filled in CAF is April 13, 2005. The Board or any committee thereof will have the right to extend the said date for such period as it may determine from time to time but not exceeding 60 (sixty) days from the Issue Opening Date.

If the CAF together with the amount payable is not received by the Banker to the Issue/ Registrar to the Issue on or before the close of banking hours on the aforesaid last date or such date as may be extended by the Board/ Committee of Directors, the offer contained in this Letter of Offer shall be deemed to have been declined and the Board/ Committee of Directors shall be at liberty to dispose off the Equity Shares hereby offered, as provided under the section entitled 'Basis of Allotment'.

INVESTORS MAY PLEASE NOTE THAT THE EQUITY SHARES OF THE BANK CAN BE TRADED ON THE STOCK EXCHANGES ONLY IN DEMATERIALIZED FORM.

Basis of Allotment

Subject to the provisions contained in this Letter of Offer, the Articles of Association of the Bank and the approval of the Designated Stock Exchange, the Board will proceed to allot the Equity Shares in the following order of priority:

(a) Full allotment to those Equity Shareholders who have applied for their rights entitlement either in full or in part and also to the renouncee(s) who has/ have applied for Equity Shares renounced in their favour, in full or in part. Please note that the allotment to ING Mauritius Holdings, ING Mauritius Investments I or any of the affiliate(s) of ING Bank N.V. in this Rights Issue shall not exceed 43.93% of the post Issue equity (issued capital) of the Bank.

(b) Allotment to the Equity Shareholders who having applied for all the Equity Shares offered to them as part of the Rights Issue and have also applied for additional Equity Shares. The allotment of such additional Equity Shares will be made as far as possible on an equitable basis having due regard to the number of Equity Shares held by them on the Record Date, provided there is an under-subscribed portion after making full allotment in (a) above. The allotment of such Equity Shares will be at the sole discretion of the Board/Committee of Directors in consultation with the Designated Stock Exchange, as a part of the Rights Issue and not preferential allotment.

(c) Allotment to the renouncees who having applied for the Equity Shares renounced in their favour have also applied for additional Equity Shares, provided there is an under-subscribed portion after making full allotment in (a) and (b) above. The allotment of such additional Equity Shares will be made on a proportionate basis at the sole discretion of the Board/ Committee of Directors but in consultation with the Designated Stock Exchange, as a part of the Rights Issue and not as a preferential allotment.

The unsubscribed portion, if any, of the equity shares offered to the shareholders, after considering the application for right/ renunciation and additional equity shares, as above shall be disposed off by the board or committee of the Board of Directors authorised in this behalf by the Board of Directors of the Bank, in such manner as they think most beneficial to the Bank and the decision of the Board or committee of directors of the Bank in this regard shall be final and binding. In the event of oversubscription, allotment will be made within the overall size of the issue.

Allotment to Promoters of any unsubscribed portion, over and above their entitlement shall be done in compliance with Clause 40A of the Listing Agreement and the other applicable laws prevailing at that time. Please note that the allotment to ING Mauritius Holdings, ING Mauritius Investments I or any of the affiliate(s) of ING Bank N.V. in this Rights Issue shall not exceed 43.93% of the post Issue equity (issued capital) of the Bank.

The basis of allotment shall be finalised by the Board in consultation with NSE, which is the Designated Stock Exchange, within a period of 42 days from the date of closure of the Issue. In case of delay in allotment the Bank shall, as stipulated under Section 73(2A) of the Act, be required to pay interest on the same at a rate of 15% per annum.

Underwriting

The present Issue is not underwritten.

Allotment / Refund

The Bank will issue and dispatch letters of allotment/ share certificates/ demat credit and/ or letters of regret along with refund order or credit the allotted securities to the respective beneficiary accounts, if any, within a period of six weeks from the Issue Closing Date. If such money is not repaid within 8 days from the day the Bank becomes liable to pay it, the Bank shall pay that money with interest as stipulated under Section 73 of the Act.

In case of those shareholders who have opted to receive their Right Entitlement Shares in dematerialised form by using electronic credit under the depository system, an advice regarding the credit of the Equity Shares shall be given separately.

In case the Bank issues letters of allotment, the corresponding share certificates will be kept ready within three months from the date of allotment thereof or such extended time as may be approved by the Companies Law Board under Section 113 of the Companies Act, 1956 or other applicable provisions, if any. Allottees are requested to preserve such letters of allotment, which would be exchanged later for the share certificates. For more information, please refer to the section entitled 'Letters of Allotment / Share Certificates / Demat Credit' on page 19 of this Letter of Offer.

Letters of allotment/ share certificates/ demat credit/ refund orders above the value of Rs. 1,500 will be dispatched by registered post/ speed post to the sole/ first applicant's registered address. However, refund orders for value not exceeding Rs. 1,500 shall be sent to the applicants by way of under certificate of posting. Such cheques or pay orders will be payable at par at all the centres where the applications were originally accepted and will be marked 'A/c payee' and would be drawn in the name of the sole/ first applicant. Adequate funds would be made available to the Registrar to the Issue for the dispatch of such letters of allotment/ share certificates/ demat credit and refund orders.

As regards allotment/ refund to non-residents, the following further conditions shall apply:

In case of non-residents, who remit their application monies from funds held in NRE/ FCNR accounts, refunds and/ or payment of interest/ dividend and other disbursement, if any, shall be credited to such accounts, details of which should be furnished in the CAF. Subject to the approval of the RBI, in case of non-residents, who remit their application monies through Indian Rupee draft purchased from abroad, refund and/ or payment of dividend/ interest and any other disbursement, shall be credited to such accounts (details of which should be furnished in the CAF) and will be made net of bank charges/ commission in US Dollars, at the rate of exchange prevailing at such time. The Bank will not be responsible for any loss on account of exchange fluctuations for converting the Indian Rupee amount into US Dollars. The share certificate(s) will be sent by registered post at the Indian address of the non-resident applicant.

Letters of Allotment / Share Certificates / Demat Credit

Letter(s) of allotment/ share certificates/ demat credit or letters of regret will be dispatched to the registered address of the first named applicant or respective beneficiary accounts will be credited within 6 (six) weeks, from the date of closure of the subscription list. In case the Bank issues letters of allotment, the relative share certificates will be dispatched within three months from the date of allotment. Allottees are requested to preserve such letters of allotment (if any) to be exchanged later for share certificates. Export of letters of allotment (if any)/ share certificates/ demat credit to non-resident allottees will be subject to the approval of RBI.

Option to receive Equity Shares in Dematerialized Form

Applicants to the Equity Shares of the Bank issued through this Rights Issue shall be allotted the securities in dematerialised (electronic) form at the option of the applicant. The Bank signed a tripartite agreement with National Securities Depository Limited (NSDL) and Bigshare Services Private Limited on July 20, 1998 and with Central Depository Services (India) Limited (CDSL) on February 18, 1999, which enables the Investors to hold and trade in securities in a dematerialised form, instead of holding the securities in the form of physical certificates.

In this Rights Issue, the allottees who have opted for Equity Shares in dematerialised form will receive their Equity Shares in the form of an electronic credit to their beneficiary account with a depository participant. Investor will have to give the relevant particulars for this purpose in the appropriate place in the CAF. Applications, which do not accurately contain this information, will be given the securities in physical form. No separate applications for securities in physical and/or dematerialized form should be made. If such applications are made, the application for physical securities will be treated as multiple applications and is liable to be rejected. In case of partial allotment, allotment will be done in demat option for the shares sought in demat and balance, if any, will be allotted in physical shares.

The Equity Shares of the Bank will be listed on the BSE, NSE and BgSE.

Procedure for availing the facility for allotment of Equity Shares in this Issue in the electronic form is as under:

- Open a beneficiary account with any depository participant (care should be taken that the beneficiary account should carry the name of the holder in the same manner as is exhibited in the records of the Bank. In the case of joint holding, the beneficiary account should be opened carrying the names of the holders in the same order as with the Bank). In case of Investors having various folios in the Bank with different joint holders, the Investors will have to open separate accounts for such holdings. Those Equity Shareholders who have already opened such Beneficiary Account (s) need not adhere to this step.
- For Equity Shareholders already holding Equity Shares of the Bank in dematerialized form as on the Record Date, the beneficial account number shall be printed on the CAF. For those who open accounts later or those who change their accounts and wish to receive their Equity Shares pursuant to this Offer by way of credit to such account, the necessary details of their beneficiary account should be filled in the space provided in the CAF. It may be noted that the allotment of securities arising out of this Issue may be made in dematerialized form even if the original Equity Shares of the Bank are not dematerialized. Nonetheless, it should be ensured that the Depository Account is in the name(s) of the Equity Shareholders and the names are in the same order as in the records of the Bank.

Responsibility for correctness of information (including applicant's age and other details) filled in the CAF vis-…-vis such information with the applicant's depository participant, would rest with the applicant. Applicants should ensure that the names of the applicants and the order in which they appear in CAF should be the same as registered with the applicant's depository participant.

If incomplete / incorrect beneficiary account details are given in the CAF the applicant will get Equity Shares in physical form.

The Equity Shares pursuant to this Offer allotted to Investors opting for dematerialized form, would be directly credited to the beneficiary account as given in the CAF after verification. Allotment advice, refund order (if any) would be sent directly to the applicant by the Registrar to the Issue but the applicant's depository participant will provide to him the confirmation of the credit of such Equity Shares to the applicant's depository account.

Renouncees will also have to provide the necessary details about their beneficiary account for allotment of securities in this Issue. In case these details are incomplete or incorrect, allotment will be made in physical form.

Utilisation of Proceeds

Subscription received against this Issue will be kept in a separate bank account(s) and the Bank would not have access to such funds unless it has received minimum subscription of 90%, of the Issue and the necessary approvals of the Designated Stock Exchange, to use the amount of subscription.

General instructions for applicants

a) Please read the instructions printed on the enclosed CAF carefully.

b) Application should be made on the printed CAF, provided by the Bank and should be completed in all respects. The CAF found incomplete with regard to any of the particulars required to be given therein, and/ or which are not completed in conformity with the terms of this Letter of Offer are liable to be rejected and the money paid, if any, in respect thereof will be refunded without interest and after deduction of bank commission and other charges, if any. The CAF must be filled in English and the names of all the applicants, details of occupation, address, father's / husband's name must be filled in block letters.

c) The CAF together with cheque / demand draft should be sent to the Bankers to the Issue or to the Registrar to the Issue and not to the Lead Manager to the Issue. Applicants residing at places other than cities where the branches of the Bankers to the Issue have been authorised by the Bank for collecting applications, will have to make payment by Demand Draft (net of demand draft and postal charges) payable at Hyderabad and send their application forms to the Registrar to the Issue by REGISTERED POST. If any portion of the CAF is / are detached or separated, such application is liable to be rejected.

d) Applications for a total value of Rs. 50,000 or more, i.e. where the total number of securities applied for multiplied by the Issue price, is Rs. 50,000 or more the applicant or in the case of application in joint names, each of the applicants, should mention his/ her PAN number allotted under the Income-Tax Act, 1961 or where the same has not been allotted or is not applicable , Form 60 (form of declaration to be filled by a person who does not have a permanent account number and who enters into any transaction specified in Rule 114B or Form 61(form of declaration to be filled by a person who has agricultural income and is not in receipt of any other income chargeable to income tax in respect of transaction specified in Rule 114B),as may be applicable duly filled, along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving License (d) Identiy card issued by any institution (e) Copy of electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. Forms without this information will be considered incomplete and are liable to be rejected.

e) Applicants are advised to provide information as to their savings/current account number and the name of the Bank with whom such account is held in the CAF to enable the Registrar to the Issue to print the said details in the refund orders, if any, after the names of the payees. Application not containing such details is liable to be rejected.

f) The payment against the application should not be effected in cash if the amount to be paid is Rs. 20,000 or more. In case payment is effected in contravention of this, the application may be deemed invalid and the application money will be refunded and no interest will be paid thereon. Payment against the application if made in cash, subject to conditions as mentioned above, should be made only to the Bankers to the Issue.

g) Signatures should be either in English or Hindi or in any other language specified in the Eight Schedule to the Constitution of India. Signatures other than in English or Hindi and thumb impression must be attested by a Notary Public or a Special Executive Magistrate under his/ her official seal. The Equity Shareholders must sign the CAF as per the specimen signature recorded with the Bank.

h) In case of an application under power of attorney or by a body corporate or by a society, a certified true copy of the relevant power of attorney or relevant resolution or authority to the signatory to make the relevant investment under this Offer and to sign the application and a copy of the Memorandum and Articles of Association and / or bye laws of such body corporate or society must be lodged with the Registrar to the Issue giving reference of the serial number of the CAF. In case these papers are sent to any other entity besides the Registrar to the Issue or are sent after the Issue Closing Date, then the application is liable to be rejected.

i) In case of joint holders, all joint holders must sign the relevant part of the CAF in the same order and as per the specimen signature(s) recorded with the Bank. Further, in case of joint applicants who are renouncees, the number of applicants should not exceed three. In case of joint applicants, reference, if any, will be made in the first applicant's name and all communication will be addressed to the first applicant.

j) Application(s) received from Non-Resident / NRIs, or persons of Indian origin residing abroad for allotment of Equity Shares shall, inter alia, be subject to conditions, as may be imposed from time to time by the RBI under FEMA in the matter of refund of application money, allotment of Equity Shares, subsequent issue and allotment of Equity Shares, interest, export of share certificates, etc. In case a Non-Resident or NRI Equity Shareholder has specific approval from the RBI, in connection with his shareholding, he should enclose a copy of such approval with the CAF. Please note that the allotment to ING Mauritius Holdings, ING Mauritius Investments I or any of the affiliate(s) of ING Bank N.V. in this Rights Issue shall not exceed 43.93% of the post Issue equity (issued capital) of the Bank.

k) All communication in connection with application for the Equity Shares, including any change in address of the Equity Shareholders should be addressed to the Registrar to the Issue prior to the date of allotment in this Issue quoting the name of the first / sole applicant Equity Shareholder, folio numbers and CAF number. Please note that any intimation for change of address of Equity Shareholders, after the date of allotment, should be sent to the Registrar and Transfer Agents of the Bank (Karvy Computershare Private Limited) in the case of Equity Shares held in physical form and to the respective depository participant, in case of Equity Shares held in dematerialized form.

l) Split forms cannot be re-split.

m) Only the person or persons to whom Equity Shares have been offered and not renouncee(s) shall be entitled to obtain split forms.

n) Applicants must write their CAF number at the back of the cheque / demand draft.

o) Only one mode of payment per application should be used. The payment must be either in cash or by cheque / demand draft drawn on any of the banks, including a co-operative bank, which is situated at and is a member or a sub member of the Bankers Clearing House located at the centre indicated on the reverse of the CAF where the application is to be submitted.

p) A separate cheque / draft must accompany each CAF. Outstation cheques / demand drafts or post-dated cheques and postal / money orders will not be accepted and applications accompanied by such cheques / demand drafts / money orders or postal orders will be rejected. The Registrar will not accept payment against application if made in cash. (For payment against application in cash please refer point (f) above)

q) No receipt will be issued for application money received. The Bankers to the Issue / Registrar will acknowledge receipt of the same by stamping and returning the acknowledgment slip at the bottom of the CAF.

Grounds for technical rejection

Applicants are advise to note that applications are liable to be rejected on technical grounds, including the following :

1. Amount paid does not tally with the amount payable for :
2. Bank account details (for refund are not given)
3. Age of first applicant not given
4. Applications by minor
5. PAN or Form 60 / Form 61 along with the copy of any one of the following documents are not given if application is for Rs.50,000/- or more.
   - Ration card
   - Passport
   - Driving Licence
   - Identicard issued by any institution
   - Copy of electricity bill or telephone bill showing residential address
   - Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address
   - Any other documentary evidence in support of address given in the declaration
6. In case of application under power of attorney or by limited companies, corporate, trust, etc. : relevant document are not submitted.
7. If the signature of the existing shareholder does not match with the one given on the CAF.
8. CAF are not submitted by the applicant within the time prescribed as per the instruction in the CAF and the Letter of Offer.
9. Application not duly signed by the sole / joint applicants.
10. OCBs who cannot apply in terms of RBI restriction.
11. In case no corresponding record is available with the depository that matches three parameters, namely, names of applicant (including the order of names of joint holder), the depository participant's identity (DP ID) and the beneficiaries identity.

Mode of payment

For Resident Share Shareholders and Non-Resident Shareholders on Non-Repatriation basis

Payment should be made in cash (not more than Rs. 20,000/-) or by cheque/bank draft / drawn on any bank (including a co-oprative bank) which is situated at and is a member or a sub-member of the bankers clearing house located at the centre where the CAF is submitted and which is participating in the clearing at the time of submission of the application. Outstation cheques/money orders/ postal orders will not be accepted and CAFs accompanied by such cheques/money orders/postal orders are liable to be rejected. For NRIs holding shares on non-repatriation basis, payment may also be made by way of cheque drawn on Non-Resident Ordinary (NRO) Account maintained in Hyderabad or Rupee Draft purchased out of NRO Account maintained elsewhere in India but payable at Hyderabad. In such cases, the allotment of shares will be on non-repatriation basis. If the payment is made by a draft purchased from an NRO account, an Account Debit Certificate from the bank issuing the draft, confirming that the draft has been issued by debiting the NRO account, should be enclosed with the CAF. In the absence of the above, the application shall be considered incomplete and is liable to be rejected.

All cheques/bank drafts accompanying the CAFs should be crossed "A/c Payee" and drwan in favour of "ING Vysya Bank A/c ING Vysya Bank Rights Issue" payable at Hyderabad. The CAF duly completed together with the amount payable on application must be deposited with the collection centres of bankers to the Issue indicated on the reverse of the CAF, on or before the close of banking hours on or before the Issue closing date. A separate cheque or bank draft must accompany each CAF. Reference number of CAF should be mentioned on the reverse of the Cheque/Draft.

New demat account shall be opened for holders who have had a change in status from Resident Indian to NRI.

For Non-Resident Shareholders on repatriation basis

Payment by NRIs/FIIs/Foreign Investors must be made by demand draft/cheque payable at Bangalore or funds remitted from abroad in any of the following ways :

a. By Indian Rupee drafts purchased from abroad and payable at Bangalore or funds remitted from abroad;

   OR

b. By cheque/draft on a Non-Resident External (NRE) Account or FCNR Account maintained in

   Bangalore ; OR

c. Rupee draft purchased by debit to NRE/FCNR Account maintained elsewhere in India and payable in

   Bangalore OR

d. FIIs registered with SEBI must remit funds from special non-resident rupee deposit accounts.

All cheque/draft submitted by NRIs/FIIs/Foreign Shareholders should be drawn in favour of "ING Vysya Bank A/c ING Vysya Bank Rights Issue - NR". The CAF for non-residents applying on repatriation basis duly completed together with the amount payable on application must be delivered to the Registrar to the Issue on or before the close of banking hours on or before the Issue closing date.

A separate cheque or bank draft must accompany each application form. Applicants may note that where payment is made by drafts purchased from NRE/FCNR accounts as the case may be, an Account Debit Certificate from the bank issuing the draft confirming that the draft has been issued by debiting the NRE/FCNR account should be enclosed with the CAF. In the absence of the above the application shall be considered incomplete and is liable to be rejected. In case where repatriation benefit is available, dividend and sales proceeds derived from the investment in shares can be remitted outside India, subject to tax, as applicable according to the Income-tax Act, 1961 and subject to the permission of the RBI, if required.

In the case of NRI's who remit their application money from funds held in FCNR/NRE Accounts, refunds and other disbursements, if any shall be credited to such account details of which should be furnished in the appropriate columns in the CAF. In the case of NRIs who remit their application money through Indian Rupee Drafts from abroad, refunds and other disbursement, if any will be made in US Dollars at the rate of exchange prevailing at such time subject to the permission of RBI. The Company will not be liable for any loss on account of exchange rate fluctuation for converting the Rupee amount into US Dollars or for collection charges charged by the applicant's Bankers.

Applications received from NRIs, NRIs and persons of Indian origin resident abroad, for allotment of Equity Shares shall be inter-alia, subject to the conditions imposed from time to time by the RBI under the Foreign Exchange Management Act, 1999 (FEMA) in the matter of refund of application moneys, allotment of Equity Shares, issue of Letter of Allotment / Share Certificates, Warrant Certificate, dividends, etc.

Note:

- In case where repatriation benefit is available, interest, dividend, sales proceeds derived from the investment in Equity Shares can be remitted outside India, subject to tax, as applicable according to Income Tax Act, 1961.
- In case Equity Shares are allotted on non-repatriation basis, the dividend and sale proceeds of the Equity Shares cannot be remitted outside India.
- The CAF duly completed together with the amount payable on application must be deposited with the Collecting Bank indicated on the reverse of the CAF before the close of banking hours on or before the Issue Closing Date. A separate cheque or bank draft must accompany each CAF.
- In case of an application received from non-residents, allotment, refunds and other distribution, if any, will be made in accordance with the guidelines/ rules prescribed by RBI as applicable at the time of making such allotment, remittance and subject to necessary approvals.

Disposal of application and application money

No acknowledgment will be issued for the application moneys received by the Bank. However, the Bankers to the Issue / Registrar to the Issue receiving the CAF will acknowledge its receipt by stamping and returning the acknowledgment slip at the bottom of each CAF.

The Board reserves its full, unqualified and absolute right to accept or reject any application, in whole or in part, and in either case without assigning any reason thereto.

In case an application is rejected in full, the whole of the application money received will be refunded. Wherever an application is rejected in part, the balance of application money, if any, after adjusting any money due on Equity Shares allotted, will be refunded to the applicant within six weeks from the close of the Issue.

For further instruction, please read the Composite Application Form (CAF) carefully.

Important

- Please read this Letter of Offer carefully before taking any action. The instructions contained in the accompanying Composite Application Form (CAF) are an integral part of the conditions of this Letter of Offer and must be carefully followed; otherwise the application is liable to be rejected.
- All enquiries in connection with this Letter of Offer or accompanying CAF and requests for Split Application Forms must be addressed (quoting the Registered Folio Number/ DP and Client ID number, the CAF number and the name of the first Equity Shareholder as mentioned on the CAF and superscribed 'ING Vysya Bank Limited - Rights Issue' on the envelope) to the Registrar to the Issue at the following address:

  Karvy Computershare Private Limited
  "Karvy House"; 46, Avenue 4, Street No. 1
  Banjara Hills, Hyderabad 500 034
  Tel: +91 40 2331 2454
  Fax: +91 40 2331 1968
  Email: ingvysyarights@karvy.com
- It is to be specifically noted that this Issue of Equity Shares is subject to the section entitled 'Risk Factors' beginning on page iv of this Letter of Offer.
- The Rights Issue will not be kept open for more than 30 days unless extended, in which case it will be kept open for a maximum of 60 days

OBJECTS OF THE ISSUE

We are a banking company regulated by RBI. The RBI guidelines require us to maintain a minimum ratio of capital to risk adjusted asset and off balance sheet item of 9%, at least half of which must be in Tier I capital. Our capital adequacy for the last five years is as shown below

Rs. in Crs

Particulars	2003-04	2002-03	2001-02	2000-01	1999-00
Tier I Capital	539.43	519.55	528.82	516.17	435.61
Tier II Capital	431.71	249.77	238.46	220.99	215.05
Risk Weighted Assets	8785.21	7839.97	6634.23	6119.82	5316.72
CAR -as disclosed in the Annual Reports	11.05%	9.81%	11.57%	12.05%	12.24%

The Reserve Bank of India requires us to maintain a minimum capital to risk weighted assets ratio of 9% presently. The risk weighted assets include both on balance sheet and off balance sheet items. As of September, 2004, our capital adequacy ratio works out to 10.43% compared to 11.05% as of March, 2004.

The object of the Issue is to raise additional capital for the Bank to improve the capital to risk weighted assets ratio of 11% and above in order to meet the future growth in assets primarily loans and investments. The RBI is proposing to introduce Basel II norms in relation to augmentation of capital, which would need to be complied with by the Banks in India.

Having a higher capital ratio enables us to undertake new lines of business, undertake higher volumes of business, improve technology and offer value added services to our customers

INDIAN BANKING INDUSTRY

The information presented in this section has been extracted from publicly available documents from various sources, including officially prepared materials from the Government and its various ministries and RBI, and has not been prepared or independently verified by the Issuer or the Lead Manager.

Introduction

RBI is the central regulatory and supervisory authority for the Indian financial 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 specialised 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 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 the sub-section entitled 'Committee on Banking Sector Reform (Narasimham Committee II)' on page 29 of this Letter of Offer

The discussion presents an overview of the role and activities of RBI and each of the major participants in the Indian financial system, with a focus on the commercial banks and long-term lending institutions. This is followed by a summary of the banking reform process along with the recommendation of the various committees that have played a key role in the reform process. A brief discussion on the impact of the liberalisation process on long-term lending institutions and commercial banks is then presented.

RBI

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

RBI issues guidelines on various areas including exposure standards, income recognition, asset classification, provisioning for non-performing and restructured assets, investment valuation and capital adequacy standards for commercial banks, long-term lending institutions and non-bank finance companies. RBI requires these institutions to furnish information relating to their businesses to RBI on a regular basis. For further discussion regarding RBI role as the regulatory and supervisory authority of India's financial system and its impact on ING Vysya Bank, see the section entitled 'Regulations and Policies' on page 169 of this Letter of Offer.

Commercial Banks

Commercial banks in India have traditionally focused only on meeting the short-term financial needs of industry, trade and agriculture. As of June 30, 2004, there were 290 commercial banks in India, with a network of over 67,118 branches. Commercial banks can be classified into two categories namely Scheduled Commercial Banks and Non-Scheduled Commercial Banks (Local Area Banks). Scheduled Commercial Banks are banks that are listed in the schedule to the Reserve Bank of India Act, 1934, and may further be classified as public sector banks, private sector banks, correspondent banks, foreign banks and regional rural banks.

Scheduled Commercial banks collectively serve Rs. 15,750 billion in deposit accounts as on March 31, 2004. Scheduled commercial banks have a presence throughout India, with approximately 70% of bank branches belonging to the public sector banks are located in rural or semi-urban areas of the country.

Public Sector Banks

Public sector banks constitute the largest category in the Indian banking system. They include the State Bank of India and its 7 associate banks, 19 nationalised banks and 196 regional rural banks. As of June 30, 2004, apart from the regional rural banks, the other public sector banks have over 46,500 branches. Public Sector Banks collectively account for approximately 73.2% of the outstanding gross bank credit and 77.9% of the aggregate deposits of the scheduled commercial banks. The large network of public sector bank branches enables them to fund themselves out of low cost deposits.

The State Bank of India is the largest public sector bank in India. As of June 30, 2004, the State Bank of India and its 7 associate banks had 13,505 branches, accounting for 27.5% of the aggregate deposits and 25.5% of the outstanding gross bank credit of all scheduled commercial banks.

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 labourers. As of June 30, 2004, there were 196 regional rural banks with 14,510 branches. During 2003-04, in line with macroeconomic trends, aggregate deposits of RRBs increased by 17.9 per cent as against an increase of 11.9 per cent in 2002-03. The demand deposits recorded stronger growth at 25 per cent in 2003-04 as against the growth of 14 per cent in 2002-03. Time deposits expanded by 16 per cent in 2003-04 as against an increase of 11 per cent in 2002-03. On the assets side, bank credit recorded robust growth at 17 per cent in the 2003-04 as compared with growth of investment in Government securities at 60.6 per cent on the top of the high base in 2002-03.

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. In July 1993, as part of the banking reform process and as a measure to induce competition in the banking sector, RBI permitted entry by the private sector into the banking system. This resulted in the introduction of nine private sector banks. These banks are collectively known as the “new” private sector banks. There are ten “new” private sector banks at present. In addition, 20 private sector banks existing prior to July 1993 are currently operating as on June 2004.

As of end-March 2004, private sector banks accounted for 17% of the aggregate deposits and 19.8% of gross bank credit outstanding of the scheduled commercial banks. Their network of 5,737 branches as on June 30, 2004 accounted for approximately 8.55% of the total branch network of scheduled commercial banks in India.

Foreign banks

As of June 30, 2004, there were 32 foreign banks with 215 branches operating in India. As on end-March 2004, foreign banks account for 5.1% of aggregate deposits and 7% of outstanding gross bank credit of scheduled commercial banks. 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. Foreign banks operate in India through branches of their parent banks. In fiscal 2003, the Government announced that foreign banks would be permitted to incorporate subsidiaries in India. Subsidiaries of foreign banks will have to adhere to all banking regulations, including priority sector lending norms, applicable to domestic banks. The primary activity of most foreign banks in India has been in the corporate segment. However, in recent years, some of the larger foreign banks have started to make consumer financing a larger part of their portfolios based on the growth opportunities in this area in India. These banks offer products such as automobile, finance, home loans, credit cards and household consumer finance. The government has also announced that foreign banks having branch presence in India will be permitted subject to certain conditions to acquire up to 74.0% shareholding in private sector banks in India.

Cooperative 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 societies, and the National Bank for Agriculture and Rural Development (NABARD) for State Co-operative Banks and District Central Co-operative Banks.

Co-operative Banks are registered as societies under the Co-operative Societies Act of the respective State Governments, and Co-operative Banks that have a multi State presence are registered under the Multi State Co-operative Societies Act administered by the Government of India. While registration, administration, amalgamation and liquidation of Co-operative Banks are governed by the provisions of the State Co-operative Societies Acts, banking related functions are governed by the provisions of Banking Regulation Act, 1949.

An Ordinance to amend the Banking Regulation Act, 1949 and DICGC Act, 1961 was promulgated on September 24, 2004 to enable the Reserve Bank to issue license to Multi State Co-operative Societies to carry on banking business. This was in response to developments following the Supreme Court judgment dated October 29, 2003 that the Reserve Bank could not issue banking licenses to a society registered under the Multi State Co-operative Societies Act (MSCS Act), 2002. The Supreme Court ruling raised doubts about the legality of the licenses issued to the existing multi State Co-operative Banks by the Reserve Bank under the Banking Regulation Act, 1949. This amendment would enable the Reserve Bank to issue licences to co-operative societies registered under the Multi State Co-operative Societies Act, 2002. The multi State co-operative banks have also become ‘eligible banks’ under Section 2(gg) of the DICGC Act so that their deposits can be insured by the Deposit Insurance Credit Guarantee Corporation in the interest of the small depositors.

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 provide 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 include Industrial Development Bank of India, IFCI Limited and Industrial Investment Bank of India.

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

Pursuant to the recommendations of the Narasimham Committee II and the Khan Working Group created in 1999 to harmonize the role and operations of long-term lending institutions and banks, 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. 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 the sub-section entitled ‘Universal Banking Guidelines’ on page 30 of this Letter of Offer.

Non-Bank Finance Companies

There are over 13,671 non-bank finance companies in India as at end-June 2004, mostly in the private sector. All non-bank finance companies are required to register with RBI in terms of the Reserve Bank of India (Amendment) Act, 1997. The non-bank finance companies, on the basis of their principal activities are broadly classified into four categories namely Equipment Leasing, Hire Purchase , Loan and Investment Companies and deposits and business activities of Residuary Non-Banking Companies (RNBCs). The Reserve Bank has put in place a set of directions to regulate the activities of NBFCs under its jurisdiction. The directions are aimed at controlling the deposit acceptance activity of NBFCs. The NBFCs which accept public deposits are subject to strict supervision and capital adequacy requirements of RBI. Out of 13,671 NBFCs registered with RBI as at end-June 2004, 584 NBFCs accept Public Deposits.

The scope and activities of non-bank finance companies have grown significantly over the years. 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.

Over the past few years, certain non-bank finance companies have defaulted to investors and depositors and consequently actions (including bankruptcy proceedings) have been initiated against them, many of which are currently pending.

Housing Finance Companies

Housing finance companies form a distinct sub-group of the non-bank finance companies and are regulated by National Housing Bank (NHB). As a result of the various incentives given by the Government for investing in the housing sector in recent years, the scope of their 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 public and private sector 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 refinancing and securitization of housing loans, foreclosure of mortgages and setting up of the Mortgage Credit Guarantee Scheme. RBI has directed commercial banks to lend at least 3.0% of their incremental deposits in the form of housing loans. Further, RBI has reduced the risk weight for loans for residential properties to 50.0% for the purpose of determining capital adequacy. Housing loans up to certain limits prescribed by RBI as well as mortgage-backed securities qualify priority sector lending under RBI’s directed lending rules.

Other Financial Institutions

Specialized Financial Institutions

In addition to the long-term lending institutions, there are various specialized financial institutions that 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 and the Infrastructure Development Finance Corporation 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 27 insurance companies in India, of which 13 are life insurance companies, 13 are general insurance companies and one is a reinsurance company. Of the 13 life insurance companies, 12 are in the private sector and one is in the public sector. Among the general insurance companies, eight are in the private sector and five are in the public sector. The reinsurance 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. In fiscal 2004, the total new premiums of all life insurance companies were Rs. 187.1 crores. Over the past few years, the market shares of private sector insurance companies have been increasing in both life and non-life insurance businesses. The market share of private sector life insurance companies in new business written increased from approximately 2.0% in fiscal 2002 to approximately 5.66% in fiscal 2003 and 12.96% in the fiscal 2004. The market share of private sector non-life insurance companies increased from approximately 5% in fiscal 2002 to 9.46% in fiscal 2003 and 14.21% during the fiscal 2004.

In December 1999, the Insurance Regulatory and Development Authority Act 1999 was passed. The insurance sector in India is regulated by the Insurance Regulatory and Development Authority, which was established to protect the interests of holders of insurance policies, to regulate promote and ensure orderly growth of the insurance industry and for related matters. The IRDA Act opened up the Indian insurance sector for foreign and private investors. The Act allows foreign equity participation in new insurance companies of up to 26.0%. A new insurance company is required to have a minimum paid up equity capital of Rs. 1.0 crore to carry out the business of life insurance or general insurance or Rs. 2.0 crore to carry out 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.

Mutual Funds

From 1963 to 1987, Unit Trust of India was the only mutual fund operating in India. It was set up in 1963 at the initiative of the Government and RBI. From 1987 onwards; several other public sector mutual funds entered this sector. These mutual funds were established by public sector banks, the Life Insurance Corporation of India and General Insurance Corporation of India. The mutual funds industry was opened up to the private sector in 1993. The industry is regulated by the SEBI (Mutual Fund) Regulation 1996.

As at end-October 2004, there were 38 mutual funds in India with total net assets of Rs 1,479.94 crore as at end-October 2004. Out of that, the total assets under management of private sector mutual funds were Rs. 1,163.72 crore.

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.

Since 1991, various financial sector reforms 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 Reform

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 channelled lending into priority sectors. Banks were required to fund the public sector through the mandatory acquisition of low interest-bearing Government securities or statutory liquidity ratio bonds to fulfil statutory liquidity requirements. As a result, bank profitability was low, non-performing 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 organisational 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 statutory liquidity ratio or the proportion of a bank's net demand and time liabilities that were required to be invested in Government securities was reduced from 38.5% in the pre-reform period to 25.0% in October 1997. This meant that the significance of the statutory liquidity ratio shifted from being a major instrument for financing the public sector in the pre-reform era to becoming a prudential requirement;
- similarly, the cash reserve ratio or the proportion of a bank's net demand and time liabilities that were required to be deposited with RBI was reduced from 15.0% in the pre-reform period to 4.5% currently;
- 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 recapitalisation amounted to Rs. 217.5 crore. 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

Proposed Amendments to the Banking Regulation Act

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

- permit banking companies to issue non-redeemable and redeemable preference shares;
- make prior approval of RBI mandatory for the acquisition of more than 5.0% of a banking company's paid up capital 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. Lending to directors and to companies with directors common to the banking company is already prohibited;
- remove the minimum statutory liquidity ratio requirement of 25.0%, giving RBI discretion to reduce the statutory liquidity ratio to less than 25.0%. See also "Supervision and Regulation - Legal Reserve Requirements - Statutory Liquidity Ratio";
- bring mergers of non-bank finance companies with banking companies into the governance of the Indian Banking Regulation Act. Mergers of non-bank finance companies with banking companies are currently governed by the Indian Companies Act 1956. The Banking Regulations (Amendment) and Miscellaneous Provisions Bill, 2003 will, if passed, require mergers of non-bank finance companies with banking companies to be approved by the majority of the shareholders of both companies and by RBI. It also provides, if the merger is approved, for dissenting shareholders at their option to be paid in exchange for their shares the value of their shares as determined by RBI;
- bring all co-operative banks under the supervision of RBI; and
- remove the limit of 10.0% 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 Securitisation of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act). The Act provides that a secured creditor may, in respect of loans classified as non-performing in accordance with RBI guidelines, 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. The 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, Industrial Development Bank of India, State Bank of India and certain other private sector banks and institutions, has recently received registration from RBI. The constitutional validity of the SARFAESI Act was recently upheld by the Indian Supreme Court.

Following the recommendations of the Narasimham Committee, the Recovery of Debts due to Banks and Financial Institutions Act, 1993 was enacted. The Act provides for the establishment of a tribunal for speedy resolution of litigation and recovery of debts owed to banks or financial institutions. The Act creates tribunals before which the banks or financial institutions can file a suit for recovery of the amounts due to them. 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. 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 put in place an institutional mechanism for the restructuring of corporate debt, RBI has devised a corporate debt restructuring system. The objective of the 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, the framework aims to preserve viable corporations that are affected by certain internal and external factors and minimise 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. While all Indian banks have consented, foreign banks operating in India have not yet agreed to participate in this system. However, because of the low level of participation of foreign banks in the Indian financial system, this lack of participation has not made any material difference.

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. The salient features of the guidelines included the following:

- Priority sector lending. Following conversion of a long-term lending institution into a universal bank, the obligation to lend to the priority sector up to a prescribed percentage of net bank credit would apply;
- Permissible activities. Any activity currently undertaken by a long-term lending institution but not permissible for a bank under the provisions of the Banking Regulation Act would have to cease or be divested after the conversion of a long-term lending institution into a universal bank;
- Nature of subsidiaries. If any of the existing subsidiaries of a long-term lending institution were engaged in any activity not permitted under the provisions of the Indian Banking Regulation Act, then on conversion of the long-term lending institution into a universal bank, such subsidiary or activity would have to be separated from the operations of the universal bank since the provisions of the Indian Banking Regulation Act permit a bank to have subsidiaries only for specified activities;
- Restriction on investments. A long-term lending institution with an equity investment in a company in excess of 30.0% of the paid up share capital of that company or 30.0% of its own paid up share capital and reserves, whichever is less, following its conversion into a universal bank, would be required to divest such excess holding to comply with the provisions of the Indian Banking Regulation Act.

Credit Policy Measures

As part of its effort to continue bank reform, RBI has announced a series of measures in its monetary and credit policy statements aimed at deregulation and strengthening the financial system.

Credit Policy for Fiscal 2004

In the monetary and credit policy for fiscal 2004 announced in April 2003, RBI introduced the following key measures:

- The bank rate was reduced further by 0.25% from 6.25% to 6.0% and the cash reserve ratio was also reduced by 0.25% to 4.5%. Earlier, the Government's budget for fiscal 2004 had reduced the interest rates on small savings schemes and public provident fund by 100 basis points to 8.0% and at the same time RBI reduced the interest rate on savings bank accounts by 50 basis points to 3.5%.
- The maturity period for non-resident external deposits was increased from six months to one year.

Mid Term Review of Credit Policy for Fiscal 2004

The following were the highlights of the mid-term review of Credit Policy announced in November 2003 by RBI:

- Key interest rates were not changed.
- Measures to improve credit delivery to agriculture and small-scale sectors were introduced.
- Simplification of procedures and complete flexibility in micro-finance structure were proposed to boost credit flow.
- Banks were required to ensure hedging of foreign currency loans to corporates above US$10.0 million except for exporters and for foreign exchange expenditures.

Monetary and Credit Policy for Fiscal 2005

In the Monetary and Credit policy for fiscal 2005 announced on 18 May 2004, RBI announced the following key measures:

- Repo rate and bank rate were kept unchanged.
- Measures to increase the flow of credit to agriculture and related activities.
- Banks allowed to raise long-term bonds to finance infrastructure.
- Definition of infrastructure lending broadened.
- Relaxation of exposure norms including removal of limits on unsecured exposures.
- Guidelines to be introduced for graded higher provisions for doubtful assets and increase in provisions on sub-standard assets.

BUSINESS OF THE BANK

OVERVIEW

We are one of the oldest private sector banks offering banking products and services to retail and corporate customers. We were incorporated in India in 1930 as Vysya Bank Limited, and, in 1998 following the strategic investment by ING Group in the Bank, we became ING Vysya Bank Limited. Please refer to the section entitled 'History of the Bank and other Corporate Matters' on page 55 of this Letter of Offer.

As of March 31, 2004, we were the seventh largest private sector bank in India in terms of assets with total assets of Rs. 13198 crore. (Source: Performance Highlights of Private Sector Banks, 2003-04, Indian Banks Association).

Our business has been organized into Retail Banking and Wholesale Banking.

Our Retail Banking business comprises four business units namely Consumer Banking, Small and Medium Enterprises (SME) Agriculture and Social Banking Unit (ASBU) and Private Banking. Our banking products and services for retail customers include both loans and liabilities products and services. We offer a range of credit products including home loans, automobile loans, commercial vehicle loans, two wheeler loans, dealer financing, personal loans, debit cards, credit cards, loans against term deposits and loans against shares. We offer loans and fee-based services to small and medium enterprises. We finance agricultural activities and government sponsored schemes.Our deposit products include demand deposits (savings and current accounts) and time deposits, with specific products for customers in various segments, like salary accounts, accounts for small and medium enterprises and non-resident Indian accounts. Our other retail products and services include private banking, fund transfer facilities and utility bill payment services. As of September 30, 2004, our Retail Banking business (Consumer Banking, Small and Medium Enterprises (SME) Agriculture and Social Banking and Private Banking) accounted for 46.20% of total advances.

We offer our customers a choice of delivery channels including physical branches, Automated Teller Machine (ATMs), telephone banking, SMS and the Internet. In recent years, we have expanded our physical delivery channels, including bank branches and ATMs, to currently cover a total of 446 outlets in 298 locations throughout India. We use international best practices to differentiate our products and services from those of our competitors. We have automated and standardized our branches to offer our customers effective and efficient services. In order to achieve higher penetration we also avail the services of our subsidiary, ING Vysya Financial Services Limited (IVFSL) to distribute our retail products.

Our Wholesale Banking is organized into three groups, Client Coverage, Products and Services and Financial Markets. While the Client Coverage group is responsible for managing relationships with identified client sub-groups, the Products and Services and Financial Markets groups are responsible for product and service delivery to the entire Wholesale Banking client base.

We provide a range of commercial banking products and services for corporates and financial institutions in India and the emerging corporates. Our commercial banking products and services to corporate customers include fund based products, non-fund based products and 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. 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 physical branches. Our Financial Markets operations include maintenance and management of regulatory reserves, proprietary trading in fixed income, forex 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. Through our treasury operations, we manage our balance sheet including the maintenance of required regulatory reserves and seek to optimise profits from our trading portfolio by taking advantage of market opportunities.

We have one wholly owned subsidiary, being IVFSL and two affiliate/associate companies being IIML and IVL. IIML is an Asset Management Company which manages the ING Vysya Mutual Fund and IVL is a life insurance company which provides a range of individual and group life insurance solutions, pension products, employee benefits; IVFSL distributes life insurance policies of IVL, mutual funds from ING Vysya Mutual Fund and third party investment products apart from distributing our own products.

As on September 30, 2004, the Bank's total deposits stood at Rs.10473.69 crores, of which Saving Bank Deposits were Rs.1603.27 crores (15.31%), Demand Deposits were Rs.1,153.34 crores (11.01%) and Term Deposits were Rs.7,717.08 crores (73.68%). Similarly, our net advances stood at Rs.7,236.64 crores and our investments(net of provisions) stood at Rs. 3,906.62 crores. Though our deposits grew at a CAGR of 9% during last 4 years it recorded a marginal fall of 0.5% in the six months period ended September 30, 2004. Similarly, our investments after growing at a CAGR of 10.67% during the last 4 years, have declined by 4.38% for the six months period ended September 30, 2004. However, our advances have maintained a steady compounded growth rate of 27.12%. Our net NPA's as on September 30, 2004 stood at Rs.209.93 crores which is equal to 2.90 % of our net advances. At September 30, 2004, we held provisions for NPAs of Rs. 345.84 crores, which represented about 61.92 % of our gross non-performing loans.

OUR COMPETITIVE STRENGTHS

Despite the competitiveness of the Indian banking and financial services sector - both from foreign and domestic players - we have inherent strengths that are expected to provide a sustainable advantage over the long-term:

- We have ING Bank N.V. as the Foreign Promoter, which in turn is a 100% subsidiary of ING Groep N.V., the worlds fourth largest Financial Services group and the world's second largest life insurance provider (Source : Fortune Global, July 2004).
- With 74 years of experience in the Indian banking segment and with ING Group's active participation in managing the affairs of the Bank, we are uniquely positioned as an 'Indian made' Foreign Bank.
- Our Retail Banking business is geographically focused in the South but also targets a number of other cities. Currently, we have 386 outlets in the South India and have a presence in most Southern areas. This provides an effective delivery model for our products and services that is focused and concentrated.
- Through our subsidiary, IVFSL and in association with IVL and ING Vysya Mutual Fund, we offer to customers the full breadth of financial services and financial planning products under a common umbrella brand, ING Vysya.
- We have been traditionally a Vysya community focussed bank and are strong in the traders segment which forms a ready base for our Small and Medium Enterprises strategy. Our network, product range and processes supports our SME business.

OUR STRATEGY

Our objective is to build a recognizable position as a premier banking and other financial services products provider to retail and wholesale customers.

The key elements of our business strategy are to:

- Fully leverage the synergies (including support and commitment) available from ING
- Focus on growth opportunities in the Retail banking business;
- Strengthen Wholesale Banking operations;
- Expand retail distribution capabilities; and
- Use of technology for competitive advantage

Fully leverage the synergies (including support and commitment) available from ING

Following the strategic investment of ING Group in our Bank, 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. These cover many functions in the Bank. Provisioning and risk management processes have been improved, and enterprise-wide risk based processes, covering market risk, credit risk and operational risk, have been approved and are being implemented shortly. IT systems and protocols, including an integrated and centralized Management Information System, are being actively upgraded and developed. This transfer of best practice processes and management tools will provide a solid and scaleable foundation upon which we can grow our businesses.

Focus on growth opportunities in the Retail banking business

We sense that there are growth opportunities in all of the segments of Retail Banking. In order to capitalize on those growth opportunities we have devised the following strategies.

a. Consumer Banking strategy

We have already begun to position ourselves towards the growing retail opportunity in India. The key dimensions of our retail strategy are to develop consumer centric products, grow our consumer base, effectively cross-sell our products including third party products, increase proportion of fee based income, improving collection efficiency and improving cost efficiency. Our consumer banking products include both asset (auto loans, housing loans, automobile loans, commercial vehicle loans, two wheeler loans, dealer financing, personal loans, credit cards, loans against time deposits and loans against shares) and liability (savings accounts, current accounts, salary accounts, bank fixed deposits), as well as fee based services (demat accounts, insurance distribution, mutual funds distribution, etc.). Several of these products (Orange Savings Account, Home Loan Product) are innovative and customer-focused. We also seek to leverage technology in the delivery of our retail products and services and the related back-office operations, and, to that end, we have automated most of our branches.

b. SME strategy

We expect the SME sector in India to present sizeable opportunities for our Bank, and we aim to emerge as a significant player in this business. Our brand image, reputation, long-standing in the market as well as our concentration in south India, will help position us competitively in the market. We will continue to design new and innovative products based on market requirements, so that we are ahead or in line with peers in terms of product design. As with other Retail Banking segments, we will continue to template our offerings, which can be easily sold through our branch network and third-party channels. We are simplifying the processes and procedures for approvals / renewals, so as to reduce turn-around-times (TAT), and we are open to cross-selling opportunities. This strategy will be supported with proactive relationship management for relationships over Rs. 0.25 crores.

c. ASBU strategy

Our strategy in agricultural banking is to leverage our knowledge and expertise - developed over 74 years of operation in Agri Banking sector - and create niche products that deliver value to the customers in the segment. We also explore corporate tie-ups and other beneficial associations that enhance value for the Bank and also for the associates. As with other Retail Banking segments, we will continue to template our offerings, which can be easily sold through our branch network and third-party channels. We try to leverage technology for competitive advantage, and we will continue to attract and retain talent with an appropriate mix of agro-technical and banking skills.

d. Private Banking strategy

The Bank is keen to continue to expand its reach and penetration in the highly competitive segment of wealth management for high net worth individuals. We are looking at recruiting more relationship managers in the existing locations (Bangalore, Mumbai, and Delhi) and are setting up new teams in other locations where the bank has a good brand name and client base. By March 2005 the total front office staff is expected to reach 25 persons (including relationship managers and regional heads) with a strong focus on new customer acquisition for the new team members. In terms of product offering we will continue to monitor the financial markets looking out for new investment opportunities that could emerge and strengthen our additional services in terms of art and real estate advice through specialised partners.

Strengthen Wholesale Banking operations

Wholesale banking plays an important role in our future growth plan. We intend to pursue the following strategies in order to exploit the opportunities emerging out of the evolving market scenario.

a. Client Coverage Strategy

Our principal wholesale client coverage and relationship management groups are (i) Corporate and Investment Banking (“C&IB”) Group (ii) Emerging Corporates (“EC”) Group and (iii) Banks and Financial Institutions Group.

(i) Corporate & Investment Banking Strategy

The medium term strategic objectives of the C&IB group include (a) upgradation of market profile through initiation of relationships with an identified group of large local and global clients, (b) broad basing of product suite through specific product additions and enhancement of existing capabilities with inputs from ING’s global product teams and (c) consolidate and build core mid tier corporates business and (d) focus on cross sales to fully realize existing product capabilities and business opportunities.

(ii) Emerging Corporates Strategy

The EC Group is very critical segment for the Bank’s advances as it provides an optimal combination of mix of volume and profitability. The strategic objectives of the EC group include broad basing the customer base of the segment, providing entire gamut of financial products and services including, Credit, Treasury, Trade Credit, CMS products, focusing on industries which are globally competitive in the post WTO scenario, focusing on cross sale of the Bank’s products and the other ING group’s products like Mutual Fund, Insurance etc and compete on providing value for price as against volume driven price undercutting

(iii) Banks and Financial Institutions Strategy

This group will serve as the single point contact for all the clients such as banks, mutual funds, insurance companies etc. The focus of our group will be on asset creation through Secondary Buy outs, Cash Management Services, Origination and placement of debt instruments issued by FIs, Loan syndication and Trade finance. Cross selling the services and products of the ING group either directly to the clientele or through tie up such as Bancassurance will help the Bank cater to its clientele more effectively.

b. Wholesale Banking Products and Services Strategy:

Our Wholesale Banking products and services strategy broadly revolves around upgradation of market profile by expansion of wholesale relationships, focus on select industries, improving asset quality and getting top-of-mind recall with key clients for wholesale banking products and services ,enhancement of product portfolio through specific product additions including derivatives, local debt distribution / securitization, cross border coverage, channel / vendor financing, trade / commodity finance and focus on further improving service delivery capabilities, focus on upgrading portfolio quality and thrust on fee income generation and increase the levels of cross sell through integrated marketing efforts across products and closer integration for cross border business opportunities with ING's global banking franchise.

c. Financial Markets Strategy

In Financial Markets, we are focusing on managing portfolios of large Provident Funds / Co-operative Banks to improve Non Fund revenue and also running our own Rupee Options Book. As the Indian financial markets develops, we are also positioning for emerging trends - Structured Interest Rate and Cross Currency Options, Futures, Credit Derivatives - and Dynamic Intra-Day trading once RTGS and Short Selling of Bonds are enabled. We intend to integrate fully with our Client Coverage team to maximize cross-selling. We are establishing linkages with ING Groep Financial Markets to not only gain technical expertise, but also to capture foreign institutional investor (FII) forex flows into the equity markets.

Expand retail distribution capabilities

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, which are becoming increasingly sales and service oriented, to increase sales in our catchments areas. Additionally, the bank is pursuing the effective use of alternate channels, including Internet Banking, ATMs, call centers, small scale branches, etc. We expect these initiatives to increase our reach in a cost effective manner.

IVFSL proposes to not only increase the cross-selling of third party products to the bank's customers, but will also act as a vehicle to acquire customers for the Bank. IVFSL also proposes to broaden its product offering and will focus, over time, on financial planning and on the needs of the customer.

We will also pursue alternate channels and/or alliances for selling our products

Use of Technology for Competitive Advantages

We seek to be at the forefront of technology usage in the financial services sector. Information technology is a strategic tool for our business operations to gain competitive advantage and to improve overall productivity and efficiency of the organization. All of our technology initiatives are aimed at enhancing value, offering customer convenience and improved service while optimizing costs.

We expect to continue with our strategy of leveraging technology to achieve a significant competitive advantage. This will be done by ING Vysya Bank leveraging on the systems and processes that have already been developed by ING worldwide. These cover many functions in the bank, including risk management (credit, market, operational), financial markets, MIS, etc. The key objectives behind our information technology strategy include:

- building a cost-efficient distribution network in India to accelerate the development of our retail distribution capability
- enhancing cross selling and client segmentation.
- improving credit and market risk management.
- Introduction of customer centric products
- providing added value services to Tier 1 corporate clients by also leveraging on the global product and service delivery capabilities of ING
- capitalising on the banks' legacy in the SME business.

KEY MILESTONES ACHIEVED

Details of key milestones achieved by us so far are as follows:

Year	Key Events, Milestones and Achievements
March 1930	Incorporation of The Vysya Bank Limited, Bangalore
February 1948	Became a scheduled bank in terms of the RBI Act
September 1985	Achieved the no. one position among private sector banks as on December 31, 1985
March 1987	Incorporation of The Vysya Bank Leasing Limited (now known as ING Vysya Financial Services Limited) for leasing and merchant banking activities along with Karur Vysya Bank Limited
January 1988	Introduced co-branded credit cards by way of an affiliation with Central Bank of India.
November 1990	Incorporation of Vysya Bank Housing Finance Limited for housing finance activities
March 1991	Total deposits in the Bank crossed Rs.1000 crores

Year	Key Events, Milestones and Achievements
April 1993	Number of branches of the Bank crossed 300
December 1995	Two National Awards, one for " Percentage growth in total limits sanctioned" and another for " Total limits sanctioned" were received by the Bank from the Gems & Jewellery Export Promotion Council for excellent performance in export promotion
October 1997	Technology based Cash Management Services commenced
June 1998	Rated as 'Best Domestic Bank' by the International Finance Journal
March 2000	The Vysya Bank Leasing Limited became a wholly owned subsidiary of the Bank
November, 2000	Data centre opened at Information Technology Park Limited, Bangalore
January to June 2002	Bank launches several products and services like the Vys Vyapar Plus (range of loan schemes for traders) in January 2002, ATM services in May 2002, Smartserv (the account that comes with a personal assistant service) in March 2002, Save & Secure (account that provides accident hospitalisation and insurance cover) in May 2002 and Sambandh (International Debit Card) in June 2002.
July 2003	Equity stake in Vysya Bank Housing Finance Limited completely divested to Dewan Housing Finance Limited
August 2003 to March 2004	Introduction of products like Orange Savings in August 2003, Orange Current in December 2003 and Protected Home Loans in March 2004.
September 2003	Inauguration of ING Vysya House, Bangalore.

DETAILS OF OUR OPERATIONS

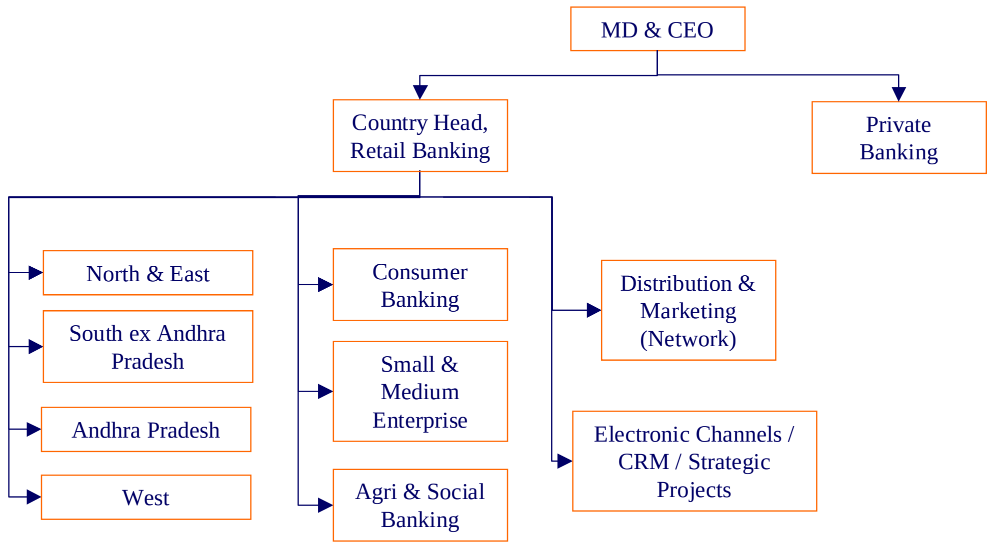
A. Retail Banking

Our retail loans increased significantly during Fiscal 2004 and the first six months of Fiscal 2005, from Rs. 752.20 crores at March 31, 2004 to Rs. 778.57 crores at September 30, 2004.

Our Retail Banking business comprises four business units namely (i) Consumer Banking, (ii) Small and Medium Enterprises (SME), (iii) Agriculture and Social Banking and (iv) Private Banking. Our banking products and services for retail customers include both loans and liabilities products and services.

We offer a wide range of credit products including home loans, automobile loans, commercial vehicle loans, two wheeler loans, dealer financing, personal loans, debit cards, credit cards, loans against time deposits and loans against shares. We offer loans and fee-based services to small and medium enterprises. We offer financing to agricultural activities and government sponsored schemes. Our Private Banking caters to HNIs and Corporates and offer Investment Advisory Services

Organisation Chart of the Retail Banking



Branch Network

Our Retail Banking business leverages on the wide branch network of the bank. For administrative convenience and effective management, our branches have been split into 4 zones or mega regions, which are North and East, Andhra Pradesh, South (except Andhra Pradesh) and West. The mega zones are further divided into 11 regional offices and 446 outlets (231 outlets on a Core Banking Solution (CBS)) which offer a host of financial solutions and regular banking products. We have initiated measures to bring more branches under CBS. Our delivery network as on February 15, 2005 is as under:

Sr. No.	Region	Branches	Satellite Offices (SO)	Extension Counters	Total (Branches, SOs, Extension Counters)	ATMs	Locations
1	Anantpur	38	6	1	45	3	44
2	Hyderabad	60	2	16	78	7	43
3	Vijayawada	41	1	2	44	5	35
4	Vizag	21	5	2	28	3	19
	Andhra Pradesh	160	14	21	195	18	141
5	Bangalore	57	9	16	82	17	42
6	Hubli	34	2	12	48	2	37
7	Chennai	32	3	4	39	6	25
8	Ernakulam	20		1	21	5	19
	South except Andhra Pradesh	143	14	33	190	30	123
9	Delhi	20		2	22	9	12
10	Kolkotta	10			10	4	6
	North and East	30	0	2	32	13	16
11	Mumbai	29			29	14	16
	West	29	0	0	29	14	16
	Total Bank	362	28	56	446	75	298

We have also obtained license from RBI for 2 branches and one extension counter and in principle approval to open another 8 new branches

I. Consumer Banking

The Consumer Banking business consists of Consumer Lending and Consumer Liabilities, which offers to retail consumer both asset based products such as home loans, personal loans, credit cards and liability products, such as savings accounts, salary accounts and term deposits. We have focused our efforts, resources and talent to ensure that we capitalize fully on the opportunities available to us.

(a) Consumer Lending

Consumer lending deals with granting secured loans to individuals, partnership firms, and companies, as well as unsecured loans to individuals for various purposes. Our 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, Counter Finance Executives, and 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. Additionally it also performs:

- Periodic review of products
- Analysing regions' performance and taking appropriate action if needed
- Monitoring the overall profitability of the products
- Regular interaction with other players in the market to assess the market dynamics, changing customer behavior, preferences etc.

We have following consumer lending products in our portfolio.

- Home Loans: In the year 2003, we introduced customized home loans with built in free life insurance for the full loan term and amount and a floating rate based on market determined rate (MIBOR). We believe that compared to our competitors, this is a uniquely featured product, which has already resulted in volumes of Rs. 77.74 crores covering 884 accounts, as of September 30, 2004. Additionally, we are planning to add further features and flexibility to meet the demands of the customer.
- Credit Cards: Our credit card charges a relatively low nominal rate of 1.5% on cash withdrawals. We do not charge any transaction fee on fuel purchased and also enables global access to over 30 million merchant establishments worldwide. The card is issued in partnership with Citibank, which allows the bank and its customers to benefit from the Citibank's experience in processing credit cards. As of September 30, 2004, the number of our credit cardholders stood at 19,678.
- Auto loans: We introduced auto loans in 2000 to provide finance to individuals and corporates for purchase of new and used cars. The average tenor of auto loan is between three to five years. Auto loans are secured by a charge on the purchased automobile. This business is managed by our distribution system supported with Credit and Risk Management Teams, which has been instrumental in achieving targeted volumes. As of September 30, 2004, we have achieved volumes of Rs. 219.8 crores and covering 11,325 customers. We have strong relationships with certain automobile manufacturers and are the 'preferred financiers' to 3 automobile manufacturers, in India.
- Two Wheeler loans: Two-wheeler loans were introduced in 2001 primarily to facilitate purchase of two-wheelers for individual and corporate customers. Two wheeler loans are secured by a charge on the moveable asset. The average tenure of loan is between one to three years. Our business has recorded growth ever since its inception owing to our distribution system, customer oriented schemes and fast turn around time. As on September 30, 2004 we have a customer base of 27,268 with volumes of Rs 54.75 crores.
- Personal Loans: These are unsecured loans provided to customers for various purposes such as higher education, medical expenses, social events and holidays. Introduced in 2002, this product has witnessed growth owing to our customer programs and distribution team. As on September 30, 2004. We have a customer base of 17,409 and our business stood at Rs. 133.3 crores.
- Advances against Demat securities: We introduced Advance against Demat Securities in 2003, which has resulted in volumes of Rs. 1.88 crores, covering 58 accounts, as of September 30, 2004.
- Loans for subscribing to IPOs: We introduced loans for subscribing to IPOs in 2003, which has resulted in volumes of Rs. 0.05 crores as of September 30, 2004.
- Commercial Vehicle Loans: We introduced Commercial Vehicle Loans in 2001. We extend loans for purchase of new and used Commercial Vehicles - MAVs (Multi Axle Vehicles), HCVs (Heavy Commercial Vehicles), MCVs (Medium Commercial Vehicles) and LCVs (Light Commercial Vehicles), which include Buses, Trucks, Fully built vehicles & Tippers. The loan is generally granted for a maximum term of 48 months. Our business stood at Rs. 163.93 crores as of September 30, 2004.

(b) Consumer Liabilities

Resource mobilization in Retail Banking is a core activity of our bank. Our Bank has a customer base, of nearly one million with over Rs.10, 000 crores of deposits, with a mix of Savings, Current and Term deposits.

We have the following consumer liability products in our portfolio

- Orange Savings Account: We introduced the Orange Savings Account in August 2003. It has secured more than 125,000 new customers. The key features of Orange Savings Account are free personal accident insurance cover including medical expenses for three years, free unlimited ATM transactions in over 9,000 MasterCard networked ATMs in India and overseas, free membership to Smartserv (Personal assistance service) and other facilities like Internet Banking, Tele banking, Anywhere Banking and other privileges.
- Orange Current Account: The Orange Current Account was launched in December 2003. Some of the distinct features of the account are free personal accident insurance cover, free cash in transit insurance, free ATM transactions in MasterCard network, free DDs/PO/PAP cheques upto Rs 1.5 crore per month and many other facilities. Since December 2003, this product has secured more than 2,500 customer accounts and mobilized over Rs 150 crores.

- Mpower Salary Account: We introduced the Mpower Salary Account in November 2002, which expedites the process of salary payments, facilitating both employer and employees.
- Advantage Savings: We have recently (September 2004) launched a scheme exclusively for the customers of non-networked branches with accident Insurance as the key feature. The scheme envisages coverage of savings bank account holders under personal accident insurance to a maximum of Rs.0.03 crores.
- Term Deposits: We offer fixed, reinvestment and recurring deposits with all the facilities for easy transferability, different modes of interest payments, advance against deposit, premature withdrawal facility, acceptance in units and nomination facility. A sizeable portion of the portfolio is skewed towards reinvestment deposits amounting to over Rs. 7,300 crores.
- Debit Cards: We have tied-up with Master Card Internationals to issue the International Debit Card with Maestro/Cirrus connectivity. This enables our debit card holders to access over 9000 ATMs of Maestro/Cirrus member banks and over 70,000 merchant establishments over India. The Bank has tie-up with Corporation Bank for ATM sharing which gives additional reach.

II. Small and Medium Enterprises (SME)

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 in trading of goods/services with annual sales turnover up to Rs. 75 crores for both domestic & 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.

Our SME business is primarily available in 100 networked branches spreading across 11 sub-regions of the Bank and having about 16,500 relationships with a total volume of Rs. 1540.84 crores under fund based limits and Rs. 544.28 crores under non-fund based limits as on September 30, 2004.

Apart from trading activity, structured products are also available to cater to the needs of client. Brief features of those SME products are as follows:

- Vys-Rent: A scheme for discounting of rentals of commercial properties given by way of Term Loan for periods upto 7 years. These loans are given to property owners who have let out their property to reputed corporates, MNCs, Banks, Insurance Companies etc.
- Business Loans Trade: A scheme for Traders (upto maximum of Rs.0.25 crores) in the form of Secured overdraft/ Term Loan / Composite Loan covering both Working Capital as well Term Loan & also non-fund based limits.
- Mpower Business Account: This product offers value added features like non-life insurance(Personal accident Insurance Cover of Rs.0.02 crores, cash in transit cover of Rs. 0.01 crores and Burglary Insurance cover of Rs.0.01 crores), collection of outstation cheques at par across all profile centers, payable at par Cheques, Free Demand Drafts /Pay orders based on sanction limit ,International Debit Card , Cash /Cheque Pickup & Delivery at select centres, free Phone Banking at select centres, SMS alerts and free Financial Advisory services at select centres.
- Vys-Rice Mill: A product for financing to Rice Mills for working capital or for acquiring machinery and other fixed assets, by way of Cash Credit/Term Loans.
- Vys-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.
- Vys-Vidyalaya: A scheme for financing to educational institutions by way of Term Loan / Short Term Loan /non fund based limits.
- RBI Relief Bonds: An overdraft scheme for financing against Govt. of India Relief Bonds to business units to meet working capital / capital expenditure.
- Channel Financing: We offer Channel financing to the dealers of large corporates.

III. Agriculture & Social Banking Unit (ASBU)

ASBU 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.

Since 2002, all the rural branches and also focused branches where there is more thrust on agri business were marketing agricultural products. We have identified about 100 focused branches in Semi-Urban, Urban and Metro areas apart from the existing more than 100 rural branches to give boost to agricultural finance.

The main concentration of ASBU is to meet the regulatory requirement of maintaining 40% of total advances under priority sector and 18% under the agriculture sector. While ASBU is responsible for achieving 18% under Agriculture credit, it also co-ordinates with other business units / departments to meet the regulatory requirement of maintaining 40% priority sector advances. ASBU 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.

The Internal credit policy norms are strictly adhered, to maintain the quality of assets. Proposals are appraised based on customer risk rating and facility risk rating covering financial risk, market risk, and managerial risk. Rate of Interest charged on loans are determined based on the ratings assigned to the customer and also the market trends. Guidelines of RBI / NABARD and other Government agencies are strictly followed while entertaining proposals.

We have computerized all rural branches except one branch as on September 30, 2004. We have developed an in-house software which requires furnishing of requisite information from branches, by which we are able to access the information on day-to-day basis. This helps in monitoring the growth of business in branches and also to draw up suitable strategies for further improvement.

IV. Private Banking

In India, the erstwhile ING Bank was one among the firsts to offer private banking services. After ING Group invested in the Bank, the private banking arm of ING Bank was integrated into ING Vysya Bank. Our Private Banking manages the wealth of over 400 families. The team currently comprises 25 members (including 10 Relationship Managers). The client management team is supported by a product development team, and a research team headed by the Chief Investment Officer.

Our Private Banking brings its wealth management solutions based on research insights, transparency and a comprehensive range of products and services. The process involves an understanding of the investment objectives and time horizons, based on goals, aspirations and requirements of the clients. We study and analyze the present portfolio of the client. This helps us to plan and re-allocate an existing portfolio (if desired), with client’s financial objectives and risk-return appetite. The key feature of our approach is the implementation of the blueprint of the financial plan and continuous monitoring based on which constant feedback is given through telephone, e-mail or fax.

We offer the following key products and services in the domain of private banking:

- Investment Solutions: Our portfolio management services are nondiscretionary in nature and include construction/ restructuring of the portfolios, monitoring them and executing client’s requests. Our investment products include debt, equity, mutual funds and insurance.
- Wealth Structuring for Diverse Needs: Wealth structuring services embrace wills, trusts and other well-established means of protecting and distributing assets. We also provide real-estate advisory services that focus on broad-basing the client’s wealth allocation and income streams, as well as tax and legal planning services through specialized partners.

B. Wholesale Banking

General

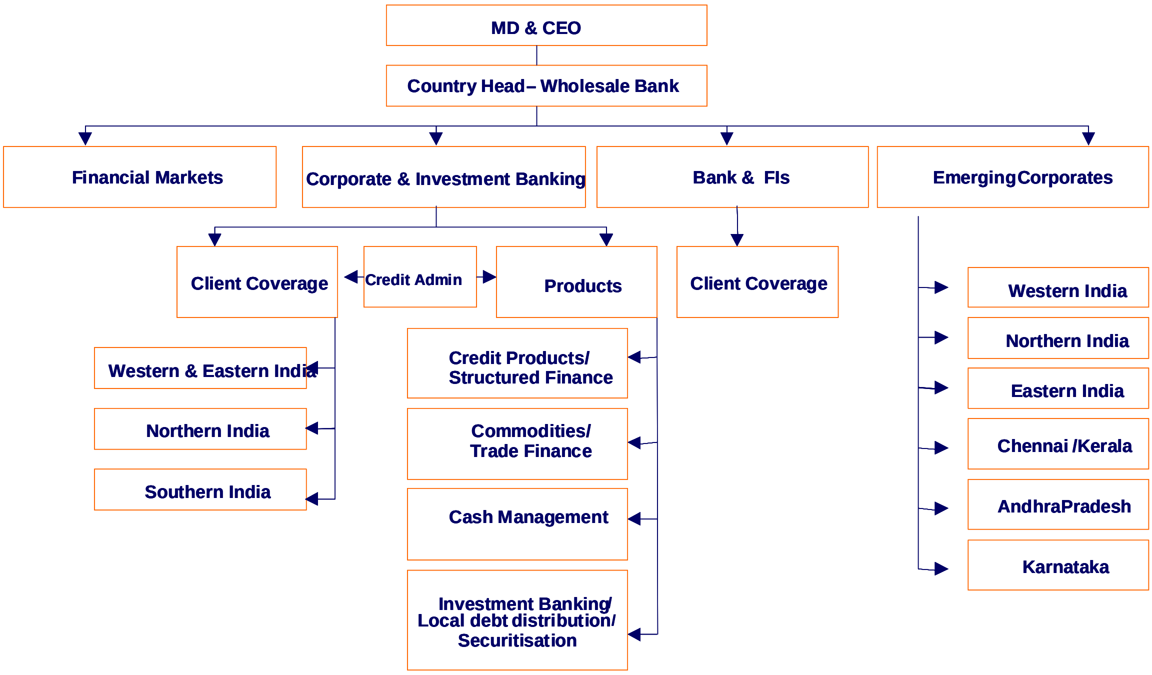
We provide a range of commercial banking products and services for leading corporates and financial institutions in India and the emerging middle market companies. Our commercial banking products and services to corporate customers include fund based products, non-fund based products and other fee based services and advisory services. Our fund based products include 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. 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 physical branches.

Organisation Structure for Wholesale Banking

Our Wholesale Bank is organized into three groups, (i) Client Coverage, (ii) Products and Services and (iii) Financial Markets/ Treasury. While the Client Coverage group is responsible for managing relationships with identified client sub-groups, the

Products and Services and Financial Markets/Treasury groups are responsible for product and service delivery to the entire Wholesale Banking client base.

Organisation Chart



I. Client Coverage

Our principal wholesale client coverage and relationship management groups are (a) Wholesale Banking Corporate and Investment Banking Group and (b) Wholesale Banking Emerging Corporates Group and (c) Banks and Financial Institutions Group.

(a) Wholesale Banking C&IB Group

The C&IB Group, headquartered in Mumbai, is responsible for managing relationships with large corporates (typically with sales turnover greater than Rs 400 crores) in both the private and public sector. The primary focus of the C&IB relationship managers is to market our products and services to the client base, including lending products, fee based products, treasury services and advisory services and also including cross-border products from ING Bank N.V. and cross-selling of our Retail Banking products and services to our corporate clients and their employees. In addition to the above, they cross-sell the products offered by other ING Groep managed entities in India like ING Vysya Life Insurance Private Limited ("IVL") and ING Vysya Mutual Fund ("IVMF").

C&IB Group is organized on regional basis with relationship managers covering (i) Western Region out of Mumbai; (b) Southern Region out of Bangalore, Chennai and Hyderabad and (c) Northern and Eastern Region out of Delhi.

(b) Wholesale Banking EC Group

The EC Group, headquartered in Bangalore, and has relationship managers based at 10 different Indian cities namely Mumbai, Delhi, Chennai, Kolkata, Pune, Bangalore, Hyderabad, Tirupur, Coimbatore and Ahmedabad. The group focuses on managing relationships for all units engaged in manufacturing, processing and services sector having annual sales turnover ranging from around Rs 75 crores to Rs 400 Crores. Additionally, the group focuses on providing commercial banking services for companies in specific industries such as Diamond and Textiles, irrespective of their size. The EC Group is also organized on regional basis with the four regions being (i) South India (except Andhra Pradesh), (ii) Andhra Pradesh, (iii) West and (iv) North & East.

The EC Group is very critical segment for the Bank's advances as it provides an optimal combination of mix of volume and profitability. During the year 2003-04, the fund based advances to clients managed by EC Group showed 46% growth over the previous year while the corresponding increase in non fund based advance was around 91%.

The EC Group also markets the bank's products, including cross-selling of products and services for retail customers to corporate clients and their employees and also cross-selling cross-border products from ING Bank N.V. and also cross-sell the products offered by other ING Groep managed entities in India. The 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.

(c) Banks and Financial Institutions

The Banks and Financial Institutions Group, headquartered in Mumbai, 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 bank/FI client base including funding products, correspondent bank relationships, treasury products, asset purchases and sales and deposit products.

II. Wholesale Banking Products and Services

We provide a range of commercial banking products and services to India's leading corporations and growth-oriented middle market businesses. Our key commercial banking products and services to corporate customers include (a) Credit Products and Structured Finance; (b) Cash Management; (c) Trade and Commodity Finance; (d) Investment Banking, Local Debt Syndication and Securitisations, (e) Financial Markets and (f) Corporate Deposits.

The following paragraphs describe the above products, except Financial Markets, which is discussed in the subsequent section on Financial Markets / Treasury.

(a) Credit Products and Structured Finance

Credit Products of our Bank include products like Working Capital Finance, Term Finance and Structured Finance. Our corporate loan portfolio primarily consists of term loans for project and corporate finance, and working capital credit facilities.

(i) Working Capital Finance: Under working capital finance, we offer the following products and services to our customers.

- Cash Credit / Overdraft Facilities: Cash credit facilities are the most common form of working capital financing in India. 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. Cash credit / Overdraft facilities are running account facilities where the borrower may remit and draw funds freely. 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.

  Cash credit facilities are extended to borrowers by a single bank, multiple banks or a consortium of banks with a lead bank. The nature of the arrangement is usually agreed between the bank or banks and the borrower and depends upon the amount of working capital financing required by the borrower, the risk profile of the borrower and the amount of loan exposure a single bank can take on the borrower. We are focused on rated large and emerging corporations and have participated in multiple bank and consortium arrangements. Regardless of the arrangement, we undertake our own due-diligence and follow our credit risk policy to determine whether we should lend money to the borrower and, if so, the amount to be lent to the borrower and the rate of interest to be charged. For more details on our credit risk procedures, please see the sub-section entitled 'Risk Management - Credit Risk" on page 50 of this Letter of Offer.

- Commercial paper: A commercial paper is an unsecured, short-term corporate paper in the nature of a usance promissory note with fixed maturities and is negotiable by endorsement and delivery. Under current guidelines, commercial paper can be issued for a minimum tenor of 15 days and a maximum tenor of 365 days. Commercial papers are generally issued by highly rated borrowers and since they are tradeable, they offer us a liquid investment opportunity.

- 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. In addition to traditional bill discounting, we also provide customised solutions to our corporate customers having large dealer networks. Loans are approved to dealers in the form of working capital lines of credit, based on analysis of credit risk profiles of dealers.

- Short-term loan: Short-term loans are demand loans with a maturity of three to six months provided by us to corporate borrowers to meet their temporary cash flow mismatches or to avail of interest rate arbitrage. They can be denominated in either rupee or foreign currency and can be disbursed as fixed rate loans or floating rate loans linked to our Bank's reference rate called IVRR or money market benchmark rates. Short term loans are usually provided to highly rated corporates and may be unsecured.

- Export Credit: The RBI requires banks to make loans to exporters at concessional rates of interest. 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. The interest income earned on export credits is supplemented through fees and commissions earned from these exporter customers from other fee-based products and services availed by them from us, such as foreign exchange products.
- Letters of Credit: We provide letter of credit facilities to our working capital loan customers both for meeting their working capital needs as well as for capital equipment purchases. For working capital purposes, we issue letters of credits on behalf of our borrowers for the sourcing of their raw materials and stock inputs. Lines of credit for letters of credit are approved as part of a working capital loan package provided to a borrower. These facilities, like cash credit facilities, are generally given for a period up to 12 months, with review after that period. Typically, the line is drawn down on a revolving basis over the term of the facility, resulting in a fee payable to us at the time of each drawdown, based on the amount and term of the drawdown.

  We issue letters of credit on behalf of borrowers both for domestic and foreign purchases. Borrowers pay a fee to us based on the amount drawn down from the facility and the term of the facility. This facility is generally secured by the same collateral available for cash credit facilities. We may also take collateral in the form of cash deposits, in the range of 5.0% to 20.0% of the drawdown amount, from our borrowers before each drawdown of the facility.
- Guarantees: We provide guarantees, which can be drawn down any number of times up to the committed amount of the facility. We issue guarantees on behalf of our borrowers in favour of corporations and government authorities. Guarantees are generally issued for the purpose of bid bonds, guaranteeing the performance of our borrowers under a contract as security for advance payments made to our borrowers by project authorities and for deferral of and exemption from the payment of import duties granted to our borrowers by the government against fulfilment of certain export obligations by our borrowers. 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 to that of letters of credit. 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.

(ii) Term Lending: Under term lending we offer following products and services

- Corporate Term Finance: Corporate finance is provided generally through term loans repayable over a period of typically between one and ten years. We also provide financing by way of investment in marketable instruments such as fixed rate and floating rate debentures. In the case of rupee and foreign currency loans, and debentures, we generally have a security interest and first charge on the fixed assets of the borrower. The security interest typically includes property, plant and equipment and other tangible assets of the borrower. We offer a variety of products that are designed to allow clients to effectively manage their balance sheets and cash flows, mitigate risks and enhance the credit rating of certain of their debt issuances.
- Structured Finance: Our structured finance business consists principally of extending medium-term and long-term rupee loans to our clients although we do provide financing in foreign currencies. We also provide guarantees to foreign lenders and export credit agencies, on behalf of our clients. Most of our structured financing business is for infrastructure sector and includes lending to power, telecommunications, road and port projects.

(b) 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, thereby streamlining their cash flows. Our cash management products include physical cheque-based clearing in locations where settlement systems are not uniform, electronic clearing services, central pooling of country-wide 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 check collection centre and speed of delivery. This also results in low-cost funds being maintained for short durations in checking accounts of customers. We also act as bankers to corporates for their dividend pay out to their shareholders, as also for interest pay out to the company's investors and depositors which results 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. Our customers include power and telecommunications companies. 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. We use the Internet as the delivery platform for this business-to-business electronic commerce product. Under this service, payments from our corporate customers to their suppliers and payments from the dealers to our corporate customers are made electronically. This service offers a high level of convenience since no physical instruments are required, all transactions are done online and the information may be viewed on the Internet. This product can be customised to meet the specific requirements of individual customers. 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. Some of these users are also using the platform for making payments and receiving collections from their channel partners.

(c) Trade and Commodity Finance

We provide trade and commodity finance services to a range of C&IB and EC clients positioning us as an innovative solution provider of international trade flows of our clients. The product suite, offered in close co-ordination with the global structured trade finance units of ING Bank includes pre-export finance, structured trade/commodity finance solutions and commodity derivatives.

(d) Investment Banking, Local Debt Syndications and Securitisations

Our investment banking services include providing financial advisory services for mergers and acquisitions, capital structuring/ restructuring, private capital raising and structured financing. We also undertake syndication of Indian Rupee debt, both in loan and bond forms, including plain vanilla debt and structured debt. The securitisation activities have primarily included portfolio acquisitions by the bank and we propose to securitize and distribute portfolios originated by our bank and other originators in future. The investment banking services are provided to a range of clients of C&IB and EC groups and also global clients of ING Bank N.V. For transactions involving global clients and cross-border transactions, we work closely with the global corporate finance and investment banking offices of ING Bank.

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.

We are also a Category I Merchant Banking registered with SEBI. For more details, please refer to the section entitled ‘Government Approval’ on page 180 of this Letter of Offer

(e) Financial Markets Products

Please refer to the sub-section entitled ‘Financial Markets / Treasury’ on page 45 of this Letter of Offer.

(f) Corporate Deposit Products

We take deposits from our corporate clients with terms ranging from 7 days (seven days in respect of deposits over Rs. 0.15 crores) to 10 years but predominantly from 7 days to one year. The RBI regulates the term of deposits in India, but not the interest rates, with some minor exceptions. Banks are not permitted to pay interest for periods less than seven days. Also, pursuant to the current regulations, we are permitted to vary the interest rates on our corporate deposits based upon the size range of the deposit so long as the rates offered are the same for every customer of a deposit of a certain size range on a given day. Corporate deposits include funds taken by us from large public sector corporations, government organizations, other banks and private sector companies.

We offer a variety of deposit products to our corporate customers. We market corporate deposits from branches and directly from our corporate office. We take rupee or foreign currency denominated deposits with fixed or floating interest rates. 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.

In addition to our corporate deposit taking activities described above, we also act as a banker to the market offerings of select companies on account of raising of equity or debt, buy back of equity and takeovers. These companies are required to maintain the subscription funds with the bankers to the offering until the allotment of shares/buy back of shares and the refund of excess subscription is completed. This process generally takes about 15 to 30 days, resulting in short-term deposits with us. We act as a banker to corporates for their dividend payout to their shareholders and interest payout to investors and depositors, which results in mobilising interest-free, float balances to us.

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.

III. Financial Markets / Treasury

Treasury is the Bank's interface to all Financial Markets. The Bank has a well-equipped Integrated Dealing Room at its Corporate Office in Bangalore. The latest technology, information systems and risk management systems have been deployed, manned by experienced market professionals.

We have an experienced team of money market dealers who ensure that our Bank is compliant with the Cash Reserve Ratio (currently at 5%) and Statutory Liquidity Ratio (currently at 25%) stipulations of the RBI. Funds inflows and outflows of the Bank are carefully monitored to ensure that funds are available to meet the Bank's requirements at all times. The extent of call money borrowing/ lending will be fine tuned to meet these requirements. Call money borrowing is usually well below the ceiling permitted by RBI (ceiling being 100% of Net Owned Funds). Cost of call money borrowings are less than NSE MIBOR. 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 Real Time Gross Settlements system. 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 also helps branches to dispose off their excess cash balances by deployment in mutual funds, thus helping to keep a check on idle funds.

Treasury manages the SLR requirements and also invests in Government of India securities, State Development Loans, Other Approved securities and Treasury Bills keeping in view market developments expectations of policy changes and interest rate movements. This portfolio has enabled the Bank to book large profits over the past several years, except in the first two quarters of the current financial year. Retailing of such securities has also been a profitable activity pursued by the Bank.

Treasury also invests in Non SLR instruments such as Commercial Paper, Corporate Debentures, PSU Bonds, Public Financial Institution Bonds, Bank Bonds, Mutual Funds, etc. This portfolio is managed with a view to capitalize on the market movements in interest rates and credit spread and also to deepen the relationships with corporate customers. Retailing of these securities has also been a profitable activity pursued by the Bank.

Forex business of the Bank is vibrant and contributed significantly to the profitability of the Bank. 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 constantly endeavors to grow the merchant volumes.

Our bank is active in the derivatives business across various products such as Interest Rate Swaps, Currency Swaps, USD / INR and G7 currency options. While INR IRS are used for trading and hedging, other products go to serve customer needs. Timely advice and delivery of these products benefits customers and thereby deepen 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.

Details of our investment portfolio for last three years and for the six months period ended September 30, 2004 are as follows:

(Rs in crores)

Sl. No.	Particulars	Year ending March 31,			Six Months ended September 30, 2004
		2002	**2003**	**2004**	
1.	SLR	2,420	2,320	2,947	3,341.20
2.	Non SLR	1,177	1,321	1,138	565.42
	Total	3,597	3,641	4,085	3,906.62
3.	Profits	160	207	185	(51.08)
4.	Turnover	37,792	59,425	21,662	15,881.00

Notes:

1. *Non SLR includes Equities. Trading in equities ceased in 2000-01*
2. *Non SLR includes MF investments. Tax benefit from Dividend Stripping in MFs is not reflected in the above table for 1999-00.*
3. *Integrated Treasury came into being from 2002-03 and arbitrage profits came to be captured in FX profits.*

(a) Forex Business

Our Forex business involves transaction in foreign currency with corporates and other banks. Details of our profits from our Forex business in last three financial years and for the six months period ended September 30, 2004 are as follows :

(Rs in crores)

Particulars	**Year ending March 31,**			**Six Months ended**
	2002	**2003**	**2004**	**September 30, 2004**
Total Profit	17.61	18.75	18.20	10.50

(b) Derivatives Business

Details of our profits/(loss) from our derivatives business in the last three financial years and for the six months period ended September 30, 2004 are as follows

(Rs in crores)

Particulars	**Year ending March 31,**			**Six Months ended**
	2002	**2003**	**2004**	**September 30, 2004**
Total Profit	2.21	15.99	(1.37)	(22.20)

ASSET COMPOSITION AND CLASSIFICATION

Loan Concentration

We follow a policy of portfolio diversification and evaluate our total financing exposure in a particular sector in light of our forecast of growth and profitability of that sector. Our risk, compliance and audit group monitors all major sectors of the economy and specifically follows sectors in which we have exposures. We seek to respond to any economic weakness in an industrial segment by restricting new exposures to that segment and any growth in an industrial segment by increasing new exposure to the segment, resulting in active portfolio management.

The following table represents our industry wise exposure on March 26, 2004 and September 24, 2004 being the last Friday of the reporting quarter.

(Rs. in crores)

Sr. No.	**Industry**	**Outstanding as on March 26, 2004**	**Outstanding as on September 24, 2004**
1	Automobiles including trucks	65	56
2	Cement	29	38
3	Chemical, Dyes and Paints, Drugs and Pharmaceuticals	224	230
4	Computer software	6	6
5	Constructions	56	57
6	Cotton and Textiles	234	155
7	Engineering	102	60
8	Food processing	119	94
9	Gems and Jewellery	355	360
10	Infrastructure	730	539
11	Iron and Steel	179	132
12	Jute textiles	23	24
13	Leather and leather products	7	5
14	Metals and metal products	24	65
15	Other industries	447	379
16	Other textiles	112	146
17	Paper & Paper products	97	99
18	Rubber and rubber products	29	22
19	Sugar	21	6
20	Vegetable oils	89	70
	Total	2,948	2,543

Pursuant to RBI guidelines our exposure to individual borrowers must not exceed 15% of our capital funds comprising Tier I and Tier II capital. Exposure to individual borrowers may exceed the 15% of our capital funds However, in some cases it may extend to another 5% (i.e. up to 20% provided the additional exposure is on account of infrastructure financing). Our exposure to a group of companies under the same management control must not exceed 40% of our capital funds unless the exposure is in respect of infrastructure project, in that case the exposure to a group of companies under the same management control may be up to 50% of our capital funds. Though we have adhered to the abovementioned RBI norms in general in some of the cases we exceeded the 15% cap on a single borrower with prior RBI approval.

The following table sets forth our total outstanding fund based exposure to our 10 largest single borrowers as at September 30, 2004.

(Rs. in crores)

Sl. No.	Name of the Account	Industry	Total outstanding fund based exposure
1	Borrower 1	Tele-communications	241.36
2	Borrower 2	Housing Finance	150.02
3	Borrower 3	Finance	106.89
4	Borrower 4	Housing Finance	100.00
5	Borrower 5	Telecommunication	76.51
6	Borrower 6	Paper	75.55
7	Borrower 7	Finance	65.85
8	Borrower 8	Finance	60.37
9	Borrower 9	Food Credit	50.19
10	Borrower 10	Information Technology	50.00
	Total		**976.74**

Directed Lending

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 19, 2004 and September 24, 2004 in these areas is given below:

Portfolio	Minimum Stipulation	March 19, 2004	September 24, 2004
Priority Sector Advances	40% of NBC	41.58 %	34.22%
Agriculture	18% of NBC	10.91%	9.54%
Weaker Section Advs.	10% of NBC	1.92%	2.16%
Export Credit	12% of NBC	10.01%	10.52%

(1) 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 and the balance to certain specified sectors, including small scale industries (defined as manufacturing, processing and services businesses with a limit on investment in plant and machinery of Rs. 10 million), small businesses, including retail merchants, professional and other self employed persons and road and water transport operators, housing loans up to certain limits and to specified state financial corporations and state industrial development corporations.

Our Bank is making continuous efforts to improve credit off-take from these sectors, and has introduced new schemes, like Business Loan (Trade), Gold Card Scheme for exporters, etc. 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 19, 2004

S. No.	Particulars	March 19, 2004
1	Agriculture	699.63
2	SSI	503.42
3	Other PSA	1,462.65
4.	PSA as a % of NBC	41.58

(2) Export Credit

As part of directed lending, the RBI also requires banks to make 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 the end of the any fiscal year, 12.0% 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.

(3) Housing Finance

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.

Classification of Assets

We classify our assets in accordance with RBI guidelines. Under these guidelines, an asset is classified as non-performing if any amount of interest or principal remains overdue for more 90 days, in respect of term loans. In respect of overdraft of cash credit, an asset is classified as non-performing if the account remains out of order for a period of 90 days and in respect of bills, if the account remains overdue for more than 90 days.

Assets are classified as described below:

Standard assets	Assets that do not disclose any problems or which do not carry more than normal risk attached to the business.
Sub-standard assets*	Sub-standard assets comprise assets that are non-performing for a period not exceeding 18 months
Doubtful assets	Doubtful assets comprise assets that are non-performing for more than 18 months
Loss assets	Loss assets comprise assets (i) the losses for which are identified (ii) that are considered uncollectible

*With effect from March 2005, an asset would be classified as doubtful if it remains in the category of sub-standard asset for 12 months as against prevailing norm of 18 months. However, banks would be allowed to phase the additional provisioning consequent upon the reduction of the transition period from sub-standard to doubtful assets from 18 months to 12 months over a four year period, commencing from the year ending March 2005, with a minimum of 20 percent each year.

Provision and Write-Offs

The RBI guidelines on provisioning and write-offs are as follows:

Standard assets	A general provision of 0.25%
Sub-standard assets	A general provision of 10%
Doubtful assets	A 100% write off is made of the unsecured portion of the doubtful asset and charged against income. The value assigned to the collateral securing a loan that is reflected on the borrower's books or that determined by third party appraisers to be realizable. In cases where there is a secured portion of asset, depending upon the period for which the asset remains doubtful, 20% to 50% provision on such secured assets is made as follows: Upto one year: 20% provision One year to three years: 30% provision More than three years: 50% provision
Loss assets	The entire asset is written-off/provided for
Restructured asset	A provision is made equal to the net present value of the reduction in the rate of interest on the loan over its maturity

Details of movement in NPAs during the year ended March 31, 2004 and six months ended September 30, 2004 is set below:

Rs. in crores

	Gross*	Net*
Opening balance as on April 1, 2003	202.88	199.13
Additions during the year ended March 31, 2004	162.97	162.97
Reductions (including write offs) during the year ended March 31, 2004	179.25	178.74
Closing balance as on March 31 2004	186.60	183.36
Additions during the six months ended September 30, 2004	65.95	65.95
Reductions (including write offs) during the six month ended September 30, 2004	39.90	39.38
Closing balance as on September 30, 2004	212.65	209.93

* Net off write-off

Details of movement in provisions of NPA are as follows:

Rs. in crores

	As at September 30, 2004
Opening Balance	Nil
Additions during the period	29.52
Recoveries/write-offs/write backs during the period	29.52
Closing balance	Nil

Our non-performing non-SLR investments moved in the following way during the six months period ended on September 30, 2004.

Rs. in crores

	As at September 30, 2004	As at March 31, 2004
Opening balance	25.62	28.35
Additions during the year/period	Nil	Nil
Reductions during the year/period	5.05	2.73
Closing balance	20.57	25.62
Total provisions held	20.57	25.62

FUNDING

Deposits

Our funding operations are designed to ensure stability of funding, minimise funding costs and effectively manage liquidity. Deposits are our primary source of funding. Details of our deposits as on March 31, 2004 and September 30, 2004 are as follows:

Rs. in crores

	September 30, 2004	March 31, 2004
Demand Deposits		
i. From Banks	14.90	19.32
ii. From Others	1,138.44	1,132.56
Savings Bank Deposits	1,603.27	1,458.34
Term Deposits		
i. From Banks	170.58	895.75
ii. From Others	7,546.50	6,972.09
TOTAL (I to III)	**10,473.68**	**10,478.07**
B. Deposits of Branches In India	10,473.68	10,478.07
TOTAL	**10,473.68**	**10,478.07**

Borrowings

Other than deposits, our source of fund is borrowings which constitutes borrowings in India as well as borrowings outside India. Details of our borrowings as on March 31, 2004 and September 30, 2004 are as follows:

Rs. in crores

	30 September 2004	**31 March 2004**
I. Borrowings in India		
i. Reserve Bank of India	-	-
ii. Other Banks	349.65	286.97
iii. Other Institutions and Agencies	115.72	479.98
II. Borrowings outside India	127.54	197.39
TOTAL (I to II)	**592.91**	**964.34**

Secured Borrowings included in (I) & (II) above is NIL (31 March 2004 : NIL)

RISK MANAGEMENT

As a financial intermediary, we are exposed to risks that are particular to our lending and trading businesses and the environment within which we operate. Our goal in risk management is to ensure that we understand, measure and monitor the various risks that arise and that the organization adheres strictly to the policies and procedures, which are established to address these risks.

(a) Credit Risk

“Credit Risk” is one of the standard risks run by a Commercial Bank, and is defined as ‘the possibility of loss due to the failure of a borrower or counter party to repay the loan or abide by the terms and conditions of any financial contract’ with the bank.

We have an independent Credit Risk Management Department (CRMD) to take care that this aspect is handled efficiently, to ensure that the business grows in direction and at pace that is consistent with the Bank’s appetite for risk and its ability to manage them and the risks are understood, appreciated, measured, explained and monitored consistently. Independent perspectives on overall risks (both transactional and portfolio issues) are also provided to all stake holders.

Credit Risk management in our Bank is handled through the constitution of various board level and executive level committees at Corporate Office and Regional level to lay down policies or approve and monitor individual or portfolio risks. A detailed Credit Manual and an Annual Credit Policy Document clearly articulate the credit risk philosophy of the Bank, and there is a segregation of responsibility for credit growth from credit approval process, with the final authority vesting with CRMD functionaries, rather than at the level of Business Heads. Independent vetting of loan documents before disbursal of loans, monitoring & follow-up guidelines, with special emphasis on ‘Early Warning Signals’, and periodical portfolio reviews, and reporting also form a part of the credit risk management process. CRMD functions both at Corporate Office and Regional Levels, and deals with all the business units, viz., Wholesale Banking and Retail Banking.

Some of the processes completed before making available credit facilities to a borrower are:

- Unit visits and credit investigation;
- Obtention of financial statements and other documents;
- Evaluation of various risks, like the industry risk, business risk, management risk, financial risk, structure risk and take-out risk;
- A detailed appraisal based on the nature of credit facility sought (like project loan, working capital facility, consumer loan, etc);
- Credit Risk Rating (CRiR) and Facility Risk Rating (FRR), and risk based pricing;
- Evaluation of primary and collateral security;
- Stipulation of standard terms, conditions and covenants.

All officers and executives dealing with credit have required knowledge and experience and are imparted with training - both in-house and in outside training institutions like National Institute of Bank Management, Bankers’ Training College, etc. They also have access to various industry research reports, rating reports from rating agencies, etc.

Relationship Managers submit detailed credit submissions to appropriate authorities or committees which are delegated with powers to approve the credit limits. On receipt of such approvals, and completion of legal and security documentation, authorize disbursal of loans. As per the system of ‘Delegation of Powers’ followed by the bank, generally, smaller loans are approved at the level of Relationship Managers/Branch Heads, other facilities upto Rs. 3 crores approved at Regional level, and higher limits at Corporate Office. The emphasis is on quick turnaround time, sharing of expertise and adherence to credit policy of the bank. Loans approved are also subject to 'one level higher review' on sample basis.

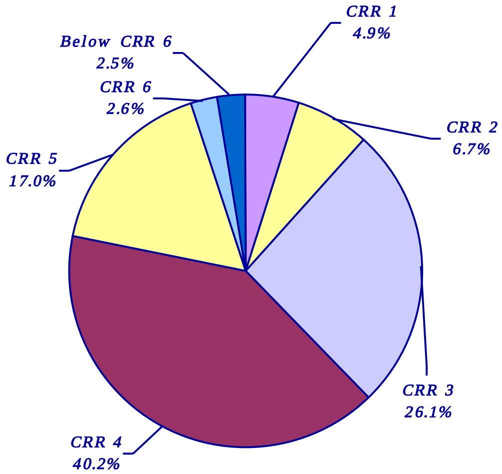
Our Bank follows the following principles to manage credit risk issues:

- Individual credit exposures are considered as aggregate of fund, non-fund, investment, Cash Management Services, derivative and other similar exposures.
- Individual and group exposure norms, as per 'Prudential Norm guidelines' of Reserve Bank of India are strictly followed. These guidelines ensure that there is no credit concentration on any individual corporate or group. Presently, the ceiling applicable to our Bank are as under:

The prudential exposure limits based on the Tier-I and Tier-II capital position as on 31.03.2004 (Rs 971.13 Crores) are as follows:

Sr. No	Particulars	Exposure Ceiling (As % of Capital Funds)	Exposure Ceiling (Rs. Crores)
01	Single Borrower	15%*	145.66
02	Single borrower - (Infrastructure Projects)	20%	194.22
03	Group Borrowers	40%	388.45
04	Group Borrowers - (Infrastructure Projects)	50%	485.56

* For some of borrowers, we exceeded 15% limit with prior consent of RBI.



Apart from this, we follow a risk-grid, where individual exposure limits and tenors are capped, based on risk rating of the company. Any higher exposure can be taken only by the Executive Credit Committee.

In order to ensure dispersal of credit risk across different industries/segments, our Bank prescribes a general ceiling of 10%, and specific ceilings on those industries where we have presence. Such industries/ segments include Gems & Jewellery (8%), Education and Health Services (6%), and Consumer Durables (white goods) 5%. Exceptions to this rule are in respect of Agriculture (18%) and Infrastructure (12%). Our bank is well within all these ceilings.

Further, there is also a 'Restricted list' of industries to which either exposures should not be taken or taken selectively. Some examples are: Construction of hotels/resorts/amusement parks, defense/weapons procurement, aquaculture, granite quarries; projects which may have negative socio economic impact, etc. There is also a cap of 5% on 'Sensitive Sector' exposure, which includes exposure to capital markets, real estate, commodities, etc.

Risk Rating based analysis of credit portfolio is done periodically, and the distribution of Standard Assets as on September 30, 2004 is as under:

Loan Review Department (LRD) of the Bank captures details of individual loan accounts of Rs. 0.05 crores or more on monthly basis, and identifies developing delinquencies. Based on aging of overdues, such accounts are escalated to appropriate levels for follow-up and recovery.

Portfolio Reviews are generally done annually, or earlier if required, to understand developments in industries/segments where our Bank has significant exposure, review larger individual accounts in such portfolio, and identify accounts where growth opportunities are there, and which need to be exited. Such reviews carried out in the current half-year include Readymade Garments, Information Technology, Auto Ancillary, Steel Industry, Construction & Cement Industry, etc.

Work has been initiated in preparing the Bank to be Basel II Compliant. The roadmap provided by ING Vysya Enterprise wide Risk Assessment (IVERA) and subsequent operational inputs are provided by ING Bank would ensure that the Bank achieves progress on this front in a time bound manner. Further, special projects are being initiated to improve Credit MIS in the Bank and implement RAROC (Risk Adjusted Return on Capital).

Apart from fund based credit facilities, our Bank also provides non-fund credit facilities like Letters of Credit and Guarantees. These are also treated on par with loans for evaluation of credit risk, and the same guidelines as enunciated earlier are followed. The position of non-fund business as on March 31, 2004 and September 30, 2004 was as under:

(Rs. in crores)

Non Fund Business	**As on 31.03.2004**	**As on 30.09.2004**
Bank Guarantees	1,003.94	960.33
Letters of Credit	828.11	1,013.95
Total	1,832.05	1,974.28

CRMD is also involved in approving any new credit product launched by the bank, or in approving standard legal documentation.

(b) Market Risk

Market risk deals with the potential losses due to change in market variables such as interest rates, exchange rates and equity prices.

Within the Bank, the Market Risk Management Department (MRMD) looks after two areas:

- Trading Risk Management deals with pure trading activities of the Treasury
- Asset and Liability Management deals with the risk of the complete balance sheet.

The Board of Directors approves the policies relating to Market Risk. The following policies are in place in order to tackle market risks:

- Investment Policy
- Risk measurement Policy
- ALM policy

The board has constituted the following committees for tackling market risks:

(i) Risk Management and Review Committee (RMRC)

The RMRC is a specialized sub committee of the Board of Directors. The RMRC monitors all the risks associated with the Bank's activities, including Market Risk, and advises the Board of Directors on risk related matters.

(ii) Asset Liability Management Committee

The Board has delegated the responsibility for balance sheet management to the Asset and Liability Committee (ALCO). The ALCO is chaired by the Chief Market Risk Officer. Other members include the Managing Director and CEO, Chief Financial Officer, Chief Credit Officer, Head of Financial Markets and heads of various business units.

The ALCO is assisted by Treasury and the Market Risk Management Department in the day-to-day operations.

(c) Trading Risk Management

Trading Risk Management deals with the trading activities of the Treasury. This consists of transactions involving SLR and non-SLR bonds, Derivatives and Foreign Exchange activities. The Investment policy sets the various limits, controls and general guidelines for the Treasury operations.

(i) Value at Risk

In order to measure the risk in the Trading portfolio, the Bank has implemented a Value at Risk Model. Value at Risk calculates the probability that the loss in the next 99 out of 100 days is less than a certain amount. Limits are set for each activity and monitored on a daily basis. Daily back testing is performed in order to check the validity of the model.

(ii) Event Risk

In extreme scenarios the losses of the Bank might actually exceed the losses as predicted by the Value at Risk model.

Therefore the Bank calculates the outcome of extreme scenarios, as well as combinations of scenarios on a daily basis. These scenarios include Parallel shifts up and down, upward and downward sloping yield curves scenarios, devaluation fear scenarios and combinations of scenarios for different currencies.

(iii) Stop loss triggers

Stop loss triggers are set for the various activities. In case the loss for a day, week or month exceeds a set limit, the positions are discussed by the Treasurer, Managing Director and the Chief Market Risk Officer. Action is taken based on these discussions.

(iv) Other limits

Apart from the risk controls mentioned above, the Bank has the following limits in place: Holding Period Limits, Book size Limits, Deal size limits, Tenor limits, GAP limits for Foreign Exchange positions, Daylight limits and Overnight limits for Foreign Exchange positions.

(v) Concurrent Audit

All Treasury activities are subject to concurrent audit.

(d) Asset and Liability Management

The Asset and Liability Management within Bank focuses on managing the risk in the Balance Sheet, dealing with pricing of Assets and Liabilities to provide stable and growing earnings while efficiently managing liquidity and earnings risk generated in the Banking book.

(i) Liquidity Risk

Liquidity Risk arises out of maturity mismatch between Banks Assets and Liabilities. Funding decisions are made based on regular review of structural and dynamic liquidity requirements of the Bank. This ensures sufficient cash flows to meet all financial commitments of the Bank while making most of the market opportunities. The following table shows the maturity profile of the key assets and liabilities as of September 30, 2004.

Rs. in crores

Particular	1 to 14 days	15 to 28 days	29 days and upto 3 months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 years and upto 5 years	Over 5 years	Total
Assets									
Investments	608.71	132.42	63.80	34.41	999.96	361.47	87.77	1,618.08	3906.62
Advances	925.57	174.62	1,017.17	906.86	1,002.19	2,118.92	660.30	430.47	7,236.64
Liabilities									
Deposits	1,528.71	336.74	910.07	1,650.21	2,051.59	3,718.75	169.61	108.00	10,473.68
Borrowings	300.95	46.30	-	131.91	104.16	5.90	3.22	0.47	592.91
Foreign currency assets/liabilities									
Foreign Currency Assets	109.32	53.18	193.89	114.48	1.65	-	-	-	472.52
Foreign Currency Liabilities	303.57	48.10	13.61	157.01	86.14	57.95	-	-	666.38

(ii) Earnings at Risk

Earnings at Risk are defined as the impact on the earnings of the Bank due to changes in interest rates of assets and liabilities.

In order to manage the quality of the Balance Sheet, the ALCO:

- Assesses and formulates Balance Sheet strategies to minimize the cost of funding and enhance the net interest rate margins ALCO will advise on the limits to be set on interest rate risk and liquidity risk of the Banking books, which are approved by the Board. The ALCO tries to maximize earnings of the Bank within these limits.
- Reviews the market trends which impact the Bank's Balance Sheet
- Manages liquidity risk through gap analysis method based on bucketing of cash flows into defined time buckets.
- Manages the structural liquidity, including cash flows, funding diversification and maintenance of minimum levels of liquidity assets and
- Reviews pricing of ad hoc wholesale deposits

- Sets rates for the Transfer pricing for different types of assets and liabilities.
- Sets the guidelines for the management of the Investment book of the Treasury.
- Formulates contingency plans

In order to measure and manage the various risks associated with Assets and Liabilities, the Bank has installed state of the art ALM software. With this tool it is possible to simulate various scenarios in terms of interest rates, growth rates, repricing of assets/ liabilities, and forecast Net Interest Income, changes to the earnings of the Bank, etc., providing inputs for strategic decision making.

INSURANCE

We maintain Banker's Indemnity Policy with Oriental Insurance Company Ltd. to cover losses due to tampering or delay in SWIFT/TT Messages or fraud by outsiders on the Bank or stealing of security instruments or risk arising out of outsourcing, etc., at locations within our registered office, administrative offices including 396 branch offices, 68 extension counters and 34 ATM's. Our Banker's Indemnity Policy covers risk up to a sum insured of Rs. 0.75 crores. We maintain Public Liability Insurance Policy with Oriental Insurance Company Ltd. to cover our public liability non-industrial risks at locations within our Bank premises. Our Public Liability Insurance Policy covers risk up to a sum insured of Rs. 2 crores aggregate during the policy period. We also maintain a 'Corporate Guard for Directors and Officers Policy' with Tata AIG General Insurance Company Ltd. for an aggregate liability of Rs. 2 crores for all losses. Other insurance maintained by us include Electronic Equipment Insurance Policy with the Oriental Insurance Company Ltd. to cover risks on electronic equipments including new servers for clearing house, networking for systems, building management systems and EPABX systems for a sum insured of Rs. 0.11 crores; Standard Fire and Special Perils Policy with the Oriental Insurance Company Ltd. to cover risks on buildings against fire and allied perils including earthquake and terrorism risks; Machinery Breakdown Policy; Special Contingency Policy to cover laptops, ATMs, etc. and Group Personal Accident Policy. Our insurance policies are for one year, and we intend to renew these policies upon expiration.

COMPETITION

Retail Banking

In Retail Banking, our competition comprises public sector banks, foreign banks and private sector banks, NBFCs. In the consumer banking segment, competition comes primarily from foreign banks and private sector banks, which are able to mobilize low cost deposits through the offering of superior service and products. They have also been very successful in generating volumes in consumer lending through aggressive distribution and in some case pricing. We do believe that the developments in the retail space in the last 12 months have given us some measure of concern and hence we have been conservative in building our current portfolio. We do expect that the market dynamics will correct themselves in the next 6 to 12 months, and the Bank will be well positioned for growth in the retail space. In the small and medium enterprise segment, the competition has come primary from public sector banks, whose extensive branch network has helped them to service the needs of this widely dispersed segment. Similarly, the public sector banks have been the prime competition for the agriculture and social banking unit due to their wide reach, especially in rural areas, as well as the security that the mass Indian populace perceives in public sector banks.

In Private Banking, we face competition mainly from foreign and new private banks.

However, due to the competitive strengths of ING Vysya Bank as well as strategies being implemented, previously mentioned, we feel we can make inroads and gain market share in each of our Retail Banking segments.

Wholesale Banking

In Wholesale Banking, our competition comprises public sector banks, foreign banks, private sector banks and NBFCs. Our principal competition in the lending products comes from public sector banks, many of whom have extensive branch networks enabling them to raise low-cost deposits and, consequently price their loans and fee-based services very competitively. Their wide geographical reach facilitates the delivery of banking products to their corporate customers located in most parts of the country. We have been able to compete effectively because of our efficient service and prompt turnaround times that we believe are significantly faster than public sector banks. We seek to compete with the large branch networks of the public sector banks through our multi-channel distribution approach and technology-driven delivery capabilities. Traditionally, foreign banks have been active in providing trade finance, fee-based services and other short-term financing products to top tier Indian corporations. We effectively compete with foreign banks in cross-border trade finance as a result of our wider geographical reach relative to foreign banks, our trade financing solutions and by utilizing the global network of ING. We have established strong fee-based cash management services and compete with foreign banks due to our technological edge and competitive pricing strategies. New private sector banks also compete in the corporate banking market on the basis of efficiency, service delivery and technology. We believe our strong corporate relationships and value-added products and services provide us with a competitive edge. In investment banking, we compete with the focused investment banking houses and investment banking departments of foreign banks. We believe our strong local and global relationships, ability to leverage ING's global network and product and service delivery capability allows us to effectively compete in this market.

HISTORY OF THE BANK AND OTHER CORPORATE MATTERS

Our Bank was incorporated as The Vysya Bank Limited on March 29, 1930 under the provisions of the Mysore Companies Regulation, 1917 with its registered office at Avenue Road, Bangalore City. The Certificate of Commencement of Business was obtained on July 24, 1930. The registered office was shifted from Avenue Road, Bangalore City to No. 72, St. Marks Road, Bangalore and again to the present registered office in ING Vysya House, No. 22, M.G.Road, Bangalore. The name of our Bank was changed from The Vysya Bank Limited to ING Vysya Bank Limited on December 7, 2002.

The Equity Shares of our Bank was first listed on December 13, 1965 on the Bangalore Stock Exchange. Thereafter, the Equity Shares were listed on the Hyderabad Stock Exchange, the Madras Stock Exchange, The Stock Exchange, Mumbai and the National Stock Exchange of India Limited. Recently we voluntarily delisted our Equity Shares from the Madras Stock Exchange and Hyderabad Stock Exchange with effect from August 23, 2004 and March 31, 2004 respectively.

Our Bank was originally promoted by a group of persons headed by the late Mr. Margapuram Chengaiah Chetty. His efforts were continued by Mr. P.S.Chetty, Mr. S.V. Srinivas Setty, Mr. M.R.Arya, Mr. M.V.N Setty and Mr. T.K.K. Bhagat amongst others. Thereafter, Mr. G.M.Rao and certain other persons and entities ("GMR Group") acquired a significant 28% of the shareholding of our Bank and were reported as Promoter Group in our statutory/regulatory filings from time to time. Their current shareholding in our Bank has fallen to 0.3%.

Between 1996 and 2002, Bank Brussels Lambart (100% of which was subsequently acquired by ING Bank N.V. in 1998) through its subsidiaries BBL Mauritius Holdings (now known as ING Mauritius Holdings) and BBL Mauritius Investments (now known as ING Mauritius Investments I) (ING Bank N.V. through ING Mauritius Holdings and ING Mauritius Investments I collectively known as the "ING Group") acquired a significant 43.99% of the shareholding in our Bank, in the following manner:

Year	Percentage acquired	Mode of acquisition
December, 1996	5%	Acquired by BBL Mauritius Holdings by way of a preferential allotment
November, 1997	5%	Acquired by BBL Mauritius Holdings by way of a preferential allotment
November, 1999	10%	Acquired by BBL Mauritius Investments by way of a preferential allotment
March, 2001	2.5%	Acquired by BBL Mauritius Investments and BBL Mauritius Holdings by way of a preferential allotment. This was done in order to enable the ING Group to maintain a 20% holding on the expanded capital base
September, 2002	23.99%	Acquired by BBL Mauritius Holdings from the GMR Group by way of an inter-se transfer of shares between Promoters.

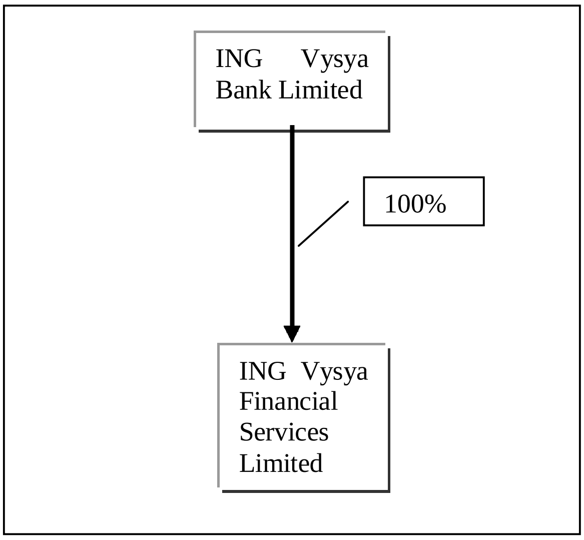
Pursuant to the ING Group's purchase of 23.99% of the shareholding of the Bank from the GMR Group, the composition of our Board was changed by inducting 7 representatives of the ING Group. In addition to the then existing 2 representatives of the ING Group in the Board, 2 representatives of the ING group were inducted at the Board meeting held on September 13, 2002 and 3 representatives of the ING Group were inducted at the Board meeting held on October 21, 2002. At the end of Fiscal 2003, out of the 15 directors on our Board, 7 directors were representing the ING Group, 3 directors were representing the GMR group and 5 directors (including 1 RBI nominee) were independent.

As on the date of filing this Letter of Offer, the GMR Group holds 69,312 shares of our Bank representing 0.3% of our pre-Rights Issue equity (issued capital) and the ING Group holds 99,68,120 shares of our Bank representing 43.82% of our pre-Rights Issue equity (issued capital). As on the date of filing this Letter of Offer, out of the 15 directors on our Board members, 8 directors are representing the ING Group, 1 director is representing the GMR group, and 6 directors (including 1 RBI nominee) are independent.

Please refer to Page no. 73 and 61 of this Letter of Offer for further details regarding 'Our Promoters' and 'Our Management' respectively.

Our Corporate Structure

Our existing corporate structure is as under:



Objects of the Bank

Our objects as contained in our Memorandum of Association are:

a) carrying on the business of accepting deposits of money on current account or otherwise subject to withdrawal by cheque, draft or order or otherwise and to carry on business of banking in all its branches and departments;

b) the borrowing, raising or taking up of money; the lending or advancing of money either upon or without security; the drawing, making, accepting, discounting, buying, selling, collecting and dealing in bills of exchange, hundies, promissory notes, coupons, drafts, bills of lading, railway receipts, warrants, debentures, certificates, scrips and other instruments, and securities whether transferable or negotiable or not; the granting and issuing of letters of credit, travellers' cheques and circular notes; the buying, selling and dealing in bullion and species; the buying and selling of foreign exchange including foreign bank notes; the acquiring, holding, issuing on commission, underwriting and dealing in stock, funds, shares, debentures, debenture-stock, bonds, obligations, securities and investments of all kinds; the purchasing and selling of bonds, scrips or other forms of securities on behalf of constituents or others, the negotiating of loans and advances; the receiving of all kinds of bonds, scrips or valuables on deposit or for safe custody or otherwise; the providing of safe deposit vaults; the collecting and transmitting of money and securities;

c) acting as agents for any Government or Local Authority or any other person or persons; the carrying on of agency business of any description including the clearing and forwarding of goods, giving of receipts and discharges and otherwise acting as an attorney on behalf of customers, but excluding the business of a managing agent or secretary and treasurer of a company;

d) contracting for public and private loans and negotiating and issuing the same;

e) the effecting, insuring, guaranteeing, underwriting, participating in managing and carrying out of any issue, public or private, of State, municipal or other loans or of shares, stock, debentures, or debenture stock of any company, corporation or association and the lending of money for the purchase of any such issue;

f) carrying on and transacting every kind of guarantee and indemnity business;

g) managing, selling and realizing any property which may come into the possession of the bank in satisfaction or part satisfaction of any of its claims;

h) acquiring and holding and generally dealing with any property or any right, title or interest in any such property which may form the security or part of security for any loans or advances or which may be connected with any such security;

i) undertaking and executing trusts;

j) undertaking the administration of estates as executor, trustee or otherwise;

k) establishing and supporting or aiding in the establishment and support of associations, institutions, funds, trusts and conveniences calculated to benefit employees or ex-employees of the bank or the dependents or connections of such persons; granting pensions and allowances and making payments towards insurance; subscribing to or guaranteeing moneys for charitable or benevolent objects or for any exhibition or for any public, general or useful object;

l) the acquisition, construction or maintenance and alteration of any building or works necessary or convenient for the purpose of the bank;

m) selling, improving, managing, developing, exchanging, leasing, mortgaging, disposing of or turning into account or otherwise dealing with all or any part of the property and rights of the bank;

n) Subject to and in accordance with the law for the time being in force:

- amalgamating with any other Banking Company,
- purchasing or acquiring and undertaking the business in full or part of any person, company, partnership or association carrying on or formed to carry on any business or having objects altogether or in part similar to those of this Bank and paying for the same either in cash or debentures or other securities or in shares partly or fully paid up,
- selling or otherwise disposing of and dealing with the property, assets or undertaking of this Bank or any part thereof either for present or deferred payments in cash or other consideration in money or money's worth such as shares, securities or debentures issued or allotted to the Shareholders of this Bank;

o) doing all such other things as are incidental or conducive to the promotion or advancement of the business of the bank;

p) any other form of business which the Central Government may, by notification in the Official Gazette, specify as a form of business in which it is lawful for a banking company to engage;

q) to carry on the business of Life Insurance including Pension, Health Insurance, Marine Insurance and Aerial Insurance, Transit Insurance, Fire Insurance, Cattle and Crop Insurance and all other types of General Insurance of properties of all kinds and the business of underwriting, guaranteeing, reinsuring all risks either on its own or along with other Insurance Companies and to carry on all such business allied to insurance and to receive the premium and to share such premium with other Insurance Companies;

r) to undertake the business of financing housing activities by providing long term or short term loans or financial assistance of any kind for construction, purchase, acquisition, improvement or repair of residential houses, flats, halls and commercial buildings for the purpose of office, residence, guest house, religious, recreational or social activities of every individual, corporate bodies, companies, firms, societies or associations including the public at large;

s) to become a member (including ordinary life, professional, clearing and trading) of any Association, Company, Charitable Institution, Chamber of Commerce or similar public institutions to promote trade, options and future business, commercial, art, cultural and social activities and to contribute to their equity, corpus fund, guarantee fund or donate monies for such purposes.

The objects clause of the Memorandum of Association of our Bank enables us to undertake our existing activities and the activities for which the funds are being raised through this Issue.

Changes in Memorandum of Association

During the last ten years, the following changes have been made to our Memorandum of Association:

Date of shareholder approval	Changes
September 21, 2002	Change of name of the Bank from The Vysya Bank Limited to ING Vysya Bank Limited
September 27, 1999	Increase in the Authorised Share Capital of the Bank from Rs. 100 crores to Rs. 200 crores divided into 10 crore equity shares of Rs. 10 each and 10 crore preference shares of Rs. 10 each
September 16, 1998	Amendment to the objects clause of the Bank by way of addition of sub-clauses (q), (r) and (s) in Clause 3 of the Memorandum of Association.
September 28, 1995	Increase in the Authorised Share Capital of the Bank from Rs. 25 crores to Rs. 100 crores divided into 10 crore equity shares of Rs. 10 each.

The details of the capital raised by our Bank are given in the section entitled "Capital Structure" on page 9 of this Letter of Offer.

Summary of Key Agreements

We have detailed below the key provisions of certain agreements which the Bank has entered into with its shareholders and associate companies.

Agreement with IFC

IVBL, Bank Brussels Lambert ('BBL', which later merged into ING Bank N.V.) and IFC executed a Share Retention and Undertaking Agreement on March 24, 2001. Some of the important provisions contained in this Agreement are:

BBL undertakes that if it obtains a bona fide offer from a purchaser for its or the Shares of any member of the BBL Group, then prior to selling its shares, BBL shall first obtain and offer to IFC, the same sale terms it has obtained and at IFC's option will first arrange the sale of the requisite number of IFC shares. IFC shall retain this option until it has completely divested all its shares in the Bank.

BBL shall make reasonable endeavors to procure that, if IFC so requests and provided that at that time IFC holds 5% of the total issued paid up equity share capital of the Bank, a nominee of IFC will be appointed to the Board

IFC will have preemptive rights in any share capital increase in the Bank, in the proportion of IFC's shareholding level prior to such capital increase, such that IFC's shareholding after such share capital increase does not exceed 10% of the total issued share capital of the Bank.

The Bank will not enter into any long term/strategic investments which are not in the ordinary course of business save and except in mutual funds, insurance, insurance broking, securities broking and consumer finance business, without the consent of IFC

This Agreement shall terminate upon the later of the disposal or other divestment by IFC of its shareholding in the Bank.

Agreement with Associate Companies

A. ING Investment Management (India) Private Ltd

1. Nationale Nederlanden Interfinance BV (ING), Kirti Equities Private Limited (Mehtas), ING Investment Management (India) Private Ltd (IIML) and the Bank entered into a Subscription and Shareholders Agreement on July 3, 2003. Pursuant to the terms of this Agreement, the Bank agreed to participate and hold equity shares entitling the Bank to a 26% in the equity capital of IIML. The Agreement shall remain in full force and effect until the earlier of (i) dissolution or liquidation of IIML (ii) listing of shares of IIML with any stock exchange (iii) termination of the provisions of this Agreement (iv) with respect to the party who transfers all its shares. The main provisions of this Agreement are reflected in the Articles of Association of IIML as shown below:

   - No party to the Agreement shall transfer its Shares in IIML to any person, unless such offer of transfer is first made to ING or its nominee. If the offer is declined or deemed to be declined, the shares can be offered on the same terms and conditions to any persons. If the terms and conditions of the offer are revised, the revised offer must be first made to ING or its nominee.
   - ING shall not transfer its Shares in IIML to any person, unless such offer of transfer is first made to IVBL or its nominee. If the offer is declined or deemed to be declined, the shares can be offered on the same terms and conditions to any persons. If the terms and conditions of the offer are revised, the revised offer must be first made to the nominee of IVBL. If ING sells off its entire shareholding in IIML, then the rights enjoyed by ING hereunder would be passed on to IVBL, provided IVBL takes a majority shareholding in IIML.
   - ING may propose to Mehtas to sell and transfer to ING or a party, designated by ING in its sole discretion, a number of shares, which will cause the total participation of Mehtas after execution of such sale to drop to 15 % of the subscribed capital of the Company. Such sale and transfer of shares shall be completed within 60 days from the date of such proposal by ING to Mehtas. The price per share for dilution from 18.5% to 15% shall be as agreed upon between ING and Mehtas' in the shareholders agreement.
   - The key events of defaults of the Shareholder (known as "Selling Shareholder") for which the Selling Shareholder has to offer its holding in the Company to the other Continuing Shareholders (known as "Continuing Shareholder") are as follows:
     - if Selling Shareholder goes into liquidation, whether voluntary or compulsory, or makes a composition with its creditors, or
     - the rights or obligations of any Shareholder are materially altered as a result of any legislative, executive or regulatory act of the Government of India or any instrumentality thereof;
     - there is a change of control of a Shareholder or Parent company of a Shareholder.
   - Upon the occurrence of an event of default by a Shareholder, the non-defaulting Shareholders, shall have the right to (i) purchase the shares of the Defaulting Shareholder or (ii) require the Defaulting Shareholder to sell its Shares to a third party designated by the Continuing Shareholder or (iii) to sell its Shares to the Defaulting Shareholder
   - ING shall have the right at all times to nominate a minimum of 50% of the number of Directors, other than the independent Directors, subject to a maximum of 4, who shall be non-retiring Directors on the Board of Directors of IIML.

- Mehtas and IVBL shall have the right to nominate one Director each, other than the independent Directors, who shall be non-retiring Directors.
- The Board shall elect its Chairman, who shall be an ING nominated director.
- IIML shall have one Managing Director, who shall be nominated by ING.
- Notwithstanding anything contained in the Articles, the Company shall not take any action in respect of certain matters except (i) at the Board level with the affirmative vote of all the directors nominated by ING and (ii) at the shareholders level by resolution passed by the vote of at least 75% of the Shares represented at a general meeting.

B. ING Vysya Life Insurance Company Private Limited Agreement

(i) ING Insurance International B.V. (ING), IVBL, GMR Technologies and Industries Limited (GMR) and ING Vysya Life Insurance Company Private Limited (IVL) executed a Joint Venture Agreement on July 1, 2001. Some of the provisions of this Agreement are reflected in the Articles of Association of IVL.

- The shares of IVL shall be issued in the following manner: 26% to ING, 49% to IVBL and 25% shall be issued to GMR.
- As part of the terms of the Agreement, IVBL is to make available to the company its existing and future distribution network and clients. IVBL shall also provide banking services to the company at arms length and at competitive prices.
- Parties have agreed that if at all, at the request of ING and IVBL the shareholding of the IVBL can be diluted to 40% and GMR can increase its share capital to 34%.
- The shares of IVL shall not be pledged as collateral for any shareholders general debt unconnected with the business of IVL except with written consent of the non borrowing shareholders.
- IVBL can transfer shares by giving a notice and specifying the number of shares to be transferred, to the other shareholders. ING can choose to exercise its pre-emption right or not.
- The parties agree that they shall not be involved, directly or indirectly in setting up or be associated with acquiring an interest in any other life insurance company.
- The agreement may terminate for the specific shareholder, if there is any change of control in respect to shareholder, or if any party ceases to be a shareholder.

(ii) ING Vysya Life Insurance Company Limited (IVL) and ING Insurance International B.V (ING) entered into a Trademark User Agreement on September 11, 2002 wherein ING as the Licensor has granted a non exclusive, royalty free right to IVL to use the trademark "ING Vysya Life Insurance Company Private Limited". This Agreement shall remain in force until the earlier of either (i) termination of the provisions of this Agreement (ii) termination of the joint venture agreement as regards ING or (iii) the expiration of the term of validity of the registration of the trademark.

The main provision of this Agreement are

- ING shall at all times hold all rights relating to this trademark
- ING shall provide the prior approval for all intended usage of the trademark by IVL.
- IVL undertakes to use the trademark in a specific manner and form as approved by ING.
- ING reserves the right to terminate the agreement in case of any material change in the shareholding of the company.

Agreement with Subsidiary

ING Vysya Financial Services Limited (IVFSL) and IVBL have entered into an Agreement dated August 26, 2004, wherein it was agreed that IVFSL shall act as the service provider and promote services of IVBL. The services to be provided to IVBL are marketing/selling financial products, distribution of pamphlets, brochures, Touch Point verification, info dissemination, customer contracts verification. The Agreement comes into force on April 1, 2004 and shall be valid for period of 3 years, unless terminated earlier. IVBL shall pay fees / charges to IVFSL specified.

Certain other agreements

(i) Trade Mark License Agreement with ING Groep N.V.

ING Groep N.V (ING) and IVBL have entered into a Trade Mark License Agreement on December 7, 2002, wherein ING Groep N.V as the Licensor, has granted to IVBL (Licensee), a non-exclusive, royalty free license, to use the trademarks 'ING (blue letters) lion (orange colour)', 'ING lion (black and white)' and 'ING (word mark)' (i) in the manner specified and solely for conducting IVBL's business and (ii) to grant a sub license to Vysya Financial Services Limited, to use the same. The Agreement shall remain in force until the earlier of (i) termination as per provisions in this agreement (ii) if the holding of ING in IVBL falls below 26% (iii) change of control in ING such that ING Groep N.V. ceases to be the ultimate beneficial owner of the shares held by its subsidiaries in IVBL (iv) merger of IVBL with any other bank or financial entity. The main provisions of this agreement are as follows

IVBL is allowed to use the Trademarks within the territory in accordance with the terms of this Agreement and is also allowed grant a sublicense to Vysya Financial Services to use the trademarks in the manner specified.

All the rights in relation to the Trademark belong to ING. IVBL is not allowed to apply for registration of the trademark or any words, phrases, combination of colors or logos capable of being confused with Trademark, after the termination of this Agreement, nor are they allowed to use any mark similar to the trademark under this Agreement.

Except as permitted by this Agreement, the Licensee must not use any other trademark or logo which is similar to, substantially similar to, or so nearly resembling the Trademarks as to be likely to cause deception or confusion. All intended use of the Trademark by IVBL shall require the prior approval of ING

IVBL shall be liable and will indemnify ING against all the loss, damage, costs, legal costs, professional and other expenses of any nature whatsoever incurred of suffered by ING whether direct or consequential arising out of any dispute or contractual or tortuous or other claims or proceedings brought against ING by a third party claiming relief against ING by reason of marketing, promotion or sale of any business products by IVBL or use by IVBL of trademarks in the conduct or otherwise, of IVBLs business except insofar as any claim may arise from any breach of this Agreement.

1. ING can by prior writing, terminate the agreement if (i) if IVBL enters into compulsory or voluntary liquidation etc. (ii) if ING shareholding falls below 26% on IVBL or (iii) if any subsidiary breaches the terms of its sublicense. Upon the termination of this Agreement, IVBL will cease to use all of the Trademarks

No party is authorised to assign, transfer or sub contract any benefit / burden of this agreement to any third party without the prior written consent of the other.

(ii) Agreement with GMR Group

The GMR Group and ING Bank N.V entered into an Agreement dated September 5, 2003, the main provision of which are:

- ING Group releases GMR Group from any shareholding restrictions and acknowledges that the GMR Group shall be free to sell or part of its shareholding in the Bank and shall have no obligation to hold/maintain any minimum shares in the Bank.
- For a period of 48 months after the date of this Agreement, Mr. G.M.Rao shall be appointed as a non executive director and the non executive Chairman of the Bank. Upon his retirement as a non executive director during this period at general meeting, he shall be re-appointed as a non executive director and also the non executive chairman of the Bank.
- On and from the 49th calendar month, from the date of this Agreement, Mr. G.M.Rao shall be appointed as Chairman Emeritus of the Bank or merged entity (if applicable) for and during his lifetime, provided that (i) Mr. G.M.Rao shall cease to be a non executive Director of the Board, and shall not become a member of the Board by virtue of his appointment as Chairman Emeritus and (ii) Mr. G.M.Rao shall not be entitled to exercise the rights and powers of a non executive chairman of the Bank.
- In the event of a merger of the Bank with another bank or a financial institution, Mr. G.M.Rao shall be appointed as the non executive chairman of the merged entity and shall continue as its non executive chairman until the completion of 48 calendar months from the date of this Agreement. In case the Board decides that in the best interests of finalization of the merger that Mr. G.M.Rao is not appointed as the non executive chairman of the emerged entity, then Mr. G.M.Rao will not be appointed as the non executive chairman of the merged entity but shall upon completion of the merger (i) be appointed as the non executive director on the board of directors of the merged entity and will continue to be a non executive director of the merged entity, until the completion of 48 months from the date of this Agreement and (ii) at the end of the period of 48 months, Mr. G.M.Rao shall be appointed as Chairman Emeritus of the merged entity.
- The appointment of Mr. G.M.Rao as the non executive Chairman of the bank or the merged entity (if applicable) shall be on such conditions and with the prior approval of the RBI.
- The Agreement shall terminate upon the earlier of (i) if Mr. G.M.Rao expresses his unwillingness to continue/ be appointed as non executive director or as non executive chairman or as Chairman Emeritus of the Bank or merged entity, as the case maybe, or (ii) ING Groep N.V. ceasing to be the ultimate beneficial holder of shares in the bank or the merged entity, as the case maybe.

MANAGEMENT

BOARD OF DIRECTORS

The following table sets forth details regarding our Board of Directors as at the date of this Letter of Offer:

Name, Designation, Father's Name, Address, Occupation and Term	Nationality	Age (years)	Other Directorships in Indian companies
Mr.G.M Rao, Chairman S/o late Mr. China Sanyasi Raju R/o No. 17, Varalakshmi Nilayam, 1st Main Road, 4th Phase, Dollars Layout, 100 Feet Ring Road, J.P.Nagar, Bangalore 560078 Business Non-Executive/Non-Independent Director/Non-Retiring Director	Indian	55	1. GMR Energy Limited 2. GMR Tambaram-Tindivanam Expressways Private Limited 3. GMR Tuni-Anakapalli Expressways Private Limited 4. Vemagiri Power Generation Limited 5. GMR Infrastructure Limited 6. Hyderabad International Airport Limited 7. GMR Foundation, a company incorporated under Section 25 of the Companies Act, 1956
Mr. Bart Hellemans, Managing Director and Chief Executive Officer, S/o Mr. Jan August Hellemans R/o #8, Kumarapark East, Opp. ESIC Quarters, Bangalore 560 020 Banker Executive/Non-Independent Director Non-retiring director	Belgian	49	NIL
Mr. K.R.Ramamoorthy, S/o late Mr. K.R.Rajagopalan R/o 'Srivatsa', No. 1915, J.P.Nagar, IInd Stage, 5th cross, Bangalore 560 078 Service Non-Executive/Independent Director Liable to retire by rotation	Indian	64	1. The Clearing Corporation of India Limited 2. Subros Limited 3. ING Vysya Life Insurance Company Private Limited 4. Nilkamal Plastics Limited 5. Fidelity Trustee Company Private Limited 6. Amrit Banaspati Company Limited 7. Ujjivan Financial Services Private Limited
Mr. K.R.V. Subrahmanian, S/o Mr. K.V.Ramaseshan R/o #8, 'Rushilla', 17C, Carmichael Road, Mumbai 400 026 Retired Executive Non-Executive/Independent Director Liable to retire by rotation	Indian	71	1. Sesa Industries Limited 2. Matrix Laboratories Limited 3. DSP Merrill Lynch Fund Managers Limited 4. ING Vysya Life Insurance Company Private Limited 5. Alkyl Amines & Chemicals Limited 6. Trumac Engineering Company Private Limited 7. Bayer Polychem (India) Limited 8. Colour Chem Limited 9. Century Enka Limited 10. Bayer Industries Private Limited 11. Bayer ABS Limited 12. Sesa Goa Limited 13. Insilco Limited 14. Lanxess India (Private) Limited
Mr. Joseph J. Kestemont, S/o Mr. Jan Pieters Kestemont R/o 9A, Swiss Club Road, Singapore 288 146 Banker Non-Executive/Non-Independent Director Liable to retire by rotation	Belgian	56	NIL

Name, Designation, Father's Name, Address, Occupation and Term	Nationality	Age (years)	Other Directorships in Indian companies
Mr. Peter Alexander Smyth, S/o Mr. David Smith R/o Flat #17, high West, 142, Pofulam Road, Pofulam, Hong Kong Banker Non-Executive/Non-Independent Director Liable to retire by rotation	Australian	55	1. ING Vysya Life Insurance Company Private Limited
Mr. Anand S. Bhatt, S/o Mr. Suryadutt J. Bhatt R/o Chowpatty Central, Building # 23, Chowpatty Sea Face, Mumbai 400007 Non-Executive/Independent Director Liable to retire by rotation	Indian	56	1. Alkyl Amines Chemicals Limited 2. Alkyl Technology Ventures Limited 3. Alkyl Specialty Chemicals Limited 4. Click Investments and Trading Company Private Limited 5. e-Serve International Limited 6. Rolex Watch Company Limited
Mr. Ryan Andrew Padgett, S/o Mr. Robert Abercrombie Padgett R/o #30, Bukit Chermin Road, Singapore 109 922 Banker Non-Executive/Non-Independent Director Liable to retire by rotation	American	46	NIL
Mr. Arun Thiagarajan, S/o Mr. K.T.Pillai R/o 'Grace Home', #37, Kanakapura Road, Bangalore 560 004 Consultant Non-Executive/Independent Director Liable to retire by rotation	Indian	60	1. PSI Data Systems Limited 2. WeP Peripherals Limited 3. Alstom Projects Limited 4. Krone Communications Limited 5. GMR Energy Limited 6. CITEC Information India Private Limited
Dr. Prakash G. Apte, S/o Mr. Gajanan Apte R/o Quarters No. 415, Indian Institute of Management campus, Bannerghatta Road, Bangalore 560 078 Professor Non-Executive/Independent Director Liable to retire by rotation	Indian	57	NIL
Mr. Lars Kramer, S/o Mr. John Kramer R/o # 136, Tanjong Rhu Road, #02-01, Pebble Bay, Singapore 436 921 Banker Non-Executive/Non-Independent Director Liable to retire by rotation	South African	37	NIL
Mr. Cees Ovelgonne, S/o Mr. Johannes Ovelgonne R/o # 9, Raffles Place, #19-02, Republic Plaza, Singapore 048616 Banker Non-Executive/Non-Independent Director	Dutch	38	NIL

Name, Designation, Father's Name, Address, Occupation and Term	Nationality	Age (years)	Other Directorships in Indian companies
Mr. Peter Staal, S/o Mr. Staal JMJH R/o #13, Wollerton Park, #01-02, Gallop Green, Singapore 257 535 Banker Non-Executive/Non-Independent Director	Dutch	38	NIL
Mr. B. Ramani Raj, S/o Mr. M. Balaji R/o G-27, Sai Vihar Residency, Off Sus Road, Pashan, Pune 411 021 RBI Nominee Non-Executive/ Independent Director	Indian	64	NIL
Mr. Luc Vandewalle, S/o Mr. Jozef Vandewalle R/o Gerard Davidstraat, 20-8510, Marke (Kotrijik), Belgium Banker Non-Executive/Non-Independent Director	Belgian	60	NIL

Brief Biography of Our Directors

Mr. G M Rao, 55 years, is the non-executive Chairman of the Bank effective from 23rd October 2002. Mr Rao, a distinguished industrialist is the founder and Chairman of the GMR Group, a business conglomerate that has strong presence in power, infrastructure, manufacturing which includes jute, ferro alloys, sugar. He is a graduate in Mechanical Engineering from Andhra University. He is also the founder and Chairman of the GMR Foundation, a philanthropic organization, active in supporting the needy and helping underprivileged sections of society. The Foundation runs a number of educational institutions.

Mr. Bart Hellemans, Managing Director and Chief Executive Officer, is the holder of a Bachelor's Degree in Applied Economics from Catholic University of Leuven, Belgium. He joined Bank Brussels Lambert in September 1978. Following completion of the Management Training program, he worked in the Antwerp Regional Branch as Marketing Officer (Trade Finance and Medium Term Export Finance). He has more than 18 years of association with international branches/associates of BBL. He joined BBL, Singapore Branch as Manager (Indonesian Desk) in 1984 and held various positions till he came to India as Head of Liaison Desk-BBL, a representative of Bank Brussels Lambert (which was subsequently acquired by ING in 1997). He has been on the Board of Directors of the Bank since November 1997 and was Deputy Managing Director of the Bank between 1999 and 2002.

Mr. K R Ramamoorthy, is a senior banker with four decades of banking and commercial experience. He was previously the Chairman and CEO of Corporation Bank (1990-1997) and Vysya Bank (1997-2001) and non-Executive Chairman of Vysya Bank (2001-2002). He has served as an Advisor to CRISIL, an Indian credit rating agency in its Advisory Division (Banking Sector) from 2001 to 2004. Currently, Mr Ramamoorthy has been consulting for commercial banks in India and other developing countries and his services are availed by International Monetary Fund, International Finance Corporation and World Bank. He also serves on the board of several companies as a non-Executive Director. Prior to joining the banking industry, he had career exposure in private sector for nearly two decades, including in pharma retailing, engineering and consumer product marketing organizations. Mr Ramamoorthy holds degrees in Economics and Law and is a senior Fellow Member of the Institute of Company Secretaries of India.

Mr. K.R.V. Subrahmanian obtained Honors Degree in Economics from University of Madras. He completed Management Education from Urwick Orr and Partners, UK and the Columbia University, USA. He commenced his career in 1955 as Assistant in Indian Chamber of Commerce, Calcutta. In 1957, he joined Voltas Limited, initially as a Management Trainee and subsequently became a Commercial Officer. In 1964 he became Company Secretary of Scottish Machine Tools (I) Limited. Later in 1969, he joined Colour Chem Limited as Commercial Manager and was CEO for over 15 years. His last position was that of Vice Chairman and Managing Director, Colour Chem Limited.

Mr. Joseph J. Kestemont obtained his Masters in Economics from the University of Louvain, Faculty of Economics, Belgium. He started his career in 1971 as Research Fellow at the University of Louvain, Centre for Economics and during 1973-75 he worked as Trainee under 'University Trainee Program' in Bank Brussels Lambert. For the next seven years he was in the Regional Head Office of Bank Brussels Lambert in Antwerp after which he took over as Credit Manager of Bank Brussels Lambert in Singapore and became Sr. Manager. In 1986 he became General Manager of the Singapore Branch and was also appointed Director of OUB Diamond Fund. In 1989 he became Managing Director of BBL Australia Limited after which he worked as Country Head, Bank Brussels Lambert in London. During 1989-1994 he held directorships in various BBL companies and in 1994 he became the Regional General Manager, BBL Asia Pacific and Director, BBL Asset Management (Singapore) Pte. Ltd. Since the acquisition of Bank Brussels Lambert by ING Group in 1998 he became head of CFS Asia and concurrently since January 2002 assumed the role of Country Head of ING Singapore. Since October 2004 he relinquished his position of Country Manager, Singapore and is currently holding the position of Senior Managing Director, ING Wholesale Banking Asia.

Mr. Peter Alexander Smyth is a Fellow of Institute of Actuaries (London) and Bachelor of Arts (Actuarial Studies), Sydney. He is Regional General Manager in the ING Group's Asian Regional Office, Hong Kong with responsibility for the group's life, non-life, mutual funds and pension businesses in Asia and Australia. He has over three decades of experience in wealth management and distribution and has been involved in most of the Group's acquisitions and joint ventures throughout the region.

Mr. Anand S. Bhatt is a partner in Wadia Ghandy & Co., Advocates and Solicitors. He has decades of experience in various fields of law viz., Commercial Law, Security Documentation, Banking Laws and Property transactions. He has attended matters, which include Takeover of Companies, Prevention of Hostile Takeovers, Foreign Direct Investments, Cross- Border transactions, writ petitions and commercial litigation. Mr. Bhatt is a Trustee of Child Relief & You (CRY), a Public Charitable Trust.

Mr. Ryan Andrew Padgett holds a Bachelor of Business Administration with high honors from the University of Hawaii at Manoa. He commenced his career as Systems Analyst with BA Asia Limited, Hong Kong in 1982. He soon joined Bank of America as Assistant Manager in the Asia Division Liability Management, Singapore branch where he moved on to become a Foreign Exchange Dealer and later a Senior Dealer, Corporate Treasury Department. Between 1990 and 2000, he was with Bank of America, Australia as Vice President, Wardley Limited, Hong Kong as Treasury Manager, New Wave Investment Limited, Hong Kong as Managing Director and Treasurer for Bank Brussels Lambert, Singapore. His association with ING Bank N.V. started in 2000. He has specialized in management of Treasury Front Office, including foreign exchange, money market, fixed income and derivatives, asset/liability management including transfer pricing, capital management, funding and liquidity management. Presently, he is the Managing Director, Regional Head of Treasury- Asia, ING Bank N.V. in Singapore.

Mr. Arun Thiagarajan did his masters in Engineering from the Royal Institute of Technology, Stockholm, Sweden in 1968. He graduated in Business Administration and Information Systems from Uppsala University, Sweden and also attended the Advanced Management Program at Harvard Business School. He started his career with Asea AB Vasteras, Sweden in 1969. He became Managing Director of Flakt India Limited, Calcutta in 1975. In 1984, he was recalled to Asea to head their Indian operations in Bangalore. With the merger of Asea, Sweden and Brown Boveri, Switzerland in January 1998 and absorption of Flakt India in the organization, he was appointed as Deputy Managing Director of Asea Brown Boveri Limited at Bangalore. In 1994, he became the Managing Director and Country Manager of the Company. He joined the IT sector as Vice-Chairman, Wipro Limited in 1999 heading the Wipro Infotech Group. He joined Hewlett-Packard India Private Limited as President effective January 1, 2001 and retired in July 2002. He has been earlier Chairman of Southern Region and Karnataka State Committees of the Confederation of Indian Industry (CII). He was also the Chairman of CII National Committees on IT and Quality. He is presently Chairman-WeP Peripherals Limited and serves as an independent director on several Boards including Alstom Projects Limited, Krone Communications Limited and PSI Data Systems Limited.

Dr. Prakash G. Apte holds a Doctorate degree in Economics from Columbia University. He also holds Post Graduate Diploma in Management from IIM, Calcutta and B. Tech. (Mech. Engg.) from IIT, Mumbai. He has taught Economics at the Vassar College, Poughkeepsie, USA and Columbia University. He was a Consultant at Edison Electric Institute, New York and a Project Manager at Centron Industrial Alliance, Mumbai. Dr. Apte has published four books and several articles in academic journals and professional media. He has served on expert committees appointed by NSE and SEBI and is a consultant to several leading organizations in Government, public and private sectors. He has also been a Visiting Faculty at the Katholieke Universiteit Leuven, Belgium. Currently, he is the Director and UTI Chair Professor at the Indian Institute of Management, Bangalore.

Mr. Lars Kramer is a Chartered Accountant (SA) and Masters in Business Administration (MBA) in Finance Stream. He did his Post Graduate Diploma in Accounting from University of Cape Town and Bachelor of Accounting Sciences (Bcompt) from University of South Africa. After an illustrative career spanning over 11 years with companies like Coopers & Lybrand, Swiss Bank Corporation, Hambros Bank and Credit Suisse First Boston, he joined ING Bank N V in 1998 as Regional Head of Asian Equity Derivatives Product Control located in Hong Kong. In the year 2000, he was elevated to the post of Regional Head of Business Aligned Finance responsible for Equity Product Control, Corporate Lending, the Advisory and the Regional Management Systems. Presently, he is CFO of the Asia Region.

Mr. Cees Ovelgonne is a Dutch National and did his education in Netherlands. He started his career in 1989 as a Trainee in Ballast Nedam Engineering, Amstelveen. Later in September, 1991, he joined ING Bank, Amsterdam as Audit Officer in the Corporate Audit Department. Between January 1994 and May 1995, he worked as a Trainee Operations Manager in ING Bank International. In October, 1995 he became Operations Manager, ING Bank International, Hanoi. Later in October, 1997, he rose to the position of Chief Operating Officer, ING Barings Securities (Thailand) Ltd. responsible for all Operations' matters of Corporate & Investment Banking. Since March, 2001 he worked as Chief Operating Officer, ING Barings Limited, Korea responsible for all Operations' matters of Corporate & Investment Banking. Presently he is Chief Operating Officer, Asia responsible for all Operations' and IT matters of Wholesale Banking in Asia.

Mr. Peter Staal has done his Business Administration at the University of Tilburg (Katholieke Universiteit Brabant) in the Netherlands. He started his career in March 1990 at AMRO Bank NV, Corporate Banking Division in March 1990 as commercial analyst / junior relationship manager. In February 1992, he joined ING Bank as Relationship Manager Directorate Corporate Clients. In 1994, he moved to the Structured Finance area as Accounts Manager - Project Finance & Power Finance in ING Bank International. He became Head of Power Finance, Director - ING Barings in July, 1996. Staal became Global Head of Credit Risk Restructuring - ING Barings in October 1999 and Head of Corporate Credit Risk and Senior Credit Officer, Asia, Managing Director, Hong Kong in May 2001. Presently, he is a member of the Management Team Asia for ING Bank and the Head of Credit Risk Asia reporting to the ING Group Head of Credit Risk.

Mr. Balaji Ramani Raj has a Masters degree in Sciences (Mathematics). He is also a Certified Associate of Indian Institute of Bankers. He began his career in 1965 as an RBI officer and has rendered his services in various departments of RBI till 2000. He has also served as Deputy General Manager of Union Bank of India on deputation basis from 1988 to 1990. He has been RBI Nominee Director on the Boards of State Bank of Travancore from 1995 to 1998, Canara Bank from 1998 to 2000 and Tamilnadu Mercantile Bank Limited from July, 2000 to June, 2004. Currently, he is also trustee on Board of Canbank Mutual Fund.

Mr. Luc Vandewalle, a Belgian, is a Graduate in Economics from the University of Gent. He joined BBL (now ING Belgium) in 1968 as a University trainee where he moved on to become the Head of the local branches Aalst and Kortrijk. In 1992, he was appointed Director and Member of the Executive Committee of BBL (now ING Belgium) and has been BBL's President and CEO since 1st January, 2000. Mr. Vandewalle was instrumental in initiating the partnership of erstwhile BBL (now ING Belgium) with Vysya Bank in 1996. Within ING Group, Mr. Vandewalle is responsible for the South West Europe region, comprising Belgium, France, Luxembourg, Spain, Portugal, Italy and Switzerland.

Compensation of Our Directors

For more details, please refer to the section entitled 'Terms of Appointment of our Directors' on page 211 of this Letter of Offer.

Shareholding of Our Directors in our Bank

Our Articles of Association do not require our Directors to hold any Equity Shares in our Bank. The following table details the shareholding of our Directors in their personal capacity and either as sole or first holder, as at the date of this Letter of Offer.

Name of Directors	Number of Equity Shares (Pre-Issue)	Number of Equity Shares (Post-Issue)*
Mr. G M Rao	144	432
Mr. Arun Thiagarajan	1,020	3,060

* The number of shares for the column entitled Number of Equity Shares (Post-Issue) has been calculated assuming full subscription to Rights Entitlement in this Rights Issue

Changes in Our Board of Directors during the last three years

Name	Date of Appointment	Date of Cessation	Reason
Peter Smyth	September 9, 2002	Continuing	Appointed as Director in casual vacancy caused due to the resignation of Mr. M. K. Ramachandra
Anand S Bhatt	September 21, 2002	Continuing	Appointed as additional director
Ryan Andrew Padgett	December 11, 2002	Continuing	Appointed as additional director
Arun Thiagarajan	January 30, 2003	Continuing	Appointed as additional director
Dr. Prakash G Apte	February 24, 2003	Continuing	Appointed as additional director
Lars Kramer	October 17,2003	Continuing	Appointed as director in the casual vacancy caused due to resignation of Mr Jacques P M Kemp
Cees Ovelgonne	October 17,2003	Continuing	Appointed as director in the casual vacancy caused due to resignation of Mr Ramsay Alexander Urquhart
Peter Staal	October 17,2003	Continuing	Appointed as director in the casual vacancy caused due to resignation of Mr K. Balasubramanian
B Ramani Raj	August 25, 2004	Continuing	RBI Nominee
Luc Vandewalle	October 27, 2004	Continuing	Appointed as director in the casual vacancy caused due to resignation of Mr David Wood Hudson

Tallam N Umesh	June 22, 1993	June 20, 2001	Ceased to be Director on completion of eight years of service as per Section 10A of the Banking Regulation Act, 1949.
B V Nageswara Rao	July 28, 1993	July 23, 2001 (AN)	Ceased to be Director on completion of eight years of service as per Section 10A of the Banking Regulation Act, 1949.
Dayanand Soma	July 28, 1993	July 23, 2001 (AN)	Ceased to be Director on completion of eight years of service as per Section 10A of the Banking Regulation Act, 1949.
R C Kapoor	May 29, 2000	September 29,2001	Ceased to be Additional Director on the conclusion of 70th AGM in terms of Section 260 of the Companies Act, 1956
Kiran K Grandhi	August 18, 1999	May 20, 2002	Resigned.
Mr. K.V.K.Seshavataram	October 29, 2001	September 9, 2002	Resigned
Mr. Yadalam A. Subramanyam	March 15, 2001	September 9, 2002	Resigned
Mr. H.N.Tarachandani	August 4, 2000	September 9, 2002	Resigned
Mr. M.K.Ramachandra	May 13, 1996	September 9, 2002	Resigned
Mr. G.B.S.Raju	May 20, 2002	September 9, 2002	Resigned
Mr. Leo Willy August Janssen	September 21, 2002	October 17, 2002	Appointed as Additional Director in Board meeting held on September 21, 2002
Mr. A.P.Rao	July 9, 2001	January 30, 2003	Appointed as Director in casual vacancy arising out of resignation of Mr. B.V.Nageswara Rao
Mr. K Balasubramanian	August 18, 1999	September 15,2003 (AN)*	Resigned
Mr. Ramsay Alexander Urquhart	September 21, 2002	September 23,2003	Resigned
Mr. Jacques P M Kemp	September 9, 2002	October 17, 2003	Resigned
Mr. S.K.Newlay	August 2, 2000	August 1, 2004	Ceased to be a Director since his period of appointment stipulated by RBI had expired
Mr. David Wood Hudson *(AN) - After Noon	September 21, 2002	October 5, 2004	Resigned

CORPORATE GOVERNANCE

There are six Board Level Committees in the Bank being the (i) Audit Committee, (ii) Risk Management and Review Committee, (iii) Corporate Governance Committee/Remuneration Committee, (iv) Investors' Committee/Investor Grievance Committee, (v) Customer Service Committee and (vi) Special Committee for Monitoring Frauds . The constitution and functioning of these Committees is governed wherever applicable by the relevant provisions of the Companies Act, 1956, the Listing Agreement as well as guidelines issued by RBI from time to time. A brief on each Committee, its scope, composition and meetings for the current year is given below:

(i) Audit Committee

Members

1. Mr. Arun Thiagarajan, Chairman
2. Mr. Lars Kramer, Vice Chairman
3. Mr. K R Ramamoorthy
4. Mr. B Ramani Raj
5. Mr. Peter Alexander Smyth
6. Mr. Joseph J Kestemont (Alternate to Mr. Peter Smyth)
7. Mr. Peter Staal (Second Alternate to Mr. Peter Smyth)

Mr. M V S Appa Rao, Corporate Secretary of the Bank, is appointed as the Secretary of the Audit Committee in terms of Clause 49 of the Listing Agreement.

The Audit Committee met 6 times during the course of this fiscal year, on May 11, 2004, July 20, 2004, October 26, 2004, December 14, 2004 ,December 23, 2004 and January 24, 2005

Scope & Terms of Reference

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

(ii) Risk Management and Review Committee (RMRC)

Members

1. Mr. K R Ramamoorthy, Chairman
2. Mr. Bart Hellemans
3. Mr. Joseph J Kestemont
4. Mr. Peter Alexander Smyth (Alternate to Mr. Joseph J Kestemont)
5. Mr. Arun Thiagarajan
6. Mr. Peter Staal

Mr. M V S Appa Rao, Corporate Secretary, is the Secretary of the Committee.

The Risk Management and Review Committee met 4 times during the course of this fiscal year, on May 12, 2004, July 20, 2004, October 26, 2004 and January 25, 2005.

Scope & Terms of Reference

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

(iii) Corporate Governance Committee (CGC) / Remuneration Committee

Members

1. Mr. Peter Alexander Smyth, Chairman
2. Mr. G M Rao
3. Mr. K R Ramamoorthy
4. Mr. Joseph J Kestemont
5. Mr. Anand S Bhatt
6. Mr. Arun Thiagarajan

Mr. M V S Appa Rao, Corporate Secretary is the Secretary of the Committee.

The Corporate Governance Committee met 4 times during the course of this fiscal year, on May 11, 2004, July 21, 2004, October 27, 2004 and January 25, 2005.

Scope & Terms of Reference

The scope of the CGC includes introduction and implementation of Corporate Governance practices, inducting and sustaining a pro-active governance framework at all levels in the Bank and ensuring that interests of all the stakeholders viz. shareholders, customers, employees and the community / society are served properly apart from reviewing and monitoring the implementation of various mandatory / non-mandatory requirements of Clause 49 of the Listing Agreement dealing with Corporate Governance. As a part of its constant endeavour to ensure best corporate governance practices in the Bank, it has brought into force a Code of Conduct for Officers popularly known as the Ethics Policy. The Committee also acts as 'Remuneration Committee' for complying with the non-mandatory requirement under Clause 49 of the Listing Agreement. In this role, the Committee determines the Bank's policy on specific remuneration packages for Executive (Whole-time) Directors whenever required. As per its charter, the Committee evaluates and reviews the performance of Managing Director, Whole-time Director and recommends to the Board of Directors for granting of Stock Options / Performance Bonus / Pension Rights / Severance Compensation to Whole-time Directors and Stock Options for Non Executive / Independent directors. This Committee also acts as 'Nominations Committee' for the purpose of recommending appointment of Non- Executive/Independent Directors and to frame a system of 'fit and proper' norms for induction to the Board. In its role as Nominations Committee, the Corporate Governance Committee assists the Board of Directors in identifying prospective director nominees and deciding on the retention of existing talent on the Board.

(iv) Investors' Committee / Investor Grievances Committee

Members

1. Mr. Anand S Bhatt, Chairman
2. Mr. Peter Alexander Smyth, Vice Chairman
3. Mr. G M Rao
4. Mr. Arun Thiagarajan
5. Dr. Prakash G Apte

Mr. M V S Appa Rao, Corporate Secretary, being the Compliance Officer of the Bank, is appointed as the Secretary of the Committee.

The Investors' Committee / Investor Grievances Committee met 4 times during the course of this fiscal year, on May 12, 2004, September 16, 2004; October 27, 2004 and December 15, 2004.

Scope & Terms of Reference

The Committee was constituted in terms of the mandatory requirement of Clause 49 of the Listing Agreement to look into the redressal of grievances of investors like non-transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc. During the year, the Bank received 233 complaints from shareholders, all of which stand resolved as on 31st March, 2004 (In accordance with the provisions of Clause 49 of the Listing Agreement which requires listed companies to delegate the power of share transfer to an officer or a committee or to the Registrar and Share Transfer Agents for expediting the transfer process, the authority to transfer the Bank's shares stands delegated to Committees of the Board and identified executives. As such, there are no pending transfers for consideration as on 31st March, 2004). In addition to this, the Committee also looks into the matters relating to shares management like issue and allotment of shares, appointment of Merchant Bankers, Lead Managers, Co-managers, Advisors to the Issue, transfer of shares beyond powers of EMC, etc. This Committee acts as 'Compensation Committee' for the purpose of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. In this role it mainly designs and reviews the Compensation and ESOS policies of the Bank. It also supervises and administers the Employee Stock Option Scheme of the Bank and deals with any matter related to ESOS in its capacity as Compensation Committee.

(v) Customer Service Committee

Members

1. Mr. Cees Ovelgonne - Chairman
2. Mr. Bart Hellemans
3. Mr. Peter Alexander Smyth
4. Mr. Joseph J Kestemont - Alternate to Mr. Peter Smyth

No Customer Service Committee meetings have been held since the committee was constituted on September 16, 2004

Scope of the Committee

The Committee shall on a continuing basis dedicate to bring about ongoing improvements in the quality of customer service provided by the Bank and oversee the functioning of the adhoc committee so long as it operates.

(vi) Special Committee for monitoring frauds

Membership

1. Mr. Arun Thiagarajan, Chairman
2. Mr. Bart Hellemans
3. Mr. K R Ramamoorthy
4. Mr. Cees Ovelgonne
5. Mr. Peter Staal

Mr. M V S Appa Rao, Corporate Secretary is the Secretary of this Committee.

The Special Committee for monitoring frauds met 2 times during the course of this fiscal year, on July 21, 2004, and December 15, 2004.

Scope & Terms of Reference

Reserve Bank of India through its circular No.DBS.FGV(F) No.1004/23.04.01A/2003-04 dated January 14, 2004 shared its Chief Vigilance Commissioner's concern about the delay in various aspects of frauds like detection, reporting to regulatory and enforcement agencies and action against the perpetrators of the frauds. Through this circular, RBI also communicated the Central Bureau of Investigation Director's emphasis on the need to assign a well-defined role to the Boards of the Banks in monitoring of fraud cases and consequently advised constitution of a Special Committee for specifically and exclusively monitoring and following up cases of frauds involving amounts of Rs.1 crore and above and gave broad guidelines regarding its constitution and functions. The Audit Committee of the Board continues to monitor all cases of frauds in general. In terms of this RBI circular, a Special Committee was constituted by the Board at its meeting held on March 16, 2004 specifically for monitoring and following up cases of frauds involving amounts of Rs.0.5 crores and above exclusively as against the recommended threshold of Rs.1 crore. The main role of the Committee is to review all frauds of Rs.0.5 crores and above so as to identify the systemic lacunae, if any, that facilitated perpetration of the fraud and put in place measures to plug the same and put in place other measures as may be considered relevant to strengthen preventive measures against frauds etc.

KEY MANAGERIAL PERSONNEL

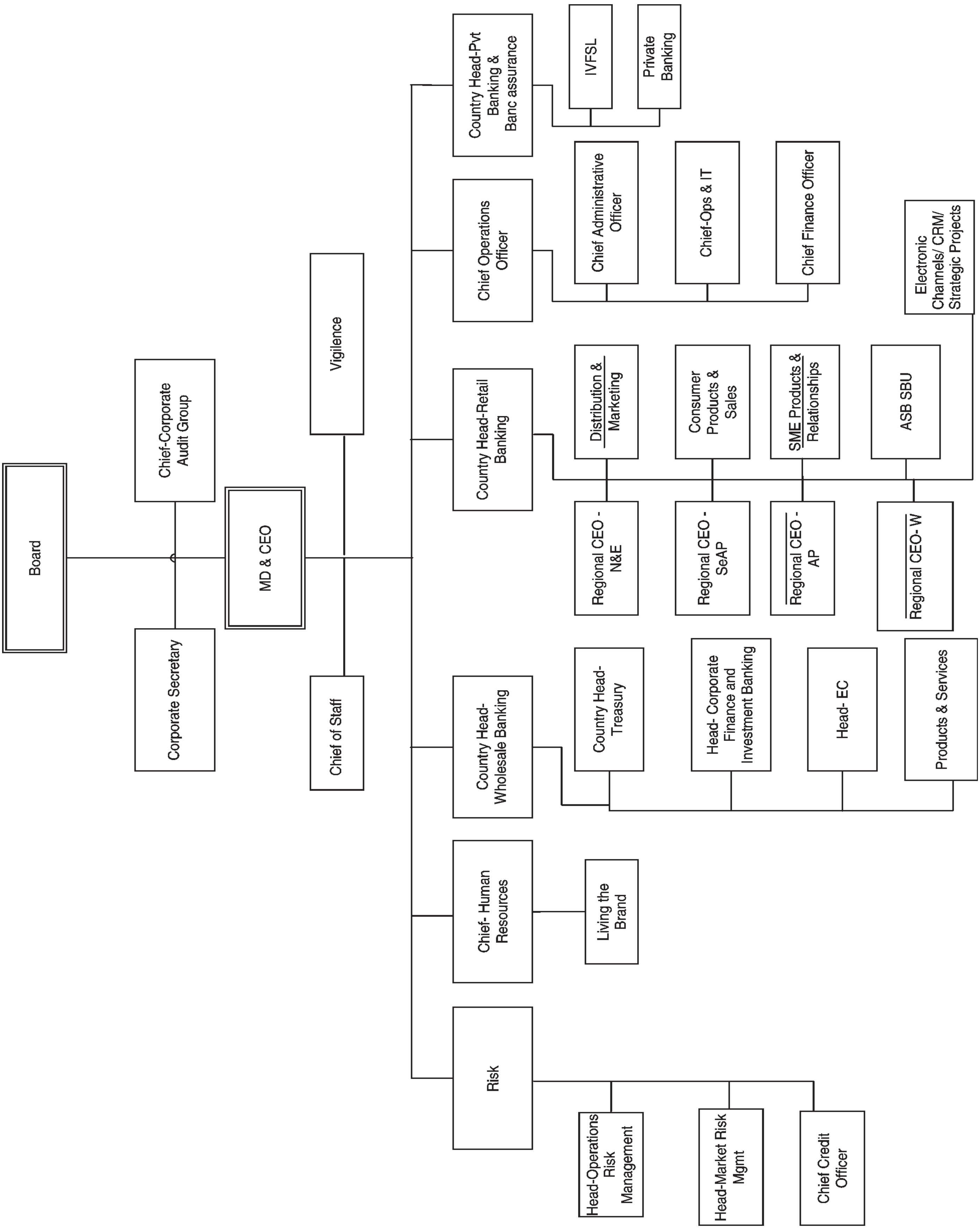
The details of our key managerial personnel are as follows:

Name	Age	Designation	Qualifications	Previous Employment	Total Experience	Date of Joining	Gross Salary Paid in Fiscal 2004
Mr. Ashok Rao B	47	Chief - Corporate Audit Group	B.Sc, ICWA, CISA	Ali Redha Group Of Companies, UAE	22	April 30, 2002	25,90,000
Mr. Bart Hellemans	49	MD& CEO	B.A.(Economics)	ING	26	October 29, 1999	39,00,000
Mr. Jean Louis Lemaire	60	Chief Operations Officer	Degree In Maths, MBA Finance	ING	41	September 1, 2002	1,10,70,570*
Mr M.V.S.Appa Rao	49	Corporate Secretary	BCom, FCS, JAIIB, ICWA(Inter)	Cement Corporation of India	25	April 6, 1994	7,77,000
Mr. Prasad J M	43	Chief - HR	B.Com,MA(Admin), MBA,Diploma In Public Relations	i2Technologies Software Private Limited, Bangalore	17	March 8, 2004	2,41,935
Mr. Ravindra Kumar	42	Country Head - Whole sale Banking	B.Com,M.A (Finance) CAIIB	Credit Lyonnais Bank, India	19	September 1, 2004	NA
Mr. Shantanu Ghosh	48	Country Head Retail Banking	B.A.,M.A., Diploma In Foreign Trade, Basic High Level Programming	ANZ Grindlays Bank	25	May 2, 2001	38,98,000
Mr. Steven Billiet	33	Country Head- Pvt Banking & Banc assurance	Degree In Economics, Financial Management	ING	9	October 5, 2002	70,78,235*
Mr. A.V.S.N. Murthy	54	Vice President- Vigilence	B.Sc, MMS, JAIIB, Certifcate course in Computers, PGD in Journalism	Andhra Bank	30	February 3, 1997	7,48,000

* Excluding Performance Linked Incentives

All the abovementioned key managerial personnel are permanent employees of our Bank. The remuneration of each of our key personnel is as per the statement pursuant to Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975.

The organization structure of the senior management in the various departments is given below:


Board
Chief-Corporate Audit Group
Corporate Secretary
MD & CEO
Vigilence
Chief of Staff
Country Head-Pvt Banking & Banc assurance
IVFSL
Private Banking
Chief Operations Officer
Chief Administrative Officer
Chief-Ops & IT
Chief Finance Officer
Country Head-Retail Banking
Distribution & Marketing
Consumer Products & Sales
SME Products & Relationships
ASB SBU
Electronic Channels/ CRM/ Strategic Projects
Regional CEO - N&E
Regional CEO - SeAP
Regional CEO - AP
Regional CEO- W
Country Head-Wholesale Banking
Country Head-Treasury
Head- Corporate Finance and Investment Banking
Head- EC
Products & Services
Chief- Human Resources
Living the Brand
Risk
Head-Operations Risk Management
Head-Market Risk Mgmt
Chief Credit Officer

Shareholding of our Key Managerial Personnel in our Bank

Name of Key Managerial Personnel	No. of Equity Shares held (Pre-Issue)
Mr. Ashok Rao B	700
Mr M V S Appa Rao	680
Mr. Ravindra Kumar	200
Mr. Shantanu Ghosh	2,700
A.V.S.N. Murthy	690

Interest of Promoters, Directors and Key Managerial Personnel

Except as stated in "Related Party Transactions" on page xv of this Letter of Offer, and to the extent of shareholding in our Bank, the Promoters do not have any other interest in our business.

The key managerial personnel of our Bank 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 the Equity Shares held by them in the Bank, if any, and options granted to them under the ESOS.

Details of loans taken by Key Managerial Personnel in our Bank

Name of Key Managerial Personnel	Amunt of Loan (Rs. in Lakhs)	Date on which loan was taken	Nature of the loan	Term of the loan	Interest rate on the loan	Amount of loan outstanding as on December 10, 2004 (Rs. In Lakhs)
Mr. Ashok Rao B	NIL					
Mr. Bart Hellemans	NIL					
Mr. Jean Louis Lemaire	NIL					
Mr M V S Appa Rao	23.0	December 24, 2004	Housing Loan	192 months	7.5	23.0
Mr. Prasad J M	3.00	October 20, 2004	Miscellaneous Loan	36 months	11.25	2.81
	35.0	December 17, 2004	Housing Loan	240 months	7.50	34.72
	7.0	December 17, 2004	Housing Loan	240 months	7.50	6.94
Mr. Ravindra Kumar	NIL					
Mr. Shantanu Ghosh	83.00	July 21, 2004	Housing loan	120 months	7.50	70.12
	3.00	October 11, 2004	Personal Loan	24 months	12.00	2.70
	1.00	April 23, 2003	Miscellaneous Loan.	36 months	11.50	0.48
Mr.A.V.S.N. Murthy	0.75	September 27, 2004	Miscellaneous Loan	13 months	5.75%	0.50
Mr. Steven Billiet	NIL					

For the year 2003-2004 we have not granted any options to our Directors and senior management.

Except as stated otherwise in this Letter of Offer, we have not entered into any contract, agreement or arrangement during the preceding 2 years from the date of this Letter of Offer in which the Directors are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements or arrangements or are proposed to be made to them.

Changes in our Key Managerial Employees during the last three years

For The Year 2001-2002			
Shantanu Ghosh	Country Head -Retail Banking	02-May-01	Appointed
For The Year 2002-2003			
Robin Roy	Executive Vice President	11-Feb-03	Resigned
Badrinarayana Rao	Senior Vice President	31-Mar-03	Resigned
Ashok Rao	Chief - Corporate Audit Group	30-Apr-02	Appointed
Jean Louis Lemaire	Chief Operations Officer	01-Sep-02	Appointed
Steven Billiet	Country Head- Private Banking & Banc assurance	05-Oct-02	Appointed
For The Year 2003-2004			
NIL			
For The Year 2004-2005			
(Till date)			
Sunil Gulati	Executive Vice President	15-May-04	Resigned
Raghunathan	President	31-Jul-04	Resigned
Iyer P S	Executive Vice President	12-Sep-03	Resigned
Anand S	Senior Vice President	10-Sep-03	Resigned
Mani R S	Senior Vice President	30-Sep-03	Resigned
Prasad J M	Chief - HR	03-Aug-04	Appointed
Ravindra Kumar	Country Head -Wholesale Banking	01-Sep-04	Appointed

Our recruitment process

Departments which have requirements (either due to separations or due to fresh positions) get in touch with our human resource department and inform them of their requirements through a duly approved manpower requisition form.Based on the approvals and the nature of the requirements an internal job posting is launched. If suitable profiles are not received, the referral database is searched failing which an external search is conducted by getting in touch with our placement consultants. Once profiles are received and shortlisted interviews are arranged with a panel consisting of the recruiting department and an human resource representative. Depending on the outcome of the interview the HR department take the process forward and issue the Offer Letter after carrying out the required due processes

PROMOTERS

The Promoters of our Bank are ING Mauritius Holdings, ING Mauritius Investments I and Mr. G.M.Rao

ING MAURITIUS HOLDINGS (INGMH)

INGMH is a company incorporated under the laws of Mauritius on September 26, 1996 with its registered office at 355, Barkly Wharf, Le Caudan Waterfront, Port Louis, Mauritius. The main objects of INGMH are (i) to carry out business activities which are not prohibited under the laws of Mauritius and the laws of the countries where the company is transacting business. These objects will apply exclusively to offshore business activities and (ii) to do all such other things as are incidental to, or the company may think conducive, to the conduct, promotion or attainment of the objects of the company. INGMH is a wholly owned entity of ING Bank N.V.

Board of Directors

The board of directors of INGMH as on December 13, 2004 comprises:

1. Mr. Balmick Lollbeeharry
2. Mr. Peter Alexander Smyth
3. Mr. Jereon Clemens Antonius Potjes
4. Mr. Lars Kramer
5. Mr. Ramesh Awatarsing

Financial Performance

The operating results of INGMH for Fiscal 2001, Fiscal 2002, 2003 and the nine months ending December 2004 are set forth below:

(USD in crores other than per share data)

	Fiscal 2001	Fiscal 2002	Fiscal 2003	Nine months ending December 2004
Sales and other income	0.01	0.02	0.07	0.08
Profit after tax (before adjustments)	0.01	0.01	0.06	0.08
Equity Capital (par value USD 1 per share)	2.15	9.20	9.20	9.20
Reserves	(0.86)	0.07	0.06	0.06
Earning Per Share	0.0056	0.0014	0.0068	0.0086
Book Value per Share	0.6007	1.0076	1.0071	1.0065

ING MAURITIUS INVESTMENTS (INGMI)

INGMI is a company incorporated under the laws of Mauritius on October 8, 1999 with its registered office at 355, Barkly Wharf, Le Caudan Waterfront, Port Louis, Mauritius. The main objects of INGMI are (i) to carry out business activities which are not prohibited under the laws of Mauritius and the laws of the countries where the company is transacting business. These objects will apply exclusively to offshore business activities and (ii) to do all such other things as are incidental to, or the company may think conducive, to the conduct, promotion or attainment of the objects of the company. INGMI is a wholly owned entity of INGMH.

Board of Directors

The board of directors of INGMI as on December 13, 2004 comprises:

1. Mr. Balmick Lollbeeharry
2. Mr. Peter Alexander Smyth
3. Mr. Jereon Clemens Antonius Potjes
4. Mr. Lars Kramer
5. Mr. Ramesh Awatarsing

Financial Performance

The operating results of INGMI for Fiscal 2001, Fiscal 2002, Fiscal 2003 and the nine months ending December 2004 are set forth below:

(USD in crores except per share data)

	Fiscal 2001	Fiscal 2002	Fiscal 2003	Nine months ending December 2004
Sales and other income	0.02	0.01	0.02	0.02
Profit after tax (before adjustments)	0.02	0.01	0.02	0.02
Equity Capital (par value USD 1 per share)	0.77	0.77	0.77	0.77
Reserves	(0.13)	0.43	1.93	0.02 (excluding revaluation reserve)
Earning Per Share	0.0196	0.0148	0.0213	0.0264
Book Value per Share	0.8337	1.5598	3.5168	1.0319

An application has been made by ING Bank Holding N.V. on September 9, 2004 to SEBI pursuant to Regulation 4 of the Takeover Regulations as part of a global internal restructuring process to permit the entire share capital of ING Bank N.V. presently held by ING Groep N.V. to be transferred to ING Bank Holding N.V., such that ING Bank N.V. becomes a direct, wholly owned subsidiary of ING Bank Holding N.V. Thereafter, it is proposed to transfer the entire share capital of all non-Dutch subsidiaries of ING Bank N.V. (including INGMH and INGMI).to ING Bank Holding N.V. SEBI, vide its letter CFD/DCR/RC/TO/33218/05 dated February 9, 2005 has given the aforesaid restructuring scheme an exemption from the provisions of regulation 10, 11 and/or 12 of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations - 1997.

MR. G.M.RAO

Mr. G M Rao, 55 years, is the promoter of our Bank. Mr Rao, a distinguished industrialist is the founder and Chairman of the GMR Group, a business conglomerate that has strong presence in power, infrastructure (including airports and roads), manufacturing which includes jute, ferro alloys, sugar. He is a graduate in Mechanical Engineering from Andhra University. He is also the founder and Chairman of the GMR Foundation, a philanthropic organization, active in supporting the needy and helping underprivileged sections of society. The Foundation runs a number of educational institutions. He does not hold a Voter ID Number. His Driving License Number is 11320/02. His PAN Number is AAUPG 5856C

SUBSIDIARY

The Bank currently has one wholly-owned subsidiary, being ING Vysya Financial Services Limited (IVFSL). In this section, financial data for IVFSL has been derived from its financial statements prepared in accordance with Indian GAAP.

ING VYSYA FINANCIAL SERVICES LIMITED (IVFSL)

ING Vysya Financial Services Limited was incorporated under the Companies Act, 1956 on February 4, 1987 with its registered office at No. 72, St. Marks Road, Bangalore 560 001. Its registered office was later changed to ING Vysya House, No. 22, M.G.Road, Bangalore 560001

The main objects of IVFSL are to carry on business as brokers and agents on commission in respect of all classes of insurance products and obtain necessary licence for the same from The Insurance Regulatory & Development Authority and to act as financial advisors, consultants and manage the portfolios consisting of shares, mutual funds, bonds, debt instruments, physical assets, liquid assets, etc of various individuals, firms and companies subject to the provisions of the Companies Act, 1956.

Shareholding

IVFSL is a wholly owned subsidiary of ING Vysya Bank Limited.

Board of Directors

1. Mr. Steven Billiet (MD&CEO)
2. Mr. R.S. Mani
3. Mr. J A. Mohan Kumar (Nominee of IVBL)
4. Mr. M V S. Appa Rao (Nominee of IVBL)
5. Mr. Pradeep Kumar Das (Nominee of IVBL)

Financial Performance

(Rs. in crores except per share data)

	As at and for the year ended March 31,		
	2002	**2003**	**2004**
Net Sales and other income (other than stock adjustment)	2.93	2.82	7.95
Profit after tax	(0.14)	2.10	3.55
Equity Capital	8.85	8.85	2.21
Reserves	(8.33)	(6.23)	1.46
Earnings per share (of Rs. 10/-each)	—	2.38	4.02
Book Value per share (of Rs. 10/-each)*	0.58	2.95	4.15

* Face value of the shares has been splitted into Rs. 2.50 in 2004.

GROUP COMPANIES

A. ING GROUP COMPANIES (WITH OPERATIONS IN INDIA)

I. ING BANK N.V.

ING Bank N.V. was incorporated under the laws of Netherland on November 12, 1997. Its registered office is at Amstelveenseweg 500, 1081 KL Amsterdam, P.O.Box 810, 1000 AV Amsterdam, Netherlands.

The main objects of ING Bank N.V. is to participate in, manage, finance, furnish personal or real security for the obligations of and provide services to other enterprises and institutions of any kind, to conduct banking business in the widest sense, including insurance brokerage, to acquire, build and operate real estate and to engage in any activity which may be related or conducive to the foregoing.

An application has been made by ING Bank Holding N.V. on September 9, 2004 to SEBI pursuant to Regulation 4 of the Takeover Regulations as part of a global internal restructuring process to permit the entire share capital of ING Bank N.V. presently held by ING Groep N.V. to be transferred to ING Bank Holding N.V., such that ING Bank N.V. becomes a direct, wholly owned subsidiary of ING Bank Holding N.V. Thereafter, it is proposed to transfer the entire share capital of all non-Dutch subsidiaries of ING Bank N.V. (including INGMH and INGMI) to ING Bank Holding N.V.

Board of Directors

1. Mr. Jan Zegering Hadders
2. Mr. Dick Boot
3. Mr. Wilbert Buiter
4. Mr. Henk Kruidenier
5. Mr. Hans van der Noorda
6. Mr. Ludo Wijngaarden

Shareholding

ING Bank N.V. is a wholly owned subsidiary of ING Groep N.V.

Financial Performance

The operating results of ING Bank N.V. are set forth below:

(Euro in crores, except per share data)

	Fiscal 2001	Fiscal 2002	Fiscal 2003	Nine months ending September 2004
Sales and other income	1,098.9	1,103.6	1,150.8	954.8
Profit after tax (before adjustments)	136.3	63.8	144.0	185.0
Equity capital (par value Euro 1.13 per share)	52.5	52.5	52.5	52.5
Reserves	1,381.9	1,354.4	1,294.5	1,339.0
Earnings per share	2.93	1.37	3.10	3.98
Book value per share	33.8	31.5	32.0	33.9

B. GMR GROUP COMPANIES

Mr. G.M.Rao has direct and indirect ownership control of all the group companies described herein. Financial data for each group company has been derived from its financial statements prepared in accordance with Indian GAAP.

1. Rao Investments Private Limited
2. Medvin Finance Private Limited
3. Sri Varalakshmi Jute Twine Mills Private Limited
4. GMR Infrastructure Limited
5. GMR Energy Limited
6. GMR Power Corporation Private Limited
7. Vemagiri Power General Limited

8. Hyderabad International Airport Limited
9. GMR Operations Private Limited
10. GMR Industries Limited
11. GMR Tambaram-Tindivanam Expressways Private Limited
12. GMR Tuni-Anakapalli Expressways Private Limited
13. Ideaspace Solutions Limited
14. ING Vysya Life Insurance Company Private Limited

(I) RAO INVESTMENTS PRIVATE LIMITED

Rao Investments Private Limited was incorporated on April 7, 1993 in Tamil Nadu as a Non Banking Finance Company engaged in investment activities.

Shareholding

The equity shareholding pattern of Rao Investments Private Limited as on December 24, 2004 is as under:

Sl No	Name of the Shareholder	No of Shares	%
1	Mr. G. M. Rao	29,85,350	98.84
2	Mr. G B S Raju	1,622	0.05
3	Mr. G Kiran Kumar	17,282	0.57
4	Ms. G. Varalakshmi	12,868	0.43
5	Ms. B. Ramadevi	3,125	0.10
	Total	**30,20,247**	**100.00**

Board of Directors

1. Mr. A Subba Rao (Chairman)
2. Mr. A S Cherukupalli
3. Mr. K Ramesh Babu
4. Mr. P Sreenivasa Rao

Financial Performance

The operating results of Rao Investments Private Limited as at and for the years ended March 31, 2002, 2003 and 2004 is set forth below:

(Rs. in crores except share data)

	As at and for the year ended March 31, 2002	As at and for the year ended March 31, 2003	As at and for the year ended March 31, 2004
Total Income	0.54	52.25	0.04
Profit After Tax	0.38	44.24	(1.25)
Equity Capital	1.99	1.99	1.99
Reserves	0.88	45.13	43.87
Earnings per Share	1.93	222.30	-
Book Value per Share	14.44	236.74	230.44

(II) MEDVIN FINANCE PRIVATE LIMITED

Medvin Finance Private Limited was incorporated on February 6, 1992 in Tamil Nadu as a Non Banking Finance Company engaged in investment activities.

Shareholding

The equity share holding pattern of Medvin Finance Private Limited as on March 31, 2004 is as under:

Sl No	Name of the Share Holder	No of Shares	%
1	Rao Investments Pvt Ltd	10,80,040	43.28
2	GMR Operations Pvt Ltd	5,00,000	20.03
3	Lotus Investments Pvt Ltd	3,00,000	12.02
4	GMR Investments Pvt Ltd	2,30,000	9.22
5	Tansy Investments Pvt Ltd	2,00,000	8.01
6	Vasavi Finance Pvt Ltd	1,85,750	7.44
	Total	**24,95,790**	**100.00**

Board of Directors

1. Mr. A S Cherukupalli,
2. Mr. T S S V L Narayana
3. Mr. K Ramesh Babu

Financial Performance

The operating results of Medvin Finance Private Limited as at and for the years ended March 31, 2002, 2003 and 2004 is set forth below:

(Rs. in crores, except share data)

	As at and for the year ended March 31, 2002	As at and for the year ended March 31, 2003	As at and for the year ended March 31, 2004
Total Income	1.00	17.26	43.32
Profit After Tax	0.59	11.42	25.52
Equity Capital	2.00	2.00	2.50
Reserves	0.55	12.09	40.14
Earnings per Share	2.93	56.84	102.25
Book Value per Share	12.76	69.64	170.84

(III) SRI VARALAKSHMI JUTE TWINE MILLS PRIVATE LIMITED

Varalakshmi Jute Twine Mills Private Limited was incorporated on December 17, 1990 under the name of Sri Lakshmi Jute Twine Mills Private Limited in Andhra Pradesh. Effective February 23, 1994 the name was changed to Sri Varalakshmi Jute Twine Mills Private Limited. Effective July 1, 1997 the name was changed to Sri Varalakshmi Jute Twine Mills Limited. Effective November 20, 2001 the name was changed to Sri Varalakshmi Jute Twine Mills Private Limited. Sri Varalakshmi Jute Twine Mills Private Limited is engaged in the business of manufacture of fine yarn and trading activities.

Shareholding

The equity shareholding pattern of Sri Varalakshmi Jute Twine Mills Private Limited as on March 31, 2004 is as under:

Sl No	Name of the Shareholder	No of Shares	%
1	Natwest constructions (P) Ltd	4000000	46.27
2	Medvin Finance (P) Ltd	4000000	46.27
3	GMR Industries Ltd	593220	6.87
4	V. Kesava Rao	24100	0.29
5	A Krishna Rao	18000	0.21
6	P. Satyavathi	3000	0.03
7	K. Annapurnamma	3000	0.03
8	K. Satya Rao	3000	0.03
	Total	**8644320**	**100.00**

Board of Directors

1. Mr. K. Narayana Rao (Managing Director)
2. Mr. V.K. Rao Ch
3. Mr. Rajesh Jhunjhunwala
4. Mr. E. Siva Sankaram
5. Mr. V.S. Prakasa Rao

Financial Performance

The operating results of Sri Varalakshmi Jute Twine Mills Private Limited as at and for the years ended March 31, 2002, 2003 and 2004 are set forth below

(Rs. in crores except Share data)

	As at and for the Year ended March 31, 2002	As at and for the Year ended March 31, 2003	As at and for the Year ended March 31, 2004
Total Income	740.47	498.78	325.89
Profit After Tax	7.94	7.01	1.99
Equity Capital	86.44	86.44	86.44
Reserves	49.88	56.89	58.88
Earning per Share	0.92	0.81	0.23
Book Value per Share	15.77	16.58	16.81

(IV) GMR INFRASTRUCTURE LIMITED (GIL)

GIL was incorporated on May 10, 1996 as a private limited company called Varalakshmi Vasavi Power Projects Limited under the provisions of the Companies Act in Andhra Pradesh. On May 31, 1999, the name was changed to GMR Vasavi Infrastructure Finance Limited. Thereafter effective July 24, 2000, the name was again changed to GMR Infrastructure Limited. The Registered Office of the Company was changed to the State of Karnataka in the year 2004. GIL is engaged in providing all forms of assistance to the other GMR Group companies, and is actively engaged in special purpose vehicles in the development, maintenance and operation of Infrastructure projects in the energy sector, transportation, Roads and Airports. These special purpose vehicles have entered into strategic alliances with United Engineers (Malaysia) Berhad (UEM) for road projects and Malaysia Airports Holding Berhad (MAHB) for the Airport project.

Share Holding

The shareholding pattern of GIL as on March 31, 2004 is as under:

Sl No	Name of the Shareholder	No of Shares	%
1	GMR Investments Pvt Ltd	101,506,299	63.98
2	Varalakshmi Investments Pvt Ltd	39,977,250	25.20
3	Vasavi Finance Pvt Ltd	8,202,000	5.17
4	Marble Arch Investments PCC Ltd	7,328,342	4.62
5	Rao Investments Pvt Ltd	1,647,700	1.03
6	G Mallikarjuna Rao	300	0.00
7	G Varalakshmi	200	0.00
	TOTAL	**158,662,091**	**100.00**

Board of Directors

1. Mr. G M Rao (Chairman)
2. Mr. B V Nageswara Rao
3. Mr. G.B.S. Raju
4. Mr. Srinivas Bommidala
5. Mr. Kiran Kumar Grandhi
6. Mr. K.Balasubramanian
7. Mr. K.V.K.Seshavataram

Financial Performance

The operating results of GIL as at and for the years ended March 31, 2002, 2003 and 2004 is set forth below:

(Rs. in crores, except share data)

	As at and for the year ended March 31, 2002	As at and for the year ended March 31, 2003	As at and for the year ended March 31, 2004
Total Income	24.34	80.64	135.47
Profit After Tax	7.95	40.21	57.47
Equity Capital	58.66	158.66	158.66
Reserves	61.24	96.89	151.64
Earnings per Share	1.29	2.38	3.45
Book Value per Share	20.31	16.01	19.49

(V) GMR ENERGY LIMITED (GEL)

GEL was incorporated as Tanir Bavi Power Company, a private unlimited company on October 10, 1996 under the Companies Act, 1956. The company was changed into a private limited company on December 10, 1997. On September 29, 2003 the name of the company was changed to GMR Energy Private Limited. On September 30, 2003 the company was converted into a public limited company and the name was changed to GMR Energy Limited and a fresh certificate of incorporation consequent on change of name was issued by the ROC on September 30, 2004. GEL is the primary vehicle through which the GMR Group operates in the Energy Sector. GEL owns and operates a barge-mounted, naphtha-based combined cycle power plant with a contracted capacity of 220 MW situated off the coast of Mangalore, in the state of Karnataka. The Mangalore plant commenced simple cycle operations on June 08, 2001 and combined cycle operations on November 21, 2001. GEL holds 51% of equity in GMR Power Corporation Limited which operates a 200-MW, diesel engine based power project located at Basin Bridge, in Chennai, in the state of Tamil Nadu. In addition Vemagiri Power Generation Limited, a subsidiary of GEL is setting up a 370 MW combined cycle, natural-gas based, power project, near Rajahmundry in the state of Andhra Pradesh.

Shareholding

The equity shareholding pattern of GEL as on March 31, 2004 is as under:

Sl No	Name of the Shareholder	No of Shares	%
1	GMR Infrastructure Limited	276826898	84.90
2	India Development Fund	49236829	15.10
3	Mr. G. M. Rao	5000	0.00
4	Ms. G. Varalakshmi	5000	0.00
5	Mr. G. Kiran Kumar	100	0.00
6	Mr. G.B.S. Raju	100	0.00
7	Mr. B. Srinivas	100	0.00
8	Rao Investments Private Limited	100	0.00
	Total	**326074127**	**100.00**

Board of Directors

1. Mr. G. Mallikarjuna Rao
2. Mr. B.V. Nageswara Rao
3. Mr. G.B.S. Raju
4. Mr. Srinivas Bommidala
5. Mr. P.B.Vanchi
6. Mr. Luis Miranda
7. Mr. Arun K Thyagarajan
8. Mr. N.C. Sarabeswaran
9. Mr. S. Rajagopal
10. Mr. Jammi Srinivasa Rao

Financial Performance

(Rs. in crores, except share data)

	As at and for the year ended March 31, 2002	As at and for the year ended March 31, 2003	As at and for the year ended March 31, 2004
Total Income	431.46	644.41	554.22
Profit After tax	30.22	69.88	76.06
Equity Capital	275.08	276.84	326.07
Free Reserves	30.22	37.64	120.55
Earnings per Share	1.14	2.52	2.72
Book Value per Share	10.69	11.03	13.70

(VI) GMR POWER CORPORATION PRIVATE LIMITED (GPCL)

GMR Power Corporation Private Limited was incorporated on January 11, 1995 in the name GMR Vasavi Power Corporation Limited as a public limited company under the provisions of the Companies Act, 1956. GPCL was converted into a private limited company on November 21, 1997 and the name was changed to GMR Vasavi Power Corporation Private Limited. The name GMR Vasavi Power Corporation Private Limited was changed to GMR Power Corporation Private Limited with effect from November 7, 2000.

GPCL is engaged in the business of power generation. It owns and operates a 200-MW, diesel engine based power project located at Basin Bridge, in Chennai, in the state of Tamil Nadu.

Shareholding

The equity shareholding pattern of GPCL as on March 31, 2004 is as under:

Sl No	Name of the Shareholder	No of Shares	%
1	GMR Energy Ltd	126225000	51.00
2	Odeon Limited, Mauritius	97762500	39.50
3	GMR Infrastructure Ltd	23511800	9.50
4	G Mallikarjuna Rao	300	0.00
5	Bommidala Srinivas	100	0.00
6	B V Nageswara Rao	100	0.00
7	G Varalakshmi	100	0.00
8	G B S Raju	100	0.00
	TOTAL	**247500000**	**100.00**

Board of Directors

1. Mr. K Balasubramanian (Chairman)
2. Mr. B V Nageswara Rao
3. Mr. Srinivas Bommidala
4. Mr. R Ram Mohan
5. Mr. Luis Miranda
6. Mr. K Siva Prakasam
7. Mr. V K Chanana
8. Mr. Bimal Parekh
9. Mr. Heng Fook Seng
10. Mr. Ben Lim Choon Kee

Financial Performance

The operating results of GMR Power Corporation Private Limited as at and for the years ended March 31, 2001 to 2004 is set forth below:

(Rs. in crores, except share data)

	As at and for the year ended March 31, 2002	As at and for the year ended March 31, 2003	As at and for the year ended March 31, 2004
Total Income	475.93	505.20	438.46
Profit After Tax	46.29	41.64	32.29
Equity Capital	247.50	247.50	247.50
Reserves	118.79	155.83	76.44
Earnings per Share	1.87	1.68	1.30
Book Value per Share	14.77	16.27	13.07

(VII) VEMAGIRI POWER GENERATION LIMITED (VPGL)

The Company was incorporated on January 8, 1997 under the name of "Ispat Power Limited." The Company's name was changed to "Vemagiri Power Generation Limited" on December 11, 1998. The Company is setting up a 370 MW gas based power plant at Vemagiri Village, Near Rajahmundry, Andhra Pradesh.

Shareholding

The equity share holding pattern of VPGL as on March 31, 2004 is as under:

Sl No	Name of the Shareholder	No of Shares	%
1	GMR Energy Ltd	141615000	99.99
2	G Mallikarjuna Rao	1	0.00
3	G B S Raju	1	0.00
4	G Kiran Kumar	1	0.00
5	Sreenivas Bommidala	1	0.00
6	B V Nageswara Rao	1	0.00
7	R Ram Mohan	1	0.00
8	A Subba Rao	1	0.00
9	Madhu Terdal	1	0.00
10	O Bangaru Raju	1	0.00
11	Pradeep Kumar Lenka	1	0.00
	Total	**141615010**	**100.00**

Board of Directors

1. Mr. G M Rao (Chairman)
2. Mr. Srinivas Bommidala
3. Mr. B V Nageswara Rao
4. Mr. K Balasubramanian
5. Mr. P B Vanchi
6. Mr. Luis Miranda
7. Mr. S P Talwar
8. Mr. Udaya Holla
9. Mr. Uday Chitale
10. Mr. A P Rao.

Financial Performance

The operating results of Vemagiri Power Generation Limited as at and for the years ended June 30, 2002 and March 31, 2003 and 2004 is set forth below:

(Rs. in crores, except share data)

	As at and for the year ended June 30, 2002	As at and for the year ended March 31, 2003	As at and for the year ended March 31, 2004
Total Income	N.A	N.A	N.A
Profit After Tax	N.A	N.A	N.A
Equity Capital	1.60	1.60	141.62
Reserves	1.99	1.99	1.99
Earnings per Share	N.A	N.A	N.A
Book Value per Share	21.80	21.51	10.01

(VIII) HYDERABAD INTERNATIONAL AIRPORT LIMITED

Hyderabad International Airport Limited was incorporated on December 17, 2002 in Andhra Pradesh. Hyderabad International Airport Limited is developing an International Airport at Shamshabad, Hyderabad.

Share Holding

The equity shareholding pattern of Hyderabad International Airport Limited as on March 31, 2004 is as under:

Sl No	Name of the Shareholder	No of Shares	%
1	GMR Infrastructure Ltd	37000	63.00
2	Government of Andhra Pradesh	7635	13.00
3	Airports Authority of India	7635	13.00
4	Malaysia Airports Holdings Berhad	6460	11.00
	Total	**58730**	**100.00**

Board of Directors

1. Mr. G. M. Rao (Chairman)
2. Mr. Kiran K. Grandhi
3. Mr. B. V. Nageswara Rao
4. Mr. Pamidi R Prasad Rao
5. Mr. K. Balasubramanian
6. Prof. Rigas Doganis
7. Mr. Dato' Bashir Ahmad bin Abdul Majid
8. Mr. V. S. Sampath
9. Mr. Binoy Kumar
10. Mr. K. Ramalingam
11. Dr. Nasim Zaidi
12. Mr. Sunil Tandon.

The Alternate Directors are

1. Ms. Preeti Sudan Alternate Director to Mr. V. S. Sampath
2. Mr. N. P. Ramakrishna Reddy, Alternate Director to Binoy Kumar
3. Mr. Dato' Abd. Hamid Bin Mohd Ali, Alternate Director to Dato' Bashir Ahmad Bin Abdul Majid
4. Mr. K. V. K. Seshavataram, Alternate Director to Prof. Rigas Doganis.

Financial Performance

The operating results of Hyderabad International Airport Limited as at and for the period December 17, 2002 to March 31, 2004 is set forth below:

(Rs. in crores except share data)

	As at and for the period ended March 31, 2004
Total Income	-
Profit After Tax	-
Equity Capital*	29.3
Reserves	-
Earnings per Share	-
Book Value per Share	10
* Equity capital is inclusive of share application money pending allotment	

(IX) GMR OPERATIONS PRIVATE LIMITED

GMR Operations Private Limited was incorporated on December 10, 1999 in Tamil Nadu under the name of GMR PSEG Operations Private Limited. Effective January 29, 2003 the name was changed to GMR Operations Private Limited. GMR Operations Private Limited is engaged in the business of operation and maintenance services of power projects, including the Tanir Bavi power project.

Shareholding

The equity share holding pattern of GMR Operations Private Limited as on March 31, 2004 is as under:

Sl No	Name of the Shareholder	No of Shares	%
1	Rao Investments Pvt Ltd	2549	51.00
2	GMR Infrastructure Ltd	2450	49.00
3	Varalakshmi Investments Pvt Ltd	1	0.00
	Total	**5000**	**100.00**

Board of Directors

1. Mr. Kiran Kumar Grandhi (Chairman)
2. Mr. M V Subba Rao
3. Mr. S Nagarajan.

Financial Performance

The operating results of GMR Operations Private Limited as at and for the years ended March 31, 2002, 2003 and 2004 is set forth below:

(Rs. crores except share data)

	As at and for the year ended March 31, 2002	As at and for the year ended March 31, 2003	As at and for the year ended March 31, 2004
Total Income	2.75	2.83	2.80
Profit After Tax	1.65	1.52	0.52
Equity Capital	0.05	0.05	0.05
Reserves	1.71	3.24	3.75
Earnings per Share (Rs. 100 face value)	3293.70	3045.96	1032.50
Book Value per Share	3525.70	6571.67	7604.17

(X) GMR INDUSTRIES LIMITED

GMR Industries Limited was incorporated on June 30, 1986 under the provisions of the Companies Act as a public limited company by name of Sree Sarada Ferro Alloys Limited. The name Sree Sarada Ferro Alloys Limited was changed to GMR Vasavi Industries Limited with effect from February 1, 1994. The name GMR Vasavi Industries Limited was changed to GMR Technologies and Industries Limited with effect from April 12, 2000. The name GMR Technologies and Industries Limited was changed to GMR Industries Limited with effect from January 30, 2004. Varalakshmi Sugars Limited merged with GMR Industries Limited on April 1, 1999. GMR Breweries and Industries Limited was demerged with GMR Industries Limited on January 2001. Varalakshmi International Limited merged with GMR Industries Limited on April 1, 2002. GMR Industries Limited is listed on

Bombay Stock Exchange, The Hyderabad Stock Exchange Limited, Ahmedabad Stock Exchange Limited, The Calcutta Stock Exchange Limited. GMR Industries Limited is engaged in the business of manufacture of ferro alloys, sugar, generation and sale of power from co-generation plants and international trading.

Shareholding

GMR Industries Limited is a public company listed in India on the BSE and stock exchanges in Ahmedabad, Hyderabad and Kolkata. The equity shareholding pattern of GMR Industries Limited as on March 31, 2004 is as under:

Sl No	Name of the Shareholder	No of Shares	%
1	Promoters	20242952	74.91
2	Banks, FIs and Mutual Funds	3900	0.01
3	Private Bodies Corporate	968526	3.58
4	Resident Individuals	4862317	18.00
5	NRIs/ OCBs	273180	1.02
6	Others	671282	2.48
	Total	**27022157**	**100.00**

Board of Directors

1. Mr. K V K Seshavataram (Chairman)
2. Mr. K Narayana Rao (Managing Director)
3. Mr. N. V. Varadarajulu
4. Mr. M Sudhakara Rao
5. Mr.V K Rao CH
6. Mr. A Subba Rao
7. Mr Kiran Kumar Grandhi
8. Mr. I Sada Siva Gupta
9. Mr. A Shankara Rao

Financial Performance

The operating results of GMR Industries Limited as at and for the years ended March 31, 2002, 2003 and 2004 are set forth below:

(Rs. in crores, except share data)

	As at and for the year ended March 31, 2002	As at and for the year ended March 31, 2003	As at and for the year ended March 31, 2004
Total Income (net of change in stocks)	189.11	264.86	269.90
Profit After Tax	3.51	8.14	11.10
Equity Capital	27.02	27.02	27.02
Preference & Suspense Capital	45.05	87.79	33.44
Reserves	48.27	74.27	79.62
Earnings per Share	0.53	1.25	3.20
Book Value per Share	27.86	33.07	34.73

Share Quotation

The highest and lowest market price of shares of GMR Industries Limited as listed on BSE during the preceding six months is as follows:

Month	High (Rs.)	Low (Rs.)
October 2004	60.00	47.95
September 2004	63.40	33.00
August 2004	34.55	26.10
July 2004	34.90	22.00
June 2004	25.00	21.45
May 2004	28.50	20.50
April 2004	27.25	22.20

As on November 30, 2004, the price of the shares of GMR Industries Limited quoted on the BSE was Rs. 51.50

Previous Issues

(i) Public Issue in 1992

GMR Industries Limited made a rights issue of 25,50,100 equity shares of Rs.10/- each for cash at par aggregating Rs.2.55 crores, excluding 4,10,000 equity shares of Rs.10/- each reserved for allotment to promoters after obtaining approval from the Department of Company Affairs for retention of 15% of the issue amount as over subscription. The details of the issue are as follows:

Issue opened on	February 24, 1992
Issue closed on	March 6, 1992
Date of completion of dispatch of delivery of security certificates	May 11, 1992
Object of the issue	To meet the cost of the expansion project for manufacture of High Carbon Ferro Chrome To meet long term working capital requirement
Rate of dividend paid prior to the issue	-

Particulars of changes in the capital structure are given below:

Particulars	Equity Share Capital (Rs. crores)	Share Premium (Rs. crores)
Prior to the issue	1.37	-
After the public issue	4.33	-
After retention of 15% over-subscription	4.77	-

Promise v/s Performance (Rs. in crores)

Year ended March 31,	1992		1993		1994	
	Projections	Performance	Projections	Performance	Projections	Performance
Sales	6.17	4.81	8.76	12.28	9.27	12.92
PAT	0.62	0.3	1.35	1.54	1.46	1.46
EPS (Rs.)	4.50	2.08	2.83	3.23	3.05	3.02
Dividend (%)	-	6%	-	15%	-	15%

(ii) Rights Issue in 1994

GMR Industries Limited made a rights issue of 47,72,100 equity shares of Rs. 10/- each for cash at premium of Rs.5/- per share aggregating Rs. 7.15815 crores.

Issue opened on	December 1, 1994
Issue closed on	January 7, 1995
Date of completion of dispatch of delivery of security certificates	February 18, 1995
Object of the issue	To part-finance the setting up of a brewery unit with an installed capacity of 10,000 KL of beer per annum To finance a downstream fishery project To upgrade existing 33 KV substation to 132 KV To meet expenses of the issue
Rate of dividend paid prior to the issue	15%

GMR Industries Limited vide their prospectus dated January 24, 1992 indicated that the buildings in the second phase of project would be completed by May 1992. The civil construction was completed as per schedule. The trial runs and full fledged commercial production on the increased capacity which was expected to commence from September, 1992 was postponed to honor heavy order book position and to synchronise with the stoppage of the plant for renewal of furnace lining and also to stop the plant in 1993 when heavy power cut was imposed by the APSEB. GMR Industries Limited was able to complete the expansion only by July 1993 as against September 1992 mentioned in the prospectus.

(iii) Public Issue in 1994

GMR Industries Limited made an issue of 4,289,100 equity shares of Rs. 10/- each for cash at a premium of Rs.15/- per share aggregating Rs.10.72275 crores. Out of this, 1,300,000 shares were reserved for Promoters, Directors, friends, relatives and others and 200,000 shares were reserved for United Breweries Limited, with whom there was a marketing arrangement. The public issue prospectus offered 2,789,100 equity shares of Rs.10/- each for cash at a premium of Rs.15/- per share aggregating Rs. 6.97275 crores with the net offer to the Indian public being Rs. 3.20775 crores. The details of the said issue are as follows:

Issue opened on	December 5, 1994
Issue closed on	December 15, 1994
Date of completion of dispatch of delivery of security certificates	Resident Indians on February 16, 1995 Non Resident Indians on September 14, 1995
Object of the issue	To part-finance the setting up of a brewery unit with an installed capacity of 10,000 KL of beer per annum To finance a downstream fishery project To upgrade existing 33 KV substation to 132 KV To meet expenses of the issue
Rate of dividend paid prior to the issue	15%

Particulars of changes in the capital structure are given below:

Particulars	Equity Share Capital (Rs. crores)	Share Premium (Rs. crores)
Prior to the issue	4.77	0.00
After the rights issue	9.54	2.39
After the public issue	13.83	8.82

Promise v/s Performance (Rs. in crores)

Year ended March 31,	1995		1996[1]		1997[2]	
	Projections	Performance	Projections	Performance	Projections	Performance
Sales	22.71	25.88	34.19	58.11	44.47	60.73
PAT	2.13	2.12	6.33	8.19	7.26	5.18
EPS (Rs.)	3.39*	1.53	4.58	5.92	5.25	3.75
Dividend	-	16%	-	16%	-	10%

* Weighted Average

[1] Variation between the projected and actual figures is attributable to higher operational efficiency and optimum utilization of resources

[2] Variation between the projected and actual figures for sales is attributable to better product mix and improved efficiency. The lower profit after tax is on account of higher interest burden

Due to legislation that was enacted in 1995 in Andhra Pradesh prohibiting the manufacture, sale and consumption of Indian Made Foreign Liquor including beer, GMR Industries Limited kept in abeyance the implementation of brewery and downstream fishery projects. Instead it utilized the proceeds of the issue amount for (a) expanding its ferroalloy production capacity, (b) meeting long-term working capital requirements and (c) investment in GPCL. Since the projects underlying the issue were not implemented, a comparison of projected cost and time vis-a-vis actual cost and time cannot be established.

Investor Grievance Redressal

The Investors' Grievance Committee consists of Mr. K.V.K. Seshavataram (Chairman), Mr. K. Narayana Rao and Mr. V.K. Rao Ch. as members. Mr. V. Balasubramanian is the compliance officer and secretary to the Investors' Grievance Committee. The primary responsibility of the Committee is to redress shareholders / investors complaints like transfers of shares, non-receipt of balance sheet, non-receipt of declared dividends / share certificates, dematerialization of shares, replacement of lost / stolen / mutilated share certificates, etc. and to strengthen the investors' relations.

Details of investor requests, correspondence, complaints and grievance redressals from April 1, 2003 to March 31, 2004 are as under:

S. No.	Nature	Received	Attended
1.	Non-receipt of Dividend	3	3
2.	Non-receipt of securities after transfer	13	13
3.	Issue of duplicate share certificates	1	1
4.	Transmission of Shares	1	1

(XI) GMR TAMBARAM-TINDIVANAM EXPRESSWAYS PRIVATE LIMITED

GMR Tambaram-Tindivanam Expressways Private Limited was incorporated on August 27, 2001 in Andhra Pradesh. GMR Tambaram-Tindivanam Expressways Private Limited is implementing a highway project on a 93 km stretch connecting Tambaram and Tindivanam in the state of Tamil Nadu on a Build Own Transfer (BOT) basis. The total concession period is 17.5 years out of which 2.5 years is for construction and 15 years for operation and maintenance.

Shareholding

The equity shareholding pattern of GMR Tambaram-Tindivanam Expressways Private Limited as on March 31, 2004 is as follows:

Sl No	Name of the Share Holder	No of Shares	%
1	GMR Power Corporation Pvt Ltd	460000	50.00
2	UE Development India Pvt Ltd	260000	28.26
3	GMR Infrastructure Ltd	100000	10.87
4	GMR Industries Ltd	100000	10.87
	Total	**920000**	**100.00**

Board of Directors

1. Mr. G M Rao (Chairman)
2. Mr. G B S Raju
3. Mr. O Bangaru Raju
4. Mr. Kiran Kumar Grandhi
5. Mr. S Raja Gopal
6. Mr. Sunil Tandon
7. Mr. Lee Soo Sin
8. Mr. Dato' Mohd Nor Bin Idrus
9. Mr. James Wong Tet Foh as alternate Director.

Financial Performance

The operating results of GMR Tambaram-Tindivanam Expressways Private Limited as at and for the years ended March 31, 2002, 2003 and 2004 is set forth below:

(Rs. in crores except share data)

	As at and for the year ended March 31, 2002	As at and for the year ended March 31, 2003	As at and for the year ended March 31, 2004
Total Income	NA	NA	NA
Profit After Tax	NA	NA	NA
Equity Capital	0.1	0.92	0.92
Reserves	Nil	Nil	Nil
Earnings per Share	NA	NA	NIL
Book Value per Share	Nil	9.80	9.80

(XII) GMR TUNI-ANAKAPALLI EXPRESSWAYS PRIVATE LIMITED

GMR Tuni-Anakapalli Expressways Private Limited was incorporated on August 27, 2001 in Andhra Pradesh. GMR Tuni-Anakapalli Expressways Private Limited is implementing a highway project on a 59.2 km stretch connecting Tuni and Anakapalli in the state of Andhra Pradesh on a Build Own Transfer (BOT) basis. The total concession period is 17.5 years out of which

2.5 years is for construction and 15 years for operation and maintenance.

Shareholding

The equity shareholding pattern of GMR Tuni-Anakapalli Expressways Private Limited as on March 31, 2004 is as under:

Sl No	Name of the Share Holder	No of Shares	%
1	GMR Power Corporation Pvt Ltd	460000	50.00
2	UE Development India Pvt Ltd	260000	28.26
3	GMR Infrastructure Ltd	100000	10.87
4	GMR Industries Ltd	100000	10.87
	Total	**920000**	**100.00**

Board of Directors

1. Mr. G M Rao (Chairman)
2. Mr. G B S Raju
3. Mr. O. Bangaru Raju
4. Mr. Kiran Kumar Grandhi
5. Mr. S Raja Gopal
6. Mr. Sunil Tandon
7. Mr. Lee Soo Sin
8. Mr. Dato' Mohd Nor Bin Idrus
9. Mr. James Wong Tet Foh as alternative Director.

Financial Performance

The operating results of GMR Tuni-Anakapalli Expressways Private Limited as at and for the years ended March 31, 2002, 2003 and 2004 is set forth below:

(Rs. in crores except share data)

	As at and for the year ended March 31, 2002	As at and for the year ended March 31, 2003	As at and for the year ended March 31, 2004
Total Income	N.A	N.A	NA
Profit After Tax	N.A	N.A	NA
Equity Capital	0.01	0.92	0.92
Reserves	Nil	Nil	Nil
Earnings per Share	N.A	N.A	Nil
Book Value per Share	Nil	9.80	9.80

(XIII) IDEASPACE SOLUTIONS LIMITED

Ideaspace Solutions Limited was incorporated on April 6, 1993 under the name of Geemer (Vasavi) Finance Limited. Effective September 15, 1994, the name was changed to Natwest Finance Limited. Effective January 1, 1996, the name was changed to Natwest Capital Services Limited. Effective February 25, 1999, the name was changed to GMR Vasavi Infotech Limited. Effective August 7, 2000, the name was changed to Ideaspace Solutions Limited. Ideaspace Solutions Limited is engaged in the business of providing information technology services to the financial services industry and is involved in software development and related services.

Ideaspace Solutions Limited is a public limited company which was earlier listed in India on the Hyderabad Stock Exchange (HSE), the Bangalore Stock Exchange (BgSE) and The Stock Exchange, Mumbai (BSE). Ideaspace Solutions Limited has delisted its shares from the above stock exchanges through the reverse book-building route. The promoters with Rao Investments Private Limited being designated as the 'Acquirer' along with the other promoters being persons acting in concert, acquired 605085 shares in May 2004 through the SEBI (Delisting of Securities) Guidelines, 2003. The exit price at which these shares were acquired was Rs.15 per equity share.

Shareholding

The equity shareholding pattern of Ideaspace Solutions Limited as on March 31, 2004 is as under:

Sl No	Name of the Share Holder	No of Shares	%
1	Varalakshmi Investments P Ltd	1473900	24.73
2	GMR Investments P. Ltd	1582464	26.56
3	GMR Infrastructure Ltd.	750000	12.59
4	Rao Investments Private Limited	270000	4.53
5	Vasavi Finance Private Limited	270000	4.53
6	Medvin Finance P. Ltd.	153225	2.57
7	Other Promoters	433215	7.27
8	Mr GBS Raju	128200	2.15
9	Private Corporate Bodies	278788	4.68
10	Indian Public	619073	10.39
	Total	**5958865**	**100.00**

Board of Directors

1. Mr. Kiran Kumar Grandhi (Chairman)
2. Mr. A P Rao
3. Mr. A.Subba Rao
4. Mr. A.S.Cherukupalli.

Financial Performance

The operating results of Ideaspace Solutions Limited as at and for the years ended March 31, 2002, 2003 and 2004 is set forth below:

(Rs. in crores except share data)

	As at and for the year ended March 31, 2002	As at and for the year ended March 31, 2003	As at and for the year ended March 31, 2004
Total Income	10.66	12.53	6.02
Profit After Tax	1.26	-2.96	3.31
Equity Capital	3.77	5.96	5.96
Reserves	2.13	Nil	2.48
Earnings per Share Rs.	2.32	Nil	5.55
Book Value per Share Rs.	15.66	8.62	14.17

(XIV) ING VYSYA LIFE INSURANCE COMPANY PRIVATE LIMITED (IVL)

ING Vysya Life Insurance Company Private Limited was incorporated under the Companies Act, 1956 on December 13, 2000 with its registered office at 14, Sankey Road, Bangalore 560 003 and is engaged in the business of life insurance. The registered office was shifted to ING Vysya House, No. 22, M G Road, Bangalore 560 001 in September 2004.

Its main object is to carry on in India or elsewhere the business to establish, organize, manage, promote, encourage, provide conduct, sponsor, subsidize, operate, develop and commercialize, insurance and assurance business in the branches of all classes of life and such other insurance plans, assurance plans and schemes and to act as agent representative, surveyor sub-insurance agent, franchiser consultant advisor collaborator or otherwise to deal in all incidental and allied activities related to the life insurance business subject to the Insurance Regulatory and Development Authority Act, 1999 and the Insurance Act, 1938 and other applicable acts, regulations, or any statutory modifications or re-enactments thereof.

Since ING Vysya Bank Limited holds 20% of the equity capital of IVL, IVL is being treated as an affiliate of the Bank.

Shareholding

The equity shareholding pattern of ING Vysya Life Insurance Company Private Limited as on September 30, 2004 is as under:

Sl No	Name of the Share Holder	No of Shares	%
1	GMR Industries Ltd	12,76,00,000	44.00
2	ING Insurance International B V	7,54,00,000	26.00
3	ING Vysya Bank Ltd	5,80,00,000	20.00
4	Enam Securities Private Limited	1,45,00,000	5.00
5	Roop Chand Bhansali	1,45,00,000	5.00
	Total	**29,00,00,000**	**100.00**

Board of Directors

1. Mr. K.R.V. Subrahmanian
2. Mr. Frank J.E. Koster
3. Mr. Chris Davies
4. Mr. A.P. Rao
5. Mr. K. Balasubramanian
6. Mr. Peter Smyth
7. Mr. K.R. Ramamoorthy
8. Mr. N.N. Joshi
9. Mr. Steven Billiet

Financial Performance

The operating results of ING Vysya Life Insurance Company Private Limited as at and for the years ended March 31, 2002, 2003 and 2004 is set forth below:

(Rs. in crores, except share data)

	As at and for the year ended March 31, 2002	As at and for the year ended March 31, 2003	As at and for the year ended March 31, 2004
Total Income*	4.09	21.12	88.28
Profit After Tax	(30.94)	(37.86)	(62.99)
Equity Capital	110.00	170.00	245.00
Reserves	Nil	Nil	Nil
Earnings per Share Rs.	(4.23)	(2.89)	(3.46)
Book Value per Share Rs.	7.11	5.92	4.60
* Premium income net of reinsurance ceded			

GMR Disassociated Companies

Sl. No.	Name of divested company	Date of acquisition/ incorporation	Year of divestment	Mode of divestment
1	Arkay Exports	12.01.1995	2003-04	Dissolved
2	Blue Moon Investments Private Limited	04.07.1993	2003-04	Stake sold
3	Corporate Infrastructure Services Pvt Ltd	26.08.1993	2003-04	Stake sold
4	Cosmos Syntex Pvt Ltd	15.03.1993	2003-04	Stake sold
5	Eastern Syntex Private Limited	15.03.1993	2004-05	Merged with GMR Industries Limited
6	Emerald Investments Private Limited	07.04.1993	2003-04	Stake sold
7	Eros Vyapaar Pvt Ltd	19.02.1993	2003-04	Application filed under S. 560 of the Companies Act for winding up

Sl. No.	Name of divested company	Date of acquisition/ incorporation	Year of divestment	Mode of divestment
8	GMR Exports	03.02.1993	2003-04	Dissolved
9	GMR Investments Private Limited	08.12.1992	2004-05	Merged into Rao Investments Private Limited
10	GMR Ventures Private Limited	22.09.2000	2002-03	Stake sold
11	Ideaspace Financial Technology Private Limited		2002-03	Merged with Ideaspace Solutions Ltd
12	Monotype Sales Agencies Pvt Ltd	06.09.1993	2003-04	Merged with Medvin Finance Pvt Ltd
13	Nath Camco Pvt Ltd	17.11.1996	2003-04	Application filed under S. 560 of the Companies Act for winding up
14	Natwest Constructions Private Limited	08.01.1996	2003-04	Stake sold
15	Neozone Marketing Pvt Ltd	07.12.1993	2003-04	Stake sold
16	Odyssy Commerce Pvt Ltd	02.12.1993	2003-04	Stake sold
17	Pashupati Artex Agencies Pvt Ltd	15.03.1993	2003-04	Stake sold
18	Prime Syntex Pvt Ltd	15.03.1993	2003-04	Application filed under S. 560 of the Companies Act for winding up
19	Quintant Services Private Limited	02.01.2003	2003-04	Stake sold
20	Rajam Investments Private Limited	12.02.1992	2003-04	Merged with Medvin Finance Pvt Ltd
21	Ravlon Vyapaar Pvt Ltd	02.12.1993	2003-04	Application filed under S. 560 of the Companies Act for winding up
22	Roshan Investments Private Limited	20.12.1995	2003-04	Stake sold
23	Satabdi Investments Private Limited	05.03.1992	2003-04	Stake sold
24	Scroll Holdings Pvt Ltd	19.02.1993	2003-04	Application filed under S. 560 of the Companies Act for winding up
25	Shrine Finance & Investments Private Limited	22.03.1993	2003-04	Stake sold
26	Shulton Commercial Company Private Limited	12.02.1993	2004-05	Merged with GMR Industries Limited
27	Vasavi Finance Private Limited			Merged into Rao Investments Private Limited
28	Vasavi Securities Limited			Merged into Rao Investments Private Limited
29	Vasavi Soft Drinks Private Limited	06.07.1982	2003-04	Application filed under S. 560 of the Companies Act for winding up
30	Varalakshmi Investments Private Limited	12.02.1992	2004-05	Merged into Rao Investments Private Limited
31	Varalakshmi International Limited	15.03.1994	2004-05	Merged with GMR Industries Limited
32	Varistha Finco Private Limited	04.10.1993	2004-05	Merged with GMR Industries Limited
33	Welford Commodities Pvt Ltd	28.09.1993	2003-04	Application filed under S. 560 of the Companies Act for winding up
34	Wonil Toys Pvt Ltd	24.01.1990	2003-04	Stake sold

C. ASSOCIATE COMPANY

(I) ING INVESTMENT MANAGEMENT (INDIA) PRIVATE LIMITED (IIML)

IIML was incorporated under the Companies Act, 1956 on April 6, 1998, with its registered office at Hoechst House, 7th Floor, Nariman Point, Mumbai 400 021. The registered office was later shifted to No. 17, Lincoln Lodge, Altamount Road, Mumbai 400 036

The main object of IIML is to act as administrators or managers or asset managers of any mutual fund, investment trust or any other fund and to invest on behalf of such funds in eligible capital market, money market or other instruments, securitised debts, warrants, notes, assets and properties and all kinds of securities, quoted or unquoted, listed or unlisted, to provide financial consultancy services, advice and facilities of every description, including (but without limiting the generality of the foregoing words) all those capable of being provided by investment and fund managers and advisors, promoters and managers of mutual funds, unit trusts, and other investment media, issue houses and financiers.

Shareholding

Name of the shareholders	%
Nationale Nederlanden Interfinance B.V.	59.1
ING Vysya Bank Ltd	22.4
Kirti Equities P. Ltd	18.5
Others*	0
TOTAL	**100**

* hold 2 Equity Shares

Board of Directors

1. Ms. Kavita Hurry (Managing Director & Chief Executive Officer)
2. Mr. Michael Ferrer
3. Mr. Rashmi Mehta
4. Mr. Ranjit Bhavnani
5. Mr. S M Pathania
6. Mr. J S Bilimoria
7. Mr. Prem Mehta
8. Mr. V. Ravi Kumar (nominee of IVBL)

Financial Performance

(Rs. in crores except per share data)

	As at and for the year ended December 31,		
	2001	2002	2003
Net Sales and other income (other than stock adjustment)	5.44	6.23	7.10
Profit after tax	(2.18)	(4.16)	(6.94)
Equity Capital	28.27	28.27	38.20
Reserves*	Nil	Nil	Nil
Earnings per share			
(of Rs. 10/-each)	(0.77)	(1.40)	(2.34)
Book Value per share (of Rs. 10/-each)	6.53	5.49	4.96

FINANCIAL STATEMENTS

STANDALONE FINANCIAL STATEMENTS UNDER INDIAN GAAP AS AT AND FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

Auditor's Report

To
The Board of Directors
ING Vysya Bank Limited
22, M.G Road
Bangalore - 560 001

We have audited the attached Balance Sheet of ING Vysya Bank Limited ('the Bank') as at 30 September 2004, the Profit and Loss Account, in which are incorporated results of 7 branches/offices audited by us, and the Cash Flow Statement of the Bank for the six months ended on that date annexed thereto. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit. This audit was conducted in accordance with the terms of engagement as specified by the Board of Directors of the Bank and is not a statutory audit as per the requirements of the Banking Regulation Act, 1949.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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 provides a reasonable basis for our opinion.

The Balance Sheet and the Profit and Loss accounts have been drawn up in accordance with the formats prescribed by the Banking Regulation Act, 1949.

Subject to any financial impact of the pending wage agreement revision at 30 September 2004, as explained in Note 18.14 of Schedule 18, and the unascertained consequential effects thereof;

We report that:

a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

b) in our opinion, proper books of account have been kept by the Bank so far as appears from our examination of the books;

c) the Balance sheet, Profit and loss account and Cash flow statement dealt with by this report are in agreement with the books of account;

d) in our opinion, the accompanying Balance sheet, Profit and loss account and Cash flow statement dealt with by this report comply with the Accounting Standards referred to in sub-section 3(C) of Section 211 of the Companies Act, 1956, to the extent they are not inconsistent with the accounting policies prescribed by the Reserve Bank of India;

e) in our opinion, and to the best of our information and according to the explanations given to us, the said accounts give a true and fair view in conformity with the accounting principles generally accepted in India:

   i) in the case of the Balance sheet, of the state of affairs of the Bank as at 30 September 2004;

   ii) in the case of the Profit and loss account, of the loss of the Bank for the six months ended on that date; and

   iii) in the case of the Cash flow statement, of the cash flows of the Bank for the six months ended on that date.

For BSR & Co.
(formerly Bharat S Raut & Co.)
Chartered Accountants

Zubin Shekary
Partner
Membership No: 48814

December 23, 2004
Bangalore

ING Vysya BANK

ING VYSYA BANK LIMITED
BALANCE SHEET AS ON 30 SEPTEMBER 2004

(Rs. thousand)

PARTICULARS	SCHEDULE	30 September 2004	31 March 2004
CAPITAL AND LIABILITIES			
Capital	1	226,519	226,516
Reserves and Surplus	2	6,753,662	7,246,711
Deposits	3	104,736,826	104,780,694
Borrowings	4	5,929,139	9,643,445
Other Liabilities and Provisions	5	12,395,573	10,332,343
TOTAL		**130,041,719**	**132,229,709**
ASSETS			
Cash and Balance with Reserve Bank of India	6	4,676,601	6,258,424
Balance with Banks and Money at call and short notice	7	3,343,450	3,789,998
Investments	8	39,066,196	40,852,364
Advances	9	72,366,390	70,465,078
Fixed Assets	10	3,251,737	3,344,260
Other Assets	11	7,337,345	7,519,585
TOTAL		**130,041,719**	**132,229,709**
Contingent Liabilities	12	143,091,953	112,891,097
Bills for collection		13,852,633	14,051,095
Significant Accounting Policies	**17**		
Notes on Accounts	**18**		

For and on behalf of the Board

As per our report of even date

For BSR & Co.
(formerly Bharat S Raut & Co.)

Chartered Accountants
Zubin Shekary
Partner
Membership No : 48814

Place: Bangalore
Date: December 23, 2004

ING Vysya BANK

ING VYSYA BANK LIMITED
PROFIT AND LOSS ACCOUNT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

(Rs. thousand)

PARTICULARS	SCHEDULE	Six months ended 30 September 2004
INCOME		
Interest Earned	13	4,818,787
Other Income	14	69,090
TOTAL		4,887,877
EXPENDITURE		
Interest Expended	15	3,061,353
Operating Expenses	16	1,718,190
Provisions and Contingencies		600,838
TOTAL		5,380,381
PROFIT		
Net Loss for the period		(492,504)
Profit Brought Forward		35,743
TOTAL		**(456,761)**
APPROPRIATIONS		
Transfer to Statutory Reserve		-
Transfer to Capital Reserves		-
Transfer to Investment Fluctuation Reserve		-
Proposed Dividend		-
Dividend Tax		-
Balance Carried to Balance Sheet		(456,761)
TOTAL		**(456,761)**
Earnings / (Loss) per Share (Rs. Per Equity Share of Rs. 10 each)		18.10
Basic		(21.75)
Diluted		(21.75)
Number of shares used in computing Earnings / (Loss) per Share		
Basic		22651865
Diluted		22651865
Significant Accounting Policies	**17**	
Notes on Accounts	**18**	

For and on behalf of the Board

As per our report of even date

For BSR & Co.
(formerly Bharat S Raut & Co.)

Chartered Accountants
Zubin Shekary
Partner
Membership No : 48814

Place: Bangalore
Date: December 23, 2004

ING VYSYA BANK LIMITED
SCHEDULES TO BALANCE SHEET AS ON 30 SEPTEMBER 2004

(Rs. thousands)

PARTICULARS	30 September 2004	31 March 2004
SCHEDULE 1 - CAPITAL		
AUTHORISED CAPITAL		
100,000,000 Equity Shares of Rs.10/- each	1,000,000	1,000,000
100,000,000 Preference Shares of Rs.10/- each	1,000,000	1,000,000
ISSUED CAPITAL		
22,690,155 (31 March 2004 : 22,690,155)		
Equity shares of Rs.10/- each	226,902	226,902
SUBSCRIBED AND CALLED UP CAPITAL		
22,651,865 (31 March 2004 : 22,651,615)		
Equity Shares of Rs0.10/- each Fully called and paid up	226,519	226,516
TOTAL	**226,519**	**226,516**
SCHEDULE 2 - RESERVES AND SURPLUS		
I. STATUTORY RESERVE		
Opening Balance	1,985,106	1,837,604
Additions during the year / period	-	147,502
Total (A)	1,985,106	1,985,106
II. CAPITAL RESERVE		
(a) Revaluation Reserve		
Opening Balance	1,195,444	1,270,350
Less: Revaluation reserve reversed consequent to sale of assets	1,164	65,516
Less: Depreciation transferred to Profit and Loss Account	4,687	9,390
Total (B)	**1,189,593**	**1,195,444**
(b) Others		
Opening Balance	388,602	125,204
Add: Transfer from Profit and Loss Account	-	263,398
Total (C)	**388,602**	**388,602**
III. SHARE PREMIUM		
Opening Balance	1,954,701	1,947,171
Add: Additions during the year / period	6	7,530
Total (D)	**1,954,707**	**1,954,701**
TOTAL CAPITAL RESERVE (B+C+D)	**3,532,902**	**3,538,747**
IV. REVENUE AND OTHER RESERVES		
(E) Revenue Reserves		
Opening Balance	1,125,970	1,125,970
Total (E)	1,125,970	1,125,970
(F) Investment Fluctuation Reserve	**551,037**	**499,698**
Add: Additions during the year / period	-	51,339
Total (F)	**551,037**	**551,037**
Total (IV)	**1,677,007**	**1,677,007**
V. Employee Stock Option Outstanding (Net)	**15,408**	**10,108**
VI . BALANCE IN PROFIT AND LOSS ACCOUNT (H)	**(456,761)**	**35,743**
TOTAL (I to VI)	**6,753,662**	**7,246,711**

ING Vysya BANK

(Rs. thousands)

PARTICULARS	30 September 2004	31 March 2004
SCHEDULE 3 - DEPOSITS		
A.I. Demand Deposits		
i. From Banks	149,014	193,207
ii. From Others	11,384,379	11,325,637
II. Savings Bank Deposits	**16,032,655**	**14,583,427**
III.Term Deposits		
i. From Banks	1,705,758	8,957,543
ii. From Others	75,465,020	69,720,880
TOTAL (I to III)	**104,736,826**	**104,780,694**
B. Deposits of Branches In India	**104,736,826**	**104,780,694**
TOTAL	**104,736,826**	**104,780,694**
SCHEDULE 4 - BORROWINGS		
I. Borrowings in India		
i. Reserve Bank of India	-	-
ii. Other Banks	3,496,500	2,869,746
iii. Other Institutions and Agencies	1,157,209	4,799,833
II. Borrowings outside India	**1,275,430**	**1,973,866**
TOTAL (I to II)	**5,929,139**	**9,643,445**
Secured Borrowings included in (I) & (II) above is NIL (31 March 2004 : NIL)		
SCHEDULE 5 - OTHER LIABILITIES & PROVISIONS		
I. Bills Payable	2,236,034	2,473,733
II. Inter Office Adjustments (Net)	899,506	1,222,744
III. Interest Accrued	1,555,426	190,297
IV. Subordinated Debt -Tier II Bonds *	3,500,000	3,500,000
V. Others (Including Provisions)	4,204,607	2,945,569
TOTAL (I to V)	**12,395,573**	**10,332,343**
* An amount of Rs. Nil (Rs. 2,000,000 thousands during the year ended 31 March 2004) was raised as subordinated debts		
SCHEDULE 6 - CASH AND BALANCE WITH RESERVE BANK OF INDIA		
I. Cash in Hand (Including Foreign Currency Notes)	739,047	635,870
II. Balances With Reserve Bank of India		
i. In Current Account	3,937,554	5,622,554
ii. In Other Accounts	-	-
TOTAL (I to II)	**4,676,601**	**6,258,424**
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
i) Balances With Banks		
a) In Current Accounts	642,657	944,317
b) In Other Deposit Accounts	2,363,774	2,785,911

(Rs. thousands)

PARTICULARS	30 September 2004	31 March 2004
ii) Money at Call and Short Notice		
a) With Banks	-	-
b) With Others	-	-
TOTAL (i to ii)	**3,006,431**	**3,730,228**
II. Outside India		
i) Current Accounts	337,019	59,770
ii) In Other Deposit Accounts	-	-
TOTAL (i to ii)	**337,019**	**59,770**
TOTAL (I to II)	**3,343,450**	**3,789,998**
SCHEDULE 8 - INVESTMENTS (Net)		
I. Investments in India		
i) Government Securities	33,205,462	29,220,079
ii) Other Approved Securities	206,564	252,860
iii) Shares	481,355	393,465
iv) Debentures and bonds	4,486,696	8,743,536
v) Subsidiaries/Joint Venture	120,288	120,288
vi) Others (Mutual funds, Commercial Papers and Post Office Deposits)	565,831	2,122,136
TOTAL	**39,066,196**	**40,852,364**
II. Investments Outside India	**-**	**-**
GRAND TOTAL (I + II)	**39,066,196**	**40,852,364**
GROSS INVESTMENTS	39,481,678	41,483,371
Less: Depreciation/Provision for Investments *	415,482	631,007
(* Also refer note 18.11.6 and 18.11.7 of Schedule 18)		
NET INVESTMENTS	**39,066,196**	**40,852,364**
SCHEDULE 9 - ADVANCES (Net)		
A. i) Bills Purchased and Discounted	5,013,274	5,645,558
ii) Cash Credits, Overdrafts and Loans repayable on demand	25,078,116	26,962,586
iii) Term loans	42,275,000	37,856,934
TOTAL	**72,366,390**	**70,465,078**
B. i) Secured by Tangible Assets	63,411,224	60,860,542
ii) Covered by Bank/Government Guarantees	2,923,898	2,852,404
iii) Unsecured	6,031,268	6,752,132
TOTAL	**72,366,390**	**70,465,078**
C. I ADVANCES IN INDIA		
i) Priority Sector	20,918,395	21,570,805
ii) Public Sector	641,580	5,199,233
iii) Banks	130,024	294
iv) Others	50,676,391	43,694,746
II ADVANCE OUTSIDE INDIA	-	-
TOTAL	**72,366,390**	**70,465,078**

(Rs. thousands)

PARTICULARS	30 September 2004	31 March 2004
SCHEDULE 10 - FIXED ASSETS		
I. Premises		
i) At cost as on 31st March of the preceding year	1,219,041	1,055,980
ii) Appreciation in the value	1,243,518	1,316,632
iii) Additions during the year / period	-	303,149
	2,462,559	**2,675,761**
iv) Deductions during the year / period	15,000	213,202
v) Depreciation to date	163,944	149,094
I A. Premises under construction	**2,226**	**4,780**
TOTAL	**2,285,841**	**2,318,245**
II. Other Fixed Assets (Including Furniture and Fixtures)		
i) At cost as on 31st March of the preceding year	2,268,461	1,683,791
ii) Additions during the year / period	125,200	644,875
	2,393,661	**2,328,666**
iii) Deductions during the year / period	32,500	60,205
iv) Depreciation to date	1,652,645	1,504,111
II A. Capital Work In Progress	**35,950**	**37,571**
TOTAL	**744,466**	**801,921**
III. Lease Fixed Assets		
i) At cost as on 31st March of the preceding year	1,860,842	2,506,608
ii) Additions during the year / period	-	-
	1,860,842	**2,506,608**
iii) Deductions during the year / period	45,000	645,766
iv) Depreciation to date	1,404,664	1,404,994
v) Add: Lease Adjustment account	82,022	105,791
vi) Less: Provision / Write off of NPAs	271,770	337,545
TOTAL	**221,430**	**224,094**
GRAND TOTAL (I to III)	**3,251,737**	**3,344,260**
SCHEDULE 11 - OTHER ASSETS		
I. Interest Accrued	688,000	1,407,690
II. Tax Paid in Advance and Tax deducted at source (Net)	737,963	824,759
III. Stationery and Stamps	18,079	18,229
IV. Non Banking Assets acquired in satisfaction of claims (Net)	1,072,364	1,098,900
V. Others	4,820,939	4,170,007
TOTAL	**7,337,345**	**7,519,585**
SCHEDULE 12 - CONTINGENT LIABILITIES		
I. Claims against the bank not acknowledged as debts	178,407	223,822
II. Liability for partly paid investments	-	-
III. Liability on account of Outstanding Forward Exchange Contracts	121,782,263	92,947,650
IV. Guarantees given on behalf of constituents in India	9,603,279	10,039,441
V. Acceptances, Endorsements and Other Obligations	10,139,481	8,281,116
VI. Other items for which the bank is contingently liable	1,388,523	1,399,068
TOTAL	**143,091,953**	**112,891,097**

ING VYSYA BANK LIMITED

SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

(Rs.thousand)

PARTICULARS	Six months ended 30 September 2004
SCHEDULE 13 - INTEREST EARNED	
i. Interest / Discount on Advances / Bills	3,029,562
ii. Income on Investments	1,379,670
iii. Interest on Balances with RBI and other inter bank funds	109,939
iv. Others	299,616
TOTAL	**4,818,787**
SCHEDULE 14 - OTHER INCOME	
i. Commission, Exchange and Brokerage	546,685
ii. Profit / (Loss) on sale of Investments (Net)	(510,763)
iii. Profit on Revaluation of Investments (Net)	-
Less: Loss on revaluation of Investments	-
iv. Profit / (Loss) on sale of Land, Buildings and Other Assets (Net)	(16,314)
v. Profit on Exchange Transactions (Net)	105,070
vi. Income earned by way of dividends etc. from subsidiaries / companies and joint ventures abroad / in India	5,833
vii. Lease Income	32,131
Add: Lease Equalisation	2,659
Less: Depreciation	(33,359)
viii. MTM loss on IRS	(222,016)
ix. Miscellaneous Income (including Bad Debt Recoveries)	159,164
TOTAL	**69,090**
SCHEDULE 15 - INTEREST EXPENDED	
i. Interest on Deposits	2,528,145
ii. Interest on Reserve Bank of India/Inter-Bank Borrowings	71,662
iii. Others (Including interest on Tier II Bonds and IRS)	461,546
TOTAL	**3,061,353**
SCHEDULE 16 - OPERATING EXPENSES	
i. Payments and Provisions for Employees	864,510
ii. Rent, Taxes and Lighting	145,061
iii. Printing and Stationery	33,595
iv. Advertisement and Publicity	21,985
v. Depreciation on Bank's Property	181,134
vi. Director's Fees, Allowances & Expenses	1,997
vii. Auditors' Fees and Expenses (including Branch Auditors)	6,070
viii. Law Charges	5,181
ix. Postage, Telegrams, Telephones	61,236
x. Repairs and Maintenance	82,434
xi. Insurance	54,674
xii. Other expenditure	260,313
TOTAL	**1,718,190**

ING Vysya
BANK

ING VYSYA BANK LIMITED
CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

(Rs.thousand)

PARTICULARS	Six months ended 30 September 2004	
(A) Cash Flow from Operating Activities		
Net Profit before Tax and Extraordinary Items	(664,012)	
Adjustments for :		
Depreciation Charges	147,299	
Employee compensation expense (ESOS)	5,300	
Provision/write off of Advances and Investments	783,847	
Provision for Standard Assets	4,047	
Other Provisions	158,654	
(Profit)/Loss on Sale of Assets (Net)	16,314	
Cash Generated from Operation	451,449	
Less: Direct Taxes Paid	61,000	
		390,449
Adjustments for :		
(Increase) / Decrease in Advances	(2,196,500)	
(Increase) / Decrease in Other Assets	1,810,407	
Non-Banking Assets sold	26,536	
(Increase) / Decrease in Investments	1,477,378	
Increase / (Decrease) in Deposits	(48,056)	
Increase / (Decrease) in Other Liabilities	532,674	
Increase / (Decrease) in Borrowings	(3,714,305)	
Net Cash flow from Operating Activities (A)		(1,721,417)
(B) Cash Flow from Investing Activities		
Purchase of Fixed Assets	(127,868)	
Sale of Fixed Assets/Leased Assets	34,493	
Investment in Joint Ventures & Subsidiaries and Associates	(90,000)	
Net Cash flow from Investing Activities (B)		**(183,375)**
(C) Cash Flow from Financing Activities		
Dividend Paid	(123,579)	
Net Cash Flow from Financing Activities (C)		**(123,579)**
Net Increase/(Decrease) in Cash and Cash Equivalents		(2,028,371)
Cash and Cash equivalents as at the beginning of the year		**10,048,422**
(Including Money At Call & Short Notice)		
Cash and Cash equivalents as at the end of the year		
(Including Money At Call & Short Notice)		**8,020,051**

For and on behalf of the Board

As per our report of even date

For BSR & Co.
(formerly Bharat S Raut & Co.)

Chartered Accountants
Zubin Shekary
Partner
Membership No : 48814

Place: Bangalore
Date: December 23, 2004

SCHEDULE 17 - Significant Accounting Policies

1 BACKGROUND

ING Vysya Bank Limited ("the Bank") was incorporated on 29 March 1930 and is headquartered in Bangalore. Subsequent to acquisition of stake in the Bank by ING Group N.V. in August 2002, the name of the Bank was changed from "Vysya Bank Limited" to "ING Vysya Bank Limited".

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

These financial statements have been prepared and presented under the historical cost convention and accrual basis of accounting, unless otherwise stated, and in accordance with the generally accepted accounting principles ("GAAP") in India and conform to the statutory requirements prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India (RBI) from time to time 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"). The Bank has presented a complete set of financial statements as stipulated in paragraph 10 and 18 of AS 25 - 'Interim Financial Reporting'.

3 USE OF ESTIMATES

The preparation of the financial statements in conformity with generally accepted accounting principles in India requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of financial statements. Actual results could differ from those estimates. Any revisions to accounting estimates are recognized prospectively in the current and future periods.

4 REVENUE RECOGNITION

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

Interest on Advances, Non-Performing Securities and other assets classified as Non-Performing Assets is recognized on realization in accordance with the guidelines issued by the Reserve Bank of India (RBI).

b) Income on assets given on lease

Finance income in respect of assets given on lease is accounted based on the interest rate implicit in the lease in accordance with the guidance note issued by the ICAI in respect of leases given up to 31 March 2001 and in accordance with the AS - 19 in respect of leases given from 1 April 2001.

c) Premium/discount on acquired loans

Premium paid/discount received on loans acquired under deeds of assignment are recognised in the profit and loss account over the residual term of the relevant loans based on the interest rate implicit in the terms of assignment.

d) Sale of investments

Realized gains on investments under Held To Maturity (HTM) category are recognized in the profit and loss account and subsequently appropriated to capital reserve account in accordance with RBI guidelines after adjusting for income tax and appropriations to the statutory reserve. Such appropriation is carried out at the year end.

5 TRANSACTION INVOLVING FOREIGN EXCHANGE

a) Monetary assets and liabilities denominated in Foreign Currencies are translated into Indian Rupees at the rates of exchange prevailing at the balance sheet date as notified by Foreign Exchange Dealers Association of India (FEDAI) and resulting gains/losses are recognised in the profit and loss account.

b) Outstanding Forward Exchange contracts, 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.

c) 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, Subsidiaries and Joint Ventures and Others, in accordance with Schedule III to the Banking Regulation Act, 1949.

Valuation of investments is undertaken in accordance with the “Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks” issued by the RBI. For the purpose of valuation, the Bank’s investments are classified into three categories, i.e. ‘Held to Maturity’, ‘Held for Trading’ and ‘Available for Sale’:

a. “Held to Maturity” comprises securities acquired by the Bank with the intention to hold them upto maturity. With the issuance of RBI Circular No. DBOD.BP.BC.37/21/04/141/2004-05 dated 2 September 2004, the investment in SLR securities under this category is permitted to a maximum of 25% of Demand and Time Liabilities. 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

Valuation of investments is undertaken as under:

a. 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.

b. 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.

c. 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.

d. 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 upto 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 comprising sub-standard, doubtful and loss assets is 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.

9 FIXED ASSETS

Fixed Assets are stated at historical cost less accumulated depreciation, with the exception of premises, which were revalued as at 31 December 1999, based on values determined by approved valuers.

Office Equipment (including Electrical and Electronic equipment, Computers, Vehicles and other Office Appliances) are grouped under Other Fixed Assets.

a. Depreciation on Premises is charged at the rate of 1.63% upto 31 March 2002 and at 2% with effect from 1 April 2002.

b. Additional depreciation on account of revaluation of assets is deducted from the current year’s depreciation and adjusted in the Revaluation Reserve Account.

Depreciation on the following items of Fixed Assets is charged over the estimated useful life of the assets on “Straight Line” basis. The rates of depreciation are:

- 20% in respect of Electrical and Electronic equipment.
- 10% and 20% respectively on Furniture and Fixtures and Vehicles.
- 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 1 April 2001, the Bank follows the “Guidance Note on Accounting for Leases” issued by the ICAI. In respect of lease transactions entered into on or after 1 April 2001, the Bank follows AS-19 on “Leases” issued by the ICAI.

Software whose actual cost does not exceed Rs. 1,00,000 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.

10 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.

11 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.

12 STAFF BENEFITS

a. Provision for gratuity, leave encashment and pension at interim periods are calculated on a year to date basis by using the actuarially determined rates at the end of prior financial year adjusted for significant market fluctuation since that time and for significant curtailments, settlements or other significant one time events.

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

c. At the year end provision for gratuity, leave encashment and pension are made based on actuarial valuation and provided for in the books.

13 TAXES ON INCOME

Income tax expense comprises current tax expense and deferred tax expense or credit. Income taxes have been recognised for the interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year. Amount accrued for income taxes in one interim period shall be adjusted in a subsequent interim period in the event the estimate of annual income tax rate changes.

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 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 Bank 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.

14 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.

15 CONTINGENT LIABILITIES

Loss contingencies arising from claims, litigations, assessment, fines, penalties etc. are recorded when it is probable that a liability has been incurred, and the amount can be reasonably estimated.

18 Notes on accounts

18.1 Balancing of books and reconciliation

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 30 September 2004 on account of these pending reconciliations.

18.2 Deferred taxes

In accordance with Accounting Standard 22 “Accounting for taxes on income” issued by the Institute of Chartered Accountants of India, taxation requirements for the period is arrived at after considering deferred tax credit of Rs. 329,550 thousand for the six months ended 30 September 2004.

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

(Rs. thousand)

	As at 30 September 2004	As at 31 March 2004
Deferred tax assets		
on account of provisions	220,864	201,805
on Leave encashment	59,318	53,078
on Investments	91,400	27,986
Loss for the period ended 30 September 2004	208,867	-
Total deferred tax asset	**580,449**	**282,869**
Deferred tax liabilities		
on depreciation on fixed assets	240,302	261,037
on deferred revenue expenditure on voluntary retirement scheme	40,148	52,945
on bad debts claim	79,618	78,056
Total deferred tax liability	**360,068**	**392,038**
Net deferred tax asset / (liability)	**220,381**	**(109,169)**

During the year ended 31 March 2004, tax treatment of certain allowable / disallowable tax items were finalized in respect of financial year 2002-03 in the tax return which had corresponding impact on deferred taxation. Consequently, an amount of Rs. 112,148 thousands was transferred from provision for current taxes to deferred tax liability for the year ended 31 March 2004.

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.

18.3 Employee stock option scheme

ESOS 2002

The employee stock option scheme (“ESOS 2002” or “the scheme”) of the Bank was approved by the shareholders at the Annual General Meeting held on 29 September 2001. A total of 500,000 equity shares of Rs. 10 each have been earmarked for the scheme and will be allotted during the period (extended or otherwise) while the scheme is in force. During the six months ended 30 September 2004, no stock options were awarded to employees (previous year ended 31 March 2004, a total of 160,490 stock options at an exercise price of Rs. 255 each were awarded to employees). 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.

The movement in the scheme during the six months ended 30 September 2004 is as under:

	As at 30 September 2004	As at 31 March 2004
Stock options at the beginning of the year	282345	162800
Add : Options granted during the year / period	-	160490
Less : Options exercised during the year / period	-	(30725)
Less : Options forfeited due to resignation of employees	(17985)	(10220)
Stock options outstanding at the end of the year / period	264360	282345

Of the above stock options outstanding as at 30 September 2004, Nil options are exercisable at 30 September 2004.

18.4 Voluntary retirement scheme

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

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

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

Based on above, an amount of Rs. 93,939 thousand is charged off to profit and loss account in the current period out of the deferred revenue expenditure carried forward in the balance sheet from the previous year. The balance amount of Rs. 375,972 thousand (31 March 2004 : Rs. 469,911 thousands) is being carried in the balance sheet at 30 September 2004 as deferred revenue expenditure and has been included under the head “Other assets” in Schedule 11 to the balance sheet.

18.5 Derivative contracts

The Bank enters into derivative contracts such as interest rate swaps (IRS), forward rate agreements, currency swaps and option agreements. Notional amount of principal outstanding in respect of interest rate swaps at 30 September 2004 is Rs. 189,918,598 thousand (31 March 2004: Rs. 193,337,787 thousand). In case the counterparties fail to fulfill their obligations, the potential loss will be Rs. 1,617,167 thousand (31 March 2004: Rs. 368,893 thousand). As per prevailing market practice collateral is not insisted upon from counter parties.

Interest rate swaps

Nature	Numbers	Notional principal (Rs. thousand)	Benchmark	Terms
Indian rupee - Interest rate swaps				
Trading	141	35,500,000	NSE MIBOR	Fixed payable v/s Floating receivable
Trading	183	45,600,000	MIFOR	Fixed payable v/s Floating receivable
Trading	140	35,250,000	NSE MIBOR	Floating payable v/s Fixed receivable
Trading	185	46,250,000	MIFOR	Floating payable v/s Fixed receivable
Trading	1	250,000	MIFOR/LIBOR	Floating receivable v/s Floating payable
Total		162,850,000		
Forex - Interest rate swaps				
Hedging	4	974,405	PRINCIPAL	Fixed receivable
Hedging	3	365,822	PRINCIPAL	Fixed payable
Hedging	13	5,959,603	LIBOR	Fixed receivable v/s Floating payable
Hedging	12	13,768,224	LIBOR	Floating receivable v/s Floating payable
Hedging	13	6,000,544	LIBOR	Floating receivable v/s Fixed payable
Total		27,068,598		

The fair value of rupee and forex swap contracts as at 30 September 2004 is Rs. 27,577 thousand (31 March 2004: 193,864 thousand), which represents the net mark to market gain on swap contracts. As at 30 September 2004 the exposure on IRS contracts is spread over various industries. However, based on the notional principal amount, the maximum single industry exposure lies with banks at 72.36% (31 March 2004: 72.15%). In case of an upward movement of one basis point in the benchmark interest rates there will be a positive impact of Rs. 288 thousand (31 March 2004: negative impact of Rs. 1,506 thousands) in the case of Rupee IRS. Agreements are with Banks/Financial Institutions and corporates under approved credit lines.

At 30 September 2004, the mark to market loss of Rs. 222,016 thousand on rupee trading swaps is recognised in the profit and loss account.

18.6 Advances

Advances at 30 September 2004 include standard loans of Rs. 289,485 thousand (Previous year: Rs. 385,600 thousand) and sub-standard loans of Rs. 8,078 thousand (Previous year: Rs. 733,920 thousand) rescheduled during the year, where interest sacrifice is involved. During the six months ended 30 September 2004, interest sacrifice of Rs. 17,945 thousand on the rescheduled loans has been provided in line with the applicable RBI guidelines.

The rescheduled standard loans and sub-standard loans of Rs. 289,485 thousand and Rs. 8,078 thousand respectively do not include any loan subjected to Corporate Debt Restructuring (CDR).

18.7 Investments- transfer of securities to HTM category

In accordance with RBI circular No. DBOD.BP.BC.21/21.04.141/ 2003-04 dated 2 September 2003, Banks were allowed to shift securities between categories only once a year with approval of Board of Directors. Accordingly, the Bank had shifted securities of book value Rs. 423,100 thousands from AFS to HTM category in the month of May 2004 which was approved by the Board of Directors in their meeting dated 16 March 2004.

During the current period, 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 2 September 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 has transferred securities of a book value of Rs. 7,068,287 thousand (Face value: Rs 5,218,310 thousand) from AFS to HTM category and such transfer was approved by the Board of Directors in their meeting held on 27 October 2004. As such transfer was carried out at the lower of acquisition cost/ book value/ market value, the Bank recorded a loss of Rs. 477,627 thousand, which has been recorded in the Profit and Loss Account as provisions and contingencies.

18.8 Intangibles

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

(Rs thousand)

	Gross Block				Accumulated depreciation/amortisation				Net block	
	As at 1 April 2004	Additions	Deletions	As at 30 September 2004	As at 1 April 2004	Charge for the year	Deletions	As at 30 September 2004	As at 30 September 2004	As at 31 March 2004
Intangible assets										
Application Software	520,889	10,939	-	531,828	348,975	16,438	-	365,413	166,415	171,914
Total	520,889	10,939	-	531,828	348,975	16,438	-	365,413	166,415	171,914

During the year ended 31 March 2004, application software amounting to Rs. 90,255 thousands were purchased and Rs. 15,065 thousands was amortized in the profit and loss account.

18.9 Leases

Operating leases

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

(Rs. thousand)

	As at 30 September 2004	As at 31 March 2004
Not later than one year	13,843	14,272
Later than one year and not later than five years	27,561	47,772
Later than five years	-	-
Total minimum lease rental commitments	41,404	62,044

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 for the six months ended 30 September 2004 is Rs. 82,920 thousand.

Finance leases

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

(Rs. thousand)

	As at 30 September 2004	**As at 31 March 2004**
Not later than one year	1,080	1,080
Later than one year and not later than five years	4,320	4,320
Later than five years	2,430	2,970
Total	7,830	8,370
Less : finance charges	(2,926)	(3,276)
Present value of finance lease obligation	4,904	5,094

The present value of finance lease liabilities is as follows:

(Rs. thousand)

	As at 30 September 2004	**As at 31 March 2004**
Not later than one year	1,002	1,002
Later than one year and not later than five years	2,867	2,867
Later than five years	1,035	1,225
Total	4,904	5,094

18.10 Earnings / (Loss) per Share ('EPS')

The details of EPS computation is set out below:

	As at 30 September 2004
Earnings / (Loss) for the period (Rs. crore)	(49.24)
Basic weighted average number of shares (Nos)	22651865
Basic EPS (Rs.)	(21.75)
Dilutive effect of stock options (Nos)	164483
Diluted weighted average number of shares (Nos)	22816097
Diluted EPS (Rs.) *	(21.75)
Nominal value of shares (Rs.)	10.00

* Since the bank has incurred a loss during the period, the potentially dilutive equity shares are anti-dilutive in nature and are ignored in the calculation of diluted EPS.

18.11 Additional disclosures (in terms of RBI guidelines)

18.11.1 Capital Adequacy Ratio

The capital adequacy ratio of the Bank, calculated as per RBI guidelines is set out below:

	As at 30 September 2004	**As at 31 March 2004**
Tier I	5.75%	6.14%
Tier II	4.68%	4.91%
Total capital	10.43%	11.05%

18.11.2 'Provisions and contingencies' debited to the profit and loss account includes:

(Rs. thousand)

	As at 30 September 2004
Provision for income tax/wealth tax	(329,009)
Bad debts written off	295,188
Depreciation / write down of investments (Net)*	561,066
Others	73,793
Total	**601,038**

* include adjustment of Rs. 477,627 thousands on account of shifting of securities from AFS to HTM category (Refer note 18.7 of Schedule 18).

18.11.3 The key business ratios and other information is set out below:

	As at 30 September 2004
Interest income as a percentage to working funds	7.66%
Non-interest income as a percentage to working funds	0.11%
Operating profit as a percentage to working funds	0.17%
Return on assets	(0.77)%
Business (deposits plus advances) per employee (Rs. thousand)	33,109
Profit per employee (Rs. thousand)	(93)
Net NPAs (net of write offs) as a percentage of net advances	2.90%

18.11.4 Movement in NPAs during the year ended 31 March 2004 and six months ended 30 September 2004 is set out below:

(Rs. thousand)

	Gross*	Net*
Opening balance as on 1 April 2003	2,028,754	1,991,334
Additions during the year ended 31 March 2004	1,629,700	1,629,700
Reductions (including write offs) during the year ended 31 March 2004	1,792,454	1,787,434
Closing balance as on 31 March 2004	**1,866,000**	**1,833,600**
Additions during the six months ended 30 September 2004	659,500	659,500
Reductions (including write offs) during the six months ended 30 September 2004	399,000	393,800
Closing balance as on 30 September 2004	**2,126,500**	**2,099,300**
*Net of write off		

18.11.5 Movement in provisions for NPA

(Rs. thousand)

	As at 30 September 2004
Opening balance	-
Additions during the period	295,188
Recoveries/write-offs/write backs during the period	295,188
Closing balance	**-**

18.11.6 Movement in provisions for depreciation on investments

(Rs. thousand)

	As at 30 September 2004
Opening balance	374,800
Additions during the period	34,920
Recoveries/write-offs/write backs during the period	199,920
Closing balance	**209,800**

18.11.7 Movement in non-performing non SLR investments is set out below

(Rs. thousand)

	As at 30 September 2004	As at 31 March 2004
Opening balance	256,208	283,523
Additions during the year / period	-	-
Reductions during the year / period	50,526	27,315
Closing balance	**205,682**	**256,208**
Total provisions held	**205,682**	**256,208**

18.11.8 A summary of lending to sensitive sectors as defined from time to time is set out below

(Rs. thousand)

	As at 30 September 2004	As at 31 March 2004
Advances to capital market sector	25,166	90,663
Advances to real estate sector	839,201	988,812
Advances to commodities sector	2,311,652	1,147,631
Total	**31,76,019**	**2,227,106**

18.11.9 Country Risk Exposure

As the Bank has no net funded exposure in a foreign country, which is 2% or more of its total assets as at 30 September 2004, the Bank is not required to provide for country risk.

18.11.10 Details of financing of equities and investments in shares is set out below

(Rs. thousand)

Category	As at 30 September 2004	As at 31 March 2004
Equity shares*	453,355	581,765
Preference shares	50,000	50,000
Equity linked units	-	955
Advance against shares	37,237	89,789
Total	**540,592**	**722,509**

*Does not include investments in subsidiaries/joint ventures

18.11.11 Maturity profile of assets and liabilities at 30 September 2004 is set out below:

(Rs. crore)

	1 to 14 days	15 to 28 days	29 days and upto 3 months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 years and upto 5 years	Over 5 years	Total
Assets									
Investments	608.71	132.42	63.80	34.41	999.96	361.47	87.77	1618.08	3,906.62
Advances	925.57	174.62	1,017.71	906.86	1,002.19	2,118.92	660.30	430.47	7,236.64
Liabilities									
Deposits	1,528.71	336.74	910.07	1,650.21	2,051.59	3,718.75	169.61	108.00	10,473.68
Borrowings	300.95	46.30	-	131.91	104.16	5.90	3.22	0.47	592.91
Foreign currency assets/liabilities									
Foreign currency assets	109.32	53.18	193.89	114.48	1.65	-	-	-	472.52
Foreign currency liabilities	303.57	48.10	13.61	157.01	86.14	57.95	-	-	666.38

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

18.11.12 Details of issuer composition of non-SLR investments is set out below:

(Rs. thousand)

Issuer	Total amount	Extent of private placement	Extent of below investment grade securities	Extent of unrated securities	Extent of unlisted securities
Public Sector Units	356,152	356,152	48,900	-	356,152
Financial Institutions	1,132,189	1,049,425	799,500	249,925	1,049,425
Banks	94,665	94,665	-	94,665	94,665
Private Corporate	612,171	612,171	205,682	27,500	612,171
Others	3,834,307	3,788,381	50,000	1,385,807	3,794,327
Provision/ depreciation	(378,682)	-	-	-	-
Total	**5,650,802**	**5,900,794**	**1,104,082**	**1,757,897**	**5,906,740**

18.11.13 REPOS

(Rs. thousand)

	Minimum amount outstanding during the year	Maximum amount outstanding during the year	Daily average outstanding during the year	Outstanding as on 30 Sept 2004
Securities sold under repos	148,569	1,965,600	876,971	-
Securities purchased under reverse repos	250,000	4,900,000	1,446,429	4,900,000

18.12 Segmental reporting

Segment Results for the six months ended 30 September 2004

(Rs. crore)

Business Segments Particulars	Treasury	Other Banking operations	Total
Revenue	114.75	440.73	555.48
Less: Inter - segment Revenue		66.69	66.69
Net Revenue	114.75	374.04	488.79
Result	(6.47)	17.31	10.84
Unallocated expenses			92.98
Operating profit			(82.14)
Income taxes			(32.90)
Consolidated Net Profit for the year			(49.24)
OTHER INFORMATION			
Segment Assets	4,778.35	8,225.82	13,004.17
Unallocated assets	-		
Total Assets			**13,004.17**
Segment liabilities	4,969.88	7,336.27	12,306.15
Unallocated liabilities *			698.02
Total Liabilities			**13,004.17**

* Representing Capital and Reserves

Segment Results for the year ended 31 March 2004

(Rs. crore)

Business Segments Particulars	Treasury	Other Banking operations	Total
Segment Assets	5,163.73	8,059.24	13,222.97
Unallocated assets			
Total Assets			**13,222.97**
Segment liabilities	5,239.70	7,235.95	12,475.65
Unallocated liabilities*			747.32
Total Liabilities			**13,222.97**

* Representing Capital and Reserves

The Bank 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.

18.13 Related party transactions

List of related parties

Related parties where control exists -

- ING Vysya Bank Financial Services Limited - wholly owned subsidiary of the Bank.

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

- ING Bank N.V. and its branches
- ING Vysya Life Insurance Company Private Limited.
- ING Investment Management India Private Limited.
- Ideaspace Solutions 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. thousand)

Items/Related Party	Related parties where control exists	Related parties with significant influence and with whom there are transactions during the year	Key Management Personnel	Total
Deposits kept with Bank including lease deposit	Maximum 115 (4,441) Outstanding 115 (106)	Maximum 40,392 (Nil) Outstanding 40,392 (Nil)		Maximum 40,392 (Nil) Outstanding 40,392(Nil)
Advances	Sanctioned Nil (30,000) Outstanding Nil (Nil)			Sanctioned Nil (30,000) Outstanding Nil (Nil)
Investments during the year	Nil (Nil)	190,000		190,000
Term borrowing		Maximum and Outstanding 833,400 (813,960)		Maximum and Outstanding 833,400 (813,960)
Call borrowing		Maximum 20,000 (2,978,700) Outstanding Nil (Nil)		Maximum 20,000 (2,978,700) Outstanding Nil (Nil)
Call lending		Maximum Nil (320,000) Outstanding Nil (Nil)		Maximum Nil (320,000) Outstanding Nil (Nil)
Purchase of fixed assets		Nil		Nil
Interest received		48,429		48,429
Interest paid		33,721		33,721
Purchase and sale of securities		340,513		340,513
Rendering of services	6,312	20,350		26,662
Receiving of services	8,609	2,732		11,341
Interest on Bank Guarantees		1,936		1,936
Management Contracts			2,376	2,376
Off Balance Sheet items				
Bank Guarantees		Maximum and Outstanding 255,316		Maximum and Outstanding 255,316
Derivative transactions		Outstanding 5,283,621 (5,653,957)		Outstanding 5,283,621 (5,653,957)
Forward Transactions		Outstanding 2,326,852		Outstanding 2,326,852

(Previous year figures are given in parentheses)

18.14 Details of Provisions

(Rs. thousand)

	As at 30 September 2004
Opening balance as at 1 April 2004	394,189
Additions during the period	93,317
Reversals during the period	21,680
Amounts used	200
Closing balance	465,626

The above provisions include provisions made on account of frauds, legal claims, operational losses, wage revision, bonus and others. 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 pertains 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 31 March 2004, the Bank provided an amount of Rs. 116,500 thousands towards estimated incremental payments pending new wage settlements with its employees union. An amount of Rs. 32,739 thousands is provided during the six months ended 30 September 2004. 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.

18.15 Acquisition of property

Provisions as at 31 March 2004 included Rs. 132,741 thousand, being provision towards the anticipated cost of settlement of a sub-judice matter with a local authority in relation to the acquisition of a property by the Bank. In the current year, the Bank has entered into “Consent Terms” agreement with the authority and accordingly the matter has been settled.

The Bank is in process of registering the property in its name and the said property along with the incidental costs have not been capitalized in the books.

18.16 Previous period’s figures have been regrouped / recast, where necessary, to conform to current period’s presentation. Since this is the first time the Bank has prepared interim financial statements for the period ended 30 September 2004, prior period comparatives in respect of the profit and loss account have not been presented in these financial statements.

For and on behalf of the board

Place: Bangalore

Date: December 23, 2004

ING Vysya BANK

UNCONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES AND PROFITS AND LOSSES, AS RESTATED, OF ING VYSYA BANK LIMITED (FORMERLY KNOWN AS "THE VYSYA BANK LIMITED") AND ITS SUBSIDIARY ING VYSYA FINANCIAL SERVICES LIMITED (FORMERLY KNOWN AS "VYSYA BANK FINANCIAL SERVICES LIMITED" AND "THE VYSYA BANK LEASING LIMITED") FOR THE YEARS ENDED 31 MARCH 2000, 2001, 2002, 2003 AND 2004, AND STATEMENTS OF ASSETS AND LIABILITIES AND PROFITS AND LOSSES FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004 UNDER INDIAN GAAP.

AUDITOR'S REPORT

To
The Board of Directors
ING Vysya Bank Limited
No 22, MG Road
Bangalore - 560 001

Dear Sirs,

We have examined the accompanying statements of assets and liabilities and profits and losses, as restated, of ING Vysya Bank Limited ("the Bank") for the five consecutive financial years ended 31 March 2004, being the last date to which the financial statements of the Bank have been prepared and approved by the Board of Directors of the Bank and audited for presentation to the members of the Bank. The financial statements of the Bank for the years ended 31 March 2000 and 2001 have been jointly audited by I.S. Prasad & Setty Associates and Lovelock & Lewes, Chartered Accountants and the financial statements for the years ended 31 March 2002 and 2003 have been audited by Lovelock & Lewes, Chartered Accountants and have been accepted and relied upon by us.

We have also examined the statements of assets and liabilities and profits and losses for the six months ended 30 September 2004, prepared and approved by the Board of Directors.

The statements referred to above have been prepared in accordance with paragraph 6.18.3 and 6.18.7 of the Securities and Exchange Board of India (Disclosure and Investors Protection) Guidelines, 2000 ("the Guidelines") and audited by us for the purpose of disclosure in the Letter of Offer being issued by the Bank in connection with the rights issue of 68,240,214 equity shares of par value Rs 10 each at a price of Rs 45 each.

1 We have accepted the statements of assets and liabilities and profits and losses, as restated, in respect of ING Vysya Financial services Limited ("IVFSL"), a subsidiary of the Bank, for the five consecutive financial years ended 31 March 2004 and statements of assets and liabilities and profits and losses for the six months ended 30 September 2004 being the last date to which the financial statements of IVFSL have been prepared and approved by its Board of Directors, audited and reported by K.R. Kumar & Co., the auditors of IVFSL, for the purpose of Letter of Offer referred to above.

2 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 reference with the Bank dated 7 December 2004, requesting us to make this report for the purpose of the Letter of Offer as aforesaid, we report that subject to our comments in paragraph (c) and (d) below:

(a) The restated profits and losses of the Bank for the financial years ended 31 March 2000, 2001, 2002, 2003, 2004 and six months ended 30 September 2004 are as set out in Annexure I to this report. The restated profits and losses have been arrived at after making such adjustments and regroupings as in our opinion are appropriate and more fully described in Para 2 and 3 of Annexure III to this report.

(b) The restated assets and liabilities of the Bank as at 31 March 2000, 2001, 2002, 2003, 2004 and at 30 September 2004, are as set out in Annexure II to this report. The restated assets and liabilities have been arrived at after making such adjustments and regroupings as in our opinion are appropriate and more fully described in Para 2 and 3 of Annexure III to this report.

(c) The audit opinion on the financial statements of the Bank for each of the years ended 31 March 2000, 2001, 2002 and 2003 has been qualified. In relation to the subject matters of qualifications described at notes 4(a), 4(b) and 4(c) of Annexure III, no adjustments have been made in the statements set out at Annexure I and Annexure II to this report.

(d) No adjustment, if any, has been made in relation to the unascertained consequential outcome of pending wage agreement revision at 30 September 2004, as described at note 4(e) of Annexure III to this report.

(e) The rates of dividends paid by the Bank in respect of the financial year ended 31 March 2000, 2001, 2002, 2003 and 2004 are as shown in Annexure V to this report.

(f) We have examined the following financial information relating to the Bank and as approved by the Board of Directors for the purpose of inclusion in the Letter of Offer:

(i) Details of other income as appearing in Annexure VI to this report;

(ii) Details of loans as appearing in Annexure VII to this report;

(iii) Accounting ratios as appearing in Annexure VIII to this report;

(iv) Capitalization statement as at 30 September 2004 as appearing in Annexure IX to this report; and

(v) Statement of tax shelters as appearing in Annexure X to this report.

In respect of financial information contained in this report, we have relied upon the audited financial statements for the years ended 31 March 2000, 2001, 2002 and 2003 which were audited by a firm of chartered accountants other than us, as referred to above.

In our opinion and subject to our comments in Paragraphs 2(c) and 2(d) above, the financial information of the Bank read with significant accounting policies attached in Annexure IV to this report, after making the appropriate adjustments and regroupings, has been prepared in accordance with Part II of Schedule II to the Act and the Guidelines.

(g) In accordance with para 6.18.3 of the Guidelines, also attached are restated summary financial statements of the Bank's subsidiary in Annexures XII and XIII to this report, which have been audited by a firm of chartered accountants other than us. The summary financial statements of the Bank's subsidiary have not been consolidated into the Bank's financial statements.

This report is intended solely for your information and for inclusion in the Letter of Offer issued by the Bank in connection with the specific rights issue of the Bank and is not to be used, referred to or distributed for any other purpose without our prior written consent.

Yours faithfully

For BSR & Co.
(formerly Bharat S Raut & Co.)
Chartered Accountants

Zubin Shekary
Partner
Membership No: 48814

December 23, 2004
Bangalore

ING Vysya BANK

ING VYSYA BANK LIMITED (FORMERLY THE VYSYA BANK LIMITED)
ANNEXURE I: STATEMENT OF PROFITS AND LOSSES AS RESTATED

(Rs. CRORES EXCEPT PER SHARE DATA)

Particulars	For the year ended 31 st March					Six months ended September 30
	2000	2001	2002	2003	2004	2004
Interest earned						
Interest / discount on advances / bills	384.08	456.28	449.71	489.86	558.72	302.96
Income on investments	286.59	326.20	359.78	338.91	270.78	137.97
Interest on balances with RBI and other inter bank funds	90.68	91.41	99.80	46.58	37.90	10.99
Others	32.82	15.84	14.05	29.15	56.75	29.96
Total interest income (A)	**794.17**	**889.73**	**923.34**	**904.50**	**924.15**	**481.88**
Other income						
Commission, exchange and brokerage	70.52	83.02	87.30	101.23	109.49	54.67
Profit/(loss) on sale of investments (net)	66.73	15.13	159.62	206.90	184.78	(51.08)
Profit/(loss) on exchange transactions (net)	25.67	9.49	17.61	18.75	18.20	10.51
Profit/(loss) on sale of land, buildings and other assets (net)	(0.01)	(0.03)	0.46	0.37	0.54	(1.63)
Lease income	16.84	4.60	2.39	1.58	2.12	0.14
Income by way of dividend etc. from subsidiaries/ companies and joint ventures abroad/in India	1.93	1.31	0.82	1.29	2.93	0.58
Miscellaneous income	4.71	9.89	12.38	28.20	45.20	(6.28)
Total other income (B)	**186.39**	**123.41**	**280.58**	**358.32**	**363.26**	**6.91**
Total income (C) = (A+B)	**980.56**	**1,013.14**	**1,203.92**	**1,262.82**	**1,287.41**	**488.79**
Interest expended						
Interest on deposits	(650.96)	(663.36)	(668.46)	(635.10)	(579.14)	(252.81)
Interest on Reserve Bank of India / inter-bank borrowings	(18.64)	(14.71)	(34.65)	(17.77)	(10.56)	(7.17)
Others (including interest on Tier II bonds)	(13.55)	(37.92)	(37.32)	(34.70)	(90.36)	(46.15)
Total interest expended (D)	**(683.15)**	**(715.99)**	**(740.43)**	**(687.57)**	**(680.06)**	**(306.13)**
Operating expenses						
Payment to and provisions for employees	(104.89)	(111.52)	(149.31)	(183.77)	(167.55)	(86.45)
Other operating expenses	(71.90)	(71.27)	(109.75)	(149.62)	(178.00)	(85.37)
Total operating expenses (E)	**(176.79)**	**(182.79)**	**(259.06)**	**(333.39)**	**(345.55)**	**(171.82)**
Total expenditure (F) = (D+E)	**(859.94)**	**(898.78)**	**(999.49)**	**(1,020.96)**	**(1,025.61)**	**(477.95)**
Operating profit before provisions and contingencies (G) = (C+F)	**120.62**	**114.36**	**204.43**	**241.86**	**261.80**	**10.84**

ING VYSYA BANK LIMITED (FORMERLY THE VYSYA BANK LIMITED)
ANNEXURE I: STATEMENT OF PROFITS AND LOSSES AS RESTATED

(Rs. CRORES EXCEPT PER SHARE DATA)

Particulars	For the year ended 31 st March					Six months ended September 30
	2000	2001	2002	2003	2004	2004
Less:						
Provision for taxes	(0.25)	(10.10)	(25.25)	(37.31)	(15.45)	32.90
Provision for non-performing assets (net) and prudential provision on standard assets	(46.98)	(56.56)	(90.41)	(89.26)	(51.89)	(29.92)
Other provisions [including additional depreciation/(write-back of depreciation) on Investments]	(29.08)	(9.15)	(20.02)	(28.94)	(135.46)	(63.06)
Total provisions (H)	**(76.31)**	**(75.81)**	**(135.68)**	**(155.51)**	**(202.80)**	**(60.08)**
Net profit/(loss) after tax, but before prior period items and adjustments (I) = (G+H)	**44.31**	**38.55**	**68.75**	**86.35**	**59.00**	**(49.24)**
Add/(less) : excess provision for depreciation reversed	-	28.24	-	-	-	-
Add/(less) : provision for income tax relating to earlier years	-	(29.59)	-	-	-	-
Add/(less) : prior period items	-	-	(25.76)	(10.72)	-	-
Profit/(loss) before adjustments (J)	44.31	37.20	42.99	75.63	59.00	(49.24)
<u>Adjustments:</u>						
(Increase)/decrease in depreciation {refer note 2(a) of Annexure III }	11.62	(28.24)	-	-	-	-
(Increase)/decrease in employee expenses {refer note 3(b) of Annexure III}	-	-	-	(3.43)	3.43	-
Increase/(decrease) in revaluation of trading derivatives {refer note 2(c) of Annexure III}	(0.14)	0.30	2.21	15.83	(18.20)	-
Add/(less) : provision for income tax relating to earlier years, adjusted {refer note 3(a) of Annexure III}	-	29.59	-	-	-	-
Deferred tax credit/(expense) {refer note 2(b) of Annexure III}	5.50	(4.04)	-	-	-	-
Increase/(decrease) in interest expense {refer note 3(c) of Annexure III}	(2.51)	(2.51)	(2.51)	(2.51)	16.29	-
Total impact of adjustments	14.47	(4.90)	(0.30)	9.89	1.52	-
Add/(less) : Tax impact of adjustments	(3.45)	12.04	0.24	(3.81)	(0.40)	-
Total of adjustments after tax impact (K)	11.02	7.14	(0.06)	6.08	1.12	-
Net profit/(loss) after tax, as restated L=(J+K)	**55.33**	**44.34**	**42.93**	**81.71**	**60.12**	**(49.24)**

The above should be read with Notes to Statement of Profits and Losses and Assets and Liabilities, as restated, appearing in Annexure III and Significant Acccounting Policies appearing in Annexure IV

ING VYSYA BANK LIMITED (FORMERLY THE VYSYA BANK LIMITED)
ANNEXURE II: STATEMENT OF ASSETS AND LIABILITIES AS RESTATED

(Rs . CRORES)

Particulars	Note	For the year ended 31 st March					Six months ended September 30
		2000	2001	2002	2003	2004	2004
Assets							
Cash in hand and balance with Reserve Bank of India	1	611.70	663.12	548.12	511.19	625.85	467.66
Balance with banks and money at call and short notice	2	831.59	1,463.36	1,062.54	715.95	379.00	334.35
Investments	3	2,723.53	2,661.11	3,597.20	3,640.54	4,085.24	3,906.62
Advances	4	3,972.06	4,367.43	4,418.33	5,611.61	7,046.51	7,236.64
Fixed and leased assets $		218.73	216.51	209.82	217.75	214.89	206.21
Other assets @		415.82	574.38	590.63	645.93	693.76	695.20
Total assets		**8,773.43**	**9,945.91**	**10,426.64**	**11,342.97**	**13,045.25**	**12,846.68**
Liabilities							
Deposits	5	7,420.64	8,136.98	8,061.66	9,186.62	10,478.06	10,473.69
Borrowings	6	381.80	739.29	1,202.48	933.85	964.34	592.91
Unsecured redeemable debentures/bonds (subordinated debt)		150.00	150.00	150.00	150.00	350.00	350.00
Other liabilities and provisions		428.18	447.52	542.86	559.45	672.07	889.56
Net worth							
Represented by:							
Equity capital		19.76	22.62	22.62	22.62	22.65	22.65
Reserves and surplus	7	373.05	449.50	447.02	490.43	558.13	517.87
Total liabilities and net worth		**8,773.43**	**9,945.91**	**10,426.64**	**11,342.97**	**13,045.25**	**12,846.68**

Notes:

$ Revaluation reserve has been reduced from ‘capital reserve’ and adjusted against ‘fixed and leased assets’.

@ Revenue and other reserves are net of deferred revenue expenditure (financial years ended 31March 2002, 2003, 2004 and half year ended 30 September 2004), with a corresponding adjustment in ‘other assets’.

Contingent liabilities (Rs. crores)

Particulars	As at 31 March,					As at 30 September
	2000	2001	2002	2003	2004	2004
Claims against the bank not acknowledged as debts	14.46	12.95	22.85	23.33	22.38	17.84
Liability on account of outstanding forward exchange contracts	5,665.55	7,113.27	5,951.68	7,655.81	9,294.77	12,178.23
Guarantees given on behalf of constituents in India	729.01	756.37	727.00	813.25	1,003.94	960.33
Acceptances, endorsements and other obligations	147.47	231.26	289.79	353.33	828.11	1,013.95
Other items for which Bank is contingently liable	136.73	142.30	145.47	138.75	139.91	138.85
Total	**6,693.22**	**8,256.15**	**7,136.79**	**8,984.47**	**11,289.11**	**14,309.20**
Bills for collection	1,134.34	1,226.98	1,047.31	862.99	1,405.11	1,385.26

Notes:

The above should be read with Notes to Statement of Profits and Losses and Assets and Liabilities, as restated, appearing in Annexure III and Significant Acccounting Policies appearing in Annexure IV

ING Vysya BANK

Notes to statement of assets and liabilities

(Rs. crores)

Particulars	For the year ended 31 st March					Six months ended September 30
	2000	2001	2002	2003	2004	2004
Note 1: Cash and balance with Reserve Bank of India (RBI)						
I Cash in hand (including foreign currency notes)	57.75	59.46	58.82	50.68	63.59	73.90
II Balance with Reserve Bank of India	553.95	603.66	489.30	460.51	562.26	393.76
Total	**611.70**	**663.12**	**548.12**	**511.19**	**625.85**	**467.66**
Note 2: Balance with banks and money at call and short notice						
I In India	425.43	628.67	527.01	675.51	373.02	300.65
II Outside India	406.16	834.69	535.53	40.44	5.98	33.70
Total	**831.59**	**1,463.36**	**1,062.54**	**715.95**	**379.00**	**334.35**
Note 3: Investments, net of provision (in India)						
I Government securities	1,645.85	1,836.77	2,345.55	2,277.89	2,922.01	3,320.55
II Other approved securities	86.50	82.44	74.51	41.72	25.29	20.66
III Shares	51.76	30.02	14.56	48.34	39.35	48.13
IV Debentures and bonds	771.91	622.87	1,005.48	929.35	874.35	448.67
V Subsidiaries and joint ventures	12.61	12.60	71.04	18.62	12.03	12.03
VI Others (mutual funds, commercial papers and post office deposits)	154.90	76.41	86.06	324.62	212.21	56.58
Total	**2,723.53**	**2,661.11**	**3,597.20**	**3,640.54**	**4,085.24**	**3,906.62**
Note 4: Advances, net of provision (in India)						
I Priority Sector	1,475.09	1,414.03	1,550.96	1,960.04	2,157.08	2,091.84
II Public Sector	158.22	217.21	173.36	113.38	519.92	64.16
III Banks	0.09	239.18	214.94	374.31	0.03	13.00
IV Others	2,338.66	2,497.01	2,479.07	3,163.88	4,369.48	5,067.64
Total	**3,972.06**	**4,367.43**	**4,418.33**	**5,611.61**	**7,046.51**	**7,236.64**
Note 5: Deposits						
I Demand deposits	752.62	829.43	724.74	814.96	1,151.88	1,153.34
II Savings bank deposits	776.55	917.61	1,030.31	1,120.15	1,458.34	1,603.27
III Term deposits	5,891.47	6,389.94	6,306.61	7,251.51	7,867.84	7,717.08
Total	**7,420.64**	**8,136.98**	**8,061.66**	**9,186.62**	**10,478.06**	**10,473.69**
Note 6: Borrowings						
I In India	381.80	737.78	1,157.56	891.73	766.95	465.37
II Outside India	-	1.51	44.92	42.12	197.39	127.54
Total	**381.80**	**739.29**	**1,202.48**	**933.85**	**964.34**	**592.91**
Note 7: Reserves and Surplus						
I Statutory reserve	135.35	144.99	162.17	183.76	198.51	198.51
II Capital reserve	0.01	2.15	2.15	12.52	38.86	38.86
III Share premium	154.99	194.71	194.71	194.72	195.47	195.47
IV Revenue and other reserves	82.59	107.54	87.87	95.67	120.71	129.16
V ESOS outstanding	-	-	-	0.19	1.01	1.54
VI Balance in profit and loss account	0.11	0.11	0.12	3.57	3.57	(45.67)
Total	**373.05**	**449.50**	**447.02**	**490.43**	**558.13**	**517.87**

Annexure III: Notes to the Statement of profits and losses and assets and liabilities, as restated

1. The statement of profit and loss account and assets and liabilities, as restated and reported in Annexure I and II are presented in format which is appropriate for a banking company.

2. Changes in accounting policies

a) Depreciation

Upto 31 March 2001, the Bank depreciated its fixed assets based on the written down value ('WDV') method of depreciation, at the rates prescribed in the Income Tax Rules.

Effective 1 April 2001, the Bank revised the estimates of useful lives of its fixed assets since the management believed that such revised useful lives reflect more appropriately, the period of economic benefit to be derived from the use of assets and would hence result in a more appropriate preparation of the financial statements. The Bank simultaneously changed the method of providing depreciation from WDV method to Straight line Method ('SLM') method.

Accordingly, depreciation on fixed assets has been recomputed based on the SLM method retrospectively for the year ended 31 March 2000. Further, reserves as at 1 April 1999 have been adjusted to reflect the impact of change pertaining to prior years.

b) Deferred Taxes

Accounting Standard - 22 on "Accounting for Taxes on Income" (AS - 22) issued by the Institute of Chartered Accountants of India (ICAI) is mandatory in respect of accounting periods commencing on or after 1 April 2001. The Bank adopted AS-22 in its financial statements for the year ended 31 March 2002. However, pending approval from the Reserve Bank of India ('RBI'), the transitional cumulative deferred tax liability as at 1 April 2002 was not charged to the general reserves. Subsequently, during the year ended 31 March 2003 an amount of Rs 43.20 crores was debited to general reserves.

In accordance with the SEBI Guidelines, the deferred tax asset/ liability has been recognised retrospectively in the respective years of origination with a corresponding effect to the Statement of profits and losses and statement of assets and liabilities, as restated. The transitional cumulative deferred tax liability as at 31 March 1998 has been charged to general reserves as at 1 April 1999, for this purpose.

c) Revaluation of trading derivatives

During the year ended 31 March 2004, the Bank changed its accounting policy with regard to trading derivatives. The Bank started recognizing mark to market gains on trading derivatives in its profit and loss account. Upto year ended 31 March 2003, the Bank accounted for mark to market losses in its profit and loss account while gains were ignored.

Accordingly, the mark to market gains were recomputed for the years ended 31 March 2000, 2001, 2002 and 2003 and adjusted in the Statement of profits and losses, as restated in those respective years.

3. Other adjustments

a) Provision for taxation

During the year ended 31 March 2001, the Bank, in respect of Appeals preferred against the Income Tax Department for assessment years 1994-95 to 1999-2000, filed a petition with the Settlement Commission and had accordingly made a provision of Rs. 29.59 crores in its financial statements for the year ended 31 March 2001.

Accordingly, for the purpose of this Statement, the above income tax provision has been adjusted against the opening reserves as at 1 April 1999 to reflect the charge pertaining to prior years.

b) Wage agreement revision

During the year ended 31 March 2004, the Bank provided an amount of Rs 11.65 crores as estimated additional liability on account of wage agreement revision retrospectively from November 2002. Of the amount of Rs. 11.65 crores, Rs. 3.43 crores pertained to year ended 31 March 2003. Accordingly, the above charge has been adjusted in the year ended 31 March 2003 to reflect the charge pertaining to that year in the Statement of profits and losses, as restated.

c) Acquisition of property

In relation to the acquisition of a property by the Bank from the local authority, which was the subject matter of sub judice dispute, Bank paid an agreed cumulative amount of interest from the inception of the transaction up to the date of settlement. The entire amount which was previously charged to profit and loss account for the year ended 31 March 2004 has been allocated to the respective years for which the financial statements have been restated and to the extent it relates to the period prior to 1 April 1999, has been adjusted against the opening reserves at that date.

d) Revaluation reserve

In accordance with Clause 6.18.7 (b) (v) of the SEBI Guidelines, the Statement as restated has been prepared after deducting the revaluation reserve balance from both fixed assets and reserves.

4. Audit qualifications

a) Liability for leave encashment

Upto the year ended 31 March 2002, the Bank followed a policy of accounting for liability towards leave encashment on cash basis. Consequently, the financial statements of the years ended 31 March 2001 and 2002 were qualified by the auditors in their audit report. During the financial year ended 31 March 2003, an amount of Rs. 10.72 crores was provided by the Bank towards this liability relating to periods upto 31 March 2002 in addition to the liability for the year ended 31 March 2003. However, the allocation of the cumulative charge of Rs. 10.72 crores up to 31 March 2002, to each of the earlier years is not possible and hence this adjustment has not been carried out in the profits of years ended 31 March 2000, 2001 and 2002 in the Statement of profits and losses, as restated.

b) Liability for pension

Upto the year ended 31 March 2001, the Bank did not accrue liability towards pension payable. The financial statements of the Bank were qualified by the auditors of the Bank in their auditor's report for the year ended 31 March 2001.

During the year ended 31 March 2002, the Bank provided Rs. 25.76 crores towards pension liability relating to periods upto 31 March 2001 in addition to the charge for the year ended 31 March 2002.

However, the allocation of the cumulative charge up to 31 March 2002, to each of the earlier years is not possible and hence this adjustment has not been carried out in the profits of years ended 31 March 2000, 2001 and 2002 in the Statement of profits and losses, as restated.

c) The auditors of the Bank had qualified the audit opinion on the financial statements of the Bank for the years ended 31 March 2000, 2001, 2002 and 2003 for the unascertainable impact of adjustment which could arise pending completion of interbranch reconciliations and reconciliations/balancing of suspense accounts and books at some branches/offices.

The impact of this audit qualification of the Statements of profits and losses and assets and liabilities for years ended 31 March 2000, 2001, 2002 and 2003, as restated, are unascertainable and hence no adjustments have been made in these statements.

d) Deferred taxes

AS-22 issued by the Institute of Chartered Accountants of India (ICAI) is mandatory in respect of accounting periods commencing on or after 1 April 2001. The Bank adopted AS-22 in its financial statements for the year ended 31 March 2002. However, pending approval from the Reserve Bank of India ('RBI'), the transitional cumulative deferred tax liability as at 1 April 2002 was not charged to the general reserves. Accordingly, the financial statements of the Bank for the year ended 31 March 2002 were qualified by the auditors in their audit report. Also refer note b of paragraph 2.

e) Wage agreement revision

The Bank is required to make incremental provision for wage agreement revision with the employee unions on a periodic basis. The earlier wage agreement of the Bank expired in October 2002. During the year ended 31 March 2004, the Bank provided an amount of Rs 11.65 crores towards estimated incremental payments pending wage agreement revision with its employees union. An amount of Rs. 3.27 crores is provided during the six months ended 30 September 2004. The final liability of the Bank on account of wage agreement revision is not known at present and any adjustment on this account would be made as and when the liability is ascertained. The financial statements of the Bank for the six months ended 30 September 2004 are qualified on account of unascertained consequential outcome, if any, of this wage agreement revision.

5. The Bank is required to follow and adhere to all RBI guidelines and directives issued from time to time. The RBI has issued several directives and guidelines and revisions from time to time over the reporting period. Such changes/ revisions relate to, among others, provision for NPA, valuation and provision on investments, applicability of accounting standards on bank, provisioning in respect of inter branch reconciliation statements etc. Any changes/introduction/revisions to RBI guidelines are adopted by the Bank on a prospective basis.

ING VYSYA BANK LIMITED
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Annexure IV
Significant Accounting Policies

1. Basis of preparation

These financial statements have been prepared and presented under the historical cost convention, with the exception of premises, which have been revalued, and accrual basis of accounting, unless otherwise stated, and in accordance with the generally accepted accounting principles ("GAAP") in India and conform to the statutory requirements prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India ("RBI") from time to time 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"). As mentioned in the notes in Annexure III, the revaluation reserve has been deducted from both fixed assets and reserves in the statement of assets and liabilities, as restated.

In respect of the financial statement for the six months ended 30 September 2004, the Bank has adopted AS-25 'Interim Financial Reporting' issued by ICAI.

2. Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles in India requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of financial statements. Actual results could differ from those estimates. Any revisions to accounting estimates are recognized prospectively in the current and future periods.

3. Revenue recognition

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

   Interest on Advances, Non-Performing Securities and other assets classified as Non-performing Assets is recognized on realization in accordance with the guidelines issued by the RBI.

b. Income on assets given on lease:

   In accordance with AS 19 'Leases', finance income in respect of assets given on lease is accounted based on the interest rate implicit in the lease in accordance with the guidance note issued by the ICAI in respect of leases given up to 31 March 2001. The Bank does not have any leases given after 1 April 2001.

c. Premium/discount on acquired loans:

   Premium paid / discount received on loans acquired under deeds of assignment are recognised in the profit and loss account over the residual term of the relevant loans based on the interest rate implicit in the terms of assignment.

d. Sale of investments:

   Realized gains on investments under Held To Maturity (HTM) category are recognized in the profit and loss account and subsequently appropriated to capital reserve account in accordance with RBI guidelines after adjusting for income tax and appropriations to the statutory reserve. Such appropriation is carried out at the year end.

4. Transaction involving foreign exchange

a. Monetary assets and liabilities denominated in Foreign Currencies are translated into Indian Rupees at the rates of exchange prevailing at the balance sheet date as notified by Foreign Exchange Dealers Association of India (FEDAI) and resulting gains/losses are recognised in the profit and loss account.

b. Outstanding Forward Exchange contracts, 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.

c. Gain/loss arising out of money market hedging swap transactions are accounted for on accrual basis based on FEDAI guidelines.

5. 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.

6. 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, Subsidiaries and Joint Ventures and Others, in accordance with Schedule III to the Banking Regulation Act, 1949.

Valuation of investments is undertaken in accordance with the “Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks” issued by the RBI. For the purpose of valuation, the Bank’s investments are classified into three categories, i.e. ‘Held to Maturity’, ‘Held for Trading’ and ‘Available for Sale’:

a. “Held to Maturity” comprises securities acquired by the Bank with the intention to hold them up to maturity. With the issuance of issuance of RBI Circular No. DBOD.BP.BC.37/21/04/141/2004-05 dated 2 September 2004, the investment in SLR securities under this category is permitted to a maximum of 25% of Demand and Time Liabilities. Before this, investment in securities under this category was permitted to a maximum of 25% of total investment.

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.

Valuation of investments is undertaken as under:

a. 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.

b. 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.

c. 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.

d. 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 upto the year-end is accounted for as interest expense.

7. 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. Non-performing advances are identified by periodic appraisals of the loan portfolio by management.

8. 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. [Refer para 1 above]

Office Equipment (including Electrical and Electronic equipment, Computers, Vehicles and other Office Appliances) are grouped under Other Fixed Assets

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

b. Additional depreciation on account of revaluation of assets is deducted from the current year’s depreciation and adjusted in the Revaluation Reserve Account.

Depreciation on the following items of Fixed Assets is charged over the estimated useful life of the assets on “Straight Line” basis. The rates of depreciation are:

- 20% in respect of Electrical and Electronic equipment.
- 10% and 20% respectively on Furniture and Fixtures and Vehicles.
- 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 accordance with AS 19 ‘Leases’ in respect of Fixed Assets leased before 1 April 2001, the Bank follows the “Guidance Note on Accounting for Leases” issued by the ICAI. The Bank does not have any fixed assets given on leases after 1 April 2001.

From the year, software whose actual cost does not exceed Rs 1,00,000 and other items whose actual cost does not exceed Rs 10,000 are fully charged off to expense 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.

9. 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.

10. 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.

11. Staff benefits

a. Provision for gratuity, leave encashment and pension for interim periods are calculated on a year to date basis by using the actuarially determine rates at the end of prior financial year adjusted for significant market fluctuation since that time and for significant curtailments, settlements or other significant one time events.

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

c. At the year end provision for gratuity, leave encashment and pension are made based on actuarial valuation and provided for in the books.

12. Taxes on income

Income tax expense comprise current tax expense and deferred tax expense or credit. Provision for current tax expense is recognised under the taxes payable method based on the estimated tax liability computed after taking credit for allowances and exemption in accordance with Indian Income Tax Act, 1961. Income taxes have been recognised for the interim period based on the estimate of the weighted average annual income tax rate expected for the full financial year. Amount accrued for income tax in one interim period shall be adjusted in a subsequent interim period in the event the estimate of annual income tax rate changes.

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 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 Bank offsets on a 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.

13. Net profit

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

- Provision/ write off of Non-Performing Assets as per the norms prescribed by RBI;
- Provision for income tax and wealth tax;
- Depreciation/ write off on Investments; and
- Other usual, necessary and mandatory provisions, if any.

14. Contingent liabilities

Loss contingencies arising from claims, litigations, assessment, fines, penalties etc. are recorded when it is probable that a liability has been incurred, and the amount can be reasonably estimated.

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Annexure V: Details of rates of dividend paid by the Bank

Class of shares	Year ended 31 March, 2000	2001	2002	2003	2004	Six months ended 30 September, 2004
Equity shares						
Number of equity shares (face value of Rs 10/- each) (subscribed and called up)	19,786,765	22,619,320	22,619,570	22,620,820	22,651,615	22,651,865
Rate of dividend (#)	35%	35%	35%	40%	50%	0%
Amount of dividend (Rs crores)	6.42	6.92	7.92	9.05	11.33	-
Amount of dividend tax (Rs crores)	0.71	0.71	-	1.16	1.45	-
Amount of total dividend (Rs crores)	7.13	7.63	7.92	10.21	12.78	-

On a pro rata basis wherever applicable

Annexure VI: Details of other income

(Rs crores)

	For the year ended 31 March, 2000	2001	2002	2003	2004	Six months ended 30 September, 2004	Nature of income
Details of other income:							
As per audited profit and loss account	186.39	123.41	280.58	358.32	363.26	6.91	
Impact of restatement:							
Revaluation of interest rate swaps	(0.14)	0.3	2.21	15.83	(18.2)	-	
Total of other income:	**186.25**	**123.71**	**282.79**	**374.15**	**345.06**	**6.91**	
Net profit/(loss) before tax, as restated	53.53	46.44	67.94	122.83	75.97	(82.14)	
Other income as a percentage of net profit/ (loss) before tax	**347.94%**	**266.39%**	**416.23%**	**304.61%**	**454.21%**	**(8.41%)**	
Break up of other income:							
Commission, exchange and brokerage	70.52	83.02	87.30	101.23	109.49	54.67	Recurring
Profit/ (loss) on sale of investments (net)	66.73	15.13	159.62	206.90	184.78	(51.08)	Recurring
Profit/ (loss) on exchange transactions	25.67	9.49	17.61	18.75	18.20	10.51	Recurring
Profit/ (loss) on sale of land, buildings and other assets (net)	(0.01)	(0.03)	0.46	0.37	0.54	(1.63)	Recurring
Lease income	16.84	4.60	2.39	1.58	2.12	0.14	Recurring
Income earned by way of dividend etc. from subsidiaries/ companies and joint ventures abroad/ in India	1.93	1.31	0.82	1.29	2.93	0.58	Recurring
Recoveries/reversals in written off / provided accounts	3.30	7.64	10.15	14.07	22.30	13.62	Recurring
Revaluation gain/ (loss) on trading interest rate swap	(0.14)	0.30	2.21	15.83	(1.37)	(22.20)	Recurring
Others	1.41	2.25	2.23	14.13	6.07	2.30	Recurring
Total	**186.25**	**123.71**	**282.79**	**374.15**	**345.06**	**6.91**	

Note: The classification of income into recurring and non-recurring is based on the current operation and business activity of the Bank.

ING VYSYA BANK LIMITED

(formerly The Vysya Bank Limited)

Annexure VII - Details of borrowings as at 30 September, 2004

1 Secured loans

The Bank did not have any secured loans outstanding as at 30 September, 2004.

2 Unsecured loans **(Rs crores, except % data)**

Particulars	Amount outstanding as at 30 September, 2004	Rate of interest (range) %	Repayment schedule Year ended					
			31 March, 2005	31 March, 2006	31 March, 2007	31 March, 2008	31 March, 2009	beyond 31 March, 2009
Call and term money borrowings	395.94	1.78 - 3.30	393.54	2.40	-	-	-	-
Refinance borrowings	15.72	6.75 - 15.00	3.02	4.73	2.91	2.36	1.54	1.16
Term loans	100	5.5	-	100.00	-	-	-	-
Subordinated debt - Tier II bonds	350	6.25 - 12.65	-	-	-	150.00	-	200.00
Promoter group (refer note below)	81.25	2.25	81.25	-	-	-	-	-
Total	**942.91**		**477.81**	**107.13**	**2.91**	**152.36**	**1.54**	**201.16**

Note: Unsecured loan from promoter group comprises of short term foreign currency borrowings from ING Bank, Singapore.

Annexure VIII- Accounting ratios

(Rs. crores, except number of shares and per-share data)

Particulars	Year ended 31 March,					Six months ended 30 September,
	2000	2001	2002	2003	2004	2004
a) Net profit/(loss) after tax, as restated	55.33	44.34	42.93	81.71	60.12	(49.24)
b) Weighted average number of equity shares outstanding during the year/period	18,371,635	19,794,525	22,619,570	22,620,820	22,632,188	22,651,865
c) Diluted weighted average number of equity shares outstanding during the year/period (after considering the dilutive impact of employee stock option granted)	18,371,635	19,794,525	22,619,570	22,637,414	22,807,676	22,816,097
d) Number of equity shares outstanding at the year/period end	19,786,765	22,619,320	22,619,570	22,620,820	22,651,615	22,651,865
e) Net asset/net worth, excluding revaluation reserve and deferred expenditure	392.81	472.12	469.64	513.05	580.78	540.52
f) Basic earnings per equity share (a/b) [Rs.] (Refer note 3)	30.12	22.40	18.98	36.12	26.56	(21.75)
g) Diluted earnings per equity share(a/c) [Rs.] (Refer note 3)	30.12	22.40	18.98	36.10	26.36	(21.75)
h) Return on net worth (a/e)	14.09%	9.39%	9.14%	15.93%	10.35%	-9.11%
i) Net asset value per equity share (e/d) [Rs.]	198.52	208.72	207.62	226.80	256.40	238.62

Notes :

1 The above ratios have been calculated using the following formulae:
- Basic earnings per equity share = Net profit after tax, as restated /weighted average number of equity shares outstanding during the year/period.
- Diluted earnings per equity share=Net profit after tax, as restated/weighted average number of equity shares (after considering the dilutive impact of employee stock option granted) outstanding during the year/period.
- Return on net worth = Net profit after tax, as restated/net worth, as restated (excluding revaluation reserve and deferred revenue expenditure.
- Net asset value per share = Net worth (excluding revaluation reserve and deferred revenue expenditure) at year-end, as restated/ number of equity shares at year-end.
- The EPS ratios and return on net worth ratio for the six months ended 30 September 2004 are not annualised.

2 The above ratios (other than diluted earnings per equity share) do not include the impact of potential equity shares pertaining to employee stock options granted but not lapsed as at the respective period ends.

3 Basic and diluted earnings per equity share have been calculated in accordance with Accounting Standard 20 on “Earnings per share’ issued by the Institute of Chartered Accountants of India.

4 Net profit, as restated as appearing in the Statement of profits and losses, as restated has been considered for the purpose of computing the above ratios. These ratios are compared on the basis of the stand alone (unconsolidated) restated financial statements of the Bank.

ING VYSYA BANK LIMITED (FORMERLY THE VYSYA BANK LIMITED)

Annexure IX-Capitalisation statement as at 30 September, 2004

(Rs. crores)

Particulars	Pre-issue	Post-issue
Debt :		
Short term debt	582.94	582.94
Long term debt	359.97	359.97
Total debt	**942.91**	**942.91**
Equity :		
Share capital	22.65	90.60
Reserves and surplus	517.87	755.71
Total equity	**540.52**	**846.31**
Long term debt/equity ratio	**66.60%**	**42.53%**

Notes:

1) Short term debt represents amount of loans which are repayable within a period of one year from 30 September 2004.
2) Long term debt represents amount of loans which are repayable after a period of one year from 30 September 2004.
3) Debts as mentioned above do not include deposits placed with the Bank.
4) 'Post-issue equity' has been computed on the assumption of full subscription of the proposed rights issue offering. However, it does not include the impact of entitlement of rights on 38,290 shares which are presently issued but have been kept in abeyance.
5) Reserves and surplus do not include revaluation reserve and are net of deferred revenue expenditure.
6) Pre-issue share capital and reserves and surplus represents status as at 30 September 2004. Pre-issue and post-issue share capital and reserves and surplus do not include impact of any exercise of options subsequent to 30 September 2004.

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ING VYSYA BANK LIMITED (FORMERLY THE VYSYA BANK LIMITED)

ANNEXURE X- Statement of tax shelters

(Rs crores)

		Year ended March 31,					Half-year ended 30 September, 2004
		2000	**2001**	**2002**	**2003**	**2004**	
Profit/(loss) before current and deferred taxes, as restated	**A**	53.53	46.44	67.94	122.83	75.97	(82.14)
Tax rate (%)	**B**	38.50%	39.55%	35.70%	36.75%	35.88%	36.59%
Tax expense at rate	**C=A*B**	**20.61**	**18.37**	**24.25**	**45.14**	**27.25**	**-**
Adjustments:							
Permanent Differences:							
(i) Dividend exempt under section 10(33),10(34),10(35) and 80M of the Income Tax Act, 1961 (“the Act”)		(9.19)	(4.93)	(1.10)	(1.29)	(2.93)	(0.58)
(ii) Tax-free income exempt under section 10(15) (iv) (h) & 10(23G) of the Act.		(17.84)	(23.81)	(2.36)	(21.10)	(20.02)	(5.54)
(iii) Long term capital gains charged at lower rates		-	-	-	-	(8.92)	-
(iv) Provision for lease receivables, not allowable		2.54	-	5.25	0.96	2.97	-
(v) Amounts claimed under tax, but withdrawn from reserves, as per RBI directives for books		(47.00)	-	-	-	-	-
(vi) Others		10.90	1.58	-	(0.88)	(9.27)	(2.37)
Total	**D**	**(60.59)**	**(27.16)**	**1.79**	**(22.31)**	**(38.17)**	**(8.49)**
Temporary Differences:							
(i) Difference between book depreciation and tax depreciation (including leased assets)		14.31	(6.10)	17.94	27.96	10.11	5.46
(ii) Depreciation on investments		-	(10.87)	5.60	(7.69)	28.80	17.18
(iii) Provision for employee benefits		-	-	10.14	(19.37)	11.04	5.21
(iv) Other provisions		0.01	0.59	0.97	1.98	6.17	3.48
(v) Carry forward losses adjusted		(19.05)	(3.09)	(4.73)	-	-	-
(vi) Others		11.65	3.84	14.54	12.73	(0.44)	2.25
Total	**E**	**6.92**	**(15.63)**	**44.46**	**15.61**	**55.68**	**33.58**
Net Adjustments	**F=D+E**	(53.67)	(42.79)	46.25	(6.70)	17.51	25.09
Tax (savings)/outgo thereon	**G=F*B**	(20.66)	(16.92)	16.51	(2.46)	6.28	-
Deferred tax adjustment	**H=E*B**	(2.66)	6.18	(15.87)	(5.74)	(19.98)	(12.29)
Other taxes and impact of rate differences	**I**	0.91	(5.53)	0.12	4.18	2.30	(20.61)
Total tax as per restated profit and loss account	J= C+G+H+I	(1.80)	2.10	25.01	41.12	15.85	(32.90)

ANNEXURE XI

To,

The Board of Directors,
ING Vysya Financial Services Limited
Corporate Office: No 4 & 5, Right Wing
Ground Floor, Mittal Towers, M.G Road
Bangalore - 560001.

Dear Sirs,

As required for the purpose of certification of financial statements of the company to be incorporated in the offer document proposed to be issued by ING Vysya Bank Limited in connection with the offer of Rights issue of equity shares, we state as follows:

1. We have audited the financial statements of ING Vysya Financial Services Limited (formerly Vysya Bank Financial Services Limited and The Vysya Bank Leasing Limited) for the 5 financial years ended March 31, 2004 and the six months ended September 30, 2004 being the last date up to which the accounts have been made in those respective periods.
2. We certify that the figures included in the annexed statement of operating results for the 5 financial years ended March 31, 2004 and the six months ended September 30,2004 and the annexed statement of assets & liabilities as at the end of the respective periods, along with the significant accounting policies, are prepared from the audited financial statements of the company in accordance with accounting principle generally accepted in India.
3. In our opinion the financial information of the company read with significant accounting policies attached in annexure to the report, after making adjustments and re-grouping as considered appropriate has been prepared in accordance with PART II of Schedule II of the Companies Act 1956 and the SEBI (Disclosure and Investor Protection) Guidelines 2000.
4. Appropriate adjustments and re-grouping which in our opinion were considered necessary have been made in the annexed financial statements.

For **K.R Kumar & Co.,**
Chartered Accountants

(K.RAVI)
Partner
Place: Bangalore
Date: 14th December, 2004

ING VYSYA FINANCIAL SERVICES LIMITED
(formerly Vysya Bank Financial Services Limited and The Vysya Bank Leasing Limited)

Annexure XII - Statement of profits and losses, as restated

(Rs. lakhs, except per share data)

Particulars	For the half year ended 31 March,	<——For the year ended 31 March, ——>				For the half year ended 30 Septem-
	2000	2001	2002	2003	2004	ber, 2004
Income:						
Lease rentals	53.87	39.68	27.63	20.00	0.12	10.07
Brokerage - mutual funds	-	-	-	114.20	376.21	163.51
Brokerage - bonds and government securities	-	-	-	27.22	84.76	38.07
Commission - insurance	-	-	-	37.17	197.75	108.74
Interest	0.16	0.93	1.58	4.66	1.28	0.06
Other income	58.40	3.19	8.53	79.48	134.66	65.18
Total income	**112.43**	**43.80**	**37.74**	**282.73**	**794.78**	**385.63**
Expenditure:						
Staff cost	4.98	11.39	13.84	28.84	227.40	176.83
Finance	9.62	8.39	16.83	20.85	0.19	5.28
Administrative	9.67	5.98	11.75	3.63	185.04	103.04
Depreciation	72.72	108.01	9.58	0.58	1.58	2.81
Total expenditure	**96.99**	**133.77**	**52.00**	**53.90**	**414.21**	**287.96**
Profit before tax	**15.44**	**(89.97)**	**(14.26)**	**228.83**	**380.57**	**97.67**
Provision for tax	-	-	-	18.58	25.36	7.65
Profit after tax	**15.44**	**(89.97)**	**(14.26)**	**210.25**	**355.21**	**90.02**
Provision of earlier years written back	2.18	44.29	6.48	-	-	-
Profit after tax and prior period items	**17.62**	**(45.68)**	**(7.78)**	**210.25**	**355.21**	**90.02**
Per share data:						
Dividend (including interim dividend) per share	-	-	-	-	2.50	-
Dividend tax per share	-	-	-	-	0.32	-
Earnings per share (basic) [2]	0.17	(1.02)	(0.16)	2.38	4.02	1.02
Earnings per share (diluted) [2]	0.17	(1.02)	(0.16)	2.38	4.02	1.02

Notes:

1. The operating results for the period ended 31st March 2000 are for six months and as such, are not comparable with other periods.
2. Earnings per share for period ended 31st March 2000 and half-year ended 30th September 2004 is not annualised.

ING Vysya BANK

ING VYSYA FINANCIAL SERVICES LIMITED
(formerly Vysya Bank Financial Services Limited and The Vysya Bank Leasing Limited)

Annexure XIII - Statement of assets and liabilities, as restated

(Rs. lakhs)

Particulars	<——————As at 31 March,——————>					As at 30 September, 2004
	2000	2001	2002	2003	2004	
Assets						
Fixed assets:						
Gross block	3,917.56	3,842.57	3,838.80	3,839.28	3,844.05	3,862.32
Less: depreciation	3,796.83	3,829.84	3,837.22	3,837.09	3,838.24	3,841.05
Net block (A)	**120.73**	**12.73**	**1.58**	**2.19**	**5.81**	**21.27**
Current assets, loans and advances:						
Cash in hand and balance with banks	4.60	20.27	19.97	83.56	46.94	59.59
Sundry debtors	8.40	8.62	10.51	89.33	166.40	199.35
Loans and advances	32.26	39.05	38.47	47.90	113.42	147.24
Other current assets	27.11	9.29	0.09	0.10	3.19	3.22
Total (B)	**72.37**	**77.23**	**69.04**	**220.89**	**329.95**	**409.40**
Investments:						
Investments (C)	**2.96**	**0.12**	**0.12**	**85.12**	**303.68**	**305.17**
Total assets (A+B+C)	**196.06**	**90.08**	**70.74**	**308.20**	**639.44**	**735.84**
Liabilities						
Current liabilities	29.29	19.68	19.47	28.08	225.06	223.83
Provisions	2.55	2.62	0.15	18.75	47.25	54.87
Unsecured loans	8.87	2.40	-	-	-	-
Total liabilities	**40.71**	**24.70**	**19.62**	**46.83**	**272.31**	**278.70**
Net worth (represented by)						
(A) Equity capital [3] (D)	**884.51**	**884.51**	**884.51**	**884.51**	**221.13**	**221.13**
(B) Reserves and surplus						
General reserves [4]	120.78	76.49	70.01	70.01	100.01	100.01
Balance in profit and loss account	(849.94)	(895.62)	(903.40)	(693.15)	45.99	136.00
Total reserves and surplus (E)	**(729.16)**	**(819.13)**	**(833.39)**	**(623.14)**	**146.00**	**236.01**
Total net worth (D) + (E)	**155.35**	**65.38**	**51.12**	**261.37**	**367.13**	**457.14**
Total liabilities and net worth	**196.06**	**90.08**	**70.74**	**308.20**	**639.44**	**735.84**

Notes:

3 During the year 2003-04, the Company reduced its Equity share capital from Rs. 8,84,51,000/- consisting of 88,45,100 shares of Rs. 10/- each fully paid to Rs. 2,21,12,750/- consisting of 88,45,100 shares of Rs. 2.50/- each fully paid and the same has been confirmed by the High Court of Karnataka, Bangalore vide its order dated 22nd October, 2003.

4 General Reserves include Reserve for Doubtful Debts as at March 31, 2001 (Rs. 6.48 lakhs) and March 31, 2000 (Rs. 50.77 lakhs).

Annexure XIV - Significant accounting policies and notes to accounts

A. SIGNIFICANT ACCOUNTING POLICIES

1. SYSTEM OF ACCOUNTING

The Company adopts the accrual method and historical cost concept in the preparation of accounts.

2. INCOME RECOGNITION

i. Income from Brokerage and Commission has been accounted on accrual basis as per Statement of Accounts received from ING Vysya Life Insurance Company (P) Ltd. and other Mutual Funds.

ii. Lease Rentals are recognised as revenue as per the Prudential Norms for Income Recognition issued by the RBI.

3. FIXED ASSETS

Fixed Assets are capitalized at cost.

4. LEASED ASSETS

The Assets purchased and given on lease are carried at historical cost less accumulated depreciation.

5. DEPRECIATION

In order to comply with the requirements of true and fair disclosure under Sec.211 of the Companies Act, 1956 read with Schedule VI thereof, depreciation on leased assets is provided on straight line method taking the life of the asset as equal to primary lease period. Depreciation on owned assets is provided on straight line method taking the life of the asset into consideration

6. INVESTMENTS

Investments are valued at cost or market value whichever is less.

7. STAFF BENEFITS

Leave Encashment and Gratuity - Provision has been made during the year 2003-04. In the earlier years no provision had been made and payments were made on cash basis. The impact of this change is not ascertainable for prior periods/ years.

B. NOTES ON ACCOUNTS

1. GENERAL

i. In 2001-02, the Company changed its name from The Vysya Bank Leasing Limited to Vysya Bank Financial Services Limited.

ii. In 2003-04, the Company changed its name from Vysya Bank Financial Services Limited to ING Vysya Financial Services Limited.

iii. In 2001-02, the Company obtained a license from Insurance Regulatory and Development Authority (IRDA) to act as insurance agent under Part II of the Insurance Act, 1938 for a period of 3 years.

2. CONTINGENT LIABILITY

i. Income Tax demand amounting to Rs.8.16 lacs (March 31, 2004 : Rs. 8.16 lacs; March 31, 2003 : Rs. 16.78 lacs) for which appeals are pending.

ii. The Company had entered into an agreement with ING Vysya Bank Limited to recompense for the sacrifice made by it at the time of converting the amount due from the Company into equity to the extent of Rs.374.74 lacs, out of the recoveries made in the existing lease accounts. An amount of Rs.47.81 lacs had been paid to the ING Vysya Bank Ltd cumulatively upto 30.09.2004 (March 31, 2004 : Rs. 42.59 lacs; March 31, 2003 : Rs. 42.59 lacs).

3. DEFERRED TAX

On the basis of the review of the provisions as on 30th Sept., 2004 regarding accounting for taxes for income under AS-22, on the basis of prudence, the Deferred Tax Asset is not being considered in respect of Certain Leased Assets for which the appeals are pending with the I.T. Authorities. The Company has not recognised Deferred Tax Asset on unabsorbed carry forward depreciation and Fixed Assets.

The Deferred Tax Balance (as included in the "Current Assets") as on 30th September 2004 comprises provision for staff benefits of Rs. 3.06 lakhs (March 31, 2004 : Rs. 3.06 lacs; March 31, 2003 : NIL).

4. RELATED PARTY TRANSACTIONS

The Company has entered into transaction with the following related parties

i) Holding Company:-ING Vysya Bank Limited (IVBL)

Rs. in Lakhs

S.No	Particulars	'For the Year ended' and 'As at' March 31, 2004	'For the Half Year ended' and 'As at' September 30, 2004
I	Reimbursement of Salaries/Legal Expenses/Others - Receivables	56.83	63.12
ii	Reimbursement of Salaries/Recompense Charges - Payable	59.21	86.09
iii	Deposits kept including interest	2.26	1.15
iv	Dividend	221.13	-

ii) Other Related Party (Vysya Bank Financial Services Staff Provident Fund Trust) - Provident Fund paid - Rs. NIL (Rs. 3.44 lakhs for the year ended 31st March 2004)

5. Expenditure/Earnings in Foreign Currency is NIL.

6. Figures for the previous year have been re-grouped wherever necessary to confirm to this period classification.

STATEMENT OF TAX BENEFITS

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 the Central Government is exempt under section 10(15) of the 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 section 14A of the Act, to the extent applicable.
2. Interest earned by the Bank on long term finance extended to specified enterprises wholly engaged in the business of (i) developing or (ii) operating and maintaining or (iii) developing, operating and maintaining any specified infrastructure facility, or to housing finance project or to an approved hotel / hospital project and the dividends [other than dividends exempted under section 10(34) of the Act] are exempt in accordance with and subject to the provisions of section 10(23G) of the Act, subject to the restrictions under section 14A of the Act, to the extent applicable.
3. Dividends earned by the Bank are exempt in accordance with and subject to the provisions of section 10(34) read with section 115-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 under section 10(34) of the Act.
4. 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 section 14A of the Act, to the extent applicable.
5. 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.
6. 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 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 the 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.
7. The interest income 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 under section 10(34) of the Act.
2. Long term capital gain arising on sale of the 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 1 October 2004 on a recognised 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 54ED 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 sale proceeds are invested in acquiring the equity shares forming part of an eligible issue of capital within a period of six months.
5. 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 [new asset]. If only a part of the net consideration is invested in the new asset, then the exemption is available proportionately.

6. 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 twelve 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 the shares.
7. 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 twelve months would be taxed at the normal rates of tax (plus applicable surcharge and education cess). Cost of 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 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 under section 10(34) of the Act.
2. Long term capital gain arising on sale of the 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 1 October 2004 on a recognised 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 54ED 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 sale proceeds are invested in acquiring the equity shares forming part of an eligible issue of capital within a period of six months.
5. 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 [new asset]. If only a part of the net consideration is invested in the new asset, then the exemption is available proportionately.
6. Long term capital gains would accrue [if it is not exempt under section 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 twelve 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 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 utilised 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.
7. 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 a foreign company, if they are not exempted under section 10(38) of the Act, would be taxed at 20% (plus applicable surcharge and education cess).
8. Option available to NRI as per Chapter XII-A :
   (i) In respect of NRIs, in accordance with and subject to the provisions of section 115E 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 section 115F 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 the Act, where the NRI becomes assessable to tax as a resident in India, he may furnish to the Assessing Officer a declaration in writing along with his return of income for that assessment year to the effect that the provisions of Chapter XIIA 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 the 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.

9. 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) if such long term capital gains are not covered under section 10(38) of the Act.

   Short term capital gains are however, taxable at the rate of 10% 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). Cost indexation benefits will not be available. Further, the provisions of the first proviso of section 48 of the Act will not apply.

10. 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 2005-06.

11. 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 authorised 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 Act, 1957. Accordingly, shares purchased in the issue are not liable to wealth tax in the hands of the shareholders.

CONSOLIDATED FINANCIAL STATEMENTS

Auditors' Report to the Board of Directors of ING Vysya Bank Limited on the Consolidated financial statements of ING Vysya Bank Limited, its subsidiaries and associates under Indian GAAP as at and for the six months ended 30 September 2004.

To
The Board of Directors
ING Vysya Bank Limited
22, M.G. Road
Bangalore - 560 001

We have audited the attached Consolidated Balance Sheet of ING Vysya Bank Limited ("the Bank") and its consolidated entities (subsidiaries and associates) (collectively referred to as "the Group") as at 30 September 2004, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the six months ended on that date annexed thereto. These Consolidated financial statements are the responsibility of the Bank's management and have been prepared by the management on the basis of separate financial statements and related financial information regarding components. Our responsibility is to express an opinion on these Consolidated financial statements based on our audit. This audit was conducted in accordance with the terms of engagement as specified by the Board of Directors of the Bank and is not a statutory audit as per the requirements of the Banking Regulation Act, 1949.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Consolidated financial statements are free from material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Balance Sheet and Profit and Loss Account have been drawn up in accordance with the formats prescribed by the Banking Regulation Act, 1949. The financial statements of the Bank's subsidiary company, ING Vysya Financial Services Limited ('IVFSL'), whose financial statements reflect total assets of Rs 45,714 thousands as at 30 September 2004, total revenue of Rs 38,563 thousands for the six months then ended, have been prepared and approved by its Board of Directors, audited and reported by K.R. Kumar & Co., the auditors of IVFSL. The financial statements and other financial information, in so far as it relates to the amounts included in respect of the subsidiary company, have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of other auditors. Un-audited financial statements of associates i.e. ING Vysya Life Insurance Company Private Limited ('IVL') and ING Investment Management India Private Limited ('IIM'), as at 30 September 2004 and for the six months then ended have been considered in the preparation of the Consolidated financial statements. The carrying value of investment in IVL in the Consolidated financial statements as on 30 September 2004 is Rs 244,122 thousands. The carrying value of investment in IIM the Consolidated financial statements as on 30 September 2004 is Rs 68,623 thousands.

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

Further, we state that the consolidated financial statements have been prepared based on un-audited financial statements of IVL and IIM as at 30 September 2004

In our opinion:

a) subject to our remark in respect of use of un-audited financial statements of IVL and IIM in the preparation of the Consolidated financial statements, and

b) subject to any financial impact of the pending wage agreement revision at 30 September 2004, as explained in note 18.20 of Schedule 18, and the unascertained consequential effects thereof; the attached Consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

    (i) in the case of the Consolidated Balance Sheet of the state of affairs of the Group as at 30 September 2004;

    (ii) in the case of the Consolidated Profit and Loss account, of the loss of the Group for the six months ended on 30 September 2004; and

    (iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the six months ended on 30 September 2004.

For **BSR & Co.**
(formerly Bharat S Raut &Co.)
Chartered Accountants

Zubin Shekary
Partner
Membership No: 48814

Bangalore
5 February 2005

ING Vysya
BANK

ING VYSYA BANK LIMITED

CONSOLIDATED BALANCE SHEET AS ON 30 SEPTEMBER 2004

(Rs thousand)

PARTICULARS	SCHEDULE	30 September 2004	31 March 2004
CAPITAL AND LIABILITIES			
Capital	1	226,519	226,516
Reserves and Surplus	2	6,596,194	7,152,432
Deposits	3	104,730,866	104,776,116
Borrowings	4	5,929,139	9,643,445
Other Liabilities and Provisions	5	12,408,395	10,349,576
TOTAL		**129,891,113**	**132,148,085**
ASSETS			
Cash and Balance with Reserve Bank of India	6	4,676,605	6,258,429
Balance with Banks and Money at call and short notice	7	3,343,450	3,789,998
Investments	8	38,909,090	40,767,462
Loans and Advances	9	72,366,675	70,465,359
Fixed Assets	10	3,238,307	3,329,122
Other Assets	11	7,356,986	7,537,715
TOTAL		**129,891,113**	**132,148,085**
Contingent Liabilities	12	143,092,769	112,891,913
Bills for collection		13,852,633	14,051,095
Significant Accounting Policies	17		
Notes on Accounts	18		

For and on behalf of the Board

Director   Director

As per our report of even date

For **BSR & Co.**
(formerly Bharat S Raut & Co.)
Chartered Accountants

Zubin Shekary
Partner
Membership No: 48814

ING Vysya BANK

ING VYSYA BANK LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

(Rs thousand)

PARTICULARS	SCHEDULE	Six months ended 30 September 2004
INCOME		
Interest Earned	**13**	4,824,249
Other Income	**14**	101,175
TOTAL		**4,925,424**
EXPENDITURE		
Interest Expended	**15**	3,061,349
Operating Expenses	**16**	1,745,811
Provisions and Contingencies		601,603
TOTAL		**5,408,763**
Share of Loss in Associates		(72,354)
Consolidated Net Loss for the period		(555,693)
Consolidated Net Loss for the period attributable to the group		(555,693)
Add: Brought forward Consolidated profit attributable to the group		79,802
TOTAL		**(475,891)**
APPROPRIATIONS		
Transfer to Statutory Reserve		-
Transfer to Other Reserves		-
Proposed Dividend		-
Dividend Tax		-
Balance carried to consolidated Balance Sheet		(475,891)
TOTAL		**(475,891)**
Earnings /(Loss) Per Share (Rs. Per Equity Share of Rs.10 each)		
Basic		(24.53)
Diluted		(24.53)
Number of shares used in computing Earnings / (Loss) Per Share		
Basic		22651865
Diluted		22816097
Significant Accounting Policies	**17**	
Notes on Accounts	**18**	

For and on behalf of the Board

As per our report of even date

For **BSR & Co.**
(formerly Bharat S Raut & Co.)
Chartered Accountants

Director

Zubin Shekary
Partner
Membership No: 48814

Place: Bangalore
Date: 5 February 2005

ING Vysya BANK

ING VYSYA BANK LIMITED

SCHEDULES TO CONSOLIDATED BALANCE SHEET AS ON 30 SEPTEMBER 2004

(Rs thousand)

PARTICULARS	30 September 2004	31 March 2004
SCHEDULE 1 - CAPITAL:		
AUTHORISED CAPITAL		
100,000,000 Equity Shares of Rs.10/- each	1,000,000	1,000,000
100,000,000 Preference Shares of Rs.10/- each	1,000,000	1,000,000
ISSUED CAPITAL		
22,690,155 (31 March 2004 : 22,690,155)		
Equity Shares of Rs.10/-each	226,902	226,902
SUBSCRIBED AND CALLED UP CAPITAL		
22,651,865 (31 March 2004 : 22,651,615)		
Equity Shares of Rs.10/-each Fully Called and paid up	226,519	226,516
TOTAL	**226,519**	**226,516**
SCHEDULE-2 RESERVES AND SURPLUS		
I.STATUTORY RESERVE		
Opening Balance	1,985,106	1,837,604
Additions during the year / period	-	147,502
Total (A)	**1,985,106**	**1,985,106**
II.CAPITAL RESERVE		
(a) Revaluation Reserve		
Opening Balance	1,195,441	1,270,350
Less: Revaluation reserve reversed consequent to sale of assets	1,164	65,517
Less: Depreciation transferred to Profit and Loss Account	4,687	9,392
Total (B)	**1,189,590**	**1,195,441**
(b) Others		
Opening Balance	388,602	125,204
Add: Transfer from Profit and Loss Account	-	263,398
Total (C)	**388,602**	**388,602**
III. SHARE PREMIUM		
Opening Balance	1,954,701	1,947,171
Add: Additions during the year / period	6	7,530
Total (D)	**1,954,707**	**1,954,701**
TOTAL CAPITAL RESERVE (B+C+D)	**3,532,899**	**3,538,744**
IV. CAPITAL RESERVE ON CONSOLIDATION		
Opening Balance	118,544	162,822
Add: Additions during the year / period	-	4,500
Less: Deduction on divestment of subsidiary	-	48,778
Total (E)	**118,544**	**118,544**

PARTICULARS	30 September 2004	31 March 2004
V. REVENUE AND OTHER RESERVES		
(a) Revenue Reserves		
Opening Balance	869,091	954,177
Additions on consolidation of subsidiary	-	9,232
Transferred during the year/period from Consolidated Profit and Loss account	-	3,000
	869,091	966,409
Less: Losses of Associates adjusted	-	97,318
Total (F)	**869,091**	**869,091**
(b) Investment Fluctuation Reserve		
Opening Balance	551,037	499,698
Add: Transfer during the year / period	-	51,339
Total (G)	**551,037**	**551,037**
Total (V) (F+G)	**1,420,128**	**1,420,128**
VI.Employee Stock Option Outstanding (Net)	**15,408**	**10,108**
VII.BALANCE IN PROFIT AND LOSS ACCOUNT (H)	**(475,891)**	**79,802**
TOTAL (I to VII)	**6,596,194**	**7,152,432**
SCHEDULE 3 - DEPOSITS		
A. I. Demand Deposits		
i. From Banks	149,014	193,206
ii. From Others	11,378,530	11,325,637
II.Savings Bank Deposits	16,032,655	14,583,427
III.Term Deposits		
i. From Banks	1,705,758	8,957,543
ii. From Others	75,464,909	69,716,303
TOTAL(I to III)	**104,730,866**	**104,776,116**
B. Deposits of Branches In India	104,730,866	104,776,116
TOTAL	**104,730,866**	**104,776,116**
SCHEDULE 4 - BORROWINGS		
I. Borrowings in India		
i. Reserve Bank of India	-	-
ii. Other Banks	3,496,500	2,869,746
iii. Other Institutions and agencies	1,157,209	4,799,833
II. Borrowings outside India	1,275,430	1,973,866
TOTAL (I to II)	**5,929,139**	**9,643,445**
Secured Borrowings included in (I) & (II) above is NIL (31 March 2004 : NIL)		
SCHEDULE 5 - OTHER LIABILITIES & PROVISIONS		
I. Bills Payable	2,236,034	2,473,733
II. Inter Office Adjustments (Net)	899,506	1,222,744
III. Interest Accrued	1,555,422	190,297
IV. Subordinated Debt -Tier II Bonds *	3,500,000	3,500,000
V. Deferred Tax Liability	-	108,863
VI. Others (Including Provisions)	4,217,433	2,853,939
* An amount of Rs. Nil (Rs. 2,000,000 thousands during the year ended 31 March 2004) was raised as Subordinated Debts		
TOTAL (I to VI)	**12,408,395**	**10,349,576**

PARTICULARS	30 September 2004	31 March 2004
SCHEDULE 6-CASH AND BALANCE WITH RESERVE BANK OF INDIA		
I. Cash In Hand (Including Foreign Currency Notes)	739,051	635,875
II. Balances With Reserve Bank of India		
i. In Current Account	3,937,554	5,622,554
ii. In Other Accounts	-	-
TOTAL (I to II)	**4,676,605**	**6,258,429**
SCHEDULE 7-BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
i. Balances With Banks		
a) In Current Accounts	642,657	944,317
b) In Other Deposit Accounts	2,363,774	2,785,911
ii. Money at Call and Short Notice		
a) With Banks	-	-
b) With Others	-	-
TOTAL (i to ii)	**3,006,431**	**3,730,228**
II.Outside India		
i) Current Accounts	337,019	59,770
ii) In Other Deposit Accounts	-	-
TOTAL (i to ii)	**337,019**	**59,770**
GRAND TOTAL (I to II)	**3,343,450**	**3,789,998**
SCHEDULE 8 - INVESTMENTS (Net)		
I. Investments in India		
i. Government Securities	33,205,462	29,220,079
ii. Other Approved Securities	206,564	252,860
iii. Shares	101,275	103,365
iv. Debentures and bonds	4,486,696	8,773,904
v. Investment in Associates	312,745	295,118
vi. Others (Mutual funds, Commercial Papers and Post Office Deposits)	596,348	2,122,136
TOTAL	**38,909,090**	**40,767,462**
II. Investments Outside India	-	-
GRAND TOTAL (I + II)	**38,909,090**	**40,767,462**
Gross Investments	39,324,572	41,198,579
Less : Depreciation / Provision for Investments *	(415,482)	(431,117)
(* Also refer note 18.16 and 18.17 of Schedule 18)		
Net Investments	38,909,090	40,767,462

PARTICULARS	30 September 2004	31 March 2004
SCHEDULE 9 - ADVANCES (Net)		
A. i. Bills Purchased and Discounted	5,013,274	5,645,558
ii. Cash Credits, Overdrafts & Loans repayable on demand	25,078,116	26,962,586
iii. Term loans	42,275,285	37,857,215
TOTAL	**72,366,675**	**70,465,359**
B. i. Secured by Tangible Assets	63,411,509	60,860,823
ii. Covered by Bank/Government Guarantees	2,923,898	2,852,404
iii. Unsecured	6,031,268	6,752,132
TOTAL	**72,366,675**	**70,465,359**
C. I ADVANCES IN INDIA		
i. Priority Sector	20,918,395	21,570,805
ii. Public Sector	641,580	5,199,234
iii. Banks	130,024	294
iv. Others	50,676,676	43,695,026
II ADVANCES OUTSIDE INDIA	-	-
TOTAL	**72,366,675**	**70,465,359**
SCHEDULE 10 - FIXED ASSETS		
I. Premises		
i. At cost as on 31st March of the preceding year	1,202,729	1,039,668
ii. Appreciation in the value	1,243,518	1,316,632
iii. Additions during the year / period	-	303,149
	2,446,247	**2,659,449**
iv. Deductions during the year / period	15,000	213,202
v. Depreciation to date	163,189	148,502
I A. Premises under construction	2,226	4,780
TOTAL	**2,270,284**	**2,302,525**
II. Other Fixed Assets (Including Furniture and Fixtures)		
i. At cost as on 31st March of the preceding year	2,270,549	1,701,321
ii. Deduction on divestment of subsidiary	-	15,919
iii. Additions during the year / period	127,027	645,394
	2,397,576	2,330,796
iv. Deductions during the year / period	32,500	60,247
v. Depreciation to date	1,654,447	1,505,637
II A. Capital Work In Progress	35,950	37,572
TOTAL	**746,579**	**802,484**
III. Lease Fixed Assets		
i. At cost as on 31st March of the preceding year	2,243,159	2,888,925
ii. Additions during the year / period	-	-
	2,243,159	2,888,925
iii. Deductions during the year / period	45,000	645,766
iv. Depreciation to date	1,786,967	1,787,292
v. Add: Lease Adjustment Account	82,022	105,791
vi. Less: Provision / Write-off of NPAs	271,770	337,545
TOTAL	**221,444**	**224,113**
GRAND TOTAL (I to III)	**3,238,307**	**3,329,122**

PARTICULARS	30 September 2004	31 March 2004
SCHEDULE 11 - OTHER ASSETS		
i. Interest Accrued	688,000	1,407,690
ii. Tax Paid in Advance and Tax Deducted at Source (Net)	751,773	835,820
iii. Stationery and Stamps	18,079	18,229
iv. Non Banking Assets acquired in satisfaction of claims (Net)	1,072,364	1,098,900
v. Deferred Tax Assets	220,687	-
vi. Others	4,606,083	4,177,076
TOTAL	**7,356,986**	**7,537,715**
SCHEDULE 12 - CONTINGENT LIABILITIES		
i. Claims against the bank not acknowledged as debts	179,223	224,638
ii. Liability on account of Outstanding Forward Exchange Contracts	121,782,263	92,947,650
iii. Guarantees given on behalf of constituents in India	9,603,279	10,039,441
iv. Acceptances, Endorsements and Other Obligations	10,139,481	8,281,116
v. Other items for which the bank is contingently liable	1,388,523	1,399,068
TOTAL	**143,092,769**	**112,891,913**

ING VYSYA BANK LIMITED

SCHEDULES TO CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

(Rs thousand)

PARTICULARS	Six months ended 30 September 2004
SCHEDULE 13 - INTEREST EARNED	
i. Interest/Discount on Advances/Bills	3,029,042
ii. Income on Investments	1,385,652
iii. Interest on Balances with RBI and other inter bank funds	109,939
iv. Others	299,616
TOTAL	**4,824,249**
SCHEDULE 14 - OTHER INCOME	
i. Commission,Exchange and Brokerage	577,232
ii. Profit / (Loss) on sale of Investments (Net)	(510,763)
iii. Profit on Revaluation of Investments (Net)	-
iv. Profit / (Loss) on sale of Land, Buildings and Other Assets (Net)	(16,314)
v. Profit on Exchange Transactions (Net)	105,070
vi. Lease Income	33,138
Add: Lease Equalisation	2,659
Less: Depreciation	(33,364)
vii. MTM gain / (loss) on interest rate swaps	(222,016)
viii. Miscellaneous Income (including Bad Debt Recoveries)	165,533
TOTAL	**101,175**
SCHEDULE 15 - INTEREST EXPENDED	
i. Interest on Deposits	2,528,141
ii. Interest on Reserve Bank of India/Inter-Bank Borrowings	71,662
iii. Others (including interest onTier II Bonds and IRS)	461,546
TOTAL	**3,061,349**
SCHEDULE 16- OPERATING EXPENSES	
i. Payments and Provisions for Employees	882,217
ii. Rent, Taxes and Lighting	145,481
iii. Printing and Stationery	33,803
iv. Advertisement and Publicity	23,779
v. Depreciation on Bank’s Property	181,247
vi . Director’s Fees, Allowances and Expenses	1,997
vii. Auditors’ Fees and Expenses (Including Branch Auditors)	6,086
viii. Law Charges	5,181
ix. Postage,Telegrams,Telephones	63,104
x. Repairs and Maintenance	82,434
xi. Insurance	54,674
xii. Other expenditure	265,808
TOTAL	**1,745,811**

ING Vysya BANK

ING VYSYA BANK LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

(Rs thousand)

PARTICULARS	Six months ended 30 September 2004	
(A) Cash Flow from Operating Activities		
Net Profit before Tax and Extraordinary items	(726,435)	
Adjustments for :		
Share of loss in associates	72,353	
Employee compensation expense (ESOP)	5,300	
Depreciation Charge	147,417	
Provision/write off of Advances and Investments	783,847	
Provision for Standard Assets	4,047	
Other Provisions	158,654	
(Profit) / Loss on Sale of Assets (net)	16,314	
Cash Generated from Operations	461,497	
Less: Direct Taxes Paid	61,000	
		400,497
Adjustments for :		
(Increase) / Decrease in Investments	1,477,229	
(Increase) / Decrease in Advances	(2,196,504)	
(Increase) / Decrease in Other Assets	1,807,530	
Non-Banking Assets sold	26,536	
Increase / (Decrease) in Deposits	(49,322)	
Increase / (Decrease) in Other Liabilities	528,748	
Increase / (Decrease) in Borrowings	(3,714,305)	
Net Cash flow from operating Activities (A)		**(1,719,591)**
(B) Cash Flow from Investing Activities		
Purchase of Fixed Assets	(129,695)	
Sale of Fixed Assets / Leased Assets	34,493	
Investment in Associates	(90,000)	
Net Cash flow from Investing Activities (B)		**(185,202)**
(C) Cash Flow from Financing Activities		
Dividend Paid	(123,579)	
Net Cash Flow from Financing Activities (C)		**(123,579)**
Net Increase/(Decrease) in Cash and Cash Equivalents		**(2,028,372)**
Cash and Cash equivalents as at the beginning of the period (Including Money At Call & Short Notice)		**10,048,427**
Cash and Cash equivalents as at the end of the period (Including Money At Call & Short Notice)		**8,020,055**

For and on behalf of the Board

As per our report of even date

For **BSR & Co.**
(formerly Bharat S Raut & Co.)
Chartered Accountants

Director Director

Zubin Shekary
Partner
Membership No: 48814

Place : Bangalore
Date : 5 February 2005

SCHEDULE 17 - Significant Accounting Policies

1 Background

ING Vysya Bank Limited ("IVB" or "the Bank") was incorporated on 29 March 1930 and is headquartered in Bangalore. Subsequent to acquisition of stake in the Bank by ING Group N.V. in August 2002, the name of the Bank was changed from " The Vysya Bank Limited" to "ING Vysya Bank Limited".

The Bank is engaged in providing a wide range of banking and financial services including commercial banking and treasury operations. ING Vysya Financial Services Limited ("IVFSL"), a wholly owned subsidiary of the Bank, is engaged in the business of non-fund/fee based activities of marketing and distribution of various financial products/services such as insurance products, mutual funds etc of companies/banks. ING Vysya Life Insurance Company Private Limited ("IVL"), an associate of the Bank, is engaged in the business of Life Insurance. ING Investment Management (India) Private Limited (IIM), an associate of the Bank, is an Investment Management Advisor to ING Savings Trust.

2 Basis of preparation

The consolidated financial statements of the Bank, its wholly owned subsidiary and its associate companies (hereinafter referred to as "the Group") are prepared under 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 consolidated financial statements comply with the applicable Accounting Standards ("AS") issued by the Institute of Chartered Accountants of India ("ICAI"). The Bank has presented a complete set of consolidated financial statements as stipulated in paragraph 10 and 18 of AS 25 - 'Interim Financial Reporting'.

3 Use of estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles in India requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of the relevant facts and circumstances as on the date of financial statements. Actual results could differ from those estimates. Any revisions to accounting estimates are recognized prospectively in the current and future periods.

4 Basis of consolidation

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

4.2 The consolidated financial statements are prepared in accordance with the principles and procedures for the preparation and presentation of consolidated financial statements as laid down under AS 21 -'Consolidated Financial Statements' prescribed by the ICAI.

4.3 The 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 unrealised profits are eliminated in full and unrealised losses resulting from intra-group transactions are eliminated unless cost cannot be recovered.

4.4 Further the Bank accounts for its investments in associates as defined by AS 23 " Accounting for investments in associates in consolidated financial statements" 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.

4.5 For the purposes of preparation of these consolidated financial statements, the unaudited financial statements of associates as at and for the six months ended 30 September 2004 have been considered. The carrying value of the investments in the associates in the consolidated financial statements as on 30 September 2004 is Rs 312,745 thousands, which represents the proportionate share of the net worth of the associate.

5 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 realisation in accordance with the guidelines issued by RBI in case of the Bank.

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 31 March 2001 and in accordance with the AS - 19 in respect of leases given from 1 April 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 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 to capital reserve account in accordance with RBI guidelines after adjusting for income tax and appropriations to the statutory reserve. Such appropriations are carried out at the year end.

6 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.

7 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.

8 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 2 September 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

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 upto the year-end is accounted for as interest expense.

9 Advances

Advances are classified into standard, sub-standard, doubtful and loss assets in accordance with the guidelines issued by RBI and are stated net of provisions made towards non-performing advances in case of the Bank.

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.

10 Fixed assets

Fixed Assets are stated at historical cost less accumulated depreciation, with the exception of premises in case of the Bank, 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.

i) Depreciation on premises is charged at the rate of 1.63% upto 31 March 2002 and at 2% with effect from 1 April 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.
- 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 1 April 2001, the Bank follows the "Guidance Note on Accounting for Leases" issued by the ICAI. In respect of lease transactions entered into on or after 1 April 2001, the Bank follows AS-19 on "Leases" issued by the ICAI.

In case of the Bank, 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 / period are depreciated on the basis of actual number of days the asset has been put to use in the year / period. Assets disposed off during the year / period 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.

11 Non-banking assets

In the case of the Bank, Non-banking assets acquired in settlement of debts / dues are accounted at the lower of their cost of acquisition or net realizable 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

i. Provision for gratuity, leave encashment and pension at interim periods are calculated on a year to date basis by using the actuarially determined rates at the end of prior financial year adjusted for significant market fluctuation since that time and for significant curtailments, settlements or other significant one time events in case of the Bank.

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

iii. At the year end, provision for gratuity, leave encashment and pension are made based on actuarial valuation and provided for in the books in case of the Bank.

iv. In case of IVFSL, gratuity liability is provided on the basis of amount payable as per the Payment of Gratuity Act and leave encashment is provided in accordance with the contractual obligations as per the Company's rules.

14 Taxes on income

Income tax expense comprises current tax expense and deferred tax expense or credit. Income taxes have been recognised for the interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year. Amount accrued for income taxes in one interim period shall be adjusted in a subsequent interim period in the event the estimate of annual income tax rate changes.

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 of the Bank 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 Bank 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.
- Other usual, necessary and mandatory provisions, if any.

16 Contingent liabilities

Loss contingencies arising from claims, litigation, assessment, fines, penalties, etc. are recorded when it is probable that a liability has been incurred, and the amount can be reasonably estimated.

SCHEDULE 18 - Notes to Accounts

18. 1 List of subsidiary and associates considered for consolidation

Sr. No.	Name	Country of incorporation	Extent of holding as on 30 September 2004
Subsidiary			
1	ING Vysya Financial Services Limited (IVFSL)	India	100%
Associates			
1	ING Vysya Life Insurance Company Private Limited (IVL)	India	20%
2	ING Investment Management (India) Private Limited (IIM)	India	26% *

* Subsequent to the balance sheet date, the Bank's stake in ING Investment Management (India) Private Limited (IIM) has reduced to 22.37% in October 2004, as a result of the Bank not participating in a capital call made by IIM.

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 30 September 2004 is Rs 30,517 thousands (0.08%) [31 March 2004: Rs 30,367 thousands (0.07%)].

(ii) 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 14 thousands (0.0004%) [31 March 2004: Rs 19 thousands (0.001%)] and Rs 5 thousands (0.01 %) [31 March 2004: Rs 10 thousands (0.01%)] respectively.

(iii) In the case of IVFSL, depreciation on owned assets is provided on straight-line method at the rates prescribed in Schedule XIV of the Companies Act, 1956 taking the life of the asset into consideration. The net book value of these fixed assets and depreciation charge for the period are Rs 2,113 thousands (0.07%) [31 March 2004: Rs 562 thousands (0.018%)] and Rs 276 thousands (0.15 %) [31 March 2004: Rs 157 thousands (0.03%)] respectively.

(iv) Retirement benefits :

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

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 consolidated financial statements as on 30 September 2004 on account of these pending reconciliations.

18. 4 Deferred taxes

In accordance with Accounting Standard 22 “Accounting for taxes on income” issued by the Institute of Chartered Accountants of India, taxation requirements for the period is arrived at after considering deferred tax credit of Rs 329,550 thousand for the six months ended 30 September 2004.

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

(Rs in thousand)

	As at 30 September 2004	As at 31 March 2004
Deferred tax assets		
on account of provisions	221,170	202,111
on Leave encashment	59,318	53,078
on Investments	91,400	27,986
on loss for the period ended		
30 September 2004	208,867	—
Total deferred tax asset	**580,755**	**283,175**
Deferred tax liabilities		
On depreciation on fixed assets	240,302	261,037
on deferred revenue expenditure on voluntary retirement scheme	40,148	52,945
On bad debts claim	79,618	78,056
Total deferred tax liability	**360,068**	**392,038**
Net deferred tax asset / (liability)	**220,687**	**(108,863)**

During the year ended 31 March 2004, tax treatment of certain allowable / disallowable tax items of the Bank were finalized in respect of financial year 2002-03 in the tax return which had corresponding impact on deferred taxation. Consequently, an amount of Rs 112,148 thousands was transferred from provision for current taxes to deferred tax liability for the year ended 31 March 2004.

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.

In the case of IVFSL based on the review of the provisions as on 30 September 2004 regarding accounting for taxes on income under AS-22, on the basis of prudence, the 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. 5 Employee stock option scheme

ESOS 2002

The employee stock option scheme (“ESOS 2002” or “the scheme”) of the Bank was approved by the shareholders at the Annual General Meeting held on 29 September 2001. A total of 500,000 equity shares of Rs 10 each have been earmarked for the scheme and will be allotted during the period (extended or otherwise) while the scheme is in force. During the six months ended 30 September 2004, no stock options were awarded to employees (previous year ended 31 March 2004, a total of 160490 stock options at an exercise price of Rs 255 each were awarded to employees). 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.

The movement in the scheme during the six months ended 30 September 2004 is as under :

	As at 30 September 2004	As at 31 March 2004
Stock options at the beginning of the year	282345	162800
Add : Options granted during the year / period	—	160490
Less : Options exercised during the year / period	—	(30725)
Less : Options forfeited due to resignation of employees	(17985)	(10220)
Stock options outstanding at the end of the year / period	264360	282345

Of the above stock options outstanding as at 30 September 2004, Nil options are exercisable at 30 September 2004.

18. 6 Voluntary retirement scheme

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

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

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

Based on above, an amount of Rs 93,939 thousand is charged off to consolidated profit and loss account in the current period out of the deferred revenue expenditure carried forward in the consolidated balance sheet from the previous year. The balance amount of Rs 375,972 thousand (31 March 2004 : Rs 469,911 thousands) is being carried in the consolidated balance sheet at 30 September 2004 as deferred revenue expenditure and has been included under the head "Other assets" in Schedule 11 to the consolidated balance sheet.

18. 7 Derivative contracts

The Bank enters into derivative contracts such as interest rate swaps (IRS), forward rate agreements, currency swaps and option agreements. Notional amount of principal outstanding in respect of interest rate swaps at 30 September 2004 is Rs 189,918,598 thousand (31 March 2004: Rs 193,337,787 thousand). In case the counterparties fail to fulfill their obligations, the potential loss will be Rs 1,617,167 thousand (31 March 2004: Rs 368,893 thousand). As per prevailing market practice collateral is not insisted upon from counter parties.

Interest rate swaps

Nature	Numbers	Notional principal	Benchmark	Terms
		(Rs in thousand)		
Indian rupee - Interest rate swaps				
Trading	141	35,500,000	NSE MIBOR	Fixed payable v/s Floating receivable
Trading	183	45,600,000	MIFOR	Fixed payable v/s Floating receivable
Trading	140	35,250,000	NSE MIBOR	Floating payable v/s Fixed receivable
Trading	185	46,250,000	MIFOR	Floating payable v/s Fixed receivable
Trading	1	250,000	MIFOR/LIBOR	Floating receivable v/s Floating payable
	Total	**162,850,000**		
Forex - Interest rate swaps				
Hedging	4	974,405	PRINCIPAL	Fixed receivable
Hedging	3	365,822	PRINCIPAL	Fixed payable
Hedging	13	5,959,603	LIBOR	Fixed receivable v/s Floating payable
Hedging	12	13,768,224	LIBOR	Floating receivable v/s Floating payable
Hedging	13	6,000,544	LIBOR	Floating receivable v/s Fixed payable
	Total	**27,068,598**		

The fair value of rupee and forex swap contracts as at 30 September 2004 is Rs 27,577 thousand (31 March 2004: 193,864 thousand), which represents the net mark to market gain on swap contracts. As at 30 September 2004 the exposure on IRS contracts is spread over various industries. However, based on the notional principal amount, the maximum single industry exposure lies with banks at 72.36% (31 March 2004: 72.15%). In case of an upward movement of one basis point in the benchmark interest rates there will be a positive impact of Rs 288 thousand (31 March 2004: negative impact of Rs 1,506 thousands) in the case of Rupee IRS. Agreements are with Banks/Financial Institutions and corporates under approved credit lines.

At 30 September 2004, the mark to market loss of Rs 222,016 thousand on rupee trading swaps is recognised in the consolidated profit and loss account.

18. 8 Advances

Advances at 30 September 2004 include standard loans of Rs 289,485 thousand (31 March 2004: Rs 385,600 thousand) and sub-standard loans of Rs 8,078 thousand (31 March 2004: Rs 733,920 thousand) rescheduled during the year / period, where interest sacrifice is involved. During the six months ended 30 September 2004, interest sacrifice of Rs 17,945 thousand on the rescheduled loans has been provided in line with the applicable RBI guidelines.

The rescheduled standard loans and sub-standard loans of Rs 289,485 thousand and Rs 8,078 thousand respectively do not include any loan subjected to Corporate Debt Restructuring (CDR).

18. 9 Investments- transfer of securities to HTM category

In accordance with RBI circular No. DBOD.BP.BC.21/21.04.141/ 2003-04 dated 2 September 2003, Banks were allowed to shift securities between categories only once a year with approval of Board of Directors. Accordingly, the Bank had shifted securities of book value Rs 423,100 thousands from AFS to HTM category in the month of May 2004 which was approved by the Board of Directors in their meeting dated 16 March 2004.

During the current period, 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 2 September 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 has transferred securities of a book value of Rs 7,068,287 thousand (Face value: Rs 5,218,310 thousand) from AFS to HTM category and such transfer was approved by the Board of Directors in their meeting held on 27 October 2004. As such transfer was carried out at the lower of acquisition cost/ book value/ market value, the Bank recorded a loss of Rs 477,627 thousand, which has been recorded in the consolidated Profit and Loss Account as provisions and contingencies.

18. 10 Intangibles

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

										(Rs in thousand)
	Gross Block				Accumulated depreciation				Net block	
	As at 1 April 2004	Additions	Deletions	As at 30 September 2004	As at 1 April 2004	Charge for the year	Deletions	As at 30 September 2004	As at 30 September 2004	As at 31 March 2004
Intangible assets										
Application Software	520,889	10,939	—	531,828	348,975	16,438	—	365,413	166,415	171,914
Total	**520,889**	**10,939**	**—**	**531,828**	**348,975**	**16,438**	**—**	**365,413**	**166,415**	**171,914**

During the year ended 31 March 2004, application software amounting to Rs 90,255 thousands were purchased and Rs 15,065 thousands was amortized in the consolidated profit and loss account.

18. 11 Leases

Operating leases

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

		(Rs in thousand)
	As at 30 September 2004	**As at 31 March 2004**
Not later than one year	13,843	14,272
Later than one year and not later than five years	27,561	47,772
Later than five years	—	—
Total minimum lease rental commitments	**41,404**	**62,044**

Additionally, the Group also leases office/branch premises under cancelable operating lease agreements.

Total lease rental expenditure under cancelable and non-cancelable operating leases debited to consolidated profit and loss account for the six months ended 30 September 2004 is Rs 82,920 thousand.

Finance leases

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

		(Rs in thousand)
	As at 30 September 2004	**As at 31 March 2004**
Not later than one year	1,080	1,080
Later than one year and not later than five years	4,320	4,320
Later than five years	2,430	2,970
Total	**7,830**	**8,370**
Less: finance charges	(2,926)	(3,276)
Present value of finance lease obligation	4,904	5,094

The present value of finance lease liabilities is as follows :

		(Rs in thousand)
	As at 30 September 2004	**As at 31 March 2004**
Not later than one year	1,002	1,002
Later than one year and not later than five years	2,867	2,867
Later than five years	1,035	1,225
Total	**4,904**	**5,094**

18. 12 Earnings / (Loss) per Share ('EPS')

The details of EPS computation is set out below :

	As at 30 September 2004
Earnings / (Loss) for the period (Rs thousand)	(555,693)
Basic weighted average number of shares (Nos)	22651865
Basic EPS (not annualised) (Rs)	(24.53)
Dilutive effect of stock options (Nos)	164483
Diluted weighted average number of shares (Nos)	22816097
Diluted EPS (not annualised) (Rs) *	(24.53)
Nominal value of shares (Rs)	10.00

* Since the Bank has incurred a loss during the period, the potentially dilutive equity shares are anti-dilutive in nature and are ignored in the calculation of diluted EPS.

18. 13 'Provisions and contingencies' debited to the consolidated profit and loss account include :

	(Rs in thousand)
	For the six months ended 30 September 2004
Provision for income tax/wealth tax	(328,244)
Bad debts written off	295,188
Depreciation / write down of investments (Net)*	560,866
Others	73,793
Total	**601,603**

* includes adjustment of Rs 477,627 thousands on account of shifting of securities from AFS to HTM category (Refer note 18.9 of Schedule 18).

18. 14 Movement in NPAs during the year ended 31 March 2004 and six months ended 30 September 2004 is set out below :

		(Rs in thousand)
	Gross*	**Net***
Opening balance as on 1 April 2003	2,028,754	1,991,334
Additions during the year ended 31 March 2004	1,629,700	1,629,700
Reductions (including write offs) during the year ended 31 March 2004	1,792,454	1,787,434
Closing balance as on 31 March 2004	**1,866,000**	**1,833,600**
Additions during the six months ended 30 September 2004	659,500	659,500
Reductions (including write offs) during the six months ended 30 September 2004	399,000	393,800
Closing balance as on 30 September 2004	**2,126,500**	**2,099,300**

* Net of write off

18. 15 Movement in provisions for NPA

	(Rs in thousand)
	As at 30 September 2004
Opening balance	—
Additions during the period	295,188
Recoveries/write-offs/write backs during the period	295,188
Closing balance	**—**

18. 16 Movement in provisions for depreciation on investments

	(Rs in thousand)
	As at 30 September 2004
Opening balance	374,800
Additions during the period	34,920
Recoveries/write-offs/write backs during the period	199,920
Closing balance	**209,800**

18. 17 Movement in non-performing non SLR investments is set out below

		(Rs in thousand)
	As at 30 September 2004	**As at 31 March 2004**
Opening balance	256,208	283,523
Additions during the year / period	—	—
Reductions during the year / period	50,526	27,315
Closing balance	**205,682**	**256,208**
Total provisions held	**205,682**	**256,208**

18 18 Segmental reporting

Segment Results for the six months ended 30 September 2004 :

				(Rs in crore)
Business Segments	**Treasury**	**Other Banking operations**	**Residual Operations**	**Total**
Particulars				
Revenue	114.70	440.68	3.85	559.23
Less: Inter - segment Revenue		66.69		66.69
Net Revenue	114.70	373.99	3.85	492.54
Result	(6.52)	17.26	1.09	11.83
Unallocated expenses				92.98
Operating profit				(81.15)
Income taxes				32.82
Share of loss in Associates				(7.24)
Consolidated Net Loss for the period				(55.57)
OTHER INFORMATION				
Segment Assets	4,759.59	8,224.26	5.26	12,989.11
Unallocated assets				—
Total Assets				**12,989.11**
Segment liabilities	4,969.88	7,336.27	0.69	12,306.84
Unallocated liabilities *				682.27
Total Liabilities				**12,989.11**

* Representing Capital and Reserves

Segment Results as at 31 March 2004:

				(Rs in crore)
Business Segments	**Treasury**	**Other Banking operations**	**Residual Operations**	**Total**
Particulars				
Segment Assets	5,127.97	8,057.21	4.98	13,190.16
Unallocated assets				—
Total Assets				**13,190.16**
Segment liabilities	5,215.45	7,231.84	4.98	12,452.27
Unallocated liabilities *				737.89
Total Liabilities				**13,190.16**

* 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. 19 Related party transactions

List of related parties

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

- ING Bank N.V. and its branches
- ING Vysya Life Insurance Company Private Limited.
- ING Investment Management India Private Limited.
- Ideaspace Solutions 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 thousand)
Items/Related Party	**Related parties with significant influence and with whom there are transactions during the period**	**Key Management Personnel**	**Total**
Deposits kept with Bank including lease deposit	Maximum 40,392 (Nil) Outstanding 40,392 (Nil)		Maximum 40,392 (Nil) Outstanding 40,392 (Nil)
Investments during the year / period	190,000		190,000
Term borrowing	Maximum and Outstanding 833,400 (813,960)		Maximum and Outstanding 833,400 (813,960)
Call borrowing	Maximum 20,000 (2,978,700) Outstanding Nil (Nil)		Maximum 20,000 (2,978,700) Outstanding Nil (Nil)
Call lending	Maximum Nil (320,000) Outstanding Nil (Nil)		Maximum Nil (320,000) Outstanding Nil (Nil)
Purchase of fixed assets	Nil		Nil

(Rs in thousand)			
Items/Related Party	**Related parties with significant influence and with whom there are transactions during the period**	**Key Management Personnel**	**Total**
Interest received	48,429		48,429
Interest paid	33,721		33,721
Purchase and sale of securities	340,513		340,513
Rendering of services	20,350		20,350
Receiving of services	2,732		2,732
Interest on Bank Guarantees	1,936		1,936
Management Contracts		2,376	2,376
Off Balance Sheet items			
Bank Guarantees	Maximum and Outstanding 255,316		Maximum and Outstanding 255,316
Derivative transactions (notional outstanding)	Outstanding 5,283,621 (5,653,957)		Outstanding 5,283,621 (5,653,957)
Forward Transactions	Outstanding 2,326,852		Outstanding 2,326,852

(Previous year figures are given in parentheses)

18. 20 Details of Provisions

	(Rs in thousand)
	As at 30 September 2004
Opening balance as at 1 April 2004	394,189
Additions during the period	93,317
Reversals during the period	21,680
Amounts used	200
Closing balance	**465,626**

The above provisions include provisions made on account of frauds, legal claims, operational losses, wage revision, bonus and others. 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 31 March 2004, the Bank provided an amount of Rs 116,500 thousands towards estimated incremental payments pending new wage settlements with its employees union. An amount of Rs 32,739 thousands is provided during the six months ended 30 September 2004. 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. 21 Acquisition of property

Provisions as at 31 March 2004 included Rs 132,741 thousand, being provision towards the anticipated cost of settlement of a sub-judice matter with a local authority in relation to the acquisition of a property by the Bank. In the current period, the Bank has entered into “Consent Terms” agreement with the authority and accordingly the matter has been settled.

The Bank is in process of registering the property in its name and the said property along with the incidental costs have not been capitalised in the books.

18. 22 Previous period’s figures have been regrouped / recast, where necessary, to conform to current period’s presentation. The Group has prepared interim consolidated financial statements for the period ended 30 September 2004. These financial statements are special purpose financial statements and as such have been prepared for the first time. Accordingly, prior period comparatives in respect of the consolidated profit and loss account and cash flow statement have not been presented in these financial statements.

For and on behalf of the board

Place : Bangalore
Date : 5 February 2005

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

ANALYSIS OF FINANCIAL PERFORMANCE OF ING VYSYA BANK LIMITED

(Rs. in crores)

Sl. No.	Item	Financial Year ended March 31			% Change from 2002 to 2003	% Change from 2003 to 2004	Audited Financial Results for Six months period ended September 30, 2004
		2002	2003	2004			
1.	Interest Income	923.34	904.50	924.15	(2.04)	2.17	481.88
2.	Interest Expended	740.43	687.57	680.06	(7.14)	(1.09)	306.13
3.	Net Interest Income: (1-2)	182.91	216.93	244.09	18.60	12.52	175.75
4.	Other Income	282.79	374.15	345.06	32.31	(7.78)	6.91
5.	Total Income : (3+4)	465.74	591.08	589.15	26.92	0.33	182.66
6.	Operating Expenses	259.06	336.82	342.12	30.02	1.57	171.82
7.	Profit before Provisions & Contingencies: (5-6)	206.64	254.26	247.03	23.04	(2.84)	10.84
8	Net profit/(loss) after tax , as restated	42.93	81.71	60.12	90.33	(26.42)	(49.24)

SIGNIFICANT ITEMS OF INCOME AND EXPENDITURE FOR SIX MONTHS ENDED SEPTEMBER 30, 2004 (COMPARISON OF FINANCIALS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2004 WITH THE FISCAL 2004)

As per the restated financial statement, the Bank has incurred a Net Loss of Rs. 49.24 crore for the first six months ended September 30, 2004 while in Fiscal 2004 the bank registered a Net Profit (after Tax and Prior Period Items) of Rs. 60.12 crore. We incurred losses during first six months ended September 30, 2004 because of losses due to our decision to reduce the future impact of the volatility of yield on bonds. The yields on bonds moved up dramatically in the first half of the year and to ensure that future profitability of the bank is not affected by further volatility in the movement of bond yields, we decided to sell off the investments and book the losses. The 10 year benchmark Government securities yield went up from 5.16% as of March 31, 2004 to 6.25% as of September 30, 2004. This has resulted in depreciation in investment portfolio of the bank and hence, provision for securities that were marked to market (MTM).

Taking into account the market developments and RBI guidelines we have shifted securities of a book value of Rs.706.83 crore from available for sale to held to maturity (HTM) category. We have shifted the securities to HTM category after making a depreciation provision of Rs.47.76 crore taking into account the lower of cost/market value on the date of the transaction. This move has insulated the portfolio from further adverse market developments.

The action taken by us was

- to reduce the modified duration of the investment book.
- to shift a portion of the SLR bond portfolio from Available for Sale to ‘Held to Maturity’ category.
- The modified duration of investments book has come down from 4.51 years as on March 31, 2004 to 2.93 years as on September 30, 2004.
- The modified duration of AFS book has come down from 4.5 years as on March 31, 2004 to 1.13 years as on September 30, 2004.

The Bank recorded an interest income of Rs. 481.88 crore during six months period ended September 30, 2004 compared to Rs. 924.15 crore earned in Fiscal 2004. The net interest income of the bank for the first of the fiscal stood at Rs.175.75 crore compared to Rs. 244.09 crore for the full year fiscal 2004. The net interest margin (NIM) increased from 2.43% in 2003-04 to 3.09% for the six months period ended Sept’2004. The non-interest income of the Bank for the first six months of the current year is Rs. 6.91 crores vis-a-vis Rs. 363.26 crores for the Fiscal 2004 because of decline in our treasury profits.

As on September 30, 2004; the total deposits stood at Rs. 10,473.69 crores, remaining flat at the level Rs. 10,478.06 crores as on March 31, 2004. Whereas during fiscal 2004, the deposits went up from the level of Rs. 9,186.62 crores (as on March 31, 2003) recording a growth of 14.06%, during first six months ended September 30, 2004 our deposit base did not register any growth mainly on account of decline in term deposits by Rs 150.76 crore. As the bank aligned the growth in assets with the liabilities, the subdued growth in advances is the main reason for the deposits remaining around the same level as of September 2004.

SIGNIFICANT ITEMS OF INCOME AND EXPENDITURE DURING 2003-04 (COMPARISON OF FINANCIALS FOR THE YEAR ENDED MARCH 2004 WITH MARCH 2003)

Net Profit

As per our resteated financial statement, our net profit decreased from Rs 81.71 crores in 2002-03 to Rs.60.12 crores in 2003-04 showing a decline of 26.42%. This decline can be attributed to a sharp rise in other provisions from Rs. 28.94 crore to Rs. 135.46 crores (excluding provisions for non performing assets). Our bank's equity portfolio consists primarily of investments on equity of companies, which are of strategic nature to the bank. As per the guidelines, we have to provide for unrealised losses on a net basis as a result of which the provision for depreciation on investments increased from Rs.6.02 crore in 2002-03 to Rs.31.46 crore in 2003-04 mainly for diminution in the value of investments in ING Vysya Life Insurance. During the year 2003-04, we have been able to find satisfactory resolution of non-banking assets held in its portfolio and a prudential provision of Rs.58.24 crore was charged during the year based on the estimated net realisable value in conformity with Accounting Standard 28.

Interest Income

Total interest income has increased from Rs. 904.50 Crores to Rs. 924.15 Crores in 2003-04. Of the above, interest income from advances has gone up from Rs. 489.86 Crores to Rs.558.72 crores in 2003-04. Interest income from investments has decreased from Rs. 338.91 Crores to Rs. 270.78 Crores during the same period due to sale of investments. Other interest income has increased from Rs. 75.73 Crores to Rs.94.65 Crores.

Interest Expenses

Total interest expenses declined from Rs. 687.57 crore in 2002-03 to Rs 680.06 crores in 2003-04 in consonance with the softer interest rate regime.

Net Interest Income

The net interest income increased from Rs.216.93 crore in 2002-03 to Rs.244.09 crore in 2003-04 showing a growth of 12.52%. This improvement was due to decline in cost of funds and increase in business volumes.

Other Income

The non-interest income of the bank declined by 7.78 % from Rs.374.15 crores in 2002-03 to Rs.345.06 crores in 2003-04.

Operating Expenses

Non-interest expenses of the bank increased from Rs. 336.82 crores to Rs.342.12 crores during the period owing to increase in rent, taxes and lighting, repairs and maintenance and brand promotion expenditure.

SIGNIFICANT ITEMS OF INCOME AND EXPENDITURE DURING 2002-03 (COMPARISON OF FINANCIALS FOR THE YEAR ENDED MARCH 2003 WITH MARCH 2002)

Net Profit

As per our restated financial statement, our net profit increased from Rs. 42.93 crores in 2001-02 to Rs.81.71 crores in 2002-03 showing a growth of 90.33%. The significant increase is primarily due to increase in profit from treasury operations. Income from sale of investments increased from Rs. 159.62 crores in 2001-02 to Rs. 206.90 crores in 2002-03 as the bank took the benefit of lower interest rates prevailing during this period.

Interest Income

Total interest income decreased from Rs. 923.34 crores to Rs. 904.50 crores. Of the total interest income, income from advances has gone up from Rs. 449.71 crores to Rs. 489.86 crores. However, increase of interest income from advances was more than offset by the decline in interest income from investments by Rs.20.87 crores and decline in other interest income by Rs. 38.12 crores.

Interest Expenses

Total interest expenses declined from Rs. 740.43 crore in 2001-02 to Rs 687.57 crores in 2002-03 in consonance with the softer interest rate regime and periodical reduction effected on interest rates offered on term deposits.

Net Interest Income

The net interest income increased from Rs.182.91 crore in 2001-02 to Rs.216.93 crore in 2002-03 recording a growth of 15.68%.

Other Income

Bank has laid thrust on improvement of non-interest income as a means of improving profitability. The non-interest income of the Bank grew by 32.21 % from Rs. 282.79 crores in 2001-02 to Rs.374.15 crores in 2002-03. Significant increase in non-interest income was primarily from trading operations in Treasury, which contributed to the incremental revenue of Rs.47.28 Crores.

Operating Expenses

Non-interest expenses of the bank increased from Rs. 259.06 crores to Rs. 336.82 crores during the period owing to VRS payments, depreciation due to change in accounting methodology and branch renovation.

Other matters relating to the Operations of the Bank

Unusual or Infrequent events and transactions:

2002-03

VRS Payments : During the previous year ended March 31, 2002, we had introduced a Voluntary Retirement Scheme. Accordingly, Rs.40.78 crore was charged to the profit and loss account for 2002-03.

Leave Encashment : RBI had introduced guidelines for accounting the liability arising out of leave encashment. Accordingly, such liability is to be provided for on accrual basis in compliance with AS 15-Accounting for Retirement Benefits. Hence, has been charged to the profit & loss account for the year and Rs.10.72 crore pertaining to liability for leave encashment accrued upto March 31, 2004 has been charged as a prior period item and the balance has been changed to profit and loss account .

Change in Depreciation Policy : The depreciation policy of the bank was changed during the year. Consequently, Rs.20.33 crore was charged to the profit and loss account for 2002-03.

2003-04

VRS Payments: During the year 2001-02, we had introduced a Voluntary Retirement Scheme. Rs.18.79 crore was charged to the profit and loss account for 2003-04.

Sale of subsidiary : In July 2003, the bank sold its entire stake in our housing subsidiary namely, Vysya Bank Housing Finance limited and realised a profit of Rs. 12.97crore.

Investment in Shares : In compliance with the specific instruction from RBI, the appreciation of Rs.18.27 crore in one of the investments classified under Available for Sale category has been ignored, resulting in a reduction in the profits for the year as the depreciation in another scrip in the same category had to be recognised.

Non-Banking Assets : We have been bale to find satisfactory resolution of non-banking assets held in the bank's portfolio. Accordingly, a prudential provision of Rs.58.24 crore was charged based on the net realisable value in conformity with AS 28.

Significant economic changes that materially affected or are likely to affect income from continuing operations : Changes in the interest rate structure that is any upward or downward movement in interest rate may affect securities portfolio, cost of new / renewed deposits and the yield on advances on variable interest rate portfolio. If there is a slowdown in the economy, it will impact the asset portfolio and may result in increase in NPAs.

Future relationship between costs and revenue : While it is expected that costs and revenues as a percentage would come down simultaneously, the margin would be under pressure. A proportion of operational costs are fixed for which a minimum revenue growth is essential or even if there is a decline in revenues in the short term. However, the revenue growth will improve the margin and will provide scope for capital expenditure. The profit margin is also affected by increasing operating cost arising from IT initiatives.

Extent of seasonality in the business : Bank's business is not likely to be affected by seasonality. The revenue increase for the Bank is a combination of volume variation and price variation. Introduction of new products or services adds value to the product line and improves the revenue. The pricing of products and services is influenced by the market forces.

Competitive conditions : The Bank has 446 (excluding ATMs) outlets spread all over India. The large network of rural and semi urban branches ensure that a huge captive business automatically flows into the bank. In metro centres, the Bank faces stiff competition from other Banks. Our competitive position in our southern metro is better than metros of other regions of the country due to large network of branches operating in southern centres.

Servicing Behaviour : The Bank has been servicing all its principal and interest liabilities on time and there have been no defaults.

Material Developments : In the opinion of the Directors of the Bank, there have been no material developments after the date of the last financial statements as disclosed in the Prospectus, which would materially and adversely affect or are likely to affect the trading or profitability of the Bank or the value of its assets, or its ability to pay its liabilities within the next twelve months, other than what has been already set out elsewhere in this Prospectus.

STOCK MARKET DATA FOR EQUITY SHARES OF THE BANK

The Bank's shares are listed on the BSE, NSE and BgSE. As the shares are actively traded on the BSE and NSE, the Bank's stock market data have been given separate for each of these Stock Exchanges. The Shares of our Bank are not being traded on the BgSE.

The high and low closing prices recorded on the BSE, NSE and BgSE for the preceding three years and the number of shares traded on the days the high and low prices were recorded are stated below :

BSE

Year ending March 31	High (Rs.)	Date of High	Volume on date of high (no. of shares)	Low (Rs.)	Date of Low	Volume on date of low (no. of shares)	Average price for the year (Rs.)
2002	273.50	22.03.2002	49149	88.00	02.07.2001	100	134.72
2003	374.00	21.06.2002	377175	210.05	07.11.2002	16585	259.14
2004	650.00	05.02.2004	2545	236.00	01.04.2003	1254	429.51
April 1, 2004 to January 31, 2005	692.00	20.12.2004	612497	221.00	17.08.2004	26991	395.81

NSE

Year ending March 31	High (Rs.)	Date of High	Volume on date of high (no. of shares)	Low (Rs.)	Date of Low	Volume on date of low (no. of shares)	Average price for the year (Rs.)
2002	273.00	22.03.2002	146557	97.00	17.09.2001	5446	133.01
2003	376.70	21.06.2002	1062302	205.20	04.12.2002	89582	259.19
2004	670.00	15.01.2004	21895	235.05	24.04.2003	4426	430.58
April 1, 2004 to January 31, 2005	690.00	20.12.2004	2868389	271.00	01.11.2004	11479	395.72

BgSE

Year ending March 31	High (Rs.)	Date of High	Volume on date of high (no. of shares)	Low (Rs.)	Date of Low	Volume on date of low (no. of shares)	Average price for the year (Rs.)
2002	Nil	Nil	Nil	Nil	Nil	Nil	Nil
2003	Nil	Nil	Nil	Nil	Nil	Nil	Nil
2004	Nil	Nil	Nil	Nil	Nil	Nil	Nil
April 1, 2004 to January 31, 2005	Nil	Nil	Nil	Nil	Nil	Nil	Nil

The high and low prices and volume of shares traded on the respective dates during the last six months is as follows :

BSE

Month ending	High (Rs.)	Date of High	Volume on date of high (no. of shares)	Low (Rs.)	Date of Low	Volume on date of low (no. of shares)	Average price for the year (Rs.)
Aug-04	302.00	06.08.2004	4030	221.00	17.08.2004	26991	281.82
Sep-04	339.90	24.09.2004	8314	294.25	01.09.2004	13676	314.13
Oct-04	328.00	06.10.2004	2010	280.00	29.10.2004	3998	304.58
Nov-04	377.45	24.11.2004	4633	266.15	01.11.2004	1278	335.86
Dec-04	692.00	20.12.2004	612497	354.00	01.12.2004	936	491.36
Jan-05	627.00	13.01.2005	70562	540.00	12.01.2005	11352	583.78

NSE

Month ending	High (Rs.)	Date of High	Volume on date of high (no. of shares)	Low (Rs.)	Date of Low	Volume on date of low (no. of shares)	Average price for the year (Rs.)
Aug-04	297.95	02.08.2004	8524	271.05	27.08.2004	26335	283.16
Sep-04	339.20	24.09.2004	48719	282.00	01.09.2004	39141	313.35
Oct-04	351.00	21.09.2004	9966	272.10	21.10.2004	9966	305.80
Nov-04	379.00	30.11.2004	7654	271.00	01.11.2004	11479	336.75
Dec-04	690.00	20.12.2004	2868389	356.05	01.12.2005	9826	489.48
Jan-05	622.90	13.01.2005	336205	542.00	12.01.2005	81885	583.66

BgSE

Month ending	High (Rs.)	Date of High	Volume on date of high (no. of shares)	Low (Rs.)	Date of Low	Volume on date of low (no. of shares)	Average price for the year (Rs.)
Aug-04	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Sep-04	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Oct-04	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Nov-04	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Dec-04	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Jan-05	Nil	Nil	Nil	Nil	Nil	Nil	Nil

The market price was Rs. 502.80 on BSE on December 16, 2004, the trading day immediately following the day on which Board meeting was held to finalize the offer price range for the right Issue.

The market price was Rs. 502.80 on NSE on December 16, 2004, the trading day immediately following the day on which Board meeting was held to finalize the offer price range for the right Issue.

There was no trading on BgSE on December 16, 2004.

BASIS FOR ISSUE PRICE

Our issue price is based on the following 'Qualitative Factors' and 'Quantitative Factors'

Qualitative Factors

Despite the competitiveness of the Indian banking and financial services sector - both from foreign and domestic players - we have inherent strengths that are expected to provide a sustainable advantage over the long-term:

- We have ING Bank N.V. as the Foreign Promoter, which in turn is a 100% subsidiary of ING Groep N.V., the worlds fourth largest Financial Services group and the world's second largest Life Insurance provider (source : Fortune Global, July 2004).
- With 74 years of experience in the Indian banking segment and with ING Group's active participation in managing the affairs, we are uniquely positioned as an 'Indian made' Foreign Bank.
- Our Retail Banking business is geographically focused in the South while also targeting a number of other select metros. Currently, we have 386 outlets in the South India and have a presence in most Southern areas. This provides an effective delivery model for our products and services that is focused and concentrated.
- Through our subsidiary, ING Vysya Financial Services, and in association with our associate ING Vysya Mutual Fund and our group company ING Vysya Life Insurance, we offer to customers the full breadth of financial services and financial planning products under a common umbrella brand, ING Vysya.
- We have been traditionally a Vysya community focussed bank and are strong in the traders segment which forms a ready base for our Small and Medium Enterprises strategy. Our network, product range and processes supports out SME business.

Quantitative Factors

Information presented in this section is derived from our financial statements prepared in accordance with Indian GAAP.

1. **Adjusted earning per share (EPS)**

	Rupees	Weight	Basic (Rs.)	EPS Rupees	Weight	Diluted EPS (Rs.)
Year ended March 31, 2000	30.12	1	30.12	30.12	1	30.12
Year ended March 31, 2001	22.40	2	44.80	22.40	2	44.80
Year ended March 31, 2002	18.98	3	56.94	18.98	3	56.94
Year ended March 31, 2003	36.12	4	144.48	36.10	4	144.40
Year ended March 31, 2004	26.56	5	132.80	26.36	5	131.80
Weighted Average			27.28			27.20

(1) The earning per share has been computed on the basis of adjusted profits & losses for the respective years/ periods after considering the impact of accounting policy changes and prior period adjustments/ regroupings pertaining to earlier years.

(2) The denominator considered for the purpose of calculating earning per share is the weighted average number of Equity Shares outstanding during the period.

2. **Price/Earning (P/E) ratio in relation to Issue Price of Rs. 45**

   a. Based on year ended March 31, 2004 EPS is Rs. 26.56

   b. P/E based on 12 months ended March 31, 2004 is 1.69

   c. Industry P/E(1)

      i) Highest 36.8

      ii) Lowest -

      iii) Industry Composite 13.6

         (1) *Compiled from "Capital Market" data*

3. Average Return on Net Worth

	%	Weight	(WA)-NW %
Year ended March 31, 2000	14.09	1	14.09
Year ended March 31, 2001	9.39	2	18.78
Year ended March 31, 2002	9.14	3	27.42
Year ended March 31, 2003	15.93	4	63.72
Year ended March 31, 2004	10.35	5	51.75
Weighted Average			11.72

(1) The average return on net worth has been computed on the basis of adjusted profits & losses for the respective year/ period after considering the impact of accounting policy changes and prior period adjustments/ regroupings pertaining to earlier years.

4. Minimum Return on Total Networth after Issue needed to maintain EPS at Rs 26.56- 28.44%

5. Net Asset Value

Net Asset Value per Equity Share represents shareholders' equity less miscellaneous expenses as divided by weighted average number of Equity Shares.

Net Asset Value per Equity Share as at September 30, 2004 is Rs. 238.62

The Net Asset Value per Equity Share after the Issue is Rs. 93.40

Issue Price per Equity Share: Rs. 45

6. Comparison of Accounting Ratios[1]

	Basic EPS (Rs.)	P/E	RONW	Book Value / Share (Rs.)
ING Vysya Bank	26.56	—	9.8	277.2
Industry Data		13.6		
Category: Private Sector Banks				
Peer Group:				
HDFC Bank Limited	17.03	23.50	20.60	94.00
Jammu & Kashmir Bank	82.50	5.40	28.70	328.70
UTI Bank	12.00	14.60	27.10	48.90
Federal Bank Limited	20.20	8.90	23.10	97.60
Karur Vysya Bank Limited	88.20	4.70	25.40	395.60
Karnataka Bank	32.40	4.60	20.80	172.60
Peer Group Average	42.06	10.28	24.28	189.57

[1] *Compiled from "Capital Market" Volume XIX/21 December 20, 2004 - Jan 2, 2005*

7. Issue Price

In view of the reasons mentioned above, the Bank and the Lead Managers to the Issue, in consultation with whom the premium has been decided, are of the opinion that the premium is reasonable and justified.

The Issue Price is far lower than the book value of the Equity Shares.

The face value of the Equity Share is Rs. 10/- per Equity Share and the Issue Price of Rs. 45/- per Equity Share is 4.5 times of the face value.

PROMISE VERSUS PERFORMANCE

We made a rights issue of equity shares to our equity shareholders in 1996. The issue of 132,18,000 equity shares of Rs.10/- each for cash at a premium of Rs.25/- each was made in the ratio of five equity shares for every one share held, aggregating to Rs.46.26 crores.

Issue opened on	January 10, 1996
Issue closed on	February 10, 1996
Date of completion of dispatch of delivery of security certificates	Resident Indians - March 23, 1996
	Non Resident Indians - Immediately after receipt of individual approval from RBI.
Object of the issue	to meet the capital adequacy norms stipulated by RBI. At that time capital adequacy requirement was 8%

The promises made in the above-mentioned rights issue and actual performance achieved is as follows :

(Rs. in crores)

	1995-96		1996-97		1997-98	
	Projected	Actual	Projected	Actual	Projected	Actual
Business Parameters						
Deposits	6,000.00	4,300.77	7,200.00	5,069.45	8,640.00	5,748.73
Advances	3,200.00	2,541.81	4,000.00	2,623.66	4,600.00	2,570.65
Investments	2,400.00	1,354.52	2,800.00	1,903.42	34,56.00	2,086.12
Paid up Capital	9.25	9.97	15.86	14.64	15.86	16.08
Reserves	374.77	362.30	522.74	458.75	676.65	468.93
Income						
Interest Income	633.18	561.44	768.43	639.66	900.54	644.73
Other Income	128.33	106.98	164.04	100.90	196.85	139.06
Total Income	761.51	668.42	932.47	740.55	1,097.39	783.79

(Rs. in crores)

	1995-96		1996-97		1997-98	
	Projected	Actual	Projected	Actual	Projected	Actual
Expenditure						
Interest	495.75	446.90	598.90	513.84	687.52	540.94
Salaries	63.84	62.42	78.00	68.17	91.50	72.93
Other Operating Expenses	55.20	38.54	67.55	46.83	75.65	54.84
Total Expenditure	614.79	547.86	744.45	628.83	854.67	668.71
Provisions & Contingencies	28.19	14.84	51.95	45.95	80.87	39.57
Net Profit	**118.53**	**105.71**	**136.07**	**65.77**	**161.85**	**75.52**
EPS(Rs.)	75	67	86	44.51	102	49.28
Book value(Rs.)	242	359.27	340	276.66	437	269.24

The reasons for variation between actual figures and projections for the aforesaid 3 year period are given below :

1995-96

The total deposits including core deposits as on March 31, 1996 stood at Rs. 4,301 crores showing a decline of 17% from Rs. 5,188 crores as on March 31, 1995.

The total advances of the Bank were Rs. 2,542 crores showing a decline of 6 percent from Rs. 2,709 crores.

The profits of the Bank could have been higher but for the following reasons:

- Payment of arrears to officers of the Bank and also payment for increased scales of pay for all categories of staff.
- Increased dependence on high cost deposits like Certificate of Deposits.

Due to the above factors, the Bank could not achieve the set targets during the year.

1996-97

The deposits of the Bank increased from Rs. 4,301 crores in 1995-96 to Rs. 5,069 crores at the end of the year 1996-97 recording a growth rate of 17.86% The difference in spreads on account of changes in the market place resulted in the deposit mobilization going beyond mere numbers and looking into the costs and mix.

The rate of growth in advances has declined continuously for the third consecutive year due to low off take of credit surplus funds in the banking industry and lack of good borrowal accounts. The advances of the Bank increased marginally from Rs.2,542 crore to Rs.2,624 crore in 1996-97, recording a growth of 3.23%.

Operating expenditure increased due to increase in staff costs, increase in rent due to opening of new branches and higher telephone expenses

The introduction of Minimum Alternative Tax (MAT) required the Bank to make a provision of Rs. 8.55 crore to meet the expected income tax liability under MAT and a provision of Rs. 0.65 crores for dividend tax after which the net profit of the Bank amounted to Rs.65.12 crore compared to Rs.105.71 crore in 1995-96.

The non-achievement of targets in 1995-96 continued in 1996-97 also.

1997-98 :

The Bank earned a net profit of Rs. 75.52 crores in 1997-98 recording a growth of around 14.83% over the net profit of Rs. 65.77 crore achieved during the year 1996-97.

Deposits rose by 13.42% to Rs.5,749 crore. The advances declined from Rs. 2,624 crores in 1996-97 to Rs. 2,571 crores. Advances to the priority sector stood at Rs. 1,137 crore and constituted 44.19% of the total advances against the stipulated 40%.

Investment portfolio of the Bank recorded a growth of 9.6% and remained at Rs. 2,086 crores as against Rs.1903 crores as on March 31, 1997. Treasury operations during the year witnessed high level of performance. Trading in sale of securities resulted in an all time high profit of Rs.59.86 crore.

In view of non-achievement of targets in respect of business volumes, the Bank could not achieve the profitability targets as well. The reasons are the decline in merchant banking operations, and slowdown in credit off take due to economic factors.

REGULATIONS AND POLICIES

The banking sector in India is primarily regulated by the provisions of the Banking Regulation Act, 1949 (BR Act) and The Reserve Bank of India Act, 1934 (RBI Act). We are registered as a banking company under the BR Act. In addition to the BR Act and the RBI Act, we also comply with the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act 1992 (SEBI Act) and the Foreign Exchange Management Act, 1999 (FEMA), wherever applicable. Certain other legislations like the Deposits Insurance And Credit Guarantee Corporation Act, 1961, Securitisation And Reconstruction Of Financial Assets And Enforcement Of Security Interest, 2002 and The Recovery of Debts due to Banks and Financial Institutions, 1993 are also applicable to us.

1. Banking Regulation Act, 1949 (BR Act)

Banking business

No company can carry on banking business in India unless it holds a license issued in that behalf by the Reserve Bank of India. We are duly registered as a banking company under Section 22 of the BR Act. Section 6 of the BR Act permits us to engage in the following activities, apart from banking, namely:

- borrowing, raising, or taking up of money; the lending or advancing of money either upon or without security; and drawing, making, accepting, discounting, buying, selling, collecting and dealing in bills of exchange, etc
- contracting for public and private loans and negotiating and issuing the same;
- the effecting, insuring, guaranteeing, underwriting, participating in managing and carrying out of any issue, public or private, of State, municipal or other loans or of shares, stock, debentures or debenture stock of any company, corporation or association and the lending of money for the purpose of any such issue;
- carrying on and transacting every kind of guarantee and indemnity business;
- managing, selling and realizing any property which may come into the possession of the company in satisfaction or part satisfaction of any of its claims;
- acquiring and holding and generally dealing with any property or any right, title or interest in any such property which may form the security or part of the security for any loans or advances or which may be connected with any such security;
- acquisition, construction, maintenance and alteration of any building or works necessary or convenient for the purpose of the company;
- selling, improving, managing, developing, exchanging, leasing, mortgaging, disposing of or turning into account or otherwise dealing with all or any part of the property and rights of the company;

Paid-up capital and reserves

Pursuant to Section 11 of the BR Act, banking companies are required to maintain a certain aggregate value of its paid up capital and reserves. Since we a banking company having place of business in more than one State and have places of business in Mumbai and Kolkata, we are required to maintain paid up capital and reserves not less than Rs. 0.10 crores.

Section 12 of the BR Act prescribes certain conditions to be complied by banking companies incorporated after January 15, 1937, in relation to the paid-up capital, subscribed capital and authorized capital. We are not required to satisfy these conditions since our Bank was incorporated on March 29, 1930. We had previously issued preference shares which were reflected in the Memorandum of Association. Though our authorized capital permits the issuance of upto 10,00,00,000 preference shares, there are no outstanding preference shares as of date.

Reserve Fund

Every banking company is required to create a reserve fund and shall, out of the balance of profit of each year, and before any dividend is declared, transfer to such reserve fund a sum equivalent to not less than 20% of such profit. Any withdrawal from this reserve fund shall be reported to the RBI within 21 days, explaining the circumstances relating to such withdrawal

Maintenance of assets

Under Section 24 of the BR Act, every scheduled banking company is required to maintain in India in cash, gold or unencumbered approved securities, values at a price not exceeding the current market price, an amount which shall at the close of business on any day be not less than 25% or such other percentage not exceeding 40% as the Reserve Bank may specify, of the total of its demand and time liabilities in India. Further, under Section 25 of the BR Act, the assets in India of every banking company at close of business every quarter shall not be less than 75% of its demand and time liabilities in India.

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

We are required to obtain prior approval of the RBI before we appoint our chairman and managing director and any other whole time directors and fix their remuneration. The 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, the RBI may order meetings of our board of directors 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.

Subsidiary

A bank requires the prior permission of RBI to incorporate a subsidiary. A bank is required to maintain an “arms’ length” relationship in respect of its subsidiaries and in respect of mutual funds sponsored by it in regard to business parameters such as taking undue advantage in borrowing/lending funds, transferring/selling/buying of securities at rates other than market rates, giving special consideration for securities transactions, in supporting/financing the subsidiary and financing our clients through them when we ourselves are not able or are not permitted to do so.

Place of business

Under Section 23 of the BR Act, no banking company shall, without the prior permission of the RBI, open a new place of business in India or change (other than within the same city, town or village) the location of an existing place of business situated in India. 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. The RBI may cancel the license for violations of the conditions under which it was granted. Under the banking license granted to us by the RBI, we are required to have at least 25% of our branches located in rural and semi-urban areas.

Voting Rights

Section 12 of the BR Act states that no person holding shares in a banking company shall, in respect of any shares held by him, exercise voting rights on poll in excess of 10% of the total voting rights of all shareholders of such banking company. Though certain shareholders in our Bank hold more than 10% of the shareholding, their voting rights are restricted to 10% of the total voting rights of all shareholders.

Creation of charge

Under Section 14 of the BR Act, no banking company is permitted to create any charge upon any unpaid capital of the company, and any such charge shall be invalid. In addition, under Section 14-A of the BR Act no banking company shall create a floating charge on the undertaking or any property of the company or any part thereof, unless the creation of such floating charge is certified in writing by the RBI as not being detrimental to the interests of the depositors of such company.

Inspection

Under Section 35 of the BR Act, the RBI may at any time and on being directed by the Central Government shall, inspect any banking company and its books and accounts.. The banking company under inspection should co-operate with and facilitate all requests for information by the inspecting officer(s).

Directions

Under Section 35-A, the RBI may from time to time issue, modify or cancel directions to banking companies either in public interest, in the interest of banking policy, to prevent the affairs of any banking company being conducted in a manner detrimental to the interest of depositors or in a manner prejudicial to the interest of the banking company, or to secure the proper management of any banking company

Penalties

The 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.

Pursuant to a circular issued by the RBI on March 20, 2002, RBI approval would not be required for rights issues by both listed and unlisted private sector banks.

2. Reserve Bank of India Act, 1934 (RBI Act)

Since our Bank is classified as a scheduled bank in the Second Schedule to the RBI Act, the provisions of the RBI Act applicable to scheduled banks are applicable to us. Under Section 42 of the RBI Act, every scheduled bank is required to maintain with the RBI an average daily balance, an amount not less than 3% of the total of the demand and time liabilities in India subject to a maximum of 20% of the total demand and time liabilities. Every scheduled bank is required to send a fortnightly return to the Reserve Bank of India indicating the demand and time liabilities, the total amount of legal tender held by it in India, the balances held by it, its investments, the amount of advances and inland/foreign bills purchased and discounted.

In addition, to the above, the RBI Act empowers the RBI to issue circulars and guidelines to facilitate the constant monitoring of the progress of the banks and their functioning.

3. Deposits Insurance and Credit Guarantee Corporation Act, 1961 (DICGC Act)

The DICGC Act provides for the establishment of a Deposit Insurance and Credit Guarantee Corporation (DICGC Corporation) for the purpose of insurance of deposits and guaranteeing of credit facilities and for other connected matters. Every banking company is required to be registered as an insured bank under the DICGC Act and is required to pay a premium on its deposits (at notified rates) to the DICGC Corporation, We are insured under this Act.

4. Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest, 2002 (SARFAESI Act)

The SARFAESI Act was enacted to regulate securitization and reconstruction of financial assets and enforcement of security interest and for connected matter. Any security interest created in favor of any secured creditor may be enforced without the intervention of court or tribunal, by such creditor in accordance with the provisions of the SARFAESI Act. Where a bank is a secured creditor and liability arises under a security agreement, the bank has a right to take over the possession of the secured assets and/or the management of the secured assets of the borrower, appoint any person to manage these assets etc. Banks have been given the right to enforce their security interest against the borrower, when such debt has been classified as non performing asset (NPA). Under Section 5 of this Act, any securitization or reconstruction company may acquire financial assets of any bank or financial institutions If the bank or financial institution is a lender in relation to any financial assets acquired by the securitization or reconstruction company, such securitization or reconstruction company shall be deemed to be the lender and all the rights of such banks or financial institutions shall vest in such company in relation to such financial assets.

5. The Companies Act, 1956

All banks in the private sector are registered under the provisions of the Companies Act. All the statutory requirements and other compliances, including maintenance of statutory registers and corporate filings are required to be complied with from time to time.

6. Regulations and Guidelines of the SEBI

The 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 the SEBI for each of these activities, functions and responsibilities. We are required to adhere to a code of conduct applicable for these activities.

7. Recovery of Debts due to Banks and Financial Institutions, 1993

The Act provides for the establishment of the Debt Recovery Tribunal, as the forum for banks to recover dues owed to it from persons. This Act is applicable to Banks and Financial Institutions.

8. Relevant RBI notifications

In addition to the legislations mentioned above, there are several guidelines, master circulars and notifications that have been issued by RBI from time to time.

(i) Capital Adequacy Norms

We are subject to the capital adequacy requirements of the RBI, which is based on the guidelines of the Basel Committee on Banking Regulations and Supervisory Practices, 1998 (Basel Committee). With a view to adopting the Basel Committee framework on capital adequacy norms which takes into account the elements of risk in various types of assets in the balance sheet as well as off-balance sheet business and also to strengthen the capital base of banks, RBI decided in April 1992 to introduce a risk asset ratio system for banks (including foreign banks) in India as a capital adequacy measure. This requires us to maintain a minimum ratio of capital to risk adjusted assets and off-balance sheet items of 9.0%, at least half of which must be Tier 1 capital.

The total capital of a banking company is classified into Tier 1 and Tier 2 capital. Tier 1 capital i.e. the core capital 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 reserve as reduced by equity investments in subsidiaries, intangible assets, and losses in the current period and those brought forward from the previous period. A bank's deferred tax asset is to be treated as an intangible asset and deducted from its Tier 1 capital.

Tier 2 capital i.e. 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. Any subordinated debt is subject to progressive discounts each year for inclusion in Tier 2 capital and total subordinated debt considered as Tier 2 capital cannot exceed 50.0% of Tier 1 capital. Tier 2 capital cannot exceed Tier 1 capital.

With a view to the building up of adequate reserves to guard against any possible reversal of the interest rate environment in the future due to unexpected developments, the RBI has advised banks to build up an investment fluctuation reserve of a minimum of 5.0% of the bank's investment portfolio within a period of five years from fiscal 2001. This reserve has to be computed with respect to investments in held for trading and available for sale categories. Investment fluctuation reserve is included in Tier 2 capital. Though investment fluctuation reserve is also considered general provision for Tier 2 but the same is not be subjected to the ceiling of 1.25 % of risk weighted assets.

Risk adjusted assets and off-balance sheet items considered for determining the capital adequacy ratio are the weighted aggregate of specified funded and non-funded exposures. Degrees of credit risk expressed as percentage weighting are assigned to various balance sheet asset items and conversion factors to off-balance sheet items. The value of each item is multiplied by the relevant weight or conversion factor to produce risk-adjusted values of assets and off-balance-sheet items. Guarantees and letters of credit are treated as similar to funded exposure and are subject to similar risk weight. All foreign exchange and gold open position limits carry a 100.0% risk weight. A risk weight of 2.5 % to cover market risk has to be assigned in respect of the entire investments portfolio over and above the risk weight for credit risk. Banks are required to assign a 100.0% risk weight for all state government guaranteed securities issued by defaulting entities. The aggregate risk weighted assets are taken into account for determining the capital adequacy ratio.

The Basel Committee on Banking Supervision on June 26, 2004 released the "International Convergence of Capital Measurement and Capital Standards: A Revised Framework" also known as Basel II, which has inter alia been designed to provide options for banks and banking systems, for determining the capital requirements and for adopting stronger risk management practices in banks, including credit risks and operational risks.

With a view to migrating to Basel II and be consistent with international standards, the RBI alongwith a steering committee of senior officials form 14 banks (private, public and foreign) has prepared and issued Draft Guidelines for Implementation of The New Capital Adequacy Framework ("Draft Capital Adequacy Guidelines") on February 15, 2005. The Draft Capital Adequacy Guidelines seeks to align the regulatory capital requirements with the underlying risks and by providing banks with certain options for assessment of capital adequacy.

The Draft Capital Adequacy Guidelines shall be applicable uniformly to all scheduled commercial banks (except Regional Rural Banks). Banks are required to maintain a minimum Capital to Risk-weighted Assets Ratio (CRAR) of 9% on an ongoing basis.

Banks will be required to implement the revised capital adequacy framework from March 31, 2007 and shall at a minimum adopt the Standardised Approach for credit risk and the Basis Indicator Approach for operational risk. In order to ensure a smooth transition to Basel II, banks in India are required to commence a parallel run of Basel II with effect from April 1, 2006.

(ii) Asset Classification and Provisioning

In April 1992, the RBI issued formal guidelines on income recognition, asset classification, provisioning standards and valuation of investments applicable to banks, applicable from the financial year 1992-93, which are revised from time to time.

As per these guidelines, the basis of treating various credit facilities as non-performing is set forth below.

Non-Performing Assets

An advance is a non-performing asset where :

- interest and/or installment of principal remained overdue for a period of more than 90 days in respect of a term loan;
- the account remained "out-of-order" for a period of more than 90 days in respect of an overdraft or cash credit (If the outstanding balance remains continuously in excess of the sanctioned limit/ drawing power or there are no credits continuously for 90 days as on the date of balance sheet or credits are not enough to cover the interest debited during the same period, then such accounts are treated as "out of order".);
- the bill remained overdue for a period of more than 90days in case of bills purchased and discounted;
- if the interest and/or principal remained overdue for two harvest seasons but for a period not exceeding two half-years in the case of an advance granted for agricultural purposes. With effect from September 30, 2004, a loan granted for short duration crops will be treated as a non performing asset, if the installment of principal or interest thereon remains overdue for two crop seasons. With effect from September 30, 2004, a loan granted for long duration crops will be treated as a non performing asset, if the installment of principal or interest thereon remains overdue for one crop season. (Crops with crop season longer than one year are long duration crops, and crops which are not long duration crops are treated as short duration crops.)
- any amount to be received remains overdue for a period of more than 90 days in respect of other accounts.

Once the account has been classified as a non-performing asset, the unrealized interest and other income already debited to the account is derecognized and further interest is not recognised or credited to the income account unless collected.

Asset Classification

Non-performing assets are classified as described below :

- Sub-Standard Assets. Assets that are non-performing assets for a period not exceeding 18 months. With effect from 31 March 2005, a sub-standard asset would be one, which has remained NPA for a period less than or equal to 12 months.
- Doubtful Assets. Assets that are non-performing assets for more than 18 months. With effect from March 31, 2005, an asset will be classified as doubtful if it remains in the sub-standard category for 12 months.
- Loss Assets. Assets on which losses have been identified by the bank or internal or external auditors or the RBI inspection but the amount has not been written off fully.

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

The RBI has separate guidelines for restructured assets under the corporate debt restructuring mechanism and under other mechanisms. A fully secured standard asset can be restructured by reschedulement of principal repayments 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 apply to sub-standard assets, and to doubtful assets, in the case of restructuring of assets under the corporate debt restructuring mechanism. The sub-standard accounts which have been subjected to restructuring, whether in respect of principal installment or interest amount, are eligible to be upgraded to the standard category only after the specified period, i.e., a period of one year after the date when first payment of interest or 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:

(i) Standard Assets. A general provision of 0.25% is required.

(ii) Sub-Standard Assets. A general provision of 10.0% on total outstanding should be made. The unsecured exposures which are identified as sub-standard would attract additional provision of 10%, i.e., a total of 20% on the outstanding balance.

(iii) Doubtful Assets. A 100.0% provision/ write-off of the unsecured portion of advances which are not covered by realizable value of the security. In cases where there is a secured portion of the asset, depending upon the period for which the asset remains doubtful, a 20.0% to 100.0% provision is required to be made against the secured asset as follows:

- Up to one year: 20.0% provision
- One to three years: 30.0% provision
- More than three years:
  (1) In respect of outstanding stock of non performing assets as on March 31, 2004: 50.0% provision, which will become 60 per cent with effect from March 31, 2005, 75 per cent with effect from March 31, 2006 and 100 per cent with effect from March 31, 2007.
  (2) In respect of assets, which have been doubtful for over three years on or after April 1, 2004, provision is to be raised to 100% with effect from March 31, 2005.

(iv) Loss Assets. The entire asset is required to be written off or provided for.

While the provisions indicated above are mandatory, banks are encouraged to make higher provisions over and above the mandatory level.

(iii) Loans and Advances

The provisions of the BR Act govern the making of loans by banks in India. The RBI issues directions covering the loan activities of banks. Some of the major guidelines of RBI, which are now in effect, are as follows:

The RBI has prescribed norms for bank lending to non-bank financial companies and financing of public sector disinvestment.

- Banks are free to determine their own lending rates but each bank must declare its prime lending rate as approved by its board of directors. Each bank should also indicate the maximum spread over the prime lending rate for all credit exposures other than retail loans. The interest charged by banks on advances up to Rs. 200,000 to any one entity (other than most retail loans) must not exceed the prime lending rate. Banks are also given freedom to lend at a rate below the prime lending rate in respect of creditworthy borrowers and exposures. Interest rates for certain categories of advances are regulated by the RBI. The RBI has recently directed banks to introduce benchmark prime lending rates based on various parameters including cost of funds, operating expenses, capital charge and profit margin, and discontinue the system of prime lending rates linked to the maturity of the credit facility.
- Pursuant to the provisions of the BR Act, banks are not permitted to make loans to their directors and to companies with common directors. The above restrictions do not apply to loans to a director who immediately prior to becoming a director was an employee of the bank, that could have been made to him in his capacity as an employee of the bank and are on the same terms and conditions as would have been applicable to him as an employee of the bank.

Legislation introduced in the Parliament to amend the BR Act has proposed to 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.

There are guidelines on loans against equity shares in respect of amount, margin requirement and purpose.

(iv) Sale of Assets to Asset Reconstruction Companies

The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 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 sales of financial assets to 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. A bank may sell a standard asset only if the borrower has a consortium or multiple banking arrangement, at least 75% by value of the total loans to the borrower are classified as non-performing and at least 75% by 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 that they do not 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 realization. However, banks may sell specific financial assets with an agreement to share in any surplus realised by the asset reconstruction company in the future. While 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 arrangements where more than 75% by value of the banks or financial institutions 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. Any loss on sale must be charged to the profit and loss account, but any gains must be used for meeting losses on sale of other financial assets. For computing capital adequacy, a risk weight of 102.5% is applied to instruments received by the banks or financial institutions as consideration for sale of financial assets to asset reconstruction companies.

(v) Reserve Requirements

Cash Reserve Ratio

A banking company such as us is required to maintain a specified percentage of its demand and time liabilities, excluding inter-bank deposits, by way of balance in current account with the RBI. The cash reserve ratio can be a minimum of 3.0% and a maximum of 20.0% pursuant to Section 42 of the RBI Act, 1934. In September 18, 2004, the cash reserve ratio was made 4.75%. From October 2, 2004, it has been increased to 5%.

Paid up capital, reserves, credit balance in the profit and loss account of the bank, amount availed of as refinance from the RBI, and apex financial institutions, provision for income tax in excess of the actual estimated liabilities, specified inter bank term deposits/term borrowing liabilities are excluded from the calculation of the cash reserve ratio.

The RBI pays no interest on the cash reserves up to 3.0% of the demand and time liabilities and pays interest on the eligible cash balances, currently at the rate of 3.5%. Earlier, interest was paid by the RBI at the bank rate.

The cash reserve ratio has to be maintained on an average basis for a fortnightly period and should not be below 70.0% of the required cash reserve ratio on any day of the fortnight.

Statutory Liquidity Ratio

In addition to the cash reserve ratio, a banking company such as us is required to maintain a specified minimum percentage of its net demand and time liabilities by way of liquid assets like cash, gold or approved securities. The percentage of this liquidity ratio is fixed by the RBI from time to time, and it can be a minimum of 25.0% and a maximum of 40.0% pursuant to Section 24 of the BR Act. At present, the RBI requires banking companies to maintain a liquidity ratio of 25.0%. The Banking Regulation (Amendment) and Miscellaneous Provisions Bill, 2003 introduced in the Indian Parliament proposed to amend Section 24 of the BR Act to remove the minimum Statutory Liquidity Ratio stipulation, thereby giving the RBI the freedom to fix the Statutory Liquidity Ratio below this level.

(vi) Directed Lending

Priority Sector Lending

The RBI requires commercial banks to lend a certain percentage of their net bank credit to specific sectors (the priority sectors), such as agriculture, small-scale industry, small businesses and housing finance. Total priority sector advances should be 40.0% of net bank credit with agricultural advances required to be 18.0% of net bank credit and advances to weaker sections required to be 10.0% of net bank credit, and 1.0% of the previous year's net bank credit required to be lent under the Differential Rate of Interest scheme. Any shortfall in the amount required to be lent to the priority sectors may be required to be deposited with government sponsored developmental banks like the National Bank for Agriculture and the Rural Development and Small Industries Development Bank of India. These deposits can be for a period of one year or five years.

The RBI requires banks to lend up to 3.0% of their incremental deposits in the previous fiscal year towards housing finance. This can be in the form of home loans to individuals or subscription to the debentures and bonds of the National Housing Bank and housing development institutions recognized by the government of India.

Export Credit

The RBI also requires commercial banks to make loans to exporters at concessional rates of interest. This enables exporters to have access to an internationally competitive financing option. Pursuant to existing guidelines, 12.0% of a bank's net bank credit is required to be in the form of export credit.

(vii) Credit Exposure Limits

As a prudent measure aimed at better risk management and avoidance of concentration of credit risk, the 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 the RBI are as follows :

- Exposure ceiling for a single borrower is 15.0% of capital funds effective March 31, 2002. Group exposure limit is 40.0% of capital funds effective March 31, 2002. In case of financing for infrastructure projects, the single borrower exposure limit is extendable by another 5.0%, i.e., up to 20.0% of capital funds and the group exposure limit is extendable by another 10.0% (i.e. upto 50.0% of capital funds). Capital funds are the total capital as defined under capital adequacy standards (Tier 1 and Tier 2 capital).
- Non-fund based exposures are calculated at 100.0% 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.

  Credit exposure is the aggregate of :

- all types of funded and non-funded credit limits;
- facilities extended by way of equipment leasing, hire purchase finance and factoring services;
- advances against shares, debentures, bonds and units of mutual funds to stock brokers and market makers;
- bank loan for financing promoters' contributions;
- bridge loans against equity flows/issues; and
- financing of initial public offerings.

(viii) Regulations relating to Investments and Capital Market Exposure Limits

There are no limits on the amount of investments by banks in non-convertible debt instruments. However, credit exposure limits specified by the RBI in respect of lending to individual borrowers and borrower groups also apply in respect of these investments.

Pursuant to the RBI guidelines, the exposure of banks to capital markets by way of investments in shares, convertible debentures, units of equity-oriented mutual funds and loans to brokers, should not exceed 5.0% of outstanding domestic advances (excluding inter-bank lending and advances outside India and including commercial paper) at March 31 of the previous fiscal year and investments in shares, convertible debentures and units of equity-oriented mutual funds should not exceed 20.0% of the bank's net worth.

In April 1999, the RBI, in its monetary and credit policy, stated that the investment by a bank in subordinated debt instruments, representing Tier 2 capital, issued by other banks and financial institutions should not exceed 10.0% of the investing bank's capital including Tier 2 capital and free reserves.

In December 2003, the RBI issued guidelines on investments by banks in non-Statutory Liquidity Ratio securities issued by companies, banks, financial institutions, central and state government sponsored institutions and special purpose vehicles. These guidelines apply to primary market subscriptions and secondary market purchases. Pursuant to these guidelines, banks are prohibited from investing in non-Statutory Liquidity Ratio securities with an original maturity of less than one year, other than commercial paper and certificates of deposits. Banks are also prohibited from investing in unrated securities. A bank's investment in unlisted non-Statutory Liquidity Ratio securities may not exceed 10.0% of its total investment in non-Statutory Liquidity Ratio securities as at the end of the preceding fiscal year. These guidelines will not apply to investments in security receipts issued by securitization or reconstruction companies registered with the RBI and asset backed securities and mortgage backed securities with a minimum investment grade credit rating. These guidelines have been effective from April 1, 2004, with provision for compliance in a phased manner by January 1, 2005.

(ix) 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 the Foreign Exchange Management Act. All branches should monitor all non-resident accounts to prevent money laundering.

(x) Consolidated Accounting and Supervision Guidelines

In fiscal 2003, the RBI issued guidelines for consolidated accounting and consolidated supervision for banks. These guidelines became effective April 1, 2003. The principal features of these guidelines are :

- Banks are required to prepare consolidated financial statements intended for public disclosure.
- Banks are required to submit to the RBI, consolidated prudential returns reporting their compliance with various prudential norms on a consolidated basis, excluding insurance subsidiaries. Compliance on a consolidated basis is required in respect of the following main prudential norms:

- Single borrower exposure limit of 15.0% of capital funds (20.0% of capital funds provided the additional exposure of up to 5.0% is for the purpose of financing infrastructure projects);
- Borrower group exposure limit of 40.0% of capital funds (50.0% of capital funds provided the additional exposure of up to 10.0% is for the purpose of financing infrastructure projects);
- Deduction from Tier 1 capital of the bank, of any shortfall in capital adequacy of a subsidiary for which capital adequacy norms are specified; and
- Consolidated capital market exposure limit of 2.0% of total on-balance sheet assets (excluding intangible assets and accumulated assets). Within the total limit, investment in shares, convertible bonds and debentures and units of equity-oriented mutual funds should not exceed 10.0% of the banks consolidated net worth.

(xi) Banks' Investment Classification and Valuation Norms

The salient features of the RBI's guidelines on investment classification and valuation are given below:

- The entire investment portfolio is required to be classified under three categories: (a) held to maturity, (b) held for trading and (c) available for sale. Banks should decide the category of investment at the time of acquisition.
- Held to maturity investments compulsorily include (a) recapitalization bonds, (b) investments in subsidiaries and joint ventures and (c) investments in debentures deemed as advance. Held to maturity investments also include any other investment identified for inclusion in this category subject to the condition that such investments cannot exceed 25.0% of the total investment excluding recapitalization bonds and debentures.
- Profit on sale of investments in this category should be first taken to the profit and loss account and thereafter be appropriated to the capital reserve account. Loss on sale will be recognised in the profit and loss account.
- Investments under the held for trading category should be sold within 90 days; in the event of inability to sell due to adverse factors including tight liquidity, extreme volatility or a unidirectional movement in the market, the unsold securities should be shifted to the available for sale category.
- Profit or loss on the sale of investments in both held for trading and available for sale categories is taken in the profit and loss account.
- Shifting of investments from or to held to maturity may be done with the approval of the board of directors once a year, normally at the beginning of the accounting year; shifting of investments from available for sale to held for trading may be done with the approval of the board of directors, the asset liability management committee or the investment committee; shifting from held for trading to available for sale is generally not permitted.

Held to maturity securities are not marked to market and are carried at acquisition cost or at an amortized cost if acquired at a premium over the face value.

Securities classified as available for sale or held for trading are valued at market or fair value as at the balance sheet date. Depreciation or appreciation for each basket within the available for sale and held for trading categories is aggregated. Net appreciation in each basket, if any that is not realised is ignored, while net depreciation is provided for.

Investments in security receipts or pass through certificates issued by asset reconstruction companies or trusts set up by asset reconstruction companies should be valued at the lower of the redemption value of the security receipts / pass-through certificates, and the net book value of the financial asset.

(xii) Know Your Customer' (KYC) Guidelines - Anti Money Laundering Standards

The RBI has issued several guidelines relating to identification of depositors and has advised banks to put in place systems and procedures to control financial frauds, identify money laundering and suspicious activities, and monitor high value cash transactions. The RBI has recently issued guidelines advising banks to be vigilant while opening accounts for new customers to prevent misuse of the banking system for perpetration of frauds. It requires that proper policy framework on 'Know Your Customer' (KYC) and Anti-Money Laundering (AML) measures are formulated and that banks are fully compliant with such guidelines before December 31, 2005.

Banks have been required to formulate appropriate customer acceptance policies, customer identification procedures; process for monitoring of transactions; and risk management strategy in this regard.

It has been provided that the customer acceptance policy should be such that there is no account opened in anonymous or fictitious/ benami name(s), risk perception are clearly defined in terms of the nature of business activity, location of customer and his clients, mode of payments, volume of turnover, social and financial status etc. documentation requirements and other information to be collected in respect of different categories of customers depending on perceived risk and keeping in mind the requirements of Prevention of Money Laundering Act, 2002 and guidelines issued by Reserve Bank from time to time. Further, circumstances, in which a customer is permitted to act on behalf of another person/entity, should be clearly spelt out in conformity with the established law and practice of banking. Further it has also been mandated that necessary checks should be carried out before opening a new account so as to ensure that the identity of the customer does not match with any person with known criminal background or with banned entities such as individual terrorists or terrorist organizations etc.

The policy approved by the Board of banks should clearly spell out the customer identification procedure to be carried out at different stages i.e. while establishing a banking relationship; carrying out a financial transaction or when the bank has a doubt about the authenticity/veracity or the adequacy of the previously obtained customer identification data. Customer identification means identifying the customer and verifying his/ her identity by using reliable, independent source documents, data or information. Banks need to obtain sufficient information necessary to establish, to their satisfaction, the identity of each new customer, whether regular or occasional, and the purpose of the intended nature of banking relationship.

As far as ongoing monitoring is concerned, banks have required to put into place the means of identifying transactions that fall outside the regular pattern of activity. Banks have been required to pay special attention to all complex, unusually large transactions and all unusual patterns, which have no apparent economic or visible lawful purpose. The bank may prescribe threshold limits for a particular category of accounts and pay particular attention to the transactions, which exceed these limits. Transactions that involve large amounts of cash inconsistent with the normal and expected activity of the customer should particularly attract the attention of the bank. Banks have asked to ensure that a record of transactions in the accounts is preserved and maintained as required in terms of the Prevention of Money Laundering Act, 2002. It may also be ensured that transactions of suspicious nature and/ or any other type of transaction notified under section 12 of Prevention of Money Laundering Act, 2002, is reported to the appropriate law enforcement authority.

The risk management guidelines stipulate that the board of directors of the bank should ensure that an effective KYC programme is put in place by establishing appropriate procedures and ensuring their effective implementation. It should cover proper management oversight, systems and controls, segregation of duties, training and other related matters. Responsibility should be explicitly allocated within the bank for ensuring that the bank's policies and procedures are implemented effectively. Banks may, in consultation with their boards, devise procedures for creating risk profiles of their existing and new customers and apply various Anti Money Laundering measures keeping in view the risks involved in a transaction, account or banking/ business relationship.

(xiii) Asset Liability Management

At present, the 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 behavior studies that may be conducted by banks. These statements have to be submitted to the RBI on a quarterly basis. The 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, the 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 20.0% of cash outflows in these time periods. This 20.0% limit on negative gaps was made mandatory with effect from April 1, 2000. It is not mandatory for banks to lay down internal norms in respect of negative liquidity gaps for time periods greater than one year.

(xiv) Payment of Dividends

Pursuant to the provisions of the BR Act, a bank can pay dividends on its shares only after all its capitalized 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 Government of India may exempt banks from this provision by issuing a notification on the recommendation of the RBI. We require to secure exemptions from the MoF, GoI from the provisions of the Banking Regulation Act for non payment of dividend. Prior approval of the RBI is required for a dividend payment above 25.0% of face value of a company's shares or for an interim dividend payment.

Further, as per RBI guidelines on payment of dividend, only those banks which comply with the following minimum prudential requirements are eligible to declare dividend with the prior approval of the RBI:

- Capital to risk asset ratio of at least 11% for the preceding two accounting years and for the accounting year for which it proposes to declare dividend.
- Net non performing assets of less than 3%.
- The dividend pay out ratio does not exceed 33.33%.
- The proposed dividend is payable out of the current year's profit.

- 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 the event that we fulfill the conditions stated above we can declare dividends without the consent of the 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 the 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 the RBI if they satisfy the minimum criteria above, and the cumulative interim dividend is within the prudential cap on dividend payout ratio (33.33%) computed for the relevant accounting period. Declaration and payment of interim dividend beyond this limit would require the prior approval of the RBI.

Regulations Governing Offshore Banking Unit

The government and the RBI has permitted banks to set up Offshore Banking Units in Special Economic Zones, which are specially delineated duty free enclaves deemed to be foreign territory for the purpose of trade operations, duties and tariffs. The key regulations applicable to OBUs include, but are not limited to, the following:

- No separate assigned capital is required. However, the parent bank is required to provide a minimum of US$ 10 million to its Offshore Banking Unit.
- Offshore Banking Units are exempt from cash reserve ratio requirements.
- The RBI may exempt a bank's Offshore Banking Unit from statutory liquidity ratio requirements on specific application by the bank.
- An Offshore Banking Unit may not enter any transactions in foreign exchange with residents in India, unless such a person is eligible to enter into or undertake such transactions under the Foreign Exchange Management Act, 1999.
- All prudential norms applicable to overseas branches of Indian banks apply to Offshore Banking Units.
- Offshore Banking Units are required to adopt liquidity and interest rate risk management policies prescribed by the RBI in respect of overseas branches of Indian banks as well as within the overall risk management and asset and liability management framework of the bank subject to monitoring by the bank's board of directors at prescribed intervals,
- Offshore Banking Units may raise funds in convertible foreign currency as deposits and borrowings from non-residents including non-resident Indians but excluding overseas corporate bodies.
- Offshore Banking Units may operate and maintain balance sheets only in foreign currency.
- The loans and advances of Offshore Banking Units would not be reckoned as net bank credit for computing priority sector lending obligations.
- Offshore Banking Units must follow the Know Your Customer guidelines and must be able to establish the identity and address of the participants in a transaction, the legal capacity of the participants and the identity of the beneficial owner of the funds.

Restriction on Transfer of Shares

The RBI's acknowledgement is required for the acquisition or transfer of our shares to an individual or a group which acquires 5.0% or more of our total paid up capital. The 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, the 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 10.0% or more and upto 30.0% of our paid-up capital, the RBI may consider additional factors, including but not limited to (a) source and stability of the funds for the acquisition and the ability to access financial markets as a source of continuing financial support for the bank, (b) the business record and experience of the applicant including any experience of acquisition of companies, (c) the extent to which the corporate structure of the applicant will be in consonance with effective supervision and regulation of the bank; and (d) 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 acknowledgement for acquisition or transfer of shares that takes the acquirer's shareholding to 30.0% or more of our paid-up capital, the RBI may consider additional factors, not limited to the following (a) the acquisition is in public interest, (b) the desirability of diversified ownership of banks, (c) the soundness and feasibility of the plans of the applicant for the future conduct and development of the business of the bank; and (d) shareholder agreements and their impact on control and management of the bank. Where any existing shareholding by any individual entity / group of related entities is in excess of the stipulated limit (i.e. in excess of 10.0%), the bank will be required to indicate a time table for reduction of holding to the permissible level.

The Draft Policy on investment and governance in private sector banks issued by the RBI in July 2004 (Draft Policy) has laid down certain broad principles underlying the framework of policy relating to ownership of private sector banks would have to ensure that :

- The ultimate ownership and control of private sector banks is well diversified. Accordingly, no single entity or group can hold more than 10% of the paid-up capital of a private bank. Existing private banks that are not in compliance with this requirement will need to submit a time bound plan for the same to the RBI.
- Important Shareholders (i.e., shareholding of 5 per cent and above) are ‘fit and proper’, as laid down in the guidelines dated February 3, 2004 on acknowledgement for allotment and transfer of shares.
- A private sector bank cannot hold more than 5% of the paid up capital of any other private bank. The same limit would also apply to foreign banks that already have a presence in India.
- Private banks are required to have a minimum net worth of Rs. 300 crores, and existing private banks would need to give RBI a time bound plan to increase their capital if required.
- Directors on private banks (including existing directors) are required to confirm to “fit and proper person” guidelines stipulated by the RBI.

Role as Authorized Dealer

The RBI has granted us a full-fledged authorized dealers’ license to deal in foreign exchange. Under this license, permission is usually granted to :

- engage in foreign exchange transactions in all currencies;
- open and maintain foreign currency accounts abroad;
- raise foreign currency and rupee denominated deposits from NRIs;
- 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 authorized under our organizational documents.

Our foreign exchange operations are subject to the guidelines specified by the RBI under the FEMA. As an authorized 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.

Authorized dealers, like us, are required to determine their limits on open positions and maturity gaps in accordance with the RBI’s guidelines and these limits are approved by the 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.

ING Vysya BANK

GOVERNMENT APPROVALS

In view of the approvals listed below, we can undertake this Offer and our current business activities and no further material approvals are required from any Government authority or the RBI to continue such activities.

We have received the following Government approvals that are material to our business:

ING Vysya Bank Limited

1. License to carry out the business of banking under Section 22(1) of the Banking Regulation Act, 1949 to The Vysya Bank Ltd dated June 6, 1958.
2. Permission to change the name of bank to ING Vysya Bank Limited vide RBI letter dated December 10, 2002.
3. Approvals for 370 branches (including 8 Regional Collection Centres and 5 Asset Recovery Management Branches), 56 Extension Counters, 28 Satellite Offices, 14 Off-site ATMs and 11 Regional Offices.
4. Approval from RBI dated December 12, 2002 for offering non-discretionary investment advisory services.
5. Registered as a Portfolio Manager with SEBI vide registration number INP000000761 dated February 19, 2003 valid till January 31, 2006.
6. Registration as a Banker to the Issue with SEBI vide registration number INB100000022 dated November 13, 2003 valid till November 30, 2006.
7. Registration as a Clearing Member of National Stock Exchange of India with SEBI vide registration number INF231188642 dated November 29, 2002.
8. Registration as a Participant with SEBI vide registration number IN-DP-NSDL-61-98 dated July 2, 2003 valid till July 13, 2008.
9. Registration as a Category I Merchant Banker with SEBI vide registration number INM000006617 dated September 17, 2002 valid till September 30, 2005.
10. RTGS Membership Type ‘A’ granted vide RBI letter dated April 30, 2004.

Certain RBI/FIPB approvals

1. FIPB approval dated December 6, 1996 and amendment letter dated December 11, 1996 for increasing the foreign shareholding from 11.66% to 16.08% by allotment of 8,34,800 shares to BBL Mauritius Holdings.
2. RBI approval dated December 30, 1996 for allotment of 8,34,800 equity shares to BBL Mauritius Holdings.
3. FIPB approval dated October 21, 1997 for increasing its foreign shareholding to 19.73% by allotment of 9,27,600 equity shares to BBL Mauritius Holdings.
4. RBI approval dated November 27, 1997 for allotment of 9,27,600 equity shares to BBL Mauritius Holdings.
5. FIPB approval dated September 7, 1999 for increasing the foreign shareholding from 19.73% to 29.74% by allotment of 22,03,600 equity shares to BBL and/or BBL Mauritius Holdings.
6. RBI approval dated November 19, 1999 for allotment of 22,03,600 equity shares to BBL Mauritius Holdings.
7. FIPB approval dated August 14, 2000 to issue (i) 22,65,945 equity shares to International Finance Corporation, and (ii) 5,66,485 equity shares to BBL or its subsidiaries.
8. RBI approval dated November 7, 2000 for allotment of 22,65,945 equity shares to IFC and 5,66,485 equity shares to BBL.
9. FIPB approval dated August 20, 2002 for transfer of 54,36,235 equity shares from the promoter group to BBL Mauritius Holdings.
10. RBI approval for transfer of 4.99% shares by the existing promoters to BBL pursuant to divestment of 5% by IFC.
11. RBI approval dated August 29, 2002 approving the Aggregate Gap Limit to USD 650M and Approval of Net Overnight Open Position Limit to Rs.100 Crore.

ING Vysya Financial Services Limited

1. Registration with IRDA to act as corporate agent under the Insurance Act, 1938 vide registration number 1624535 for three years from March 10, 2004 for procuring or soliciting insurance business of both life insurance and general insurance.
2. Registration with AMFI as an AMFI Registered Mutual Fund Advisor vide registration number (ARN) 0180.

ING Vysya Life Insurance Company Private Limited

1. Registration with IRDA to transact life insurance business vide registration number 114 renewed for the year 2004-05.
2. ING Investment Management (India) Pvt. Ltd.
3. Registration of “ING Vysya Mutual Fund” with SEBI as a mutual fund vide registration code MF/040/99/5.

4. Registered as a Portfolio Manager with SEBI vide registration number INP000000704 dated October 16, 2002 valid till October 15, 2005.

Applications that are pending approval

We have made an application on December 23, 2004 to RBI seeking permission to open a branch in Thane, Maharashtra..

Application made that have been rejected

1. RBI vide letter bearing ref. no. DBOD.No.FSC.238/24.45.003/2004-05 dated November 30, 2004 rejected our proposal to acquire 100% of the equity capital and convertible debentures of Apnaloan.com India Private Limited.

UNDERTAKING

We undertake that we will make required efforts to obtain all necessary approvals/Licenses/registration/permission which we may require in future from relevant regulatory authorities.

OUTSTANDING LITIGATIONS AND DEFAULTS

Except as described below, there are no outstanding litigation, suits or criminal or civil prosecutions, proceedings or tax liabilities against our Bank, and there are no defaults, non payment of statutory dues, overdues to banks/ financial institutions, defaults against banks/ financial institutions, defaults in dues payable to holders of any debentures, bonds or fixed deposits, and arrears on preference shares issued by the Bank (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of part 1 of Schedule XIII of the Companies Act, 1956).

I. Against us

Criminal cases

1. The following criminal complainants have been filed under Section 406 and 420 of the Indian Penal Code for misappropriation of funds received by the Bank upon auction of property belonging to the respective complainants:

Case number	Court in which filed	Complainant
CC 201/2001	District Munsif Magistrate, Kalikriri	B. Amaranatha Reddy
CC 259/2001	District Munsif Magistrate, Kalikriri	B. Nagasudha
CC 70/2002	District Munsif Magistrate, Kalikriri	B. Prasanthi
CC 462/01	District Munsif Magistrate, Madikonda	V. Kumaraswamy

2. A criminal case (CC 107/03) has been filed by G. Seshamamba against the Bank in the court of the Special Judicial Ist Class Magistrate for Excise, Guntur under Section 120A, 467 and 468 of the Indian Penal Code alleging malpractice in the transfer of shares.
3. A criminal case (CC 54/04) filed by A. Seetharamanjaneyulu in the IInd Additional Munsif Magistrate, Tenali, under Section 468 and 471 of the Indian Penal Code.
4. A criminal case (Cri. Appeal 577/82) has been filed by Delhi Development Authority in the Supreme Court of India for alleged misuse of the branch premises.
5. A criminal complaint (PCR 3000 & 3001/2002) has been filed by N. Jayaprakash and N. Leelavathi against the branch manager, wherein they have denied the execution of the account opening. We have moved for confirmation of anticipatory bail order before the Chief Metropolitan Magistrate

Civil disputes

1. A petition (C.P. No. 191/2002) filed on October 10, 2002 by Rasiklal Ratilal Thakkar and Sharada Rasiklal Thakkar in the High Court of Karnataka at Bangalore for winding-up of the Bank on the grounds that the Chembur branch of the Bank failed to invest the three pay orders of the petitioners amounting to Rs. 2.01 crores in fixed deposits, as instructed. The Bank refuted the allegations by claiming that the pay orders were not routed through its Chembur branch but were rather collected by other banks. A petition (No.466/2002) is also pending before the National Consumer Redressal Commission, New Delhi for payment of the above-mentioned amount with interest.
2. Application (O.A. 8/1997) filed by Syndicate Bank against the Bank (amongst six others) was remanded by DRAT, Mumbai and is at present pending before the DRT, Coimbatore for recovery of a sum of Rs. 2.13 crores, jointly and severally, from the defendants. The case involves a loan given by Syndicate Bank to Banu Knitters which loan was taken over by our Bank. Syndicate Bank claims that we have not remitted to them the proceeds recovered by us for liquidation of the loan. We have made a provision of Rs.0.01 crores in our books of account.
3. A suit (No. 6380/99) filed by Suresh K. Mehta and certain other partners of the firm against the remaining partners of the firm and the Bank claiming Rs. 22.56 crores on the grounds that the defendants have conspired with the Bank to fraudulently draw cheques to the amount of Rs. 15 crore from the account of the partnership firm which had export finance facilities with the Bank. The Bank has denied that it has acted negligently in conduct of business as a banker.
4. A suit (O.P. 205 of 1998) filed by Pushpa Builders Ltd. against the Bank before the National Consumer Disputes Redressal Commission, New Delhi for illegally withholding amounts amounting to approximately Rs. 41.61 crores under the memorandum of understanding dated March 20, 1995 between the Bank and Pushpa Builders for the settlement of dues of credit facilities availed by it. The Bank has also filed a claim in this matter before the DRT, New Delhi (O.A. No. 327 of 1998) for recovery of dues amounting to Rs. 7.59 crores from Pushpa Builders for non-fulfilment of its obligations under the said memorandum of understanding.
5. A suit (No. 824 of 1980) filed by Bajranglal Jaju in the High Court of Bombay seeking a sum of Rs. 2.38 crores from the Bank on the grounds that the Bank had wrongfully taken over goods of the plaintiff and sold the same at a price lower than the market price.

6. A suit (O.S. No. 1299/1997) has been filed by M.S. Shoes (East) Limited ("MSSEL") in the High Court of Delhi against the Bank in its capacity as underwriter to the public issue of MSSEL to the extent of Rs. 14.99 crores. MSSEL has demanded the underwritten amount of Rs. 14.99 crores from the Bank on the grounds that the issue had been under subscribed. The Bank has refused payment claiming that the public issue has been closed early by MSSEL stating that the issue has been subscribed more that 90%. The Bank has filed its written statement. The case is posted to January 28, 2005.
7. A suit (No. 1511/ 1997) has been filed by Classic Motors Ltd against the Bank in the High Court of Delhi for recovery of a sum of Rs. 2.10 crores as damages for dishonour of certain cheques, termination of the credit facilities extended by the Bank and loss of reputation.
8. A petition (Misc. No. 801/96) has been filed by R. Nagaraj against the Joint Director of Foreign Trade, Export Credit Guarantee Corporation and certain others including the Bank before the City Civil Court, Bangalore praying for exemption from paying the court fee on the claim value of Rs.3.50 crores and in the same suit he has also prayed for recovery of Rs. 3.50 crores from the defendants, jointly and severally.
9. A petition (No. 75 of 2001) filed by Zaveri Exports against the Bank before the National Consumer Disputes Redressal Commission, New Delhi claiming an amount of Rs. 2.74 crores on the grounds that pursuant to the split in USSR, the Bank was not diligent in forwarding the application of the petitioner to RBI for receipt of amounts from the former USSR Government, as a result of which their application becoming time barred.
10. A petition (O.A. No. 79/2004) filed by Lord Krishna Bank Ltd against the Bank in the DRT, Mumbai for recovery of a sum of Rs. 1.84 crores under letters of credit issued by the Bank.
11. A suit (C.S. No. 280 of 2004) has been filed by Shree Hanuman Foundry & Engineering Co. Ltd. against the Bank in the High Court at Calcutta claiming a sum of Rs. 22.65 crores on the grounds that the Bank did not release the allegedly agreed credit facilities which were necessary to revive the company when it was a sick unit.
12. A suit (No. 2603 of 2001) filed in the High Court of Mumbai by Jaswinder Paul Batra and others against the Bank, amongst others, claiming a sum of Rs. 12.42 crores. The case involved repatriation of proceeds of FCNR-B account to the survivor of the first deceased depositor. This suit has been filed by the legal heir of the deceased for recovery of the said proceeds.
13. A suit filed by Shankarlal & Company against the Bank in the High Court of Calcutta for recovery of a sum of Rs. 2.76 crores on the grounds that the Bank has charged excess interest with respect to the packing credit limit account.
14. A case has been filed against the Bank, amongst others, by International Finance Investment and Commerce Bank Ltd in the court of the 5th sub-division judge at Dhaka for Taka 0.90 crores on grounds of wrongful negotiation and reimbursement on certain letters of credit.
15. A suit (No. 121/98) has been filed in the High Court of Calcutta by G.R. M.L. Ltd claiming an amount of Rs. 1.25 crores on grounds that the Bank had wrongfully sold the shares which were kept as collateral security.
16. A suit (C.S. No.3542/1990) has been filed by Banner Constructors and Consultants against the Bank and Telecommunications Consultants India Limited (amongst others) in the City Civil Court of Ahmedabad asking for an injunction restraining the Bank from making payments made on the bank guarantees worth Rs. 0.11 crores issued by it to Telecommunications Consultants India Ltd. The suit has been referred to arbitration for resolving the disputes arising under the contract between the parties.
17. A suit (No. 1043/96) in the High Court of Delhi filed by Hindustan Photo Film Manufacturing Co. Ltd. against the Bank claiming Rs. 0.50 crores for non-payment on certain bank guarantees issued by it in favour of the plaintiff.
18. A suit (No.2801/95) has been filed by Shukla Malhotra and others against the Bank in the High Court of New Delhi for eviction of the Bank from the premises located at No. E-34, Connaught Place, New Delhi and owned by the plaintiff. The plaintiffs have prayed for a decree of possession in their favour and for a sum of Rs. 0.28 crores in damages and mense profits.
19. A special leave petition (No. SLP No. 9268/2000) has been filed in the Supreme Court of India by Kesaria Tea Co.Ltd against the Bank, RBI and the Union of India against the orders passed by the High Court of Kerala claiming recovery of 3% retention/ undrawn balance on export proceeds amounting to Rs. 0.17 crores which the plaintiff was unable to recover pursuant to disintegration of USSR. The specific claim against the Bank is that the Bank failed to inform the plaintiff of the RBI circular on the said matter in time.
20. A compliant (S.C. No.88/O/2000) has been filed by Budhlani Engineers Private Limited in the State Consumer Redressal Forum at West Bengal claiming a compensation of Rs. 0.19 crores for deficiency in services on the part of the Bank, such as loss of original title deed, non-furnishing of indemnity, non-release of mortgage and charge.
21. A case (O.S. No. 2/2001) filed in the court of the District Judge at Ongole by Prakasam District Co-operative Central Bank Limited against the Bank (along with nine others) in a case involving fraudulent cheques. The plaintiff has claimed an amount of Rs.39,23,614, jointly and severally, against the Bank and four other defendants.
22. A suit (O.S. No.10/97) has been filed in the Civil Court at Pune by Finolex Industries Limited against the Bank and another for recovery of sum of Rs. 96,67,673 which the Bank had allegedly undertaken to pay against the fixed deposit they held. The written statement is yet to be filed.

23. A civil suit (O.S. No. 769/1980) has been filed by Liberty Oil Mills Ltd. at the City Civil Court, Bombay, claiming damages of Rs. 18,20,000 to make good the loss for the oil which was allegedly sold by the Bank in a public auction. The case is yet to come up for hearing after filing of the written statement.
24. A suit (OS No.645/82) has been filed by Tropic Island, Chennai in the City Civil Court, Mumbai claiming an amount of Rs. 0.14 crores in damages in connection with an allegation of fraud.
25. A civil suit (O.S. No. 4137/2000) was filed by Mafatlal Finance Company in the City Civil Court, Bombay, claiming a sum of Rs. 26,68,062 as interest on certain amounts with the Bank as cash margin which had not been credited by the Bank. The written statement is yet to be filed.
26. A civil suit (O.S. No. 5994/1993) has been filed by the Assistant Collector, Central Excise against the Bank and Rustam Mills and Industries Ltd. at the City Civil Court, Ahmedabad in relation to a bank guarantee given on behalf of Rustam Mills and Industries Ltd in favour of the Assistant Collector, Central Excise for an amount of Rs. 0.30 crore since the Bank has not paid the bank guarantee amount on invocation. The case is yet to come up for hearing.
27. A suit (O.S. No.434/99) has been filed before the Civil Judge (Senior Division), Thane by G.S.N. Prasad for declaration of the sale deed executed by him in favour of the Bank as void consequent on payment of the amount owed by him to the Bank. He had obtained a sale deed in his favour. The Bank brought a stay on the execution of the decree and filed a review petition.
28. A suit (No.264/1997) filed by Prime Securities against Rishyashringa Jewellers (“RJ”) Ltd and our Bank before the High Court, Mumbai. Our Bank acted as co-manager, collecting bank and refund banker to the public issue of shares of RJ. Prime Securities had subscribed for 20 lakh shares in RJ, out of which 6,29,200 shares were allotted. Further, the shares of RJ were not listed on the Mumbai Stock Exchange, as set out in the prospectus. Prime Securities has filed a suit against RJ to recover the amount of Rs. 0.87 crores and has also impleaded our Bank. The interim application filed by Prime Securities was rejected.
29. A suit (O.S. No. 22/2003) has been filed by the State of Andhra Pradesh against our Bank and certain other parties before the District Judge of Warangal. Our Bank had made payment on a bank guarantee issued by it for Rs. 1.23 crores on behalf on Sri. Ram Engineers in favor the State of Andhra Pradesh upon invocation of the same. Owing to certain disputes that arose between the State of Andhra Pradesh and Sri. Ram Engineers, the State of Andhra Pradesh has filed the present suit claiming a sum of Rs. 69 lakhs. Our Bank has filed the written statement.
30. A suit (No.139/1998) has been filed by Niraj Petrochemicals Ltd against Newton Engineering & Construction Co. Ltd (Newton) and our Bank in the IV Senior Civil Judge City Civil Court Hyderabad. The plaintiffs had placed three purchase orders with Newton for the supply of the equipment. It is alleged that Newton failed to supply the order within the stipulated delivery period and consequently plaintiff suffered damage to the tune of Rs.29,30,935. Our Bank has been impleaded as a proforma party in the suit.
31. A suit (No.640/1988) was filed against the Bank by Shiv Darshan Das Singh at the City Civil Court, New Delhi restraining payment on bank guarantees of Rs 63,67,103 and Rs 71,49,028 issued by the Bank on behalf of the plaintiff in favour of the Land Development Officer for payment of conversion charges for converting a certain plot from a residential to a commercial site. The beneficiary has invoked the bank guarantee for Rs. 71,49,028. The plaintiff has obtained an injunction order restraining the beneficiaries from invoking the said bank guarantees.
32. A summary suit (No. 5247/1999) has been filed by ISPAT Industries Limited against the Bank before the High Court of Mumbai for non-payment of a bill of Rs 0.27 crores claiming Rs. 0.42 crores along with an interest of 18% per annum on Rs. 0.27 crores. The Bank has denied payment on the ground that the bill under the letter of credit was submitted after the due date.
33. A case (PCR No.99/2003) has been filed before Judicial Magistrate First Class, Kadur by Sharadamma claiming a sum of Rs. 0.05 crores as the legal heir of the deceased who had invested this amount with the Bank. The Bank has since remitted this amount to another person who had allegedly produced court orders and the will executed by the deceased.
34. A suit (No.233/2003) has been filed before the District Consumer Disputes Redressal Forum, Chennai (South) by Andrea Joseph Marianna claiming a sum of Rs. 0.07 crores on the grounds that his term deposit was withdrawn by the Bank staff by presenting forged cheques.
35. A complaint (Complaint No.556/01-02) has been filed before the Banking Ombudsman, New-Delhi by Mr. Rakesh Bedi claiming Rs. 0.05 crores on grounds of non-adherence of banking guidelines in opening and running of saving bank accounts by the Bank.
36. A suit (No. 358/1992) has been filed by Aditya Steel Industries in the City Civil Court, Secunderabad, for an injunction against the Bank restraining it from making payments under the letter of credit for US$ 0.17 crores issued by us on behalf of Aditya Steel Industries in favour of Bank of Baroda, London main branch.
37. A case has been filed on July 6, 2001 by Bellam Kottaiah before the District Consumer Forum, Ongole claiming an amount of Rs. 0.03 crores for alleged deficiency of service by the Bank. The court has passed a final order in this matter in favour of the Bank. No appeal has been preferred as yet.

38. A case has been filed by Jageevan Hegde in 2002 before the District Consumer Forum, Bangalore claiming Rs. 0.005 crores as damages arising over rejection of certain demat shares.
39. Case filed by P.N. Subramaniam on September 20, 2004 claiming Rs. 0.02 crores based on allegations of delay in dematerialisation of shares.
40. A summary suit (No. 5885 of 1996) has been filed by Add Life Pharma Limited in the City Civil Court of Ahmedabad, claiming a sum of Rs. 0.04 crores from the Bank for certain alleged errors made by the Bank in refund banking. The Bank has counterclaimed an amount of Rs. 51,210.
41. A suit (No. 14 of 1997) filed by Global Trust Bank against Laxmiben Karanshi Patel and our Bank, for recovery of Rs. 0.05 crores which was inadvertently refunded to Laxmiben Karanshi Patel as excess share application money. The claim against our Bank is that we had mistakenly recorded the application money as Rs. 0.03 crores instead of Rs. 30,000 and recorded the same in the schedule submitted to the Registrar.
42. A suit (No. 751 of 1998) has been filed in the City Civil Court, Kolkata by Sonali Suppliers Private Limited against Hindustan Lever Limited and our Bank for declaration of ownership of 1040 shares of Hindustan Lever Limited. The relief sought against the Bank is an injunction in the nature of a restraint from issuing and/or paying any dividend in respect of the shares to a person other than the plaintiff.
43. Our Bank has been included as a party in nine cases pending before the Appellate Tribunal, Ministry of Textiles filed by Apparel Export Promotion Council in relation to invocation of bank guarantees amounting to Rs. 0.11 crores which have been drawn on the Bank.
44. Writ petitions (No. 5837, 5838 and 5829 of 2004) have been filed in the High Court of Chennai by Eastman Spinning Mills against the commercial tax authorities and our Bank against the claim made by the tax authorities for payment of sales tax by Eastman Spinning Mills. Our Bank has been included as a proforma party.
45. A suit (Misc. 265/03) has been filed by International Tractors Hoshiarpur (Punjab) in the court of the Civil Judge Junior Division, Hoshiarpur for recovery of a sum of Rs. 0.47 crores.
46. A suit (Appl. OA No.96/2004) has been filed by Indusind Bank - Intelteck Automation in the DRT, Mumbai involving an amount of Rs. 2.12 crores against a customer of the Bank wherein the Bank has been impleaded as a proforma party.
47. A suit (OS 74/02) has been filed by ATR Wear housing Corporation in the court of the V Additional District Judge, Vizag involving an amount of Rs. 0.12 crores..
48. A consumer dispute (CD No. 100/2003) has been filed by Venkata Varalakshmi Fish Firm against our Bank and New India Insurance Company at the Andhra Pradesh Consumer Redressal Forum. Our Bank had issued a loan to Venkata Varalakshmi Fish Firm and had also provided insurance cover for a certain period of time. Subsequently, the borrower suffered losses and claimed the insurance amount. His claim was rejected by the insurance company on the grounds that the policy had not been renewed and had hence, lapsed. The plaintiff has claimed compensation to the tune of Rs. 0.35 crores.
49. There are around 286 cases filed in various courts/jurisdictions aggregating approximately Rs. 3.39 crores, each involving an amount of Rs. 0.10 crores or less that have been filed against us.
50. GR Magnets Limited, had approached our bank for issuance of Bank guarantee in favour of Customs Authority to secure their export obligations. Our Bank had issued the guarantee which was duly backed up by a fixed deposit of Rs.265 crores. The export obligation was fulfilled and the company requested us, to release the fixed deposit. Our Bank has refused to release the same and have adjusted it towards the liability of GR M Exports Ltd. In light of the above, a suit (No.259 /1997) has been filed in High Court of Kolkata by the plaintiff, on the ground that the Bank ought to have released the said amount and is not entitled to exercise general lien on the margin money, which was deposited specifically for the purpose of issuance of Bank guarantee. The plaintiff has prayed that the bank be directed to pay a sum of Rs.265 crores with an interest and costs and such other relief.
51 GR Magnets Limited was enjoying a FUBP (Foreign Usance Bill Purchasing Limit) to the extent of Rs.37 crores. A fixed deposits of Rs.37 crores had secured the FUBP limit, provided by the bank. Subsequently, the bills discounted were returned unpaid and the bank adjusted the bills liability with the deposit. In this regard, the plaintiff filed a suit (No 129C/ 1997) in the High Court, at Kolkata, contending that the deposits were made out of the amounts arisen on discounting the bills and that the bank has not advanced any amount to the party. Accordingly, the transaction that took place is a mere book entry and cannot be construed as a loan transaction. Therefore the bank is not entitled to charge any interest. The loan is secured only on the amounts arising out of export transaction and no lien is available for fixed deposits. Therefore, no exchange loss could be attributed due to this. The plaintiff has sought a decree and other reliefs for Rs.3. 97 crores.
52. We have been included as a party in several suits regarding transfer of shares from the account of one holder to another. In these cases, the relief claimed by the plaintiff against the Bank is a restraint on the transfer of the shares to the other defendant(s). The details of the cases are as follows :

Party filing the suit	Suit Number And Court In Which Filed	Remarks, if any
A P Nagaraju	S C No. 4569/94 Small Causes & Civil Judge Court, Mysore	—
A P Nagaraju	O.S No. 117/95 Court of IV Additional First Munsiff, Mysore	—
C Sugumaran	O S No. 8301/94 City Civil Court, Madras	—
Devina & Co	O S No. 1135/1996 City Civil Court, Madras	—
N Harish Kumar & N Sathish Kumar	O S No. 362/93 Court Of The Small Causes, Mysore	Appeal (RFA No. 677/1996) preferred by defendants on February 1, 1997 before High Court of Karnataka is still pending.
M A Sridhar	O S No. 2366/96 City Civil Court, Bangalore	—
Vinay Taparia	O S No. 2583/95 City Civil Court, Calcutta	—
Y Sambasiva Rao	O. S. No. 136/ 95 Subordinate Judge Court at Vijayawada	—
M Annapurna	O S No.4445/94 City Civil Court, Bangalore	—
Narra Anjaneyulu	O.S.No. 177/95 Court Of Dist Munsiff, Sultanabad	—
Narra Anjaneyulu	O.S.No. 226/96. Court Of District Munsiff, Peddapalli	—
Rajkaran Bachavat	O S No. 2826/93 City Civil Court At Calcutta	—
Rajkaran Bachavat	Cdf 68/95 Consumer Disputes Redressal Forum Calcutta	—
S R Kishore Kumar	O S No. 1096/98 Court Of The Civil Judge At Bangalore	—
R P Shanthalaxmi Sagar	O S No. 31/97 Court Of The Civil Judge, Sagar	—
PVL Koteswara Rao	O S No.2096 /2003 City Civil Courts, Hyderabad Civil Revision Petition No.3492 Of 2004, High Court Of Andhra Pradesh	Proceedings before the City Civil Courts, Hyderabad were stayed by the High Court pursuant to filing the civil revision petition.
Mukan Raj	O S No. 10485/93 Misc. No. 10112/95 City Civil Court, Bangalore	—
Uma Devi	O. S No. 10482/93 City Civil Court, Bangalore	—
Fledgling Nominees International Ltd.	Sc No. 316/96 City Civil Court, Mumbai	—
G Seshamamba	O S No. 44/94 Additional Sub - Judge, Guntur	—
Adhipathi Rao	O S No. 556/93 Additional Munsiff Magistrate, Guntur	—
Tejaswi & Co.	O S No. 285/94 Principal Subordinate Judge, Guntur	—

Party filing the suit	Suit Number And Court In Which Filed	Remarks, if any
Peerless General Finance & Investment Co. Ltd	T S No. 1631/95 City Civil Court, Calcutta T. S. No. 138/96 City Civil Court, Calcutta	—
Kancharla Vasavamba & Kancharla Srinath	A S Nos. 155/2000 156/2000, 157/2000 And 158/2000 VIII Addl.Junior Civil Judge, Vijayawada	The appeals filed by the petitioners have been disposed off and the matters have been remanded to 1st Additional Civil Judge Court Vijayawada.
Arun Kumar Ramaniklal Mehta	W.P. No 1307 Of 2003 High Court Of Judicature At Bombay	—

Labour

53. The following are labour disputes filed by our ex-employees in relation to the termination of their services/ compulsory retirement :

Name of party filing the suit	Suit number and forum in which case is filed	Remarks and status
K. Swami Naidu	ID 28/91 WP 7685/98 High Court of Chennai	The plaintiff was dismissed on charges of cheating. The Industrial Tribunal, Madras held against the Bank and an appeal against this order is pending before the High Court. The Bank has deposited Rs.1,91,570 in the account of the petitioner as directed by the Court pending disposal of the case.
B.P Parvathikar	WP 7057/96 High Court of Bangalore	The plaintiff has filed the suit challenging the dismissal order of the Bank. The case has been dismissed vide order dated December 3, 2004 on maintainability.
M. Anjaiah	WP 17283/94 WA 1580/04 High Court of Hyderabad	The plaintiff was dismissed on charges of having committed theft of Rs. 8,100. The Bank has filled a writ petition against the order of the Industrial Tribunal, Hyderabad ordering his reinstatement with full back wages. The court has passed a final order in this matter in favour of the Bank. However, the court has also directed the Bank to pay wages in accordance with Section 17B of the Industrial Disputes Act. The Bank has challenged this direction by way of a writ appeal.
S.K Rangadal	IDA 22/98 Labour Court, Sholapur	The plaintiff has claimed reinstatement with full back wages.
T.V Chetty	OS 333/84 District Munsiff, Kumbakonam	The plaintiff filed the suit challenging the enquiry order against him. The suit was dismissed. Subsequently, he was dismissed from services of the Bank and he has filed a suit for restoration of the case.
C. Sreenivasulu Chetty	AS 239/90 High Court of Chennai	The plaintiff had preferred an appeal against the order passed by the City Civil Court, Madras wherein he had prayed for declaration of the order of dismissal of the Bank as illegal and for recovery of Rs.34,920 as damages.
Udayshankar Samudrala	OS 2122/88 High Court of Mumbai	The plaintiff has challenged his dismissal order and prayed for Rs. 0.05 crores as damages.
L.Rama Rao	WP 15232/99 High Court of Hyderabad	The suit has been filed challenging the order passed by the Industrial Tribunal, Hyberabad in favour of the Bank.
P.Keshava Murthy	AS 1823/99 High Court of Hyderabad	The plaintiff has preferred this appeal against the order passed by the Senior Civil Judge in favour of the Bank.
B.Ramesh Patanaik	WP 22897/99 High Court of Hyderabad	The petitioner has filed for declaration of his departmental enquiry order as illegal and for reinstatement of services, as well as back wages.
Bhaskaram	CMP 22417/200 CCCA 428/03 CMP 3801/05 Senior Civil Judge, Hyderabad	The plaintiff has prayed for payment of pension from October 13, 1997 together with interest and to release the pension on a monthly basis.

Name of party filing the suit	Suit number and forum in which case is filed	Remarks and status
T.Madhusudhan	WP 10707/2001 High Court at Chennai	The petitioner has filed a writ challenging fixing of his basic wages upon his promotion and has prayed for a writ of mandamus directing the Bank to re-determine the pension and other retirement benefits.
Praveen Kumar Rumalla	PG 1/2000 Controlling Authority, Payment of Gratuity Act, 1972, Hyderabad	The petitioner has claimed for gratuity amounting to Rs. 1,56,795 from the Bank.
Rakesh Lal	ID 2000 Additional Labour Court, New Delhi	The plaintiff's was taken on contract for a period of one year as care-taker. The plaintiff has prayed for his reinstatement along with back wages
P.Ravindranath	ID49/95WP2445 A/96,WP-17584/01 Labour Court, Guntur	The plaintiff has challenged the Bank order terminating his services for unauthorised absence. He has filed an appeal against the order of the Labour Court in favour of the Bank.
Bheem Shah	ID17/2001 Labour Court, Gulbarga	The petitioner has claimed that his services were terminated without any hearing. He has prayed for setting aside the termination order and reinstatement with full back wages.
Sivakumar A. Nagaraj	M.No.7/16/2002 Additional Labour Court, Chennai	The plaintiff in this case, All Bank Appraiser's Federation, Tamil Nadu, has filed the suit for regularisation of the employment of the members of their Association.
K.S.Bhaskaram	OS No.2170/03 II Judge, City Civil Court, Hyderabad	Suit has been filed for the declaration of the orders of the Bank for compulsory retirement and forfeiting other benefits as unjust. The petitioner has prayed for a mandatory injunction to release salary and allowance from October 13, 1997 till October 30, 1997 and all benefits thereof, along with damages of Rs. 50,000.
Augustine	WP No.6711/03 High Court of Chennai	The petitioner has prayed for payment of his subsistence allowance at 100% from October 20, 2002, medical allowance, bonus and educational expenses, etc until termination of his services on October 19, 2003. The writ petition was dismissed on August 9, 2004.
R.V.Kulkarni	WP45607/2002 High Court of Bangalore	The petitioner has preferred an appeal to the High Court of Karnataka against the order of the Labour Court in favour of the Bank.
Jayasheela Nayak	340/03 Karnataka State Consumer Disputes Redressal Commissioner, Bangalore	The plaintiff has referred an appeal against the order of the Dakshina Kannada District Consumer Redressal Forum, Mangalore for grant of pensionary benefits from the date of his resignation.
S. Sreenath Babu	ID [175/2003] Labour Court, Ananthpur	The petitioner has challenged termination of his services on grounds of alleged misappropriation.
J.B.Michael D'Souza	RA 116/2001 High Court of Karnataka	The appeal has been preferred challenging the order of the III Additional Civil Judge, Mangalore.
Puttalinge Gowda	6040/02 Additional City Civil Court, Bangalore	The petitioner has filed the suit pursuant to the allegations made by the Bank that he had furnished a false date of birth at the time of joining the employment of the Bank.
K.B.Shivaramaih	OS .1951/03 City Civil Judge, Bangalore	The plaintiff has claimed for declaration that he is entitled to pensionary benefits pursuant to his the tender of resignation which he was allegedly compelled to submit.
M.A.Suryanaraya	95(1)/Vysya/ALC)2003-B3 Additional Labour Court, Bangalore	Petitioner challenging his dismissal from the services of the Bank.
G.Chandrasekhara Rao	ID No.179/03 Labour Court, Hyderabad	Case file against the dismissal order of the Bank against him.

Name of party filing the suit	Suit number and forum in which case is filed	Remarks and status
P.Sambasiva Rao	ID No.180/03 Labour Court, Hyderabad	Suit filed against his compulsory retirement by the Bank.
J. Michael D Souza	W.P.No.7263/03 High Court of Karnataka	The petitioner has challenged the orders of the Management, Controlling Authority and Appellate Authority in forfeiting the gratuity amount payable to him.
Namdev Kedare	Case number not yet allotted Additional Labour Court, Pune	The petitioner has claimed for payment of full wages.
B Kamalakar Rao	OS No. 2017 / 02 Civil Judge Court, Hyderabad	The petitioner has claimed damages of Rs. 6,55,973 from the Bank on grounds that has undergone mental agony, loss of pay and loss of promotion opportunities while working in the Bank.
Y.G.Gangadhar	ID No.126/2004 Labour Court, Hyderabad	Petitioner has challenged termination of his services by the Bank.
Syed Afzal	OS NO 1298/2000 Junior Civil Judge Court, Warangal	The plaintiff is claiming damages to the extent of Rs. 75,000 plus interest at 18% per annum.
K S Bhaskaram	WP No. 17595/04 High Court of Andhra Pradesh	The petitioner has preferred an appeal before the High Court against her compulsory retirement from the Bank for negligent discharge of duties. The appeal is against the orders of the Labour Court.
A. Praveenkumar	WP 3544/02 High Court of Andhra Pradesh	The plaintiff, an ex-employee of the Bank, has filed this suit challenging the action of the Bank in adjusting his terminal benefits gratuity payable with his loan outstanding.
K.S. Bhaskaram	OS 1217/2000 & 2170/2002 City Civil Courts, Hyderabad	Suit has been filed for termination of the services of the plaintiff without the payment of gratuity or pension.
Chandrasekhar	LCID 179/2003 Central Government Industrial Tribunal and Labour Court, Hyderabad	Suit filed for reinstatement of the employee with the Bank, together with back wages.
Sanjeev Kumar	IN 80/04 Industrial Dispute II New Delhi	Suit for reinstatement of employee
Sarjeev Massey	ID 101/04 Industrial Tribunal Delhi	Suit for reinstatement of employee
Maharashtra State Bank Employees Federation	Ref. No.59 of 2004 Industrial Court, Pune	—
S.R. Rangdal	ID 22 of 1998 Industrial Tribunal, Solapur	Suit for reinstatement and back wages filed by employee whose employment with the Bank was terminated. The bank has filed the counter and the said matter is yet to be listed for hearing.
Jewel Appraiser	ID 103/2003 Industrial Disputes Tribunal, Chennai	No monetary claim.
Laxmikanth G. Kulkarni	OS 5566/04 City Civil Court, Mumbai	Suit for injunction filed by employee to restrain the Bank from giving effect to its order transferring the said employee from the Nariman Point branch of the Bank to its Bhavnagar branch. The plaintiff has been dismissed from employment with the Bank with effect from December 14, 2004.
Commercial Bank Retired Employees Association	No. 7269/04 City Civil Court, Bangalore	The plaintiff has claimed payment of the amount for “Meritorious Award” declared by the Bank for employees who have worked with the Bank for 25 years.

Name of party filing the suit	Suit number and forum in which case is filed	Remarks and status
G. Bhakthavatsalam	G.A. 69/04 Court of the Regional Labour Commissioner, Bangalore	The plaintiff has filed the appeal under the Payment of Gratuity Act, 1972 for payment of gratuity amounting to Rs. 33,250 and interest thereon aggregate an amount of Rs. 5.21 lakhs. The case has been posted to January 20, 2005.
Vasudev	Ref 7(G)/2005/ALC. Conciliation Officer and Assistant Labour Commissioner, Bellary	The plaintiff has contested the termination of his service by the management and has sought for reinstatement with full back wages and continuity of service.
Commercial Banks Retired Employees Union	OS No: 8105/05 City Civil Judge, Bangalore	The Plaintiff has filed a suit claiming that the provisions of the Pension Regulations have been overruled, the dearness relief granted is less, the average pay drawn for last 10 months has not been reckoned, quantified special pay has not been considered.

Tax

54. The following demands aggregating Rs. 17.47 crores has been claimed by the income-tax authorities for various assessment years.

Assessment year	Suit No.	Value demanded (in crores)	Consumer Forum / Court/Tribunal	Nature of Claim
INCOME TAX APPEALS				
1989-90	490/B/98	0.45	ITAT, Bangalore	Interest payable on Sticky Advances
1994-95 to 1999-2000	13111/2001(IT) & 15359-363/2001(IT)	—	High Court of Karnataka	Admission of Settlement Application by Settlement Commission
1991-92	ITA-315/2002	0.02	High Court of Karnataka	Authorisation fee paid to SEBI
1997-98	ITA-222/2003	4.36	High Court of Karnataka	Addition of provision made for Non- performing assets to the computation under MAT
INTEREST TAX APPEALS				
1992-93	RA 5/B/97	0.70	High Court of Karnataka	Addition of interest from investments in securities to chargeable interest
1993-94	RA 6/B/97	1.84	High Court of Karnataka	Addition of interest from investments in securities to chargeable interest
1994-95	RA 7/B/97	3.29	High Court of Karnataka	Addition of interest from investments in securities to chargeable interest
1995-96	RA 8/B/97	5.30	High Court of Karnataka	Addition of interest from investments in securities to chargeable interest
1997-98	ITA-248/2003	0.26	High Court of Karnataka	Addition of Interest Tax collected from borrowers to chargeable interest
1998-99	14/B/02	0.11	ITAT, Bangalore	Addition of Interest Tax collected from borrowers to chargeable interest
1998-99	6/B/03.	0.06	ITAT, Bangalore	Interest on delayed payment of tax

Assessment year	Suit No.	Value demanded (in crores)	Consumer Forum / Court/Tribunal	Nature of Claim
1996-97	242/2003	0.65	High Court of Karnataka	Taxability of interest tax collected from customers and lease rentals
1997-98	246/2003	0.43	High Court of Karnataka	Taxability of lease rentals

Strictures passed by regulatory authorities

55. The penalty of Rs. 88,000 has been levied by NSDL for non-placement of qualified personnel at certain depository participant centres. Another penalty of Rs. 450 was subsequently levied for data entry errors. We have paid both amounts.

56. SEBI issued a show cause notice dated September 11, 2001 against the Bank in its capacity as bankers to the issue of V.R. Mathur Mass Communications Limited alleging certain irregularities in dealing with the scrip of the said company. SEBI has vide order dated February 7, 2002 accepted the explanation of the Bank and warned the Bank against repetition of such conduct.

57. SEBI issued a show cause notice dated December 11, 2001 with respect to the right issue of Subhash Projects and Marketing Limited alleging certain irregularities in the subscription to the issue. In SEBI's order dated May 29, 2002, it was found that the Bank had not refuted the charges against them and the Bank was warned to exercise more care and diligence in their dealings as Bankers to an Issue.

58. SEBI has vide order dated August 1, 2000 debarred the Rajkot branch of the Bank from acting as a Banker to Issue for a period of six months from July 20, 2000 for default made by the Bank in respect of the public issue of Kashyap Radiant Systems Limited.

59. The Bank had remitted Rs.10,000 on December 4, 2003 to the Metropolitan Magistrate Court, Calcutta as non-compliance fee implied for not updating the Form-D Register under Equal Remuneration Act, as observed by the Labour Enforcement Officer, Kolkata.

II. By us

Criminal cases

1. We have filed the following criminal cases :

Party filing the suit	Suit Number	Court in which suit filed	Nature of the case
Vardhaman Sales Agency	196 of 2002	Sessions Court, Pune	Case filed by Bank for payment of Rs. 23,000. The next date of hearing is on January 17, 2005.
Prashant Enterprises	45 of 2002	Sessions Court, Pune	Case filed for criminal breach of trust. The next date of hearing is on January 31, 2005.

2. The Bank in the course of its banking business has filed cases against several persons in relation to certain matters under Section 138 of the Negotiable Instruments Act. These cases have been filed by the Bank primarily due to default in payments of amounts due to the bank by its borrowers generally arising out of loans under the category of, Term loans and Retail loans (vehicle /personal /housing loans etc. These cases have been filed in several jurisdictions and for varying amounts. An indicative list of such cases as is applicable to our Mumbai region branches has been provided below :

Party against whom suit filed	Suit Number	Court in which suit filed	Value of suit (in Rupees)
Mehrunnisa Begum	SCC No. 2017/2002	Court of the Chief Judicial Magistrate	6,700
Sanjay Suryavamshi	SCC No.2015/2002	Court of the Chief Judicial Magistrate	14,190
Regulla Ramaswamy	SCC No.1976/2002	Court of the Chief Judicial Magistrate	31,000
Vishwanath Dhadke	SCC No.1847/2002	Court of the Chief Judicial Magistrate	8,511
Prabhu Hotkar	SCC No.1975/2002	Court of the Chief Judicial Magistrate	9,000
Sheikh Modaruddin	SCC No.2013/2002	Court of the Chief Judicial Magistrate	12,420
Nasar	SCC No.2016/2002	Court of the Chief Judicial Magistrate	10,300
Saleh Bin Sayeed	SCC No.1848/2002	Court of the Chief Judicial Magistrate	22,290

Party against whom suit filed	Suit Number	Court in which suit filed	Value of suit (in Rupees)
Zebunissa Begum	SCC No.2010/2002	Court of the Chief Judicial Magistrate	13,700
Kobraji Gunaji Gaekwad	SCC No.1849/2002	Court of the Chief Judicial Magistrate	8,285
Ateequer Rehman	SCC No.1846/2002	Court of the Chief Judicial Magistrate	22,159
Rahul Parande	SCC No.2014/2002	Court of the Chief Judicial Magistrate	15,000
Hazira Begum	SCC No.2011/2002	Court of the Chief Judicial Magistrate	30,250
Mala Omprakash	SCC No.1804/2002	Court of the Chief Judicial Magistrate	54,600
Praveen Deshmukh	No. 233/2003	Magistrate	14,664
Mahesh Missal	No. 742/2004	Magistrate	63,996
Varsha Munde	No. 744/2004	Magistrate	7,331
Nilesh Jagadish Thakkar	No. 2973/2003	Court of the First Class Judicial Magistrate, Pune	15,610
Dilip Pardeshi	No. 2974/2003	Court of the First Class Judicial Magistrate, Pune	14,493
Rashmi Rotellu	No. 12419/2003	Court of the First Class Judicial Magistrate, Pune	15,610
Ranjani Madhukar	No. 12123/2003	Court of the First Class Judicial Magistrate, Pune	22,608
Sopan Bhalerao	No. 12418/2003	Court of the First Class Judicial Magistrate, Pune	32,380
Vivek Katkar	No. 12420/2003	Court of the First Class Judicial Magistrate, Pune	22,296
Vivek Bhise	No. 379/2004	Court of the First Class Judicial Magistrate, Pune	21,996
Fabian Cairado	No. 380/2004	Court of the First Class Judicial Magistrate, Pune	15,700
Arjun Singh Rajput	No. 381/2004	Court of the First Class Judicial Magistrate, Pune	11,150
Faiyaz Babulal Inamdar	No. 1858/2004	Court of the First Class Judicial Magistrate, Pune	5,26,050
Nilesh Jagadish Thakkar	No. 4181/2004	Court of the First Class Judicial Magistrate, Pune	50,000
Arjun Singh Rajput	No. 8106/2004	Court of the First Class Judicial Magistrate, Pune	15,610
Sopan Bhalerao	No. 8060/2004	Court of the First Class Judicial Magistrate, Pune	13,380
Vivek Bhise	No. 8108/2004	Court of the First Class Judicial Magistrate, Pune	18,330
Kunal Vazirani	No. 8058/2004	Court of the First Class Judicial Magistrate, Pune	26,012
Fabian Cairado	No. 8057/2004	Court of the First Class Judicial Magistrate, Pune	13,200
Manoj M	No. 8107/2004	Court of the First Class Judicial Magistrate, Pune	11,148
Rashmi Rotellu	No. 8059/2004	Court of the First Class Judicial Magistrate, Pune	13,380
Saeed Muhammed Shaikh	No. 9833/2004	Court of the First Class Judicial Magistrate, Pune	11,148

3. An employee of the Bank in the Ulsoor branch has misappropriated funds to the extent of Rs.60.42 lakhs by not accounting for the cash remittance towards fixed deposit received from the customers. A sum of Rs. 27.76 lakhs has been recovered so far and further efforts are being made by the Bank to recover the remaining amount. Investigation in this matter is currently underway.

Civil claims

1. A suit (O.A. No. 155 of 1999) has been filed by our Bank against Shankarlal & Company before the DRT, Calcutta in respect of a sum of Rs. 2.81 crores.
2. A claim has been preferred by us with the DRT, Bangalore for recovery of a sum of US$ 0.14 crores, along with interest from 1995, which deposit we have placed as inter-bank deposit with Bank of Baroda.
3. We have filed 1,338 cases in various forums for recovery of an aggregate amount of Rs. 811.56 crores.
4. Our Bank has filed a civil suit (OS No. 7738/02) for declaration of title in the City Civil Court, at Bangalore, pursuant to the orders passed by the High Court of Karnataka, in relation to the dismissal of a writ petition for staying the demolition of a building owned by the Bank. The City Civil Court had issued a status quo order in this regard. In this regard the BDA had filed a Interlocutory Application, which was rejected by the City Civil Court. Aggrieved by the dismissal order of the Civil Court, BDA filed a Civil Revision Petition (CRP No 1615/2003) in the High Court of Karnataka. The High Court stayed the City Civil Court proceedings and extended the City Civil Court's Status Quo Order until further orders. The matter is reserved for judgement

5. Our Bank has also filed a Contempt Petition before the High Court of Karnataka, regarding the demolition of its property by the BDA, without any notice to the Bank. The High Court had framed certain charges against the BDA Commissioner for contempt of the Courts orders. The above order was challenged by the BDA Commissioner by way of a Special Leave Petition (SLP No.8394-8395/2004) which was dismissed by the Hon'ble Supreme Court. The contempt trial is posted for further trial

6. The Bank has also filed the following suits which: (i) are greater than Rs. 0.10 crores in value, or (ii) have no monetary value.

Filed against	Suit Number	Court in which suit filed	Value of suit (Rs. in crores)
Brihan Mumbai Municipal Corporation	No. 28820 of 2003	High Court, Mumbai	0.19 The suit involves an alleged claim of higher rateable value in taxes for the branch premises.
Kishore M. Laturia	No. 308 of 2003	Banking Ombudsman	No monetary claim. The matter involves an interest rate dispute on term deposits and it is pending with Ombudsman.
Vikas Agency	Miscellaneous application 38 of 2001	Co-operative Tribunal, Ahmedabad	No monetary claim. The order has been passed in favor of our Bank and the other party has filed a review application.
Manmohan Kaur Bhasin	No. 2401 of 1988	High Court of Mumbai	0.19 Exports have been made to an African country but there has been no receipt of repatriation permission. The suit has been decreed on March 20, 1989.
Sagar Inorganics Pvt. Ltd.	SPC 51 of 2003	Court of the Joint Civil Judge, Senior Division (6)	No monetary claim. The notice issued by the Bank under the SARFAESI Act is being challenged. The application for temporary injunction was dismissed by the court.

Tax

7. We have filed the following cases aggregating Rs. 178.14 crores with the income-tax authorities relating to tax payable/ refund claimed. In the income-tax cases, the Bank has challenged the disallowance of depreciation on investments kept under permanent category, disallowance of depreciation on buy and lease back assets, addition of lease income subject to tax in earlier years, etc. The wealth tax appeals involve Rs. 0.16 crores and the interest tax cases amount Rs. 0.40 crores.

Assessment year	Suit No. & Date	Suit Claim (in crores)	Name of Court/Tribunal & Place	Grounds of challenge
INCOME-TAX APPEALS				
1993-94	382/B/97	5.09	ITAT, Bangalore	Bad debts written off, depreciation on investments kept under permanent category etc
1994-95	1029/B/98	8.52	ITAT, Bangalore	Disallowance of depreciation on investments kept under permanent category, restriction of deduction u/s 80M etc
1995-96	1030/B/98	51.99	ITAT, Bangalore	Disallowance of depreciation on investments kept under permanent category, disallowance of depreciation claimed on buy & lease back assets etc

Assessment year	Suit No. & Date	Suit Claim (in crores)	Name of Court/Tribunal & Place	Grounds of challenge
1996-97	634/B/99	46.05	ITAT, Bangalore	Disallowance of depreciation on investments kept under permanent category, disallowance of depreciation claimed on buy & lease back assets etc
1997-98	843/B/2000	43.01	ITAT, Bangalore	Disallowance of depreciation on investments kept under permanent category, disallowance of depreciation claimed on buy & lease back assets, addition of principal portion of lease rental etc
2000-01	59	8.32	CIT(A)-III, Bangalore	Disallowance of depreciation on NCDs, disallowance of estimated expenses to earn tax-free income on notional basis, addition of lease income which was subject to tax already in earlier years
2000-01	732/B/2003	0.60	ITAT, Bangalore	Addition of establishment expenses to earn tax free income to minimum alternative tax computation.
2001.02	60	14.15	CIT(A)-III, Bangalore	Disallowance of expenses claimed in connection with Vysyamulya project, disallowance of depreciation on NCDs, disallowance of estimated expenses to earn tax-free income, on notional basis
2001-02	732/B/2003	0.41	ITAT, Bangalore	Addition of estimated expenses to earn tax free income to minimum alternative tax computation
Total	**178.13**			
WEALTH TAX APPEALS				
1993-94	WTA/8/03	0.06	High Court of Karnataka	Addition of value of property located at MG Road treating the same as urban vacant land
1994-95	WTA/7/03	0.10	High Court of Karnataka	Addition of value of property located at MG Road treating the same as urban vacant land
Total	**0.16**			
INTEREST TAX APPEALS				
1998-99	Case number not provided by ITAT.	0.17	ITAT, Bangalore	Finance charges portion of lease rental
1999-2000	I012/02-03	0.23	CIT(A)- III,Bangalore	Finance charges portion of lease rental and interest tax collected
Total	**0.40**			

The Bank has provided Rs. 138.85 crores as contingent liability in respect of the above tax claims.

Potential litigation

1. The Bank has received legal notice demanding payment of deposit amount to Rs. 95,624.
2. The Bank has received a legal notice on behalf of Sri Sivan Labour Motor Works claiming payment on a demand draft issued by the Bank for an amount of Rs. 30,000. The Bank has refused encashment of the demand draft on the grounds that the purchaser of the demand draft had claimed that it was lost and had therefore cancelled it. The Bank is in the process of responding to the said notice.

III. Cases involving our Subsidiary

Cases filed against our Subsidiary

Civil cases

1. Two suits - one O.S. No. 741/04 filed in City Civil Judge, Bangalore and another one C. Misc No: 772/04 in the Additional City Civil Judge, Bangalore have been filed by Ms. Pavana and Bhavana, former employees of the Bank claiming compensation of an amount of Rs. 57,000

Cases filed by our Subsidiary

Criminal cases

1. We have filed appeals in the High Court of Karnataka against orders passed by the Additional Magistrate Court in the following cases under Section 138 of the Negotiable Instruments Act:
   (i) Cases against Salem Dolerites Ltd (CRP No. 289/02, 290/02 and 291/02)
   (ii) DSJ Communications Ltd (CRP No.1009/00)
   (iii) Indiana Dairy Specialities Ltd (CRP No.1631/04)
2. We have filed 239 cases in the Magistrate courts in various jurisdictions under Section 138 of the Negotiable Instruments Act for an aggregate amount of Rs. 6.12 crores.

Other matters

1. We have initiated execution of 16 arbitral awards passed in our favour in respect of an aggregate amount of Rs. 14.34 crores.

Tax cases

1. We have a case pending before the Commissioner of Income-tax in respect of a demand of Rs. 0.08 crores for the assessment year 96-97.

IV. Cases involving our Promoters

Mr. G.M. Rao

Cases filed by Mr. G.M. Rao

Civil disputes

1. Suit (O.S. No. 77/2003) has been filed in the court of the Civil Judge (Senior Division), Mangalore by GEL and Mr. G.M. Rao against Mr. Ivan D'Souza and others, as detailed below.

Tax cases

1. An appeal has been preferred for the following assessment years in relation to disallowance of deduction of certain amounts by the assessing authority on grounds that such amounts represent expenses in relation to income which is exempt from tax and therefore, no deduction may be granted for such amounts in light of provisions of Section 14A inserted by the Finance Act, 2001.

Assessment year	Amount of deduction claimed	Authority before which matter is pending
1999-2000	Rs. 8,59,424	Income Tax Appellate Tribunal
2000-01	Rs. 8,94,774	Commissioner of Income Tax (Appeals) -1
2001-02	Rs. 7,79,401	Commissioner of Income Tax (Appeals) -1

2. For the assessment year 2003-04, Mr. G.M. Rao has claimed a tax refund of Rs. 2,19,889 from the Assistant Commissioner of Income Tax on the grounds of short grant of interest on tax refunds and higher interest charged under Section 234C of the Income-tax Act.

ING Mauritius Holdings

There are no contingent liabilities not provided for, outstanding litigation, disputes, non payment of statutory dues, overdues to banks/financial institutions, defaults against banks/financial institutions, defaults in dues towards instrument holders like debenture holders, fixed deposits and arrears on cumulative preference shares issued by the company, defaults in creation of full security as per terms of issue/other liabilities, proceedings initiated for any economic/civil/ any other offences, involving ING Mauritius Holdings in India.

ING Mauritius Investments

There are no contingent liabilities not provided for, outstanding litigation, disputes, non payment of statutory dues, overdues to banks/financial institutions, defaults against banks/financial institutions, defaults in dues towards instrument holders like debenture holders, fixed deposits and arrears on cumulative preference shares issued by the company, defaults in creation of full security as per terms of issue/other liabilities, proceedings initiated for any economic/civil/ any other offences, involving ING Mauritius Investments in India.

V. Cases involving our Group Companies

(a) IVL

Cases filed against IVL

Civil claims

1. A suit (No. 482/993 of 1996) has been filed by Venus Housing in the Small Causes Court, Mumbai for eviction from the licensed premises on grounds of causing obstruction. A temporary injunction has been obtained against us pending disposal of the case.
2. A complaint (No. 453/04) has been filed before the Consumer Forum, Meerut for deficiency in providing services claiming an amount of Rs. 1,50,000. The matter is posted for hearing on January 17, 2005.
3. A suit (No.337/2004) has been filed by Ms. Bharti Prasad in the District Court, Gorakhpur, for recovery of sum assured which was allegedly due to her husband. The matter is posted to December 6, 2004.
4. A complaint (No.OMB/MUM/LI-210 (04-05)) has been filed by Mrs. Agnes Edwin Joseph before the Insurance Ombudsman, Hyderabad against repudiation of a death claim. The matter was heard on January 6, 2005 and an order of the Insurance ombudsman is awaited
5 A complaint has been filed by Mrs. Beena Pradeep Sharma before the Insurance Ombudsman, Ahmedabad against the repudiation of death claim. The response in this regard has been filed
6. A consumer complaint (CPA No: 339104/2004) was filed by Ms. Ratna Jaiswal before the District Consumer Disputes Redressal Forum, Nagpur against the repudiation of a death claim. IVL has filed its reply before the Consumer Forum.
7. A consumer complaint (No: 718/2004) was filed by Mrs. Shakira Bano before the District Consumer Disputes Redressal Forum, Jaipur against the repudiation of a death claim.
8. A complaint has been filed by Mrs. Indumathi Dhumal before the Insurance Ombudsman, Ahmedabad against the repudiation of death claim. We have filed our response in this matter.

Income tax cases

1. An appeal is pending before the ITAT against demand of Rs. 17,51,252 towards tax payable on overseas remittance of software license fee.
2. IVL received a notice dated June 12, 2003 from Additional Commissioner of Income-Tax regarding irregularities in deducting the income tax of employees. In our reply dated July 28, 2003, we have indicated that the variation in the quantum of taxes deducted was due to constant changes in the employee strength during the financial year 2001-02.
3. IVL received a notice dated January 13, 2004 from the Income-tax Officer (International Taxation Range) requesting for information regarding certain remittances made by IVL to ING Global Infrastructure. IVL has replied to this notice vide letter dated June 15, 2004.
4. Notice dated January 28, 2004 issued by the Income-tax Officer, Bangalore regarding default in remittance of tax deducted at source and filing the annual return for taxes deducted. We have replied to this vide our letter dated February 28, 2004.
5. Notices from the Income-tax department, Guntur, Surat, Ahmedabad, Chennai, Vijayawada and Mumbai requesting for information regarding insurance premia greater than Rs.0.01 crores received by us. The issue is pending before the Commissioner of Income-tax of the said cities.
6. We received summons on August 26, 2004 from the Directorate of Enforcement in relation to alleged proceedings under the Foreign Exchange Management Act. IVL has appeared before the Directorate and filed its reply on September 2, 2004.
7. We have received summons dated October 26, 2004 from the Assistant Commissioner of Commercial Taxes, Bangalore for furnishing details of the contract awarded to Kenwood Interiors. IVL has responded to this request.

Notices from statutory authorities

1. We have received notices from the Commissioner of Commercial Taxes for professional tax registration and remittances pending for their branches at Gujarat, Kerala and Tamil Nadu. We are in the process of obtaining this registration.

2. Notice dated October 11, 2004 issued by the Assistant Labour Officer was received by our Trivandrum branch for failing to maintain wages register under the Minimum Wages Act. We are in the process of seeking permission for maintaining a wage register centrally at the corporate office in Bangalore.
3. Notice dated January 10, 2005 received from the Special Police Establishment, CBI, Jaipur, requesting for information about Ms. Rashmi Sharma under Section 91 of the Criminal Procedure Code

Statutory non-compliances

1. Letter from IRDA dated July 7, 2003 stating that the foreign equity holding in IVL is in breach of the limit of 26% on account of holdings of NRIs/ OCBs in GMR Industries Limited and directing IVL to comply with the said limit. IVL has responded on August 6, 2003 stating that it has taken steps to comply with the same.
2. Remittance towards Labour Welfare Fund for the year 2004, pending from the States of Karnataka, Rajasthan, Gujarat, Tamil Nadu, Kerala and Maharashtra, West Bengal.
3. Non compliance with the requirements of Section 48 of the Insurance Act, 1938 read with Rules 3 to 15 of the Insurance Rules, 1939 requiring insurance companies to induct policy holders elected nominees in the board.
4. Non receipt of permission under Section 64VC of the Insurance Act, 1938 for commencing business at new place or new location. The application has already been made to seeking for permission to commence business.
5. Non compliance with the requirement of Section 2C of the Insurance Act, 1938 requiring an insurance company to be a public company.

Threatened litigation

1. We have received a legal notice dated September 9, 2002 on behalf of Pugmarks InterWeb Private Ltd alleging non-payment of an amount of Rs. 9,11,525 for information technology and website development services rendered by them.
2. Legal notice dated November 27, 2003 on behalf of Contest 2 Win for non-payment of dues amounting to Rs. 5,25,000 in connection with services rendered to us.
3. Legal notice dated August 25, 2004 for using the lion logo in contravention of the Emblems and Names (Prevention of Improper Use) Act, 1950.
4. Legal notice dated September 25, 2004 on behalf of Mr. J. Kanwar regarding certain employment issues surrounding his resignation as chief financial officer of the company.
5. A legal notice dated January 12, 2005 issued on behalf of Mr. Amit Sharma regarding his termination of service without serving two weeks notice prior to his termination.
6. We have received the notices from 2 vendors for non-payment of an aggregate sum of Rs. 4,06,000 raised in their invoices.

(b) GEL

Cases filed against GEL

Civil disputes

1. A suit (Misc. Pet. 82/2001) has been filed in the court of the II Additional District Judge, Mangalore by Mr. Nagesh Poojary against KPTCL and GEL under Section 18(3) of the Indian Telegraph Act, 1885 on the grounds that KPTCL and GEL have drawn an electricity transmission line of 220 KV double circuit across his property which has affected the land and resulted in the respondents felling certain trees on the property including revenue yielding trees. The plaintiff has claimed compensation of Rs. 3,08,000 with interest at the rate of 12% per annum. GEL contends that the drawing of the transmission lines was done by KPTCL and at their full responsibility and therefore, no responsibility can be attributed to GEL. KPTCL refutes the allegations of the plaintiff by maintaining that the property was not damaged as no new transmission lines were drawn but only an existing line had been upgraded from 110 KVA to 220 KVA and only one coconut tree had been felled for which it had agreed to pay a compensation of Rs. 3078. The plaintiff has filed an application under Section 16(3) of the Indian Telegraph Act, 1885. The last date of hearing of the case is on March 1, 2005.

Cases filed by GEL

Criminal cases

1. The following criminal complaints have been filed in the court of the Judicial Magistrate First Class II, Mangalore by Mr. Gopalakrishna Shenava on behalf of GEL, against Mr. Joseph Paul Lobo, Mr. Ivan D'Souza and others under Sections 143, 147, 341, 342, 384, 427, 447, 504, 506 of the Indian Penal Code read with Section 149 of the Indian Penal Code and Section 2 of the Karnataka Prevention of Destruction and Loss of Property Act, 1981:
   (i) Criminal case (P.C.No. 26/03) for alleged nuisance and inconvenience caused by the accused in front of the power plant at Tanir Bavi and for threatening the management of the power plant. The police has filed a B report. The matter is posted to March 24, 2005.

(ii) Criminal complaint (P.C. 27/03) for alleged nuisance and inconvenience caused by the accused near the city office of the GEL. The police have filed B report. The matter is posted to March 24, 2005.

(iii) Criminal complaint (P.C. 28/03) for alleged nuisance caused by the accused in front of the residence of Mr. Gopalakrishna Shenava, the complainant, damage to the property of the complainant and further defamation caused to the complainant. The police have filed B report and the case has been posted to March 1, 2005 for filling objection to the B report.

Civil cases

1. A suit (O.S. No. 77/2003) has been filed in the court of the Civil Judge (Senior Division), Mangalore by GEL and Mr. G.M. Rao against Mr. Ivan D'Souza and others for allegedly: (i) causing defamation to GEL (ii) making illegal demands on GEL for payment of compensation in respect of certain properties that were acquired by GEL and which properties supposedly belonged to the defendants. GEL has claimed an amount of Rs. 1,000,000 (along with interest at 12% per annum), a permanent injunction restraining the defendants from making any derogatory speeches or statements against the plaintiffs, agitating before the power plant or in any way interfering with the peaceful functioning of the power plant. An application for temporary injunction against the defendants has been filed. The case is posted for evidence on July 13, 2005.

2. A suit (O.S. No. 555/2001) has been filed in the court of the Civil Judge (Junior Division), Mangalore by GEL against Tanirbavi Nivasigala Horata Samithi and others wherein GEL has sought for a declaration that the demands made by the defendants are illegal and an order of permanent injunction restraining the defendants from agitating at the power plant site, obstructing the employees of GEL from entering the site, or interfering with the peaceful functioning of the power project. The court has passed an ex-parte ad interim order of temporary injunction dated September 7, 2001 to this effect. The defendants argue that they were evicted from the property upon acquisition of the same by GEL and no rehabilitation was provided to them. Therefore, they had resorting to peaceful agitations which did not cause any obstruction to the smooth functions of the plant. The case is posted to February 23, 2005.

3. A suit (O.S. No. 613/2002) has been filed in the court of the Civil Judge (Junior Division), Mangalore by GEL against Tanirbavi Nagarika Vedhike and others on substantially the same grounds and for the same relief as aforementioned in O.S. No. 555/2001. GEL has made an application under Order 39, Rule 2-A, CPC for detainment of certain defendants in the civil prison for disobedience of the ad-interim order of temporary injunction granted on October 8, 2002 against the defendants. The case was is posted on February 17, 2005.

Customs duty and excise claims

1. GEL has filed the following appeals before the Customs, Excise and Service Tax Appellate Tribunal, New Delhi claiming refund of amounts that had been credited to the Consumer Welfare Fund. The Commissioner of Customs (Appeals), Bangalore has refused the amounts on the ground that GEL had passed on the customs duty to its customers under Section 27(2) of the Customs Act, 1962. GEL has claimed that refund of the amount would not cause it any unjust enrichment, as it has not passed on the duty to its customers.

Details of Appeal	**Order against which appeal is preferred**	**Amount of refund**	**Details and status of the case**
Inland Container Depot, Bangalore Appeal dated February 3, 2004. on March 28, 2005	Order in appeal 388/2003 -Cus dated November 6, 2003.	Rs. 69,978	The case is to come up for hearing at CESTAT Delhi
Inland Container Depot, Mangalore Appeal dated February 3, 2004.	Order in appeal number 387/2003-Cus dated November 6, 2003.	Rs. 41,382,988	The case is to come up for hearing at CESTAT Delhi on March 28, 2005.
Air Cargo Complex Bangalore Appeal dated February 3, 2004.	Order in appeal number 389/2003 - Cus dated November 6, 2003	Rs. 677,596	The case is to come up for hearing at CESTAT Delhi on March 28, 2005.

Show cause notices

1. A show cause Notice dated August 12, 2004 was issued by Directorate of Revenue Intelligence (DRI) towards alleged under valuation of Hotpath imports by GEL. An associated demand by DRI was made towards non furnishing of requisite certificate at the time of import of Hotpath imports under the renovation scheme. The total claim by DRI for this notice is Rs.7.37 crores. GEL is contesting this demand of DRI since it is of the opinion that DRI claim is without basis and the personal hearing of this case is to come up before the Commissioner of Appeals on February 23, 2005.

(c) GPCL

Cases filed against GPCL

Civil cases

1. An appeal (W.P. No. 26738) has been filed in the High Court of Tamil Nadu against the order of the TNERC in case filed by Mr. Nellikuppam V. Krishnamurthy against TNEB, GPCL, M/s. Samalpatti Power Company Pvt Ltd, M/s. Madurai Power Corporation Pvt Ltd and M/s. P.P.N. Power Generation Company Ltd seeking revision of the tariff at which TNEB purchases electricity from rest of the respondents (being independent power producers) on the grounds that the tariff rates fixed are high and would affect consumers. TNEB refutes the contentions of the petitioner on the grounds that the power purchase cost were based on the capital cost clearance by CEA and the executed PPAs which were based on the guidelines issued by the central government. GPCL contends that the Commission is not permitted to revise the tariff contained in the PPA since it is in accordance with the applicable law and that the tariffs were decided by the order dated March 15, 2003 passed by the TNERC. The TNERC order has been stayed by the High Court.

Customs duty

- An application (No. 17 & 18) has been filed by GPCL before the Customs and Central Excise Settlement Commission, Southern Regional Bench at Chennai under Section 127B of the Customs Act, 1962 in response to show cause notice (Ref. No. S/IV/15/2003/887) dated December 23, 2003 issued by the Directorate of Revenue Intelligence, Bangalore demanding a differential customs duty of Rs. 59,822,147 for “other services” in relation to the EPC contract entered into by GPCL with M/s. Hyundai Heavy Industries Company Limited, Korea. GPCL has paid the said sum and interest thereon pursuant to firm order dated September 24, 2004 issued by the Settlement Commission.

Other statutory claims

1. A petition (M.C.V.No.3296 of 2003) has been filed before the Motor Accident Claims Tribunal, Bangalore on behalf of Mr. Mohammed Khasim against GPCL and the New India Assurance Co Ltd under Section 166 of the Motor Vehicles Act, 1989 claiming compensation of Rs. 200,000 (along with interest) for permanent disability caused to Mr. Khasim by a car, that is owned by GPCL, being driven in a rash and negligent manner. GPCL contests the claim on the ground that the accident occurred due to the negligence of Mr. Khasim. The case has been posted to March 17,2005

Cases filed by GPCL

Tax cases

1. For the assessment year 2003-04, GPCL has claimed a tax refund of Rs. 7,76,396 from the Assistant Commissioner of Income Tax for short grant of TDS credit of Rs. 2,79,774 and short grant of interest under Section 244A of the Income-tax Act on tax refund amount.

Show cause notices

1. Show cause notice (SCN No. 3/2003) dated September 24, 2003 has been issued against GPCL by the Office of the Commissioner of Central Excise, Chennai requiring it to show cause why: (i) it should not be denied of the exemption from duty availed by it for the low sulphur heavy stock from September 1998, (ii) the registration certificate issued to it should not be cancelled under Rule 9 of the Central Excise Rules, 2002 read with Rule 174 of the erstwhile Central Excise Rules, 1944, (iii) certificates issued to them for procurement of low sulphur heavy stock without payment of duty should not be withdrawn, (iv) an amount of Rs. 1,383,296,154 should not be demanded from it under Rule 6 of the Central Excise (Removal of Goods at Concessional Rate of duty for Manufacture of Excisable Goods) Rules, 2001, and (v) penalties should not be imposed in relation to the above. Company has been granted an extension until February 28, 2005 to respond to the notice.

2. Show cause notice (SCN No. 4/2003) dated November 5, 2003 issued by the Commissioner of Central Excise, Chennai to GPCL requiring it to show cause, within 30 days from the date of receipt of the notice, primarily why: (i) it should not be denied the benefit of the exemption from duty as availed by it as regards the low sulphur heavy stock from October 2002 to February 2003, (ii) the registration certificate issued to it should not be cancelled under Rule 9 of the Central Excise Rules, 2002 read with Rule 174 of the erstwhile Central Excise Rules, 1944, (iii) certificates issued to it for procurement of low sulphur heavy stock without payment of duty should not be withdrawn, (iv) an amount of Rs. 144,237,805 should not be demanded from them under Rule 6 of the Central Excise (Removal of Goods at Concessional Rate of duty for Manufacture of Excisable Goods) Rules, 2001, and (v) penalties should not be imposed in relation to the above. Company has been granted an extension until February 28, 2005 to respond to the notice.

   A writ petition was filed against the above two show cause notices and withdrawn with liberty to refile in the High Court. GPCL has obtained extension of time for replying to show cause notice till February 28, 2005.

3. Show cause notice (Ref. No. TNGST. No. 1560953/2003-04) dated June 25, 2003 issued by the Commercial Tax Officer, Chennai to GPCL demanding payment, within 24 hours from the date of receipt of the notice, of the amount of Rs. 102,756,141 representing the amount of difference in tax on the sales of low sulphur heavy stock for the period from April 2003 to July 2003 due to change in rate of tax from 3% to 16%. GPCL is awaiting response from the government of Tamil Nadu to continue paying tax at 3%.

(d) VPGL

Cases filed against VPGL

Civil cases

1. A suit (No 54 of 1999) has been filed against VPGL as a garnishee for an amount of Rs. 641,000, along with an interest of 24% per annum, payable to Mr. Subbaraju. VPGL has deposited this amount in court and the court has stayed the payment of interest upon VPGL paying the principal amount. The final order is pending.

(e) GIL

Cases filed against GIL

Tax cases

1. For the assessment year 2001-02, GIL has challenged the disallowance of Rs. 31,13,867 as business expenditure under Section 37(1) of the Income Tax Act and denial of set-off of brought forward losses of Rs. 90,41,727, as set out in the assessment order dated March 24, 2004 passed by the Deputy Commissioner of Income Tax by way of an appeal filed before the Commissioner of Income-tax (Appeals)-I, Hyderabad.

Cases filed by GIL

Criminal cases

The following complaints have been filed in the court of XIV Additional Chief Metropolitan Magistrate, Bangalore by GIL against Mr. S.P. Mani for dishonour of certain cheques under Section 138 of the Negotiable Instruments Act :

Case number	Details of the cheque	Value of the cheque
C.C.26715/03 [P.C.R No. 2299/2002]	Cheque dated March 15, 2002 bearing number 684663 drawn on Karnataka Bank Ltd, Sarakki Layout branch	Rs. 103,700
C.C. No. 26799/03	Cheque dated January 15, 2002 bearing number 684661 drawn on Karnataka Bank Ltd, Sarakki Layout branch	Rs. 50,000
	Cheque dated February 15, 2002 bearing number 684662 drawn on Karnataka Bank Ltd, Sarakki Layout branch	Rs. 50,000

These matters have been posted on March 15, 2005 for serving of the summons to the accused.

Tax cases

1. GIL has made an application under Section 154 of the Income-tax Act for the assessment year 2001-02 claiming refund of Rs. 928,133 as interest under Section 244A of the Income Tax Act on refund amount of Rs. 4,719,319. The Commissioner of Income Tax (Appeals) -1, Hyderabad has passed an order dated March 9, 2004 stating that no reason has been given by the assessing officer for non-grant of interest and the assessing officer has therefore been directed to decide the rectification application filed by GIL.
2. For the assessment year 2003-04, GIL has filed an application before the Assistant Commissioner of Income-tax, Hyderabad for tax refund of Rs. 19,35,236 due to short grant of interest of Rs. 16,35,392- on tax refunds and excess charge of interest under Section 234C by Rs. 2,99,844.

(f) GMR Industries

Cases filed against GMR Industries

Civil cases

1. An appeal (A.S. No. 2061 of 2003) has been filed in the High Court of Andhra Pradesh by Mr. Vegesna Narayan Raju against GMR Industries and others wherein it has appealed the order dated October 21, 2002 in O.S. No. 40/97. the appeal has been filed on the grounds that the said order grants refund of Rs. 180,000 (along with interest at 6% per annum) to Mr. Raju instead of ordering specific performance of the agreement of sale dated March 12, 1995 for sale of a certain property belonging to the respondents (other than GMR Industries), as prayed for by Mr. Raju in the original suit. Mr Raju's claim against GMR Industries is that purchase of part of the suit property by GMR Industries Ltd was illegal as the original suit was pending at the time of such sale. GMR Industries maintains that it acquired the land as a bona fide purchaser without knowledge of the pendency of this suit. The said matter is pending hearing.

Tax cases

1. A demand notice (GIR No. AAACG 8091 J/S-61) dated March 29, 2004 has been received by GMR Industries from the Deputy Commissioner of Income Tax demanding payment of Rs. 70,06,881 for the assessment year 1999-2000 pursuant to the order passed by the Commissioner of Income Tax in case No. CIT(C)/Hyd./263 (24)/2003-04 dated March 18, 2004. GMR Industries has challenged this demand by way of an appeal filed before the Income-tax Appellate Tribunal as well as Commissioner of Income-tax (Appeals)-I, Hyderabad.
2. An appeal has been filed by GMR Industries against show cause notice dated October 9, 2003 issued by the Deputy Commissioner (CT), Vizianagaram, relating to the assessment year 2000-2001 setting out a sum of Rs. 41,937,199 payable by GMR Industries as sales tax under the APGST Act, 1957. This demand has been made on transfer of capital assets pursuant to transfer of assets by GMR Industries to GMR Breweries and Industries Ltd and purchase of the entire share capital of GMR Breweries and Industries Ltd by Mc Dowell Alcobev Ltd, Chennai.
3. The Additional Commercial (CT) (Legal), Andhra Pradesh has passed orders dated January 31, 2004 to the effect that molasses is deleted from the G 2 certificate and therefore, an offence under Section 7A(2) of the APGST Act has been made against GMR Industries for which the following penalties, aggregating Rs. 9.6 million, have been imposed:

Details of order	Assessment year	Penalty imposed
LV(3)/2412/2003	1991-92	Rs. 31,106
LV(3)/2413/2003	1992-93	Rs. 102,400
LV(3)/2414/2003	1993-94	Rs.172,146
LV(3)/2415/2003	1994-95	Rs. 3,081,198
LV(3)/2416/2003	1995-96	Rs. 3,484,677
LV(3)/2417/2003	1996-97	Rs. 2,735,136

GMR Industries has challenged these orders before Commissioner of Income-tax (Appeals) -I.

4. Varalakshmi International has filed an application for the assessment year 2002-03 under Section 154 of the Income-tax Act to the Deputy Commissioner of Income-tax, Hyderabad seeking cancellation of the demand of Rs.1,885 on the ground that the interest under Section 234C of the Income-tax Act had been wrongly calculated at Rs.151,815 as against Rs. 149,930.
5. An appeal has been preferred by Shulton Commercial Company Private Limited for the assessment year 1999-2000 to the Income-tax Appellate Tribunal, against the order dated January 28, 2004 passed by the Commissioner of Income-tax (Appeals)-1, Hyderabad, seeking allowance of expenses amounting to Rs. 1,266,888 under Section 36(1)(iii) of the Income-tax Act. This appeal was filed pursuant to a demand of Rs. 20,273 made on Shulton Commercial.

Cases filed by GMR Industries

Criminal cases

1. A criminal case (C.C. 418/2003) has been filed by GMR Industries against Karnatak Agrochemical Pvt Ltd ("KAC") and its directors, Mr. Ashok Nair and Mr. Sunil Ramachandran in the court of the XI Metropolitan Magistrate, Secundrabad, based in relation to non-payment of certain disputes sums by KAC for goods supplied by GMR Industries in terms of the contract dated June 10, 2000 entered into by the parties for supply of copper scrap. KAC disputes payment of the amount on the ground that the goods supplied were substandard. The complaint has been filed under Section 420 of the Indian Penal Code on the ground that the accused have fraudulently and dishonestly induced GMR Industries to endorse the shipping documents for supply of the materials in KAC's favour under a false promise to pay the outstanding amount. The matter is posted on July 14, 2005 for examination of the accused
2. Criminal cases have been filed by GMR Industries under Section 138 of the Negotiable Instruments Act for dishonour of the following cheques, issued in its favour :

Details of case	Name of the accused(s)	Details of the cheque	Value of the cheque
C.C.294 of 2000 in the court of the IV Metropolitan Magistrate, Hyderabad	NU TECH Organic Chemicals Ltd ("NU TECH"), Mr. T.G. Lakshminath, president of NU TECH and Ms. T. G. Vanaja, director of NU TECH	Cheque dated May 24, 1999 bearing number 014260 drawn on Central Bank of India, Adoni branch Cheque dated May 29, 1999 bearing number 014261 drawn on Central Bank of India, Adoni branch	Rs.295,000 Rs. 157,000
C.C.295 of 2000 in the court of the IV Metropolitan Magistrate, Hyderabad	NU TECH, Mr. T.G. Lakshminath, and Ms. T.G. Vanaja	Cheque dated February 20, 1999 bearing number 014214 drawn on Central Bank of India, Adoni branch	Rs.150,000

Details of case	Name of the accused(s)	Details of the cheque	Value of the cheque
C.C. No. 640 of 1999 in the court of the Metropolitan Magistrate, Hyderabad	NU TECH and Mr. T.G. Lakshminath, president of NU TECH	Cheque dated March 20, 1999 bearing number 014217 drawn on Central Bank of India, Adoni branch	Rs. 300,000
		Cheque dated April 4, 1999 bearing number 014218 drawn on Central Bank of India, Adoni branch	Rs. 3,00,000
C.C.641 of 1999 in the court of the Metropolitan Magistrate, Hyderabad	NU TECH and Mr. T. G. Lakshminath	Cheque dated April 14, 1999 bearing No. 014219 drawn on Central Bank of India, Adoni branch	Rs.300,000
C.C.636 of 1999 in the court of the IV Metropolitan Magistrate, Hyderabad	NU TECH and Mr. T. G. Lakshminath	Cheque dated March 10, 1999 bearing No. 014216 drawn on Central Bank of India, Adoni branch	Rs.200,000
		Cheque dated April 24, 1999 bearing 014220 drawn on Central Bank of India, Adoni branch	Rs. 400,000
		Cheque dated March 10, 1999 bearing number 014262 drawn on Central Bank of India, Adoni branch	Rs. 150,000

The above criminal cases are dismissed and GMR Industries has preferred appeals (yet to be numbered) in the High Court of Andhra Pradesh. The matter is expected to come up after March, 2005.

3. Criminal case (C.C. 312/2000) dated November 29, 2000 has been taken on record under Sections 420 and 406 of the Indian Penal Code regarding the dispute between GMR Industries and Golden Rich (Chung's) Development Company Ltd, as set out below. The case has been forwarded to the Central Bureau of Investigation, New Delhi.

Writ petitions / civil disputes

1. A writ petition (W.P. 5713 of 2000) has been filed in the High Court of Andhra Pradesh by GMR Vasavi Industries Ltd against National Thermal Power Corporation Ltd, APTRANSCO and others. In this petition, GMR Industries has prayed for issuance of a writ of mandamus declaring as illegal the demands of Rs.28,424,028 and Rs. 6,044,572.45 made by APTRANSCO on GMR Industries for power supplied by it (and in turn by NPTC) for periods for which the electricity charges have allegedly been paid. This petition was restored by order dated July 10, 2003 in W.A.No.372 of 2003, which appeal had been filed on the grounds that payment of the disputed amount by GMR Industries under protest did not amount to a withdrawal of the petition. The installments are in the process of being remitted by the Company. The matter is expected to come up on the February 22, 2005.
2. A writ petition (W.P. No. 6287 of 2001) filed by GMR Industries against APTRANSCO, Superintendent Engineer (Operations) and Senior Accounts Officer (Operation Circle) of Eastern Power Distribution Company of Andhra Pradesh Limited and National Thermal Power Corporation Limited has been restored in the High Court of Andhra Pradesh by order dated July 10, 2003 in W.A. No. 382 of 2003. The writ petition seeks for a writ of mandamus declaring as illegal the demand made by Eastern Power Distribution Company of Andhra Pradesh Limited on GMR Industries for payment of Rs. 15,424,788 towards supplementary bills from March, 2000 to February, 2001 payable to NTPC for supply of electricity. The disputed amount had been paid under protest by GMR Industries. The matter is expected to come up on the February 22, 2005.
3. A writ petition (W.P. No. 19706 of 2003) has been filed by GMR Industries against APTRANSCO, Eastern Power Distribution Company of AP Ltd ("APEPDCL"), the Superintending Engineer and Senior Accounts Officer of APEPDCL in the High Court of Andhra Pradesh praying for issue of a writ of mandamus to declare as unauthorized the demand made by APEPDCL of Rs. 4,816,386 allegedly arising out of delayed payments to NTPC for supplementary arrears and penal interest for the period November 2002 to July 2003. GMR Industries contends that this action is unjustified as payment of the principal amount was pending adjudication in W.P. 5713 of 2000 and W.P. No. 6287 of 2001. An order dated September 18, 2003 was passed in miscellaneous petition (W.P. M.P. No. 24711 of 2003) filed in this suit granting suspension of operation of the letter issued by APEPDCL demanding payment of the additional amount. . The matter is expected to come up on the February 22, 2005.
4. A suit (O.S. No. 109 of 2001) has been filed by GMR Industries against KAC in the court of the II Additional Chief Judge, City Civil Court at Hyderabad for recovery of a sum of Rs. 1,383,933 for goods supplied by GMR Industries in terms of the contract dated June 10, 2000 entered into by the parties for supply of copper scrap. KAC disputes this sum on the ground that the goods supplied were substandard and therefore, it was liable to pay the amount of Rs. 735,884 only. Further, KAC has counter claimed a sum of Rs. 2,550,000 alleging that it had suffered loss due to delay in supply of the goods. The matter is reserved for judgement.

5. A suit (O.S. 214 of 2002) has been filed in the court of the Chief Judge, City Civil Court, Hyderabad by GMR Industries against NU TECH Organic Chemicals Ltd and its directors Ms. T.G. Vanaja and Mr. K.H. Vittal Rao for recovery of Rs. 3,200,025.60 (along with interest at the rate of 24% per annum). GMR Industries claims that inferior goods were supplied to it under the MOU dated September 16, 1998 entered into by the parties for the export of castor oil derivates in the name of GMR Industries. This suit was filed pursuant to dishonour of cheques of a total value of Rs. 0.18 crores in favour of GMR Industries and non-payment of the promissory note for Rs. 1,860,480 in the name of GMR Vasavi Industries Ltd. NU TECH denies that it is liable (i) to pay any amount to GMR Industries, or (ii) for non-execution of the promissory note. The last date of hearing is on February 24, 2005.
6. An appeal (C.M.A. No. 363 of 2004) has been filed by GMR Industries in the High Court of Andhra Pradesh against Golden Rich (Chung's) Development Company Ltd ("Golden Rich"), Yangming (U.K.) Limited, UTI Bank Limited, Citi Bank (Paris) and others for setting aside the order dated January 29, 2004 in O.S. No. 499 of 2000 passed by the Additional Chief Judge. The case is based on the contract dated May 9, 2000 between GMR Industries and Golden Rich for procurement of aluminium scrap. GMR Industries contends that the same set of goods was sold to multiple parties and further, instead of aluminium scrap, ammonium sulphate was supplied. On this basis, GMR Industries claims that the defendants have fraudulently induced GMR Industries to establish a letter of credit and it has sought for an order of permanent injunction restraining UTI Bank Ltd from paying under the letter of credit and for award of damages of US$ 88,961. An interim order dated March 15, 2004 (C.M.P. No. 2780 of 2004 in C.M.A No. 363 of 2004) has been passed by the High Court for maintaining status quo (that is, not making payment on the letters of credit) for two weeks from the date of the order. The next date of hearing is on June 14, 2004. The High Court has disposed this matter. The trial has commenced in the lower court. The next date of hearing is on February 23, 2005
7. A suit (O.S. No. 35 of 2001) has been filed by GMR Industries in the High Court of Andhra Pradesh against Yangming (U.K.) Limited ("Yangming"), Ming Comfort (010009), Port Trust Authorities and others under Sections 443 and 444 of the Merchant Shipping Act, 1958 read with Admiralty Court Act, 1861 and Colonial Courts of Admiralty Act, 1890 wherein GMR Industries has prayed for order of arrest of the sea going vessel, Ming Comfort 1996, belonging to the group company of Yangming, to be kept in the custody of the Port Authorities, Mumbai in order to satisfy the decree passed in O.S. No. 499 of 2000. By order dated April 20, 2001 the prior order for arrest of the ship was lifted subject to the condition that Yangming furnish a bank guarantee of Rs. 4,000,000 in favour of the registrar of the court. The Bank of Baroda has granted a bank guarantee. The bank guarantee is valid till April 27, 2005.
8. A suit (O.S.NO.2/2005) has been filed by GMR Industries against Transmission Corporation of A.P. and 3 others in District Court Srikakulam, GMR Industries has prayed for an ex-party ad interim injunction restraining the respondents from enforcing the demand dated January 19, 2005 for Rs.17,59,948.55. APERC passed the orders revising the tariff rates applicable to the Ferro units, AP Transco raised demands on various dates and GMR Industries made payments on various dates But AP Transco raised further demand on January 19, 2005 for Rs. 17,59,948.55. An Urgent Notice has been issued by the Court and "Status quo" issued till February 23, 2005.
9. Two writ petitions ((W.P.M.P.No.813/2005 in W.P.No.606/2005) W.P.M.Pno.776/2005 in W.P.No.574/2005) have been filed by APTRANSCO in the High Court of Andhra Pradesh against APERC and GIDL challenging the order of the APERC order dated November 17, 2004. The High Court has admitted the petition filed by AP Transco and an interim stay has been issued restraining APERC from further proceedings. GMR Industries is required to file the Vakalatnama.

Tax cases

1. A show cause notice (Ref. No. LV (3)/633/2004) dated March 20, 2004 has been issued by the Additional Commissioner of Commercial Tax, Government of Andhra Pradesh against GMR Industries, setting aside the order granted by the Appellate Deputy Commissioner, Kakinada. The case involves non-deduction of taxes by the assessee under Section 5-H of the APGST Act while making payments to contractors for work contract transactions for the assessment year 1996-97. The amount of tax demanded is Rs. 466,245 from GMR Industries.
2. A show cause notice (Ref. No. LV(3)/650/2004) dated March 20, 2004 issued by the Additional Commissioner of Commercial Tax, Government of Andhra Pradesh setting aside the order granted by the Appellate Deputy Commissioner in relation to the non-deduction of taxes by the assessee under Section 5-H of the APGST Act while making payments to contractors for work contract transactions for the assessment year 1996-97. The amount of tax payable is Rs. 192,961
3. An appeal has been made by GMR Industries to the Income Tax Appellate Tribunal, Hyderabad for the assessment year 1997-98 against the order dated August 29, 2003 of the Commissioner of Income Tax (Appeals) -1, Hyderabad, for allowance of a deduction of Rs. 44,788,017 under Section 80 HHC of the Income Tax Act.
4. GMR Industries has made an application dated August 21, 2003 under Section 154 of the Income Tax Act for the assessment year 2001-2002 claiming a refund of Rs. 2,796,515 comprising of a short fall in grant of credit for TDS for the amount of Rs. 203,475 and short grant of interest of Rs. 2,593,040 on tax refunds under Section 244A of the Income Tax Act.
5. GMR Industries has made an application for the assessment year 2002-03 claiming a refund of Rs. 1,71,451 for short grant of interest on tax refunds under Section 244A of the Income Tax Act.

6. An appeal has been made to the Income Tax Appellate Tribunal, Hyderabad for the assessment year 1999-2000 against the order dated August 19, 2003 passed by the Commissioner of Income-Tax (Appeals)-1, Hyderabad disallowing the claim of the assessee for exemption of Rs. 3,75,00,000 under Section 10(23G) of the Income Tax Act in respect of long term capital gains on the sale of certain number of bonus shares of A.P.Gas Power Corporation Ltd by GMR Industries.
7. A show cause notice has been issued by the Assistant Commissioner of Central Excise, Andhra Pradesh raising a demand of Rs. 55,375 and Rs. 89,794 in respect of assessment year 2002-03 and 2003-04, respectively, alleging that Cenvat credit on items of regular inputs for the power plant during off season period would not be available. GMR Industries has filed a detailed objection challenging the aforesaid levy.
8. A writ petition has been filed in the High Court of Andhra Pradesh challenging the demand of Rs. 0.13 crores raised by the Assistant Commissioner of Commercial Taxes, Andhra Pradesh holding that sales tax is payable on transfer of license to GMR Power Corporation Pvt. Limited for set up of 200 MW power plant. GMR Industries has paid a sum of Rs. 0.06 crores as ordered by the court and the balance demand of Rs. 0.06 crores has been stayed.

(g) Sri Varalakshmi Jute Twine Mills Pvt. Ltd

Cases filed against Varalakshmi Jute

Tax cases

1. A demand notice dated March 11, 2004 has been issued by the Income Tax Department, Hyderabad against Varalakshmi Jute for the assessment year 2003-04 for payment of tax of the amount of Rs. 76,116. In response, Varalakshmi Jute has filed a petition under Section 154 of the Income Tax Act disputing the calculation of interest payable under Sections 234 B and 234 C of the Income Tax Act.
2. An appeal has been filed by Varalakshmi Jute before the Joint Commissioner (CT) (Legal), Hyderabad for the assessment year 1999-2000 in relation to disallowance of Rs. 133,031 for concessional rate of sales tax under the Central Sales Tax Act due to defects in the Form F filed by Varalakshmi Jute.

Labour disputes

1. An industrial dispute (I.D.No. 181/99) has been filed before the Industrial Tribunal cum Labour Court, Visakhapatnam by the General Secretary of Rajam Jute Mills Workers Union against the management of Vasavi Jute Mill Pvt Ltd. The workmen have claimed that the management was unjustified in leasing out the factory temporarily to another management while it was under lock-out and terminating the services of 220 workmen by invoking Section 25-FF of the Industrial Disputes Act without following the provisions of Section 25-N of the Industrial Disputes Act. The management of Vasavi Jute Mills states that the lease of the factory during the lock-out was not illegal under Section 25-FF of the Industrial Disputes Act. Further, Section 25-N of the Industrial Disputes Act had no applicability as a transfer under Section 25-FF does not amount to re-trenchment. The judgement in the said matter is expected in end February.
2. A dispute (I.D.No.243/98) has been filed before the Industrial Tribunal cum Labour Court, Visakhapatnam by the General Secretary of Rajam Jute Mills Workers Union and Sri Vasavi Jute Twine Workers Union against the management of Vasavi Jute Mill Pvt Ltd in relation to whether the strike resorted to by Rajam Jute Mills Workers Union with effect from January 16, 1998 followed by a lock-out declared by the management with effect from February 20, 1998, was justified. The management claims that the strike was illegal as the workers were compelled to participate in the strike and further, due to the alleged violent nature of the strike the management was forced to declare a lock-out and therefore, the lock-out was valid. The union workers contend that since the management had not agreed to their demands, they were forced to resort to a strike but the lock-out was unjustified as it has been declared to allegedly victimise the workmen and the circumstances did not warrant the declaration of a lock-out. The union workers have demanded for payment of back wages during the period of the strike and consequential lock-out. . The judgement in the said matter is expected in end February.

Cases filed by Varalakshmi Jute

Criminal case

1. A complaint (C.C. No. 138/03 and 139/2003) has been filed in the court of the Judicial Magistrate, First Class at Rajam by Sri Varalakshmi Jute Twine against Mr. R. Venkataraaju, being the proprietor of CBR Mallikaai, under Section 138 of the Negotiable Instruments Act for dishonour of a cheque dated December 30, 2002 bearing number 727544 for Rs. 10,000 and another cheque dated January 31, 2003 bearing number 014403 for Rs.284,150, both drawn on State Bank of India, Ramnagar branch, Coimbatore. The next date is yet to be got from the court.

Tax cases

1. Varalakshmi Jute has made an application under Section 154 of the Income-tax Act for the assessment year 2002-03 claiming refund of Rs. 25,064 for short grant of interest under Section 244A of the Income Tax Act on tax refund amount
2. An application has been filed by Varalakshmi Jute to the Deputy Commissioner of Income Tax under Section 154 of the Income Tax Act for the assessment year 2001-02 claiming a tax refund of Rs. 504,205 comprising of a short fall in tax refund of Rs.14,918 and a short fall in grant of interest under Section 244A of the Income Tax Act to the extent of Rs. 489,287.

3. Varalakshmi Jute has filed an appeal before the Commissioner of Income-tax Appeals, Visakhapatnam for the assessment year 1999-2000 against the order dated March 21, 2002 passed by the Deputy Commissioner of Income-tax assessing the income under Section 115J of the Income-tax Act to be Rs. 161,290. The company has claimed that the income is nil and has therefore, claimed refund of tax-deduction at source for the amount of Rs. 56,452

Show cause notices

1. A show cause notice (SCN No. 23/2004) dated April 29, 2004 has been issued by the Office of the Directorate General of Central Excise, Chennai to Sri Varalakshmi Jute Twine Mills requiring it to show cause to the Commissioner of Central Excise, Visakhapatnam, within 30 days from the date of receipt of the notice, why: (i) the aggregate sum of Rs. 12,512,484 is not payable as customs duty under Section 11A of the Central Excise Act, 1944, and (ii) the machinery of 100% EOU imported duty free valued at Rs. 36,152,526 should not be ordered for confiscation for misuse under Section 111(o) of the Customs Act, 1962. Sri Varalakshmi Jute Twine Mills has replied to this notice and the matter is pending before the said authorities.

(h) Rao Investments Private Limited and entities which have merged with it

Cases filed against Rao Investments and entities merged with it

<u>Tax cases</u>

1. A demand of Rs. 167 has been raised by the Income-tax Department vide its letter dated March 7, 2003 on account of change in rate of interest applied from 1.5% to 1.25% under Section 234C of the Income Tax Act. The company has made an application dated March 27, 2003 under Section 154 of the Income Tax Act to the Deputy Commissioner of Income Tax for cancellation of the said demand.

Cases filed by Rao Investments and entities merged with it

<u>Tax cases</u>

1. An appeal dated March 17, 2004 has been filed by Rao Investments before the Income Tax Appellate Tribunal, Hyderabad claiming that deduction of interest of Rs. 14,61,945 is to be allowed under Section 36(1)(iii) of the Income Tax Act. The contention of the assessing authorities is that this amount is attributable to exempted income and therefore cannot be allowed in view of Section 14-A of the Income Tax Act. This appeal has been preferred against order dated January 30, 2004 by the Commissioner of Income-Tax (Appeals)-1.
2. Rao Investments has made an application under Section 154 of the Income-tax Act for the assessment year 2003-04 claiming a refund of Rs. 98,018 for excess charge of interest of Rs. 40,785 under Section 234C, Income-tax Act and non-grant of minimum alternate tax credit of Rs. 57,233.
3. An appeal has been filed by Vasavi Finance Private Limited (merged with Rao Investments) before the Income Tax Appellate Tribunal, Hyderabad, with regard to the assessment year 1999-2000, claiming a business loss of Rs. 24,205 on the basis that such expenses were deductible under Section 37 of the Income Tax Act. This appeal has been filed against the order dated July 2, 2002 by the Commissioner of Income-Tax (Appeals), Hyderabad which disallowed the expenditure on the ground that the expenses are attributable to the earning of dividend income which is exempt under Section 10(33) of the Income Tax Act and further, by virtue of Section 14A, no deduction shall be made in respect of expenditure incurred in relation to income which does not form a part of the total income.
4. Vasavi Finance has made an application under Section 154 of the Income-tax Act for the assessment year 2003-04 claiming a refund of Rs. 17,489 for excess charge of interest of Rs. 3,840 under section 234C and non-grant of minimum alternate tax credit of Rs. 13,649.
5. An appeal has been filed by GMR Investments before the Income tax Appellate Tribunal, Hyderabad for the assessment year 1999-2000 claiming Rs.7,088,474 as deductible expenditure. This appeal has been preferred against order dated December 18, 2002 from the Commissioner of Income Tax (Appeals) disallowing the interest payment of the said sum for the reason that this amount was the cost of interest that was attributable to the earning of dividend income that is exempt from tax. The assessee claims that the interest paid on money borrowed for the purpose of business should be allowable as a deduction under Section 36(1) (iii) of the Income-tax Act.
6. A refund application for Rs. 16,068 has been made by GMR Investments vide letter dated October 21, 2003 for the assessment year 2001-2002 under Section 154, Income-tax Act on the grounds that though the return of income had been allowed at Rs. 16,500, the refund granted to the assessee was Rs. 4,117 which had resulted in a short grant of tax refund by Rs. 12,383 and a short grant of interest of Rs. 3,685 under Section 244A, Income Tax Act.
7. An appeal has been filed by GMR Investments before the Income tax Appellate Tribunal the assessment year 2001-2002 praying for the allowance of interest expenses of Rs. 4,91,92,539 and demat charges of Rs. 2,34,440. This appeal has been preferred against order of the Commissioner (Appeals) Hyderabad. The case involves claims by the assessee for allowing deduction of certain amounts under Section 36(1) (iii) of the Income Tax Act or cost of acquisition under Section 48 of the Income Tax Act. The assessing authorities have held that such amounts are not covered under Section 36(1) (iii), Income Tax Act.

8. A tax demand of Rs. 5,26,088 has been created in the consequential order passed by the Assistant Commissioner of Income-tax in respect of assessment year 2001-02 to give effect to the order of Commissioner (Appeals) computing therein an income of Rs. 9,63,616. GMR Investments Pvt Ltd has challenged this by way of an appeal filed before the Commissioner of Income-tax (Appeals)-I, Hyderabad.
9. Varalakshmi Investments has filed an appeal before the Income-tax Appellate Tribunal, Hyderabad for assessment year 1999-00 claiming Rs. 10,696,213 as deductible expenses. This appeal has been filed against the order dated December 18, 2002 of the Commissioner of Income-tax (Appeals)-I, Hyderabad wherein the interest payment of Rs. 10,696,213 has been disallowed as expenses under Section 36(1) (iii) of the Income Tax Act in light of Section 14A of the Income tax Act.
10. An appeal has been filed by Varalakshmi Investments before the Income-tax Appellate Tribunal for assessment year 2001-02 seeking deduction of Rs. 36,109,430 under Section 36(1)(iii) of the Income Tax Act and Rs. 2,94,173 as business expenditure deduction under Section 37(1) of the Income-tax Act. This appeal has been preferred against the order dated January 9, 2004 from the Deputy Commissioner of Income Tax.
11. Varalakshmi Investments has made a demand for refund vide letter dated June 4, 2003 under Section 154 of the Income-tax Act for the assessment year 2002-03 for Rs. 850,155. This refund was not granted to it pursuant to a notice dated May 12, 2003 issued by the Deputy Commissioner of Income Tax for rectification of a mistake.
12. A tax demand of Rs. 4,79,363/- has been created in the consequential order passed by the Assistant Commissioner of Income-tax in respect of assessment year 2001-02 to give effect to order of Commissioner (Appeals) computing therein an income of Rs. 8,79,080/-. This is challenged by way of an appeal filed before the Commissioner of Income-tax (Appeals)-I, Hyderabad.

(i) Medvin Finance Private Limited

Cases filed against Medvin Finance

Tax cases

1. Medvin Finance has preferred an appeal to the Income Tax Appellate Tribunal for the assessment year 1999-2000 against the disallowance of Rs. 1,152,234 as a deduction under Section 36 (1)(iii) of the Income Tax Act by order dated December 18, 2002 passed by the Commissioner of Income-Tax (Appeals). A demand of Rs. 1,060 has been made on Medvin Finance on the basis of the abovementioned order.
2. An application has been made by Medvin Finance under Section 154 of the Income Tax Act against the demand of Rs. 286 for the assessment year 2002-2003 on the grounds that excess interest has been charged under Section 234C of the Income Tax Act.

Cases filed by Medvin Finance

Tax cases

1. An application has been made by Medvin Finance for the assessment year 2001-2002 to the Assistant Commissioner of Income Tax for tax refund of Rs. 81,630 comprising income tax of Rs. 24,372 and short grant of interest of Rs. 57,258 on tax refund under Section 244A of the Income Tax Act.
2. A claim raised by the Rajam on the Deputy Commissioner of Income-tax, Hyderabad for a tax refund of Rs. 4,977 as determined in the consequential order passed by the Deputy Commissioner of Income tax, Hyderabad on February 10, 2003 to give effect to the order of the Commissioner of Income-tax (Appeals)-I, Hyderabad dated December 5, 2002 for the assessment year 1999-2000.
3. An appeal has been preferred by Rajam for the assessment year 2000-2001 to the Income Tax Appellate Tribunal, Hyderabad against the order dated January 27, 2004 passed by the Commissioner of Income-tax (Appeals)-1, Hyderabad praying for allowance of a sum of Rs. 21,54,701 as a deduction under Section 36(1)(iii) of the Income-tax Act.
4. Rajam has preferred an appeal to the Commissioner of Income-tax (Appeals) for the assessment year 2001-2002 against the order dated December 24, 2003 passed by the Deputy Commissioner of Income-tax [wherein a demand of Rs. 2,374 has been made on the company]. The company has claimed for deduction of Rs.921,186 under Section 36(1)(iii) of the Income-tax Act and Rs. 64,285 under Section 37(1) of the Income Tax Act.

(j) Ideaspace Solutions Ltd

Cases filed against Ideaspace

Tax cases

1. Ideaspace has filed an application under Section 154 of the Income-tax Act in respect of assessment year 2002-03 before the Assistant commissioner of Income-tax for tax refund of Rs. 5,24,996 comprising of income-tax of Rs. 4,04,135 paid by way of self-assessment and interest on tax refund of Rs. 1,20,861 under Section 244A of the Income-tax Act.

Cases filed by Ideaspace

Tax cases

1. An appeal has been made by the company to the Income Tax Appellate Tribunal, Hyderabad for the assessment year 1999-2000 against the order dated July 15, 2003 of the Commissioner of Income tax (Appeals)-1, Hyderabad seeking for the sum of Rs. 353,330 to be allowed as business expenditure and for allowance of set-off of brought forward loss of Rs. 3,219,077 representing unabsorbed depreciation for the assessment year 1996-97 and 1997-98 on written down value of assets of M/s. Esteem Capital Services Limited, which had merged with Ideaspace.

(k) ING Bank N.V. - Operations in India

Tax cases in India

ING Bank N.V. has challenged the following tax assessments on grounds of disallowance of club expenses, leasehold expenses, broken period interest, expenditure incurred on earning tax-free income, revaluation of foreign exchange forward contracts, etc. The cases are currently pending before the Income-Tax Appellate Tribunal.

Assessment year	**Appeal number**	**Amount of deduction claimed (in INR)**	**Present status**
1996-97	ITA 307/M/2001 ITA 266/M/2001	14,49,578 48,43,889	The last date of hearing was February 15, 2005.
1997-98	ITA 166/M/2001 ITA 267/M/2001	1,13,17,081 3,28,11,241	The last date of hearing was February 1, 2005.
1998-99	ITA 5195/M/2001 ITA 5350/M/2001	1,23,43,791 7,44,80,663	The last date of hearing was February 15, 2005. Next date of hearing to be notified.

The following cases have been filed for recovery of dues.

Party involved	**Value of suit (in US$)**
Enkay Taxofood Industries Limited	42,00,000
Amforge Industries Limited	20,00,000
Vitara Chemicals	25,00,000
Patheja Forgings & Autoparts Manufacturers Limited	40,00,000
BPL Limited	40,00,000

VI. Cases involving our Directors

1. Mr. K.R.V Subrahmanian

   While acting as a director in Kothari Sugars and Chemicals Limited, the said company was listed as a willful defaulter by the RBI owing to the proceedings that were underway before the Board for Industrial and Financial Reconstruction (BIFR). We are informed that the restructuring of the said company as per the orders of the BIFR is in progress. He is no longer the director of the said company and is in no way associated with its current functioning.

2. Mr. GM. Rao

   The cases involving our promoter-director, Mr. G.M. Rao, are detailed in the sub-section entitled 'Cases involving our Promoters'on page 195 of this Letter of Offer. There are no other cases involving any of our Directors.

Except for the cases involving Mr. K.R.V Subrahmanian and our promoter-director, Mr. G.M. Rao, as detailed above, there are no other cases involving any of our other Directors.

MATERIAL DEVELOPMENTS

In the opinion of the Board of Directors of the Bank, there have not arisen, since the date of the last financial statements disclosed in this Letter of Offer, any circumstances that materially or adversely affect or are likely to affect the profitability of the Bank or the value of its assets or its ability to pay its liabilities within the next twelve months.

STATUTORY AND OTHER INFORMATION

Consents

Consents in writing of the Auditors, Lead Managers, Legal Advisors, Registrar to the Issue and Banker to the Issue to act in their respective capacities have been obtained and filed with SEBI, along with a copy of the Letter of Offer and such consents have not been withdrawn up to the time of delivery of the Letter of Offer for registration with the stock exchanges.

The Auditors of the Bank have given their written consent for the inclusion of their Report in the form and content as appearing in the Letter of Offer and also the tax benefits accruing to the Bank and its members and such consents and reports have not been withdrawn up to the time of delivery of the Letter of Offer for registration with the Stock Exchange.

Expert Opinion, If Any

Save and except as stated in this Letter of Offer, no other expert opinion has been obtained by the Bank.

Changes in Auditors during the last three years

There have been no changes of the auditors in the last three years except as detailed below :

Name of Auditor	Date of Appointment	Date of cessation	Reasons for change
M/s I.S.Prasad & Shetty Associates	August 18, 1997	September 29, 2001	As per RBI guidelines, since M/s I.S.Prasad & Shetty Associates completed four years at the end of their respective dates as statutory auditors, they were not eligible for re-appointment
M/s Lovelock & Lewes	September 27, 1999	September 15, 2003	As per RBI guidelines, since M/s Lovelock & Lewes completed four years at the end of their respective dates as statutory auditors, they were not eligible for re-appointment

Investor Grievances and Redressal System

The Bank has adequate arrangements for redressal of Investor complaints. Well-arranged correspondence system developed for letters of routine nature. Share transfer and dematerialization is being handled by Karvy Computershare Private Limited, Registrars and Share Transfer Agents. Letters are filed category wise after having attended to. Redressal norm for response time for all correspondence including shareholders complaints is 10 days. However, the Bank endeavours to redress all the complaints within 5 days of the receipt of complaint.

A Shareholders/Investors Grievances Committee was constituted on 9th September, 2002. The Committee consisted of 5 directors (viz., Mr. Anand S Bhatt, Mr. Peter Alexander Smyth, Mr. G M Rao, Mr. Arun Thiagarajan and Dr. Prakash G Apte) of whom 3 are Independent. Mr. Anand S Bhatt, Independent Director, is the Chairman of the Committee. The role of the Committee is to review the position of investor grievances received and to take on record all cases of transmission, deletion, transfers, etc. Mr. M V S Appa Rao, Corporate Secretary, is the compliance officer of the Bank. The meeting of Shareholders/Investors Committee is held every six months. Mr. Bart Hellemans, MD & CEO and Mr. M V S Appa Rao, Corporate Secretary are severally authorized by the Board to approve transfers, transmissions, deletion etc. No transfer remains pending for more than 30 days. For issue of duplicate share certificates, Board approval is taken.

There were no complaints pending redressal as on February 15, 2005. During the period from April 1, 2004 to February 15 2005, 232 complaints were received. All 232 complaints were resolved to the satisfaction of the shareholders.

Status of Complaints

No. of shareholders complaints as of February 15, 2005 : Nil

Total number of complaints received during last financial year (2003-04): 233

Total number of complaints received during current financial year (2004-05): 232 (as of February 15, 2005)

Status of the complaints: All 232 complaints have been resolved

Time normally taken by it for disposal of various types of Investor grievances: 10 days

Investor Grievances arising out of this Issue

Our Bank's Investor grievances arising out of the Issue will be handled by Karvy Computershare Private Limited, Registrars to the Issue. The Registrars will have a separate team of personnel handling only our post Issue correspondence. Investor grievances are settled expeditiously and satisfactorily by us. The agreement between us and the Registrars will provide for retention of records with the Registrars for a period of at least one year from the last date of dispatch of Letter of Allotment/ share certificate / warrant/ refund order to enable the Registrars to redress grievances of Investors.

All grievances relating to the Issue may be addressed to the Registrars to the Issue giving full details such as folio no., name and address of the first applicant, number and type of shares applied for, Application Form serial number, amount paid on application and the Bank Branch where the application was deposited, along with a photocopy of the acknowledgement slip. In case of renunciation, the same details of the renouncee should be furnished.

The average time taken by the Registrars for attending to routine grievances will be 30 days from the date of receipt. In case of non-routine grievances where verification at other agencies is involved, it would be the endeavour of the Registrars to attend to them as expeditiously as possible. We undertake to resolve the Investor grievances in a time bound manner.

Investors may contact the Compliance Officer in case of any pre-Issue/ post -Issue related problems such as non-receipt of letters of allotment/share certificates/demat credit/refund orders etc. The Bank has appointed Mr. M.V.S.Appa Rao as the Compliance Officer.

Compliance Officer

The Investors may note that a Compliance Officer has been appointed by the Bank who may be contacted for any pre-Issue / post-Issue related matter. The details relating to the Compliance Officer are as under:

Mr. M.V.S. Appa Rao
Corporate Secretary
ING Vysya Bank Limited
No. 22, M.G.Road,
Bangalore 560001
Tel: +91 80 2500 5000 Extn 6538
Fax: +91 80 2555 9212
Email: apparaomvs@ingvysyabank.com

Minimum Subscription

If the Bank does not receive minimum subscription of 90% of the issued amount (excluding the amounts on the rights entitlement on the Equity Shares held in abeyance as explained in the notes to the section entitled 'Capital Structure'),on the date of closure of the Issue or the subscription level falls below 90% after the closure of the Issue on account of cheques having being returned unpaid or withdrawal of applications, the Bank shall forthwith refund the entire subscription amount received within 42 days from the date of closure of the issue.. If there is a delay beyond 8 days after the date from which the Bank becomes liable to pay the amount, the Bank shall pay interest as prescribed under Section 73 of the Companies Act, 1956.

Expenses of the Issue

The expenses of the Issue payable by the Bank including brokerage, fees and reimbursement to the Lead Manager, Registrars, printing and distribution expenses, publicity, listing fees, stamp duty and other expenses are estimated at Rs. 3.00 crores (around 1.00% of the total Issue size) and will be met out of the proceeds of the Issue. The following table gives a break-up of the estimated Issue expenses and contingencies

Particulars	Rs (in Crores)
Lead Manager fees	1.50
Registrar fees	0.85
Legal Advisor's fees	
Advertisement expenses	
Postage, Printing & Stationery	
Contingencies, Stamp Duty	0.65
Total	**3.00**

Fees Payable to the Lead Managers to the Issue

The fees payable to the Lead Managers to the Issue are set out in the Memorandum of Understanding entered into by the Bank with Enam Financial Consultants Private Limited, copies of which are available for inspection at the Registered Office of the Bank.

Fees Payable to the Registrars to the Issue

The fee payable to the Registrars to the Issue is as set out in the relevant documents, copies of which are kept open for inspection at the Registered Office of the Bank.

Previous Issues by the Bank

The Bank last made a Rights Issue of Equity Shares in 1995-96 for 1,32,18,000 Shares at Rs 10 per share at a premium of Rs. 25 per Shares to the Shareholders in the ratio of 5 Equity Shares for every 1 Equity Share held. The Issue opened on January 10, 1996 and closed on February 10, 1996. For more details, please refer to the section entitled 'Promise versus Performance' on page 167 of this Letter of Offer.

Issues for consideration other than cash

The Bank has not issued any shares or debentures or agreed to issue any shares or debentures for consideration other than cash within the two years preceding the date of this Letter of Offer.

Preference Shares

The Bank does not have any preference shares.

Option to Subscribe

Other than the present rights Issue, the Bank has not given any person any option to subscribe to the shares of the Bank, except stock options granted under the ESOS.

Terms of Appointment of our Directors

Chairman

In terms of Section 10B of the BR Act, the RBI vide its letter dated October 1, 2002 approved the appointment of Mr.G. M.Rao as part-time Chairman of our Bank for a period of 3 years from the date of assuming charge (October 23, 2003), on honorary basis, as proposed by the Bank.

Managing Director & Chief Executive Officer

In terms of Section 35B of the BR Act, the RBI vide its letter dated October 1, 2002 approved the appointment of Mr. Bart Hellemans as Managing Director and Chief Executive Officer of our Bank for a period of 3 years from the date of assuming charge (October 7, 2002), on the following terms and conditions:

Sl. No.	Particulars	
1.	Salary	Rs. 3.25 lakh per month
2.	Entertainment Allowance	Rs. 60,000 per annum
3.	Free Furnished house	Bank's own or leased furnished accommodation
4.	Conveyance	Free use of Bank's car for official purpose
5.	Provident Fund/Super annuation Fund Gratuity*	If bank makes contribution at the rate of 27% of the salary to Superannuation Fund of LIC or UTI or any other recognised Fund, it shall be within the salary limit of Rs. 3.25 lakh per month. * At the rate of 15 days for each completed year of service The Bank may seek our prior approval before making payment of gratuity
6.	Telephone	No restrictions on use of bank's telephone/mobile/fax/email for official purposes
7.	Gas, Electricity and Water	No charges
8.	Annual leave and sick leave	Leave at the rate of 30 days for every 11 months of service completed with full pay. Casual leave and sick leave as applicable to senior executive of the Bank
9.	Domestic Staff	Rs. 72,000 per annum towards expenditure for domestic staff
10.	Premium for personal accident insurance policy	Rs. 5,000 per annum towards premium
11.	Reimbursement of hospitalisation and medical expenses	Reimbursement of actual medical expenses both domestic and hospitalisation incurred for self and dependant members of the family
12.	Leave Travel Concession	Reimbursement of travelling expenses for self and dependant family for his home country by eligible class of journey once in a year
13.	Bonus	The Bank should seek prior approval of the RBI
14.	Stock Options	The Bank should seek prior approval of the RBI

Other Directors

The Board on September 15, 2003 approved the Corporate Governance Committee recommendation in relation to an enhancement in the sitting fees payable to the directors per meeting of the Board/Committee in the following phases:

From Rs. 2,000 to Rs. 5,000 for all Committee meetings effective September 15, 2003;

From Rs. 5,000 to Rs. 10,000 for all Committee/Board meetings to be held from October 2003 to March 31, 2004;

From Rs. 10,000 to Rs. 20,000 for all Committee/Board meetings to be held on or after April 1, 2004.

The Board also decided that the Directors belonging to the Promoter Group would not draw any sitting fees effective September 4, 2003. In this regard, Mr. Joseph J Kestemont, Mr. Peter A Smyth, Mr. David Wood Hudson, Mr. Ryan Andrew Padgett, Mr. Lars Kramer, Mr. Cees Ovelgonne and Mr. Peter Staal have opted not to draw sitting fees during the year. Mr. G.M.Rao has also opted not to draw sitting fees effective 15th September, 2003.

Purchase of Property

The Bank in the ordinary course of branch expansion may start operations at new centres for which it may lease or buy properties at such places. The present Issue is not being made with the specific objective to buy such properties. None of the Directors are interested in any property acquired by the Bank during the last three years.

Capitalisation of Reserves or Profits

The Bank has not capitalized any of its reserves or profits for the last five years.

Revaluation of Fixed Assets

There has been no revaluation of the Bank's fixed assets for the last five years, except for 1999-2000, the details of which are below :

(i) Fixed Assets are stated at historical cost less accumulated depreciation, with the exception of premise which was revalued as at 31st December 1999, based on values determined by approved valuers.

(ii) Office equipment (including electrical and electronic equipment, computers, vehicles and other office appliances) are grouped under other fixed assets.

   a. Depreciation on premises is charged at the rate of 1.63% upto 31st March 2002 and at 2% with effect from 1st April 2002 in case of the Bank.

   b. Additional depreciation on account of revaluation of asssets is deducted from the current year's depreciation and adjusted in the Revaluation Reserve Account

(iii) 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. 20% in respect of Electrical and Electronic equipment

   b. 10% and 20 % respectively on Furniture and Fixtures and Vehicles

   c. 33.33% on Computers and software

(iv) Depreciation on leased assets is provided on WDV method at the rates stipulated under Schedule XIV to the Companies Act.

(v) In respect of fixed assets leased before 1st April 2001, the Bank follows the "Guidance Note on Accounting for Leases" issued by ICAI.

(vi) In respect of lease transactions entered into on or after 1st April 2001, the bank follows AS-19 on "Accounting for Leases" issued by the ICAI.

(vii) Software whose actual cost does not exceed Rs. 1,00,000 and other items whose actual cost does not exceed Rs. 10,000 are fully charged off to expense in the year of purchase

(viii) Assets purchased during the year are depreciated on the basis of actual number of days the asset had been put to use in the year

(ix) Assets disposed off during the year are depreciated upto the date of disposal

(x) Capital work- in- progress includes cost of fixed assets that are not ready for their intended use and also include advances paid to acquire fixed assets

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following Contracts (not being contracts entered into in the ordinary course of business carried on by us or entered into more than two years before the date of this Letter of Offer which are or may be deemed material have been entered or are to be entered into by us. These Contracts and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of the Bank situated at ING Vysya House, No. 22, M.G.Road, Bangalore 560 001 from 11.00 a.m. to 2.00 p.m. from the date of this Letter of Offer until the date of closure of the Subscription List.

A. MATERIAL CONTRACTS

1. Engagement Letter dated January 4, 2005 received from the Bank appointing Enam Financial Consultants Private Limited to act as Lead Manager to the Issue.
2. Letter dated December 7, 2004 received from Karvy Computershare Private Limited offering their services to act as Registrars to the Issue.

B. DOCUMENTS

1. Memorandum and Articles of the Bank.
2. Certificate of Incorporation of the Bank dated March 29, 1930 and Second Certificate of Certificate of Incorporation to this effect dated October 8, 1998.
3. Fresh certificate of incorporation consequent on change of name from The Vysya Bank Limited to ING Vysya Bank Limited dated December 7, 2002.
4. Certificate of Commencement of Business dated July 24, 1930.
5. License from RBI to carry on banking business vide license no. MAD/14 dated June 6, 1958 in terms of Section 22 of the BR Act and amendment dated December 10, 2002 to the aforesaid RBI license and permitting the change of name from The Vysya Bank Limited to ING Vysya Bank Limited.
6. Copy of letter dated October 1, 2002 from RBI bearing Ref. No. DBOD No. 149/08.57.001/2002-03 for appointment of Mr. Bart Hellemans as Managing Director and Chief Executive Officer of our Bank.
7. Shareholders Resolution passed at the Annual General Meeting held on 15th September 2003 appointing M/s Bharat S Raut & Co. as statutory auditors for the financial year 2003-2004.
8. Copy of the Board Resolution dated December 15, 2004 approving this Issue.
9. Consents of the Directors, Auditors, Lead Manager to the Issue, Legal Counsel to the Issue, Bankers to the Issue and Registrars to the Issue, to include their names in the Letter of Offer to act in their respective capacities.
10. Appointment of Company Secretary as Compliance Officer
11. Letter dated December 23, 2004 from the Auditors of the Bank confirming Tax Benefits as mentioned in this Letter of Offer.
12. The Report of the Auditors, BSR & Co. as set out herein dated December 23, 2004 in relation to the restated financials of the Bank for the last 5 financial years and for the six month period ended September 30, 2004.
13. Annual Report of the Bank for the last 5 Financial Years.
14. In-principle listing approval dated January 25, 2005, January 17, 2005 and January 27, 2005 from BSE, NSE and BgSE respectively.
15. Letter No. CFD/DIL/ISSUES/33179/2005 dated February 8, 2005 issued by SEBI for the Issue.
16. Due Diligence Certificate dated January 10, 2005 from Enam Financial Consultants Private Limited.
17. Tripartite Agreement dated July 20, 1998 between the Bank, Bigshare Services Private Limited and NSDL to establish direct connectivity with Depository.
18. Tripartite Agreement dated February 18, 1999 between the Bank and CDSL to establish direct connectivity with Depository.

DECLARATION

All the relevant provisions of the Act, and the guidelines issued by the Government or the guidelines issued by SEBI established under the Securities and Exchange Board of India Act 1992, as the case may be, have been complied with and no statement made in the Letter of Offer is contrary to the provisions of the Act or the Securities and Exchange Board of India Act, 1992 or rules made there under or guidelines issued (including the SEBI DIP Guidelines), as the case may be.

Yours faithfully

On Behalf of the Board of Directors of ING Vysya Bank Limited

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Mr.G.M.Rao, Chairman (through Mr. Bart Hellemans)

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Mr. Bart Hellemans, Managing Director and Chief Executive Officer

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Mr. K.R.Ramamoorthy (through Mr. Bart Hellemans)

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Mr. K.R.V. Subrahmanian (through Mr. Bart Hellemans)

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Mr. Joseph J. Kestemont (through Mr. Bart Hellemans)

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Mr. Peter Alexander Smyth (through Mr. Bart Hellemans)

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Mr. Anand S. Bhatt (through Mr. Bart Hellemans)

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Mr. Ryan Andrew Padgett (through Mr. Bart Hellemans)

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Mr. Arun Thiagarajan (through Mr. Bart Hellemans)

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Dr. Prakash G. Apte (through Mr. Bart Hellemans)

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Mr. Lars Kramer (through Mr. Bart Hellemans)

Mr. Cees Ovelgonne (through Mr. Bart Hellemans)

Mr. Peter Staal (through Mr. Bart Hellemans)

Mr. B. Ramani Raj (through Mr. Bart Hellemans)

Mr. Luc Vandewalle (through Mr. Bart Hellemans)

Mr. K.B.V. Narayan
Chief Financial Officer

Place : Bangalore
Date : February, 24 2005

Enclosure: Composite Application Form