

Market *first* Solutions

Customer *first* Attitude

Annual Report
2010 - 2011



Responsive Innovation

IndusInd Bank



Board of Directors (as on March 31, 2011)

Mr. R. Seshasayee, Chairman

Mr. T. Anantha Narayanan

Dr. T. T. Ram Mohan

Mr. Premchand Godha

Mr. Ajay Hinduja

Mr. S. C. Tripathi

Mr. Ashok Kini

Mr. Romesh Sobti, Managing Director & CEO

Mr. Y. M. Kale (Alternate Director to Mr. Ajay Hinduja)

Company Secretary

Mr. Haresh K. Gajwani

Auditors

M/s. M. P. Chitale & Co.
Hamam House, 1st Floor
Ambalal Doshi Marg
Fort, Mumbai - 400 001

Solicitors

M/s. Crawford Bayley & Co.
Solicitors & Advocates
State Bank Building
NGN Vaidya Marg
Mumbai - 400 023

Registrar & Share Transfer Agent

Link Intime India Pvt. Ltd.
C-13, Pannalal Silk Mills Compound
L.B.S. Marg, Bhandup (West)
Mumbai - 400 078
Tel :022 25946980 / 25963838
Fax :022 25946969

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Registered Office

2401, Gen. Thimmayya Road
(Cantonment)
Pune - 411 001

Corporate Office

8th Floor, Tower 1, One Indiabulls Centre
841, Senapati Bapat Marg
Elphinstone Road (W)
Mumbai - 400 013

Secretarial & Investor Services

731, Solitaire Corporate Park
167, Guru Hargovindji Marg
Andheri (E), Mumbai 400 093

Message from Managing Director

Dear Shareholders,

The Board of Directors and the Management Team are privileged to present your Bank's Annual Report for the Financial Year 2010-2011.

The Report reflects another year of successful financial performance of your Bank, during which there has been a very robust improvement in profitability, efficiency and health parameters. During the year, the Bank also expanded its network and continued on its ambition of becoming a truly Universal Bank with a full suite of Corporate and Consumer Products.

The cover page of the Annual Report also reflects the customer-centric approach that your Bank has adopted and the belief that the **Customer First Attitude** is the key to success in the banking sector. Therefore, being **Responsive** to the needs of customer is as critical as being **Responsible for Solutions**.

The recent launch of three service propositions named as - ATM denomination selection service - 'Choice Money ATM', Cheque images along with Statement of Account - 'Check-On-Cheque' and the 365 day banking service - 'Open 365 Days', have once again reinforced our commitment to give best in class services in the industry and is a definitive step towards being Responsive to our customers. The year gone by witnessed the launch of these **Market First Products** with heightened branding activities.

The all-round progress of the Bank during the year was rightly recognised with the coveted "Most Improved Bank Performance of the Year Award" being bestowed on your Bank by the Bloomberg UTV Financial Leadership Awards 2011.

The Board of Directors recently approved a fresh Business Plan for your Bank. Scale with Profitability is IndusInd Bank's theme for the next 3 years. The Bank will more than double its customer base and expand its network to around 700 branches by 2014. Also, IndusInd Bank will continue to focus on expanding its product suite.

The Bank will remain focused on creating value for all its stakeholders. Thank you for your loyalty and support.

With best wishes to each one of you and your family members,

Yours sincerely,



Romesh Sobti

Managing Director & CEO



Key Business Highlights

- Total business crossed ₹ 60531 crores
- Net worth moved to ₹ 3825 crores
- Net Profit up by 64.80% to ₹ 577.32 crores
- Net Interest Income up by 55.29% to ₹ 1376.49 crores
- Core Fee Income up by 45.61% to ₹ 629.43 crores
- Capital Adequacy Ratio (Basel II) at 15.89%
- Return on Assets at 1.55% as against 1.16%
- Net NPA at 0.28% as on March 31, 2011 as compared to 0.50% the previous year
- Provisioning Coverage Ratio against NPAs at 72.61% as against 60.14%
- Network increased to 300 branches and 594 ATMs spread over 212 geographical locations of the country
- Earning Per Share (Basic) increased to ₹ 13.16 from ₹ 9.01
- Dividend Declared: ₹ 2 per share, up from ₹ 1.80 per share last year

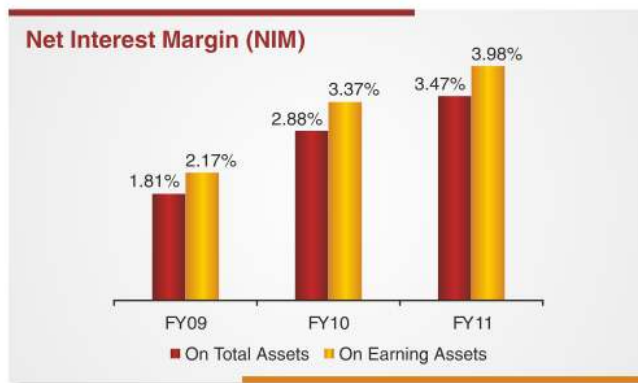
Ratings

- P1+ for certificate of deposit program by CRISIL
- 'LAA-' for Lower Tier II subordinate debt program and 'LA+' for Upper Tier II bond program by ICRA
- 'CARE AA-*' for Lower Tier II subordinate debt program by CARE
- 'AA-(ind)' for Lower Tier II subordinate debt program, 'A(ind)' for Upper Tier II bond program and F1+ for Short Term program by Fitch Ratings

*Upgraded to 'CARE AA' as on June 10, 2011

Consistent delivery over the past 3 years...

Improvement in all the key operating metrics



Awards and Accolades

The Bank received various awards and accolades during the year, which are as under:

Most Improved Bank Performance of the Year

Winner - Bloomberg UTV Financial Leadership Awards 2011

Best Use of Technology in Training and e-Learning Initiatives

Winner - IBA Banking Technology Awards 2010

Best use of Technology in Risk Management in Private Banks Category

Runner up - IBA Banking Technology Awards 2010

Excellence in Business Process Management and Workflow in Australia and Asia Region

Silver Winner - Global Awards by Workflow Management Coalition and BPM.com USA

Talisma User Awards for Enterprise Adoption of CRM - 2010

Ranked 2nd in the Fastest Growing Bank (mid-size) Category

Published in "India's Best Banks" reported by Business World and PWC

Excellence Award as the 2nd Best New Generation Bank in Kerala

For the second consecutive year awarded by the State Forum of Bankers' Clubs, Kerala



The Core Executive Team



Romesh Sobti
Managing Director & CEO



Paul Abraham
Chief Operating Officer



Suhail Chander
Head - Corporate &
Commercial Banking



Sumant Kathpalia
Head - Consumer Banking



K. S. Sridhar
Chief Risk Officer



Sanjeev Anand
Deputy Head - Corporate &
Commercial Banking



Ramesh Ganesan
Head - Transaction Banking



J. Moses Harding
Head - Global Markets Group



Sanjay Mallik
Head - Investor Relations
& Strategy



Zubin Mody
Head - Human Resources



S. V. Parthasarathy
Head - Consumer Finance



S. V. Zaregaonkar
Chief Financial Officer

Responsiveness - Initiatives to lead the change

IndusInd Bank has always strived to stand apart in the Indian banking space by catering to customers' unstated needs. Very aptly, your Bank's marketing slogan has been, "**Aapne Chaha, Humne Kiya**". The three services introduced recently stand out prominently - ATM denomination selection service - 'Choice Money ATM',



Cheque images along with Statement of Account - 'Check-On-Cheque' and the 365 day banking service - 'Open 365 Days'. This was communicated to the external audience through a non-stop four month mega brand campaign with a holistic integrated marketing approach using media like electronic channels, print, outdoors, radio, in-cinema and digital to build a multiplier effect. The three new advertisements were directed by Rohan Sippy, the well known director of "Kuchh Naa Kaho" and "Bluff Master". The advertisement campaign was aimed at tickling hearts (and minds) of viewers to establish the brand and its superior customer-centric services in a humorous, fresh and lively manner.

The feedback from customers has been encouraging and these market first solutions have helped enhance your Bank's image of one that offers Responsive Innovation.

To match the rising customer expectations, it is imperative that your Bank works internally with clockwork precision. The various departments need to be very responsive to the needs of other departments which are their internal customers. Therefore your Bank started an initiative called **iSolve** this year.

It aims to make every employee embrace the following six behaviour traits and become an active participant in the quest for solution:

- Get it right the first time
- Take ownership
- Find ways to get things done
- Be approachable
- Cut bureaucracy
- Effort is important but outcome is critical



Interactive methods used to spread the message of responsiveness amongst employees



There was a multimedia internal communication campaign comprising of e-direct mailers, webcast, interesting merchandising, besides many employee engaging activities.

Overall the campaign lasted for a quarter and at the end of it, we had **iSolve Ambassadors** who were rewarded and recognised.

External responsiveness campaign



Service Quality Initiatives

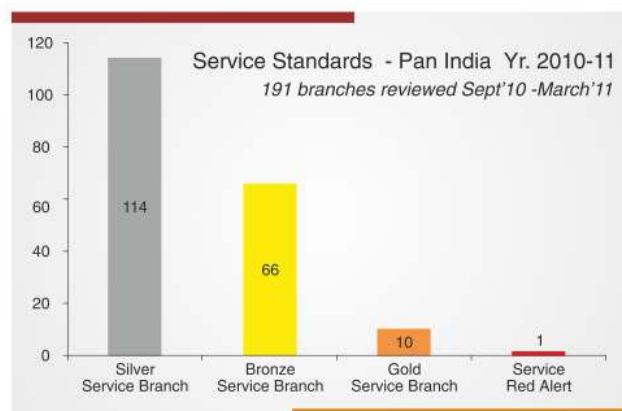
Your Bank took several steps towards improving service delivery through branches. The approach was manifold - to standardise service delivery, to create a culture of client responsiveness through rewards & recognition and to undertake client-centric initiatives. To this effect, some of the key initiatives introduced were:

Branch Service Scorecard - Measuring & Standardising Service

With the objective of standardising, measuring and improving service delivery at your Bank's Branches, the concept of 'Branch Service Scorecard' was introduced in September 2010. The Branch Service Score reflected the performance of the branch across defined service vectors which were then translated into a single overall branch 'Service' score. The service score included vectors like branch performance on handling of client requests, timely opening of accounts, number of trainings completed by the branch staff and upkeep of branch, to name a few. Basis the overall score, the branch reviewed was then categorised as Platinum, Gold, Silver, Bronze or Red Alert service standard branch.

A new zonal service assurance team was set up to conduct these service reviews basis visits to the branch at a predefined frequency. Each visit also culminated in identification of clear cut focus areas of for the branch to improve service standards. The requisite focus areas were clearly documented and discussed with the branch management team for improvement in subsequent reviews.

Above is the snap shot as of March 2011 of the last 'Service Standard Classification' done for the 191 branches reviewed.



sought by branches, on a case-to-case basis for their clients. The recommendations put forward by branches were reviewed for accuracy of information and prioritised for revert through the zonal business heads thereby improving client responsiveness.

365 Days Banking Introduced - Client Responsiveness Theme

Select branches were identified for 365 days operations across India. Customers were informed of this service via SMS, emails, website and account statement inserts.

Consumer Banking Service Excellence Awards - Recognising Individuals!

This award was initiated to recognise employees who have exhibited exemplary customer service and have won appreciation from clients. The award also aimed at appreciating those silent performers who hitherto, would have gone unrecognised, but had been critical to the smooth functioning of the organisation at the branch level. These awards were given pan India with each awardee receiving a Service Excellence certificate signed by the Zonal Head and Service Assurance Head, along with a memento.

Zonal Exception Handling Cells - Expediting Decision Taking at Branch Level

The Zonal Exception Handling Cells were introduced to expedite all exception approvals that may be



Recognition certificates issued to top performers & branches for exemplary service

Initiatives to pursue the agenda of sustainability

Your Bank believes that corporate success is intrinsically linked to sustainable practices. The "Green Banking" project under the "Hum aur Hariyali" campaign received an impetus and the year 2010 played a crucial year in increasing the awareness on environmental issues and even adopting several green office practices to optimise the consumption of resources. The aim of the Green Office Project was primarily to green systems and processes and increase awareness about environmental issues; and through this paradigm shift, achieve the overarching goal of sustainable development. Your Bank is closely working with Centre for Environmental and Research Education (CERE) an NGO working in the field of promoting environmental sustainability through education and awareness.

II Thinking Sustainably

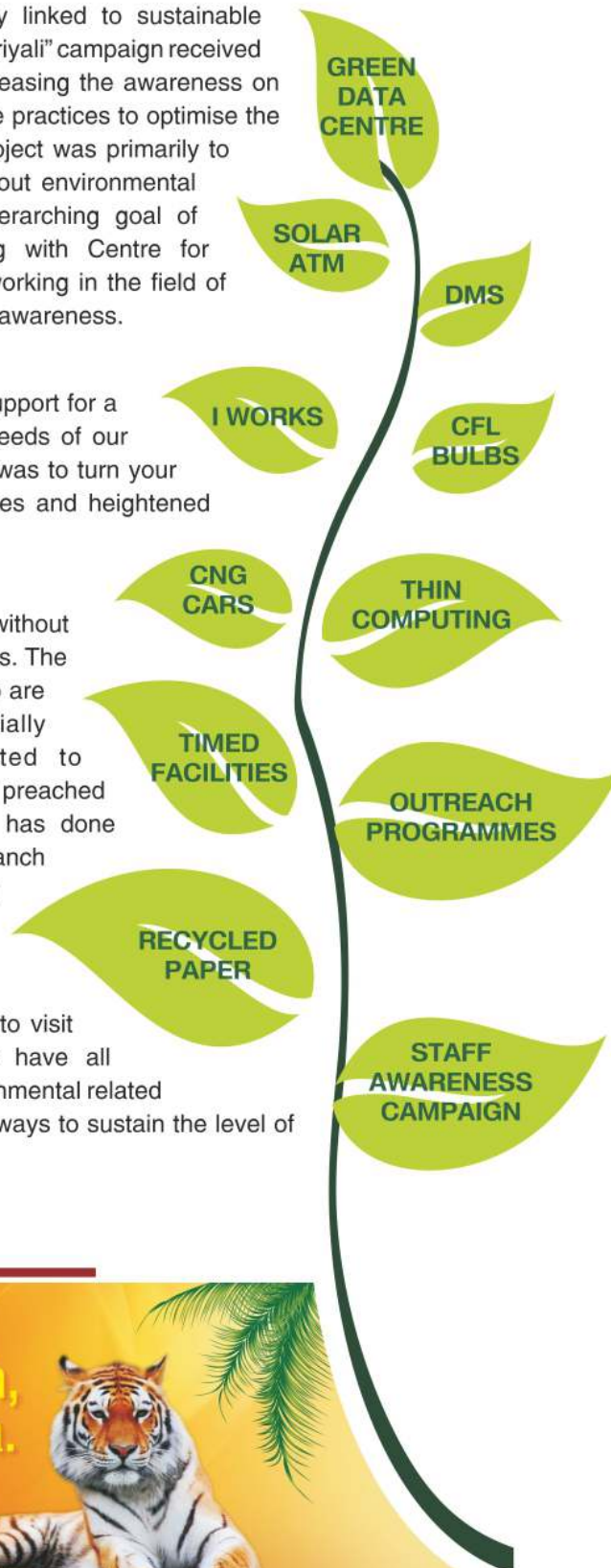
Over the course of 2010, your Bank continued to show its support for a growth strategy that is sustainable and kept in mind the needs of our stakeholders, community and environment. Our endeavour was to turn your Bank into a Champion that propagated sustainable practices and heightened awareness about environmental concerns.

II Staff Awareness and Outreach Programmes

The "Green Banking" project would not have been successful without fuelling passion for sustainability amongst our own employees. The movement has created "Green Champions"- employees who are

knowledgeable, socially aware and dedicated to practice what is being preached and this, your Bank has done through extensive Branch Managers' training programme across

the length and breadth of the country in which a Green Banking module is extensively covered. Further, the message on sustainability is reinforced through interactive field trips to visit mangroves, national parks and watch flamingos, which have all increased the engagement levels. Regular workshops, environmental related film screenings at various Bank locations were some of the ways to sustain the level of interest amongst the employees.



A step to bring IndusIndians closer to nature



**Corbett, Bandhavgarh,
Rann of Kutch, Kanha.**

Let your adventure begin.



Major initiative taken up during this year was 'Adopt-a-Plant' programme, which was initiated by the employees mainly to green the office surroundings. Later it was taken up as "cause related marketing" activity which generated not only business but in the process also earned tremendous goodwill for your Bank. Your Bank also donated a vehicle to the Satpuda Foundation during an event organised at Nagpur. The said vehicle is being extensively used for wildlife conservation in the Melghat Tiger Reserve. Your Bank also associated with NDTV-Aircel "Save Our Tigers" campaign through a donation for strengthening the protection mechanism of Tadoba-Andhari Tiger Reserve, Maharashtra.

Your Bank has shown its commitment not only to highlighting the country's natural heritage by way of Bank's Annual Calendar 2011 which has put together India's most beautiful landscapes but has shown its strong association in upholding the art and music through various notable events.

II Legitimising the Green Banking Programme in our Bank through Introduction of Sustainable Practices

The year actually ended with massive progress in terms of Bank's commitment to sustainable development. During the year, your Bank set up a separate department - Corporate Sustainability Department to directly take on the responsibilities of Green Banking to monitor and integrate these activities into the daily workings of your Bank.

In addition to legitimising our green banking programme through the formation of the Sustainability Committee and Corporate Sustainability Department, your Bank also released the first Annual Sustainability Report. Further, your Bank is in the process of developing a Sustainability Policy that would act as a guideline for the bank and file in improving your Bank's environmental performance and monitoring our progress in carbon emission mitigation.

Your Bank became one of the few signatories from India in the Carbon Disclosure Project (CDP) - a global initiative for sustainable development. Some of the other initiatives which have chartered your Bank to move on the Green Banking path are the adoption of Document Management System (Iworks), conversion to CNG / LPG cars, replacement of CRT to TFT screens, CFL Bulbs, Recycled Paper, Green Data Centre, Thin Computing, Timed Facilities (e.g. Fax, Printers, Copy Machines), e-statements and the installation of Solar ATMs at select branches. Your Bank is closely working with its vendors to green its supply chain by promoting the use of environment-friendly paper in offices and branches and adopting other environment-friendly activities.

As part of the Green Initiative in Corporate Governance, the Ministry of Corporate Affairs (MCA), Government of India, through its Circular Nos. 17/2011 and 18/2011, dated April 21, 2011 and April 29, 2011 respectively, has allowed companies to send official documents to their shareholders electronically.

Your Bank has been at the forefront in "Green Initiatives", and through this process shall be able to graduate to paperless compliances.

In line with Circular issued by MCA, the Bank sought the consent of the shareholders to send the Annual Report, i.e., Notice convening the Meeting, Financial Statements, Directors' Report, Auditors' Report etc. for the year ended March 31, 2011, in electronic form, to the e-mail address provided by you / made available to us by the Depositories.

The full text of these reports shall also be made available in an easily navigable format on our website, www.indusind.com

Supporting wildlife and environment conservation



NOTICE is hereby given that the Seventeenth Annual General Meeting of the Members of IndusInd Bank Limited will be held at 2.00 p.m. on Friday, July 15, 2011, at Hotel Sun-n-Sand, 262, Bund Garden Road, Pune – 411001, India, to transact the following business:

Ordinary Business

1. To consider and adopt the Balance Sheet as at March 31, 2011 and the Profit and Loss Account for the year ended March 31, 2011 together with the Reports of the Directors and Auditors thereon.
2. To declare Dividend for the year.
3. To appoint a Director in place of Mr. T. Anantha Narayanan, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Ashok Kini, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To consider and, if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution:

“RESOLVED THAT subject to approval of Reserve Bank of India (“RBI”) and pursuant to Section 224 and other applicable provisions, if any, of the Companies Act, 1956 and any statutory modification or re-enactment thereof for the time being in force, M/s B S R & Co., Chartered Accountants, Mumbai, ICAI Registration No. 101248W or such other Auditor as may be approved by RBI be and are hereby appointed as the Statutory Auditors of the Bank to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting at such remuneration, plus Service Tax and such other tax(es), as may be applicable, and reimbursement of all out of pocket expenses in connection with the audit of the accounts of the Bank, and on such terms and conditions as may be fixed by the Board of Directors based on the recommendations of the Audit Committee.”

Special Business

6. Re-appointment of Mr. R. Seshasayee as Part-time Chairman

To consider and, if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the approval of Reserve Bank of India (RBI) under the applicable provisions of the Banking Regulation Act, 1949, the applicable provisions of the Companies Act, 1956, and as per the approval of the Board, consent of the members of the Bank be and is hereby accorded for the re-appointment of Mr. R. Seshasayee as Part-time Chairman of the Bank for a further period of two years, w.e.f. July 24, 2011, on the terms and conditions approved by RBI.

RESOLVED FURTHER THAT the Company Secretary be and is hereby authorised to file required forms with the Registrar of Companies and to take all necessary steps for giving effect to this resolution.”

7. Authority for augmentation of capital through further issue / placement of securities including American Depository Receipts / Global Depository Receipts / Qualified Institutional Placement, etc.

To consider and, if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of Section 81 and other applicable provisions, if any, of the Companies Act, 1956 [including any amendment thereto or modification(s) or re-enactment(s) thereof] and in accordance with the provisions of the Memorandum and Articles of Association of the Bank, the Listing Agreements entered into by the Bank with the respective Stock Exchanges where the equity shares of the Bank are listed, and subject to the Regulations / Guidelines, if any, prescribed by Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), financial institutions and all other concerned and relevant authorities from time to time, to the extent applicable and subject to such approvals, consents, permissions and sanctions of the Government of India, SEBI, RBI and all other appropriate authorities, institutions or bodies and subject to such conditions and modifications as may be prescribed by any of them while granting such approvals, consents, permissions and sanctions, and agreed to by the Board of Directors of the Bank (hereinafter referred to as ‘the Board’, which term shall be deemed to include any Committee(s) constituted / to be constituted by the Board to exercise its powers including the powers conferred by this Resolution) which the Board be and is hereby authorised to accept, if it thinks fit in the interest of the Bank, to create, issue, offer and / or allot, in the course of one or more public or private offerings by way of public issue, rights issue, preferential allotment including Qualified Institutional Placement pursuant to Chapter VIII of the SEBI (Issue of Capital and Disclosure Requirement) Regulations, 2009 as amended from time to time, or otherwise, in the domestic or one or more international markets, equity shares and / or equity shares through depository receipts and / or convertible bonds and / or securities convertible into equity shares at the option of the Bank and / or the holder(s) of such securities,

American Depository Receipts (ADRs) / Global Depository Receipts (GDRs) representing equity shares or convertible securities and / or securities with or without detachable / non-detachable warrants with a right exercisable by the warrant-holder to subscribe for the equity shares and / or warrants with an option exercisable by the warrant-holder to subscribe for equity shares, and / or any instrument or securities representing either equity shares and / or convertible securities linked to equity shares (all of which are hereinafter collectively referred to as 'securities') subscribed in Indian / foreign currency(ies) to investors (whether resident and / or non-resident and / or strategic investors and or Anchor Investor and / or institutions or banks and / or incorporated bodies and / or trustees or otherwise, and whether or not such investors are Members of the Bank) / Foreign Institutional Investors (FIIs) / Mutual Funds / Pension Funds / Venture Capital Funds / Banks and such other persons or entities excluding promoters in case of preferential allotment, whether or not such investors are members of the Bank, to all or any of them jointly or severally, through prospectus and / or placement document(s) or offer letter(s) or circular(s) and / or on private placement basis for, (or which upon conversion of all securities so created, issued, offered and / or allotted could give rise to the issue of) an aggregate face value of equity shares not exceeding 25 per cent of the Authorised Equity Share Capital of the Bank at such time or times with or without voting rights in general meetings / class meetings, at such price or prices, at such interest or additional interest, at a discount or at the premium to market price or prices and in such form and manner and on such terms and conditions or such modifications thereto, including the number of Securities to be issued, face value, rate of interest, redemption period, manner of redemption, amount of premium on redemption / prepayment, number of equity shares, to be allotted on conversion / redemption / extinguishments of debt(s), exercise of rights attached to the warrants and / or any other financial instrument, period of conversion, fixing of record date or book closure and all other related or incidental matters as the Board may in its absolute discretion think fit and decide in according to the directives / guidelines issued by the appropriate authority(ies) and in consultation with the Merchant Banker(s) and / or Lead Manager(s) and / or Underwriter(s) and / or Advisor(s) and / or such other person(s), but without requiring any further approval or consent from the shareholders and also subject to the applicable guidelines for the time being in force;

RESOLVED FURTHER THAT without prejudice to the generality of the above, the aforesaid issue of the securities may have all or any terms or combinations of terms in accordance with prevalent market practice including but not limited to terms and conditions relating to payment of interest, dividend, premium on redemption at the option of the Bank and / or holders of any securities, including terms for issue of additional equity shares or variations of the price or period of conversion of securities into equity shares or issue of equity shares during the period of the securities or terms pertaining to voting rights or option(s) for early redemption of securities;

RESOLVED FURTHER THAT without prejudice to the generality of the above, the preferential allotment of such securities, the relevant date on the basis of which the price of the resultant shares shall be determined, shall be the date of the meeting in which the Board of the Bank or the Committee of Directors duly authorised by the Board of the Bank decides to open the proposed issue and that the allotment of such securities shall be made in the form of Qualified Institutional Placement to Qualified Institutional Buyers, in accordance with the provisions of Chapter VIII of the SEBI (Issue of Capital and Disclosure Requirement) Regulations, 2009 as amended from time to time;

RESOLVED FURTHER THAT the Board be and is hereby authorised to enter into and execute all such agreements and arrangements with any Lead Manager(s), Co-Lead Manager(s), Manager(s), Advisor(s), Underwriter(s), Guarantor(s), Depository(ies), Custodian(s) and all such agencies as may be involved or concerned in such offerings of Securities and to remunerate all such agencies by way of commission, brokerage, fees or the like, and also to seek the listing of such Securities in one or more Indian / International Stock Exchanges;

RESOLVED FURTHER THAT the Bank and / or any agencies or bodies authorised by the Board may issue depository receipts or certificates representing the underlying equity shares in the capital of the Bank or such other securities in bearer, negotiable, or registered form with such features and attributes as may be required and are prevalent in the Indian and / or International Capital Markets for the instruments of this nature and to provide for the tradability and free transferability thereof as per market practices and regulations (including listing on one or more stock exchanges(s) in or outside India);

RESOLVED FURTHER THAT the Board be and is hereby authorised to create, issue, offer and allot such number of equity shares as may be required to be issued and allotted upon conversion of any securities referred to above or as may be necessary in accordance with the terms of the offer, all such shares ranking in all respects *pari passu inter se* and with the then existing equity shares of the Bank in all respects, save and except that such equity shares or securities or instruments representing the same may be without voting rights, if permitted by law and / or, shall carry the right to receive applicable dividend from the date of allotment, as may be decided by the Board, declared for the financial year in which the allotment of shares shall become effective;

RESOLVED FURTHER THAT the Board be and is hereby authorised to create such mortgage and / or charge on the immovable and movable assets of the Bank or on the whole or any part of the undertaking/s of the Bank under Section

293(1)(a) of the Companies Act, 1956, in respect of any Security(ies) issued by the Bank pursuant to this Resolution and in the event such Security(ies) is are required to be secured and for that purpose to accept such terms and conditions and to execute such documents and writings as the Board may consider necessary or proper;

RESOLVED FURTHER THAT, for the purpose of giving effect to any creation, issue, offer or allotment of equity shares or securities or instruments representing the same, as described above, the Board be and is hereby authorised, on behalf of the Bank, to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary or desirable for such purpose, including without limitation, entering into arrangements for managing, underwriting, marketing, listing, trading, acting as depository, custodian, registrar, paying and conversion agent, trustee and to issue any offer document(s) and sign all applications, filings, deeds, documents and writings and to pay any fees, commissions, remuneration, expenses relating thereto and with power on behalf of the Bank to settle all questions, difficulties or doubts, that may arise in regard to such issue(s) or allotment(s) as it may, in its absolute discretion deem fit;

RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers herein conferred to any Committee or any one or more whole-time directors of the Bank;

RESOLVED FURTHER THAT this resolution shall be in vogue for a period of 12 months from the date passing by the members or till the next Annual General Meeting whichever is less."

8. Increase in Authorised Capital

To consider and, if thought fit, to pass with or without modification(s), subject to the approval of Reserve Bank of India, the following resolution as a Special Resolution:

"RESOLVED THAT the Authorized Share Capital of the Bank be and is hereby increased from the existing ₹500,00,00,000 to ₹550,00,00,000;

RESOLVED FURTHER THAT the existing Clause V of the Memorandum of Association of the Bank be and is hereby substituted by the following:

Quote

The Authorised Share Capital of the Company is ₹550,00,00,000 (Rupees Five hundred fifty crores only) divided into 55,00,00,000 equity shares of ₹10/- each with power to increase or decrease the Share Capital in accordance with the provisions of the Companies Act, 1956."

Unquote

"RESOLVED FURTHER THAT the existing Article 4 of the Articles of Association of the Bank be and is hereby substituted by the following:

Quote

Authorised Share Capital 4. The Authorised Share Capital of the Bank is ₹550,00,00,000 (Rupees Five hundred fifty crores only) divided into 55,00,00,000 equity shares of ₹10/- each.

Unquote

RESOLVED FURTHER THAT Mr. Haresh Gajwani, Company Secretary, be and is hereby authorized to represent the Bank before, and to file the necessary forms with, the Registrar of Companies, Maharashtra, Pune and to seek approvals from any authority wherever necessary for giving effect to this resolution."

By Order of the Board

Haresh K. Gajwani
Company Secretary

Place : Mumbai
Date : May 23, 2011

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE BANK. The Proxy Form should be lodged with the Bank at its Registered Office at least 48 hours before the time of the meeting.
2. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of the Special Businesses is annexed hereto.
3. All documents referred to in the Notice and Explanatory Statement are open for inspection at the Registered Office of the Bank during office hours on all working days except public holidays between 11.00 a.m. and 1.00 p.m. up to the date of the Annual General Meeting (AGM).

4. The Register of Members and Share Transfer Books of the Bank will remain closed from Tuesday, July 5, 2011 to Friday, July 15, 2011 (both days inclusive).
5. The Dividend would be made payable on July 19, 2011 to the shareholders whose names stand in the Register of Members on Monday, July 4, 2011.
6. Shareholders are requested to furnish contact details such as e-mail IDs, cell phone numbers and telephone numbers to the Company Secretary or to the Registrar to enable the Bank to communicate to shareholders more frequently the information about developments in the Bank.
7. Members / proxies should bring the attendance slip duly filled in for attending the AGM.
8. A brief profile of the Directors retiring by rotation and eligible for re-appointment is furnished in the Report on Corporate Governance.
9. SEBI have made it mandatory for every participant in the securities / capital market to furnish the details of Income Tax Permanent Account Number (PAN). Accordingly, all shareholders holding shares in the physical form are requested to submit their details of PAN along with a photocopy of both sides of the PAN Card, duly attested, to the Registrar and Share Transfer Agents of the Bank, viz., Link Intime India Pvt. Ltd.
10. Members are requested to kindly bring their copies of the Annual Report to the AGM.

EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 5

Although not required, the Explanatory Statement is being given in respect of Item No. 5 of the Notice.

M/s M. P. Chitale & Co., Chartered Accountants, who had been re-appointed as Auditors for the year 2010-11 by the members at the Sixteenth Annual General Meeting would be retiring at the conclusion of the forthcoming Annual General Meeting. M/s M. P. Chitale & Co. have been Statutory Auditors of the Bank for four consecutive financial years, and are not eligible for re-appointment in accordance with the RBI's policy of rotation and resting.

The Board of Directors, on the recommendations of the Audit Committee of the Board, have proposed the appointment of M/s B S R & Co., Chartered Accountants, as Statutory Auditors of the Bank for the year 2011-12. The Bank has submitted application to the Reserve Bank of India under Section 30(1A) of the Banking Regulation Act, 1949 for their approval, for the appointment of M/s B S R & Co., Chartered Accountants, as Statutory Auditors for the year 2011-12.

As required, M/s B S R & Co., have forwarded a certificate to the Bank stating that the appointment, if made, will be within the prescribed limits under Section 224(1) of the Companies Act, 1956. Further, they have confirmed that they are not disqualified from being appointed as Auditors under Section 226 of the Companies Act, 1956 and are not holding any securities of the Bank.

Members are requested to pass the resolution under Item No.5 as an Ordinary Resolution.

None of the Directors of the Bank is in any way concerned or interested in the passing of the Resolution.

Item No. 6

Mr. R. Seshasayee was appointed Part-time Non-executive Chairman of the Bank for a period of two years in July 2007, in the Annual General Meeting held on September 18, 2007.

On conclusion of Mr. Seshasayee's term in July 2009, he was re-appointed Part-time Chairman of the Bank for a further period of two years with effect from July 24, 2009, in the Annual General Meeting held on June 28, 2010.

Since Mr. R. Seshasayee's tenure would conclude on July 23, 2011, approval of the Members for re-appointment of Mr. R. Seshasayee as Part-time Chairman of the Bank for a further period of two years w.e.f. July 24, 2011 is requested, subject to the approval of the Reserve Bank of India.

Mr. R. Seshasayee, a Chartered Accountant, has been Managing Director of Ashok Leyland Ltd. since 1998 and has been elevated to the position of Executive Vice Chairman of Ashok Leyland Ltd. effective from April 1, 2011. He had held Directorship of ICICI Bank Ltd. from May 6, 1997 to October 31, 2003. During that tenure, he also held the position of Chairman of the Audit Committee of the Board. Mr. Seshasayee has also been member of various Committees of the Society of Indian Automobile Industries. Mr. Seshasayee is past President of the Confederation of Indian Industry.

Members are requested to pass the resolution under Item No.6 as an Ordinary Resolution.

None of the Directors of the Bank, other than Mr. R. Seshasayee, is in any way concerned or interested in the passing of the Resolution.

Item No. 7

Resolution set out in Item No.7 is an enabling Resolution conferring authority on the Board to cover all corporate requirements and contingencies to issue securities of appropriate nature at the opportune time, including the size, structure, price and timing of the issue(s) at the appropriate time(s). The Board will fix the detailed terms of the final size of the offering, exact timing, and other related aspects after careful analysis and discussions with Lead Managers, prevailing market conditions and in line with the extant guidelines issued by SEBI, RBI or any other statutory and / or other regulatory authorities either in India or overseas, in this regard. The Resolution also enables the Bank to place equity capital with Qualified Institutional Buyers in accordance with 'Guidelines for Qualified Institutions Placement' forming part of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 as amended from time to time.

Section 81 of the Companies Act, 1956 provides, *inter alia*, that whenever it is proposed to increase the subscribed capital of a company by a further issue and allotment of shares, such shares shall be offered to the existing shareholders of the company in the manner laid down in the said Section, unless the shareholders decide otherwise in a General Meeting. The Listing Agreement with the Stock Exchanges provides, *inter alia*, that a listed company in the first instance should offer all the shares and debentures to be further issued for subscription pro rata to the equity shareholders unless the shareholders decide otherwise in a General Meeting.

Members are requested to pass the resolution under Item No.7 as a Special Resolution.

None of the Directors of the Bank is in any way concerned or interested in the passing of the Resolution.

Item No. 8

The present authorized capital of the Bank is ₹500 crore, out of which ₹465.79 crore is paid up as on date. In view of the expanding asset portfolio of the Bank, and looking to the capital adequacy requirements under Basel II norms, the Bank may have to augment its capital base in the near future. In order to facilitate further issuance of equity capital, it is proposed to increase the Authorized Share Capital of the Bank from the existing ₹500 crore to ₹550 crore, subject to the approval of Reserve Bank of India.

Members are requested to pass the resolution under Item No.8 as a Special Resolution.

None of the Directors of the Bank are in any way concerned or interested in the passing of the Resolution.

By Order of the Board

Haresh K. Gajwani
Company Secretary

Place : Mumbai
Date : May 23, 2011

DIRECTORS' REPORT: 2010-11

To all Members,

The Bank's Directors have pleasure in presenting the Seventeenth Annual Report covering business and operations of the Bank, together with the audited accounts for the year ended March 31, 2011.

The financial performance for the year ended March 31, 2011 is summarized as under:

(₹ in crores)

	As on March 31, 2011	As on March 31, 2010
Deposits	34,365.37	26,710.17
Advances	26,165.65	20,550.59
Operating Profit (before Depreciation and Provisions and Contingencies)	1,142.22	749.19
Net Profit	577.32	350.31

During the year, the Bank's deposits grew by 28.66% and advances increased by 27.32%, despite the mixed growth signals in the Indian economy and the tentative recovery witnessed in the global outlook.

The focus during the year continued to be on increasing the earnings from core banking business and on strengthening the fee income streams.

Operating Profit (before Depreciation and Provisions and Contingencies) during the year under review rose by 52.46% to ₹1,142.22 crores, from the level of ₹749.19 crores in the previous year.

The Bank's Net Profit, after considering necessary provisions and contingencies and all expenses, was higher by 64.80% at ₹577.32 crores as against ₹350.31 crores in the previous year.

Appropriations

The Directors recommend appropriation of profit as under:

(₹ in crores)

Operating Profit before Depreciation and Provisions & Contingencies	1,142.22
Less: Depreciation on Fixed Assets	60.55
Less: Provisions & Contingencies	504.35
Net Profit	577.32
Profit Brought forward	391.51
Amount available for Appropriation	968.83
Transfer to Statutory Reserve	144.33
Transfer to Capital Reserve	1.10
Transfer to Investment Reserve Account	0.69
Proposed Dividend	93.23
Tax on Dividend	15.12
Balance carried over to Balance Sheet	714.36
Total Appropriations	968.83

Dividend

The Earning per Share (EPS) of the Bank has risen to ₹13.16 during the year 2010-11 from ₹9.01 in the previous year.

Looking to the overall improvement in performance and the growth outlook for the current year, the Directors recommend a dividend of ₹2.00 per equity share of ₹10/- each for the year ended March 31, 2011. (Dividend for the year 2009-10 was ₹1.80 per equity share of ₹10/- each). The Bank shall pay tax on the amount of dividend paid, which will be tax-free in the hands of the shareholders.

Financial Performance

During the year 2010-11, the Bank continued to leverage its business on the three performance planks of Productivity, Profitability and Efficiency, which brought about a significant change in the year-on-year performance. There has been substantial and all-round improvement in various financial parameters during the year.

The Bank's Total Income grew by 31.98% to ₹4,303.02 crores from ₹3,260.47 crores last year.

The sharp rise in profitability was the result of a healthy increase in the core income streams. Net Interest Income improved by 55.29% to ₹1,376.49 crores from ₹886.41 crores while the Non-Interest Income rose to ₹713.66 crores from ₹553.48 crores, a rise of 28.94%.

Yield on advances was marginally lower at 12.36% during the year, as against the yield of 12.61% in 2009-10. Cost of deposits, however, decreased more sharply to 6.32% as against 6.82% in the previous year. Accordingly, the Net Interest Margin (NIM) rose to 3.47% during the year, as compared with 2.88% in 2009-10.

Though the Bank expanded its branch network substantially to reach 300 branches as against 210 at the beginning of the year, higher revenue growth and better cost management resulted in Cost / Income (Efficiency) Ratio improving to 48.25% in 2010-11 as against 51.12% in 2009-10. Revenue per employee during the year improved to ₹29.83 lakhs from ₹26.75 lakhs in the previous year.

Quality of the Bank's assets improved further, with Net Non-Performing Assets (Net NPAs) falling to 0.28% as at March 31, 2011 from 0.50% last year. The Provisioning Coverage Ratio (PCR) improved significantly to 72.61% as compared to 60.14% last year.

On the liabilities side, the emphasis continued to be on broadbasing the deposit franchise and on reduction in the overall cost of deposits. This task was accomplished by leveraging on the expanded branch network and the pan-India marketing setup, offering innovative products and service propositions, sustained promotional campaigns, and enabling customers with alternate channels like ATMs, Internet Banking, etc. The strengthened infrastructure was leveraged to boost the Current and Savings Account (CASA) balances to 27.15% from the level of 23.67% last year.

The Bank introduced several new products and services for its chosen client segments, through its Transaction Banking Group and Global Markets Group. Deeper understanding of client requirements and the ability to put technology to efficient use formed the bedrock on which new products and service propositions were created.

The Bank kept up its focus on broadbasing as well as strengthening the fee-based income streams, resulting in a smart growth in non-interest income. Moving forward, the Bank plans to upscale the growth momentum through further enhancements in diverse revenue streams such as foreign exchange business, investment banking, structured trade and treasury products, distribution of third party products like mutual funds and insurance, international remittances, bullion operations and transaction banking activities, including the depository business and the commodity market business.

Share Capital

On September 24, 2010, the Bank issued 5,00,00,000 equity shares of ₹10/- each through a Qualified Institutional Placement (QIP), at a premium of ₹224.55 per share. During the year under review Bank allotted 53,19,195 equity shares to employees pursuant to the exercise of Options under its Employees Stock Option Scheme, 2007.

Pursuant to the above, the Paid-up Share Capital and Share Premium Account increased by ₹55.32 crores and ₹1129.19 crores respectively.

As at March 31, 2011, the Paid-up Equity Capital of the Bank consisted of 46,57,73,835 shares of ₹10/- each, excluding forfeited shares.

Tier II Capital

In view of the Tier I capital infusion through the issue of equity shares, the Bank did not raise any Tier II capital during the year. There is substantial headroom available to the Bank to raise Tier II Capital in future.

Capital Adequacy

The Bank is adequately capitalized. The Capital Adequacy Ratio of the Bank, calculated as per the New Capital Adequacy Framework (Basel II norms) of RBI, is set out below:

	March 31, 2011	March 31, 2010
i) Capital Adequacy Ratio (CRAR)	15.89%	15.33%
ii) CRAR- Tier I Capital	12.29%	9.65%
iii) CRAR- Tier II Capital	3.60%	5.68%

Ratings

Given below are some of the ratings assigned by Credit Rating Agencies to the Bank's deposit and borrowing programmes:

- P1+ rating for Fixed Deposits and Certificate of Deposits (upto 1 year contracted maturity) by CRISIL.
- 'LAA-' for Lower Tier II Subordinate Debt program and 'LA+' for Upper Tier II Bond program by ICRA.
- 'CARE AA-' for Lower Tier II Subordinate Debt program by CARE.
- 'AA-(ind)' for Lower Tier II Subordinate Debt program, 'A(ind)' for Upper Tier II bond program and F1+ for Short Term program by Fitch Ratings.

Directors

Mr. R. Seshasayee was re-appointed Non-executive Chairman of the Bank in July 24, 2009 for a further period of two years. Mr. Seshasayee's tenure accordingly concludes on July 23, 2011.

Re-appointment of Mr. Seshasayee as Non-executive Chairman of the Bank, for a further period of two years with effect from July 24, 2011 is accordingly proposed, subject to approval of the Reserve Bank of India.

Mr. Ashok Kini and Mr. T. Anantha Narayanan, Directors, retire by rotation, and being eligible, have offered themselves for re-appointment.

Mr. Romesh Sobti was appointed Managing Director and CEO of the Bank w.e.f. February 1, 2008 for a period of three years. Since Mr. Sobti's tenure would conclude on January 31, 2011, approval of the Members for his re-appointment was sought in the 16th Annual General Meeting of the Bank held on June 28, 2010, subject to the approval of the Reserve Bank of India.

The Bank has since received the approval from Reserve Bank of India for re-appointment of Mr. Romesh Sobti as Managing Director and CEO for a period of three years, w.e.f. February 1, 2011, vide RBI letter dated January 13, 2011 on the terms and conditions indicated therein.

Mr. R. Sundararaman, who had joined the Bank's Board on October 30, 2002, ceased to hold office from October 30, 2010 upon completion of the maximum permissible tenure of 8 years on the Board of the Bank vide Section 10A(2A)(i) of the Banking Regulation Act, 1949. The Directors wish to place on record their sincere appreciation for the valuable services rendered by him during his tenure as Director of the Bank.

Auditors

M/s M. P. Chitale & Co., Chartered Accountants are the Auditors of the Bank and will retire at the conclusion of the ensuing Annual General Meeting. They have been associated with the Bank as Statutory Auditors for the past four financial years, and are not eligible for re-appointment in accordance with the RBI's policy of rotation and resting. The Board places on record its deep appreciation of the professional services rendered by M/s M. P. Chitale & Co., during their association with the Bank.

M/s B S R & Co., Chartered Accountants are proposed to be appointed as the Statutory Auditors of the Bank for the year 2011-12. Members are requested to consider the appointment of M/s B S R & Co., as the Statutory Auditors of the Bank till the conclusion of the next Annual General Meeting at a remuneration to be decided by the Board of Directors. Their appointment is subject to the approval of the Reserve Bank of India. A certificate from M/s B S R & Co. has been received to the effect that their appointment, if made, would be within the prescribed limits under Section 224(1) of the Companies Act, 1956.

Auditors' Report

M/s. M. P. Chitale & Co., Chartered Accountants, have audited the accounts of the Bank for the year 2010-11 and their Report is annexed. There are no qualifications in the Auditors' Report.

Statutory Disclosures

Information, wherever required under the Banking Regulation Act, 1949 or the Companies Act, 1956 as applicable to a banking company, has been laid out in the schedules attached and forms part of the Balance Sheet and Profit and Loss Account.

There are no material changes and commitments affecting the financial position of the Bank, which have occurred between the end of the financial year 2010-11 to which the Balance Sheet relates and the date of this Report.

Considering the nature of activities as an entity in the financial services sector, the provisions of Section 217(1)(e) of the Companies Act, 1956 relating to conservation of energy and technology absorption do not apply to the Bank. The Bank has, however, made optimum use of information technology in its operations.

The Bank had 7008 employees on its rolls as on March 31, 2011. The information required under Section 217(2A) of the Companies Act, 1956 and the rules made thereunder is given in the annexure appended hereto and forms part of this Report. In terms of Section 219(1)(b)(iv) of the Companies Act, this Report and the Accounts are being sent to the shareholders excluding the aforesaid annexure. Any shareholder interested in obtaining a copy of the said annexure may write to the Company Secretary at the Registered Office of the Bank.

Employee Stock Option Scheme

The Bank had instituted an Employee Stock Option Scheme (ESOS) to enable its employees, including Whole-time Directors, to participate in the future growth of the Bank. Under the Scheme, Options which upon exercise or conversion could give rise to the issue of a number of shares not exceeding in the aggregate 7% of the issued equity capital of the Bank from time to time can be granted. The Employee Stock Option Scheme is in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The eligibility and number of options to be granted to an employee is determined on the basis of criteria laid down in the Scheme and is approved by the Compensation Committee of the Board of Directors.

An aggregate of 2,36,25,450 Options have been granted under the Scheme. Statutory disclosures as required by the revised SEBI Guidelines on ESOS are given in the Annexure to this Report.

Corporate Governance

The Bank continues its endeavour to adopt the best prevalent Corporate Governance practices. A separate report on the status of implementation of Corporate Governance, as required under Clause 49 of the Listing Agreements with the relevant Stock Exchanges, is included in the section on 'Corporate Governance' which forms part of this Report. M/s. Bhandari & Associates, Company Secretaries have certified that the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreements with the Stock Exchanges have been complied with by the Bank. A copy of their Certificate is also attached to the Section on 'Corporate Governance'.

Directors' Responsibility Statement

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, the Directors hereby certify and confirm that:

- (i) in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- (ii) the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Bank as at March 31, 2011 and of the profit of the Bank for the year ended on that date.
- (iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 and Banking Regulation Act, 1949 for safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities; and
- (iv) the Annual Accounts have been prepared on a 'going concern' basis.

Acknowledgements

The Directors are grateful to the shareholders of the Bank for the trust and confidence reposed by them in the Bank.

The Directors are also grateful to the Reserve Bank of India, the Ministry of Corporate Affairs, the Securities and Exchange Board of India and the Stock Exchanges for the guidance and support extended by them to the Bank.

The Board expresses its deep sense of appreciation to all employees for their excellent performance, strong work ethic and unswerving commitment, which qualities have contributed to the Bank's continued progress in a challenging environment.

The Board thanks its valued customers for their patronage, and looks forward to the growing of this mutually supportive relationship in future.

For and on behalf of the Board of Directors

Place: Mumbai
Date: May 23, 2011

R. Seshasayee
Chairman

ANNEXURE TO DIRECTORS' REPORT

STATUTORY DISCLOSURES REGARDING ESOPS (FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED MARCH 31, 2011)

	Particulars	ESOP2007 (Previous)	ESOP2007 Granted on January 28, 2010	ESOP2007 Granted on June 28, 2010	ESOP2007 Granted on September 14, 2010	ESOP2007 Granted on October 26, 2010	ESOP2007 Granted on January 17, 2011	ESOP2007 Granted on February 7, 2011	ESOP2007 Granted on February 7, 2011
1	No. of Options granted	1,69,02,000	6,00,000	13,57,450	73,500	1,43,500	25,00,000	2,84,000	17,65,000
2	No. of Options issued	1,69,02,000	6,00,000	13,57,450	73,500	1,43,500	25,00,000	2,84,000	17,65,000
2A)	No. of Options surrendered (cancelled)	2,08,550	0	40,750	9,000	0	0	0	0
3	Pricing Formula	Options granted at market price, except some options granted on July 18, 2008, January 28, 2010 and February 7, 2011 at discount to market price*							
4	No. of Options vested	1,46,33,700	6,00,000	0	0	0	0	0	0
5	No. of Options exercised	58,76,695	0	0	0	0	0	0	0
6	No. of shares arising as a result of exercise of Options	58,76,695	0	0	0	0	0	0	0
7	Options lapsed	0	0	0	0	0	0	0	0
8	Variation in the terms of Options	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
9	Money realised during the year on exercise of Options (₹ in lakhs)	25,18	NIL	NIL	NIL	NIL	NIL	NIL	NIL
10	Total No. of Options in force	1,08,16,755	6,00,000	13,16,700	64,500	1,43,500	25,00,000	2,84,000	17,65,000
11	Employee-wise details of Options granted to:								
	(a) Key Managerial Personnel, i.e., MD & CEO and SEVPs (Annexure 1)	1,00,00,000	6,00,000	0	0	0	25,00,000	2,84,000	
	(b) Any other employee who receives a grant in any one year of Options amounting to 5% or more of the Options granted during the year	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	(c) Identified employees who were granted option, 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	Nil	Nil	Nil	Nil	Nil	Nil
12	Vesting Schedule: (*All Options vested one year from the date of grant)								
	33% of these options will vest on		28-Jan-11*	28-Jun-11	14-Sep-11	26-Oct-11	17-Jan-12	7-Feb-12*	7-Feb-12
	33% of these options will vest on			28-Jun-12	14-Sep-12	26-Oct-12	17-Jan-13		7-Feb-13
	34% of these options will vest on			28-Jun-13	14-Sep-13	26-Oct-13	17-Jan-14		7-Feb-14

The details of employee compensation cost, method and significant assumptions used during the year to estimate the fair values of options, including weighted average information covering risk-free interest rate, expected life, expected volatility, expected dividends, etc. are given under Notes on Accounts (Schedule 18) of the Balance Sheet

Annexure 1				
Name of Key Managerial Personnel		No. of Options granted		
Price (₹)		48.00	228.70	95.45
Romesh Sobti, MD & CEO		26,00,000	500,000	NIL
Paul Abraham, Chief Operating Officer		20,00,000	500,000	84,000
Sumant Kathpalia, Head - Consumer Banking		20,00,000	500,000	98,000
Suhail Chander, Head - Corporate & Commercial Banking		20,00,000	500,000	62,000
K S Sridhar, Chief Risk Officer		20,00,000	500,000	40,000

MANAGEMENT DISCUSSION & ANALYSIS

Macro Economic Scenario and Banking Environment

The Indian economy emerged smartly from the slowdown caused by the global financial crisis of 2007-09 and continues to be one of the fastest growing economies of the world.

After receding to 6.8% in 2008-09, India's GDP growth had recovered well to 8%, but recent economic and financial events have raised concerns about the sustainability of the growth momentum.

On the global front, even some of the developed economies that had shown incipient signs of recovery appear to be facing strong headwinds, which could restrict their growth in the second half of 2011.

The structural irritants in the global financial space, viz., European countries' debt burden, weakness in the US mortgage market and sluggish growth in employment opportunities, Japan's natural disaster and China's efforts to rein in its economy, continue to cast their shadow.

In the Indian context, despite sustained efforts by the Government at addressing them, obstinate inflation that has proliferated into the non-food-segment of the economy as well, fiscal pressures and the current account deficit continue to threaten economic growth.

The banking sector witnessed a slowdown in deposit accretion in 2010-11 owing to several factors such as subdued net foreign funds inflows, higher capital outflows, higher public holdings of cash and the unusually high receipt of funds by the Central Government owing to the telecom spectrum auctions.

The Reserve Bank of India has worked towards containing inflation and tempering inflationary expectations since early 2010. RBI has, over the period, gradually shifted to tightening of liquidity, looking to the growth trajectory and unabated high inflation. The tight liquidity conditions have resulted in a large increase in cost of funds, forcing banks to progressively increase lending rates, effects of which are being seen in slower industrial growth.

The year 2011-12 shows signs of being a challenging year: the country's growth story continues to hold out, even as vulnerabilities in the global economic and financial space remain a concern. Japanese recovery, Europe's fiscal consolidation and the liquidity overhang in US will moderate growth in the second half of 2011, coupled with expectations of hike in policy rates to contain rising inflation.

In India, inflationary pressures are likely to persist, resulting in a tighter monetary stance. While higher interest rates are likely to boost growth in bank deposits, credit growth may slacken owing to rising interest rates.

Bank's Performance during 2010-2011

Business Performance

The salient features of the Bank's operating performance during the year 2010-11 are summarised in the table below:

(₹ in crores)

	2010-11	2009-10	Y-O-Y Growth
Interest Earned	3,589.36	2,706.99	32.60%
Interest Expended	2,212.86	1,820.58	21.55%
Net Interest Income	1,376.50	886.41	55.29%
Other Income:	713.66	553.48	28.94%
Fee & Misc. Income	692.71	531.25	30.39%
Bad Debts Recovery	20.95	22.23	-5.76%
Total Operating Income	2,090.16	1,439.89	45.16%
Operating Expenses excluding Depreciation	947.94	690.70	37.24%
Operating Profit before Depreciation and Provisions	1,142.22	749.19	52.46%
Less: Depreciation	60.55	45.29	33.69%
Less: Provisions & Contingencies	504.35	353.59	42.64%
Net Profit	577.32	350.31	64.80%

Despite the inflationary pressures and mixed growth signals in the Indian economy coupled with moderate recovery witnessed in the global outlook, the Bank's Net Profit, after considering all expenses and necessary Provisions and Contingencies, rose by 64.80% to ₹ 577.32 crores, as against ₹ 350.31 crores in the previous year. The Operating Profit (before Depreciation and Provisions and Contingencies) was higher at ₹ 1,142.22 crores as against ₹ 749.19 crores in the previous year, a rise of 52.46%.

The core earnings of the Bank through Net Interest Income improved by 55.29% to ₹ 1,376.50 crores from ₹ 886.41 crores. Yield on advances was marginally lower at 12.36% during the year, as against the yield of 12.61% in 2009-10. The Cost of Deposits, however, decreased more sharply to 6.32% during the year as against 6.82% in the previous year. Accordingly, the Net Interest Margin (NIM) improved substantially to 3.47% during the year as compared with 2.88% in 2009-10.

Non-Interest Income rose to ₹ 713.66 crores from ₹ 553.48 crores, recording a year-on-year (y-o-y) rise of 28.94%.

Though the Bank expanded its branch network substantially to reach 300 branches as against 210 branches at the beginning of the year, higher revenue growth and better cost management resulted in Cost / Income (Efficiency) Ratio improving to 48.25% in 2010-11 as against 51.12% in 2009-10.

Quality of the Bank's assets continued to improve, with Net Non-Performing Assets (Net NPAs) falling to 0.28% as at March 31, 2011 from 0.50% last year. The Provisioning Coverage Ratio (PCR) improved significantly to 72.61% as compared to 60.14% previous year.

On September 24, 2010, the Bank issued 5,00,00,000 equity shares of ₹ 10/- each through a Qualified Institutional Placement (QIP), at a premium of ₹ 224.55 per share. During the year under review, allotment of 53,19,195 equity shares to employees was made pursuant to the exercise of options under its Employees Stock Option Scheme 2007.

Pursuant to the above, the Paid-up Share Capital and Share Premium Account increased by ₹ 55.32 crores and ₹ 1129.19 crores, respectively.

As at March 31, 2011, the Paid-up Equity Capital of the Bank consisted of 46,57,73,835 shares of ₹ 10/- each, excluding forfeited shares.

Consumer Banking

During 2009-10, the Bank's Retail (Consumer) Banking business showed a healthy growth in revenue, a y-o-y rise of 69%. The Current Account book grew by 59% and the Savings Account book grew by 43% on y-o-y basis.

The Bank continued to focus on improving the quality of new customer acquisition and mobilising retail CASA balances during the year. The Bank set up the Emerging Corporate Business Group and launched innovative products like 'Indus EXIM' account to support quality client acquisition and to enhance the Business Banking experience.

This business contributed more than ₹ 23 crores by way of revenue in the first year of operations, apart from adding significantly in Balance Sheet growth.

The year saw the re-launch of Non-Resident (NR) business, which acquired 12,000 new NR clients within a short span and also mobilised a significant FCNR book and Savings Account book. With constant technology upgradation and investment in support infrastructure, the Bank was able to retain and deepen the profitable client-base. The Bank also made its presence in the IPO collection business.

The bancassurance tie-ups with Aviva and Cholamandalam MS helped the Bank offer a wider array of Life Insurance and General Insurance products to customers. This saw the Bank's revenue from wealth-related products grow by 122% on y-o-y basis.

The Bank focused on key initiatives like client engagement, compliance and operating processes management to enhance the quality of delivery of banking products and services. During the year, the Consumer Bank launched several customer-centric products (ATM denomination choice, cheques imaging on Statements of Accounts etc., which reflect the theme of "Responsive" customer service. These have been very well received and appreciated by the market.

Credit Cards

The Bank has moved ahead in its strategy of building out a full service Universal Bank for chosen segments. Being a full service Universal Bank provides consumers an ability to consolidate all financial needs with one bank, ensuring simplicity in management of personal finances and of getting relationship-based pricing and other advantages due to such consolidation.

A Credit Card is a financial product with high levels of customer involvement. For the Bank, it forms a critical support product to the customer-centric product strategy and fulfills a critical customer need.



While the Credit Cards business could have been created organically, the Bank bid for the Deutsche Bank Cards portfolio in India, as it provided a ready opportunity to jumpstart the business. The Credit Cards business typically takes time to start generating robust revenues, as revenue generation starts only from the time the customer starts spending on the product.

The key benefits provided by the acquisition include:

1. An evolved and stable systems platform;
2. Established processes ranging from sales delivery and customer fulfillment to service delivery and collections; integrated strong risk decisioning and loan originating engines;
3. Trained manpower with best-in-class skill sets;
4. Strong product range with deep relationships with Credit Card programme partners; and
5. Historical and legacy knowledge of Credit and Risk.

With the Bank's focus on leveraging the branch infrastructure, and the well-segmented customer base towards sourcing new accounts at a lower cost, the Bank aims at driving efficiencies into the business.

The Credit Cards industry in India is still at a fairly nascent stage with credit bureaus starting to make their significance felt. The presence of CIBIL for the last few years, and the entrance of other major credit information service providers, speaks well for the industry and its inherent potential.

Card spends in India is less than 3.5% of Personal Consumption Expenditure and the growth opportunity continues to be strong given the emerging middle class and the latent need for credit towards building assets and meeting lifestyle aspirations. With the Government's focus on moving more payments towards electronic media, consumer spends on plastic are expected to grow significantly. The emergence of organised Retail is also expected to be a key factor which will drive electronic payments in the coming years.

II Consumer Finance

The Consumer Finance Division (CFD) extends asset-backed financing for a wide range of vehicles, spanning across heavy commercial vehicles, cars, three wheelers, two wheelers etc. Besides, specialty construction equipments like tippers, cranes, excavators and loaders are also financed.

The thrust during the year was towards small commercial vehicles, i.e., three-wheeler and entry level four-wheelers, as this product-line yielded high returns. The Bank has established leadership position in finance of three-wheelers, which was identified as a focus area two years back.

Aggregate disbursements made during the year 2010-11 grew by 51% over the level of the previous year. New loan accounts numbering 5.70 lakhs were added during the year.

This Division also earned a fee-based income of about ₹ 54 crores, primarily through distribution of various third-party insurance products and on distribution of Credit Shield, which is a Personal Accident cover offered to customers through Cholamandalam MS General Insurance, strategic partner of the Bank for bancassurance under the General Insurance segment.

The operations of this Division are efficiently supported by document storage and retrieval facility at the Bank's Karapakkam Unit (near Chennai), which handles loan document processing and record maintenance. The Data Centre, also located at Karapakkam, has state-of-the-art facilities in terms of data / equipment protection mechanisms and is equipped with access rights with sensors to facilitate monitor movement within the Centre.

 <p>CARE AA-* for Lower Tier II subordinate debt program *Upgraded to 'CARE AA' as on June 10, 2011</p>  <p>'AA-(ind)' for Lower Tier II subordinate debt program, 'A(ind)' for Upper Tier II bond program and F1+ for Short Term program</p>		 <p>P1+ for certificate of deposit program</p>  <p>'LAA-' for Lower Tier II subordinate debt program and 'LA+' for Upper Tier II bond program</p>
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Corporate & Commercial Banking

The Corporate & Commercial Banking Group (CCBG) comprises four Strategic Business Units, viz., Corporate & Investment Banking, Commercial Banking, Business Banking and the Financial Institutions & Public Sector Strategic Business Units (SBUs).

Each SBU is entrusted with the task of maximising revenue from its clients by deepening relationships and acquiring additional quality relationships from its focus area.

Corporate & Investment Banking Group

The Corporate & Investment Business Segment covers large corporate clients and also houses the Investment Banking Team of the Bank. The Bank is a Category I Merchant Banker.

Segment-wise highlights of the year:

Corporate Banking

The year 2010-11 saw rapid growth in the business done with large corporates with growth in various vectors such as loan book, cross-sell in Trade and Forex, Deposits, Fee Income etc.

The Bank was able to conclude both domestic and cross-border structured trade and forex solutions with several large groups, firmly showcasing the ability to meet the demanding requirements of these top corporates. As a result, the Bank's exposure on marquee clients and groups increased significantly improving the quality of the overall corporate banking book. This has also helped in creation of a stable and sizeable base for future growth.

Investment Banking

The Investment Banking business significantly scaled up its operations during the year. Increased product capabilities with a highly qualified and specialised team were responsible for the success in growing the fee income by over three times. The unit now houses strong capabilities across four areas, viz., Loan Syndication, Project Finance, Structured Finance and Private Equity Advisory. The objective is to leverage the Bank's client-base and strong relationships to provide highly customised Investment Banking solutions so that effective partnership can be extended to clients in their growth. This unit is expected to be one of the major drivers of fee income in the coming years.

Commercial Banking Group

Set up with a view to target the 'sweet spot' of the Indian corporate space, the Commercial Banking Group focuses on companies in the fast growing SME and mid-market segments. The Group today operates out of 20 locations in India, providing services to more than 1000 clients.

The broad business theme of the Group is centered around the following:

- Offering the full bouquet of customised products to the clients catering to their working capital requirements;
- Increasing the client base to create a sustainable earnings stream for the Bank;
- Increased cross-sell through alignment of Relationship Managers and the Product Groups, i.e., the Transaction Banking and Global Markets Group, resulting in a greater share of the clients' wallet; and
- Offering structured transactional and Investment Banking services to the clients for their specific needs.

Supply Chain Solutions

Channel Finance

Payment Mandates

Structured Trade Finance



Loan Syndication

Structured Finance

Private Equity

Project Finance

The highlights of the year are:

- This Group is proud to be associated with many more esteemed names of the Indian mid-size corporate market, having added 180 new clients during the year. The focus was on meeting standard credit quality requirements by handpicking the best-in-class industries and sectors for fulfilling their banking requirements;
- Special emphasis was laid on concluding structured Foreign Exchange (Fx) as well as Trade Finance deals, which showcased the Bank's capability to offer customised products to clients and to meet their needs with innovative solutions; and
- This year, the CBG group also took up the Bank's 'Financial Inclusion' initiative forward in a big way. Business plans for 'Financial Inclusion' envisage reaching out to 5,000 villages covering 1.25 million households by Financial Year 2013.

II Business Banking Group

The Business Banking Group (BBG) covers the small business segment. The country has been divided into 5 zones, each being led by a Zonal Head and these zones are further divided into 19 regions, which cover 79 cities across the country.

The core product range includes working capital facilities, viz., Cash Credit, Export Finance, Working Capital Demand Loans etc. and Term Loans. Besides this, the BBG Team is also responsible for distributing products relating to the banks initiatives in Supply Chain Finance, and Commodity Financing.

The highlights of the year are:

- Acquisition of more than 1100 new customers in the year;
- The Channel Finance portfolio was ramped up substantially witnessing growth of 340% through more tie-ups with dealers of various leading anchor corporate. This will remain a key area of focus; and
- The Commodity Finance Warehouse Financing portfolio has been growing steadily and contributed significantly towards the bank meeting all its Priority Sector Lending targets.

II Financial Institutions & Public Sector Group

The Financial Institutions & Public Sector (FIPS) Group takes care of the banking needs of Public Sector Undertakings (PSUs), both Central and State, as well as Government Bodies and financial institutions like Banks, Insurance Companies and Mutual Funds. The Group manages business from these client segments through a team of focused Relationship Managers located across the country.

A large part of the Bank's wholesale deposit base is managed by this Group. The deposit portfolio managed by this Group grew by 32% during the year. The FIPS Group has played a key role in de-risking the liquidity profile of the Bank and ensured uninterrupted liquidity at all times. Through enlargement of the depositor base and expansion of activity into new geographies, this Group has helped the Bank to successfully keep a check on the cost of Time Deposits. The Group acquired several quality customers in the public sector banks, co-operative banks and in the mutual funds space.

During the year, the Group successfully acquired and executed prestigious mandates from Central Public Sector companies, which created good brand value. Despite being new in the dividend and IPO business, several Navratna PSUs and Category-1 PSUs reposed confidence in the Bank's ability to successfully execute mega dividend and IPO mandates.

During the year, the Group successfully established its Correspondent Banking business and set up relationships with several correspondents in different geographies, which helped in scaling up Trade and Treasury business of the Bank.

Global Markets Group

The Global Markets Group (GMG) is one of the specialised groups having three functional units, namely, the Money Markets & Balance Sheet Management Unit, Corporate FX Unit, Bullion and Exchange Houses Unit and the Proprietary Trading Unit, with a mix of support and business functions.

The core responsibility of the Money Markets & Balance Sheet Management Unit is to manage the Statutory Reserve requirements of CRR and SLR; Resource and Liquidity management; ALM / FTP management and mitigating Market and Liquidity Risks in the Balance Sheet. In addition to these core support functions, the Unit undertakes proprietary trading in interest rate products such as bonds, Overnight Index Swaps and strategic trading in equity market. The Unit also undertakes non-SLR investments as a part of the Bank's Cash Management strategy so as to contribute to Net Interest Income through sourcing of low cost funds for deployment in better yielding assets. The Unit provides market intermediation and custodial services to clients investing in Government bonds through CSGI accounts. The services

also include providing market information, advisory, and trade suggestions for investments with optimum yield.

The financial year 2010-11 witnessed continuation of the hardening interest rate cycle, driven by successive tightening in Policy rates. This, coupled with persistent deficit in system liquidity targeted to improve the monetary policy transmission mechanism, resulted in volatility in domestic interest rates. As a result, there was a gradual steepening across the term structure of interest rates with the shorter end leading the move followed by mid and the longer end. Overnight call money rate moved up by 400 basis points from a low of 3.25% to a high of 7.25%. Interest rates on one year Certificate of Deposit mobilised by nationalised banks moved up by 425 basis points from a low of 6% to a high of 10.25%.

The liquidity and resource mobilisation strategy proactively addressed to these conditions to have a significant cost reduction in Bank's sources of funds with a good mix of term deposits, market borrowing and refinance. In spite of the progressively hardening interest rate cycle witnessed during the year, trading desk managed to generate a reasonable amount of trading profit by right entry / exit strategies backed by accurate short term interest rate views and also brought in improvement in the yield of core SLR portfolio riding the rising yield curve. The CRR / SLR / ALM portfolios were managed well within the regulatory prescriptions and there have been no observations from the internal and external Auditors.

The Corporate Foreign Exchange (FX) & Derivatives Unit is a client-facing unit, which looks after merchant flows and provides tailor-made solutions through structured products to clients who are looking to hedge their FX and interest rate exposure. The responsibility of the Corporate FX Unit is to generate core fee income for the Bank arising from cross-border business flows of its customers and related risk management of the underlying exposures on clients' Balance Sheets. The Unit is further subdivided into three desks. The functions include market intermediation to clients for purchase and sale of foreign currencies which are 'delivery' in nature (merchant flows desk), advisory services on the FX market for dynamic management of exchange exposures (Client Advisory Services) and the Derivatives unit. The Unit has a dedicated advisory team called Client Advisory Services (CAS) which provides market research report on daily and weekly basis; market information through various communication channels and provides ideas on dynamic hedging to safeguard against exchange rate and interest rate risk. This unit has grown in terms of both revenue and volume and is identified as a special focus unit for the next FY.

The Derivatives Unit provides risk management solutions using structured derivative products. There was decent growth in this unit and the bank has established a good name in the market for its capabilities on this product. The Bank has well laid-out operational policy guidelines, risk management policies and systems support to monitor transactions on real-time basis. Risk is significantly diluted as all client deals are covered back-to-back with counter-party banks so as to mitigate market risk, with only credit risk on the Bank's books. The business strategies rolled out to increase the core fee income from FX have paid well. There was more than 100% revenue growth in the Corporate FX business as compared to FY 2010 and the Bank is looking to increase the contribution of corporate FX revenue in the overall FX revenue composition. Further, a strong infrastructure has been built to ramp up income in the coming years. The infrastructure includes feet-on-street product specialists through a separate sales vertical working together with the Relationship Managers of Business Units to have better client traction to get higher wallet share of business.

The Bullion and Exchange House Unit handle clients' bullion business on consignment basis and Vostro facilities for Exchange Houses.

For the current year, various initiatives have been lined up with focus on corporate business, as this stream has been identified for contributing accelerated growth to the Bank's Treasury. There are expansions planned both in terms of team size as well as in terms of GMG presence across the country. Dealing Room will be opened at three outstation centres to provide better support to customers. To support the high growth targeted, acquisition of high-end technology platform is envisaged during this FY. New products like ETF&O will be rolled out to the clients. In addition, the Bank would be running



their proprietary book on USD-INR options during this year.

There is a full-pledged Proprietary Desk, which has made a significant contribution to Treasury's revenue. The Desk comprises a group of specialised traders in USD / INR Spot, USD / INR Forwards and G-7 currencies. The Proprietary Desk targets to maximise the Bank's revenue through proprietary positions in domestic Rupee market as well as G-7 currencies taking strategic view on currency and interest rate movements. The revenues from the Proprietary Desk have substantially increased y-o-y through judicious trading strategies in currency and interest rate markets.

Overall, the GMG has emerged as a significant contributor to the "Other Income" of the Bank, in addition to having close monitoring on the Balance Sheet to mitigate market risks and to enhance the spread from financial intermediation. The market report named "Market Pulse" sent by the Group commands great value among the stakeholders in the market and commands good recognition from print and visual business media. There has been no instance of regulatory lapse or compliance violation owing to the robust checks and balances established through the Mid-Office of the Risk Management Department.

Transaction Banking Group

The Transaction Banking Group provides solutions under Cash Management, Trade Services, Supply Chain Financing, Commodity Financing, Global Remittances, Electronic Banking, financing Capital & Commodity Markets and Gems & Jewellery sector.

This year, the Bank launched several new products and services catering to specialised needs of clients. The Global Remittances business saw a 50% jump in transactions during the year. The Remittances business is now well diversified and contains eight product lines with remittances from ten countries and over sixty partners. The growth this year was led largely on account of adding new partners for both Inward & Outward Remittances.

Under the Cash Management Services, the Bank offers to corporates products that facilitate their Collections & Payments and helps the Bank in its objective of growing its Current Account base. This year saw an increase of 130% in CMS throughput.

The Bank introduced in this year "Indus Online", an integrated Corporate Internet Banking portal. 'Indus Online' enables Bank's institutional customers to conduct payments, Cash Management, Trade Services and Supply Chain Financing transactions in a secure and efficient straight-through-processing environment. The Bank also acted as Banker to several IPOs, FPOs and Bond Collections and also handled several Dividend mandates during the year.

Under the Trade & Supply Chain services, the Bank offers its clients end-to-end trade solutions across their value chain. Along with LCs, Guarantees and Export / Domestic Trade Finance, the bank is helping clients enhance cash flows by unlocking funds in the working capital cycle. The international trade business saw over 50% growth compared to last year. Our focus remains on increasing revenue streams by providing structured products to clients while ensuring credit quality. The Bank provides Commodity Finance against various agricultural commodities and a strong focus has helped the portfolio grow by over 35% compared to last year. The Bank is constantly looking at expansion of geographies and expansion of service partners with the objective of risk diversification. The Bank set up an exclusive group to cater to the specific export finance requirements of Gems & Jewellery sector and added several new clients to this portfolio.

The Supply Chain Finance solutions that were launched last year proved to be a highly effective tool for manufacturing clients in their negotiating preferential purchase terms and strengthening channel relationships. For suppliers, the Bank's solutions provide assured, cost-effective financing of trade receivables, improves Days' Sales Outstanding (DSO) and provides Balance Sheet advantages by faster conversion of accounts receivable to cash. The Bank also launched a Supply Chain Portal to enable its corporate partners to avail finance conveniently.



The online money transfer service from UK to India and US to India





Indus ONLINE
An Integrated Corporate Internet Banking Portal

The Capital and Commodity Market Division focuses on serving Capital, Commodity and other Exchanges and their members. The Bank has the unique distinction of being a Clearing-cum-Settlement Banker to NSE and BSE such as major commodity future Exchanges such as MCX, NCDEX, NMCE and ICEX, Commodity spot Exchanges such as NSEL, NCDEX Spot; and the Currency Derivative Segments of NSE and MCX SX. The Bank has also acquired Trading-cum-Clearing memberships in the Currency Derivative Segments of NSE and MCX SX. The Bank is closely watching emergence of new participants / exchanges and shall consider participation in / association with such new entrants.

The Bank has been a Depository Participant for NSDL and CDSL and is an empanelled DP offering services to both securities and commodities segments. The Bank has also become empanelled DP with Commodities Spot Exchanges and is launching lending products against the instruments traded on these Exchanges.

Capital markets were edgy during the previous two years and transaction volumes had declined. The Bank exercised requisite caution in the volatile environment. As market sentiment improved last year, the Bank has judiciously expanded business in this segment, keeping a tight vigil on risks.

Priority Sector Lending

The Bank achieved the prescribed target for Priority Sector Advances.

Priority Sector Advances aggregated ₹ 9,431.16 crores at the end of March 2011, representing 45.89% of Bank's Net Bank Credit (NBC) of the previous year, as compared to 44.34% at the end of March 2010.

During the year, the Bank financed over 1,54,220 agriculturists and the aggregate Direct Agricultural Advances stood at ₹ 2,435.52 crores, representing 11.85% of Bank's NBC at the end of March 2011. The overall Agricultural Advances (i.e., Direct Agriculture and Indirect Agriculture) stood at ₹ 3,381.84 crores representing 16.46% of the Bank's NBC at the end of March 2011.

Additionally, the Bank's finance to 'Weaker Sections' stood at ₹ 1,762.46 crores, representing 8.58% of the Bank's NBC at the end of March 2011 and finance to small enterprises represented 27.09% of the Bank's NBC at the end of March 2011.

Risk Management

Banking business is exposed to a wide spectrum of risks and it is imperative that the various risks faced by the Bank are effectively monitored, measured and managed. A robust Enterprise-wide Risk Management (ERM) framework, a cornerstone of prudent banking, enables effective and proactive management of various risks while supporting business growth, helps reduce volatility in earnings and enhances shareholders value.

ERM framework provides single window view of the risks faced by the Bank and facilitates integration and coordination in management and monitoring of associated risks. The Bank has an integrated Risk Management Department, independent of business functions, covering Credit Risk, Market Risk, Operational Risk and Assets-Liabilities Management (ALM) functions. Risk management practices adopted by the Bank are aligned with the best in the industry and are adaptable to a dynamic operating environment.

Indian Banks Association (IBA) has conferred on the Bank the Runner-up Award for the 'Best Use of Technology in Risk Management' in the 'Private Banks' category. The parameters of this Award were based on the steps undertaken to strengthen the risk management framework during the year 2010. The risk management initiatives have brought in tangible benefits in the form of proactive management of risk and ensuring compliance requirements.

II Reinforcement of Risk Management - Adoption of Basel II

The Bank has adopted the New Capital Adequacy Framework under Basel-II w.e.f. March 31, 2009, for measurement and maintenance of capital adequacy.

The New Capital Adequacy Framework has enabled the Bank to allocate capital based on risk sensitivity of the respective assets. As a prudent measure, the Bank has been undertaking computation of capital requirement under Basel-II since June, 2006 under a parallel run.

The Bank has implemented a highly sophisticated system to enable automated computation of capital requirements under Basel II. The system also supports adoption of advanced approaches under New Capital Adequacy framework for computation of capital charge towards Credit Risk, Market Risk and Operational Risk.

As part of New Capital Adequacy Framework, the Bank has implemented a Policy on Internal Capital Adequacy Assessment Process (ICAAP), which facilitates identification and measurement of material risks other than those covered under Pillar I. During the year, the Bank has further strengthened quantification of material risks under Pillar II of Basel II Guidelines.

The Bank has undertaken various initiatives to equip itself towards migration to more advanced approaches of risk assessment under Basel II.

II Credit Risk Management

Credit Risk is managed both at Transaction level and at Portfolio level. The key objective of Credit Risk Management is to achieve appropriate reward in relation to risks assumed whilst maintaining the credit quality within the defined risk appetite.

The various measures adopted by the Bank for managing Credit Risk are outlined hereunder:

- Gauging Credit Risk at the time of credit approval, by means of risk-rating models implemented for different segments of obligors;
- Credit Portfolio Management analysis to monitor credit quality, composition of its portfolios, concentration risk, yield monitoring and business growth;
- Stress testing of credit portfolios to measure its shock absorbing capacity and its impact on profitability and capital adequacy;
- Measurement and monitoring of credit quality regularly by means of Weighted Average Credit Rating (WACR) of the portfolios;
- Constituting the 'Risk Index' to measure the overall credit risk profile of the Bank;
- Setting up of prudential internal limits for assuming exposures on a counterparties, industries, sectors etc.;
- Regular monitoring of prescribed portfolio level limits;
- Management of Bank Risk and Country Risk by setting up exposure limits on the basis of respective risk profiles; and
- Assessing regularly the risks and controls at three different levels, viz., Low, Medium and High, and assessing the direction of risks and controls, viz., Increasing, Stable and Decreasing.

II Market Risk Management

Market Risk arises from changes in interest rates, exchange rates, equity prices and risk-related factors such as market volatility.

Market Risk is proactively managed and aligned with the Bank's risk appetite. The Bank manages Market Risk in trading portfolios using a robust Market Risk Management Framework prescribed in its Market Risk Management policy. The framework includes monitoring of PV01 limits, Value-at-Risk (VaR) limits for Forex, Investments, Equity and Derivatives portfolios, besides Stop-Loss limits, Exposure limits, Deal-size limits and various operational limits etc.

Market Risk Management Group functions independent of the Treasury business, and is responsible for:

- Creating and updating comprehensive policies framework and implementation of methodologies for measurement and monitoring the market risks;
- Identification, measurement, monitoring, analysis and reporting of the market risks arising out of various trading portfolios; and
- Ensuring compliance with Bank's Market Risk Management Policy and monitoring market risk exposures in line with risk limits set by the Board of Directors.

Prime objective of the Bank's trading activities is client facilitation and providing products / services at competitive prices. Further, the Bank also takes positions for proprietary activities. Financial instruments held in the Bank's trading portfolios



include debt securities, equities, foreign exchange and derivative financial instruments (forwards, swaps and options etc.).

II Asset Liability Management (ALM)

The Bank's ALM system supports effective management of liquidity risk and interest rate risk, covering 100% of its assets and liabilities.

- **Liquidity Risk** is managed through Structural Liquidity Gaps, Dynamic Liquidity position monitoring, Liquidity Ratios analysis, Behavioral analysis of liabilities and assets and prudential limits for negative gaps in various time buckets;
- **Interest Rate Sensitivity** is monitored through prudential limits for Rate Sensitive Gaps, Modified Duration of Equity and other risk parameters; and
- **Interest Rate Risk** on Investment portfolios is monitored through Modified Duration, PV01 and VaR on a daily basis. Optimum risk is assumed through duration, to balance between risk containment and profit generation from market movements.

Meetings of the Asset Liability Management Committee (ALCO) were convened frequently during the year, wherein analytical presentations were made providing detailed analyses of liquidity position, interest rate risks, product mix, business growth versus the budgets, interest rate outlook etc., which helped to review the business strategies regularly and undertake new initiatives.

Interest rate outlook projected in ALCO meetings have largely been in line with the actual interest rate trend taking place.

In order to adopt more advanced and sophisticated techniques of assets-liabilities management, Bank has implemented state-of-the-art ALM system.

The ALCO is chaired by the Managing Director and includes the Chief Operating Officer, the Chief Risk Officer, the CFO, Heads of Business Units and Functional Heads. ALCO meets on a frequent basis and analyses the liquidity position and the interest rate risks. ALCO provides directional guidelines to Business Units to manage liquidity position effectively while achieving the Bank's targets.

The Bank evaluates its structural liquidity position on a daily basis and maintains liquidity risk within its policy parameters.

II Stress Testing - Liquidity Risk

The Bank performs stress tests regularly to simulate as to how the stressed events may impact its funding and liquidity position. The stress tests help the Bank to be better equipped to meet the stressed situations, if they arise, and also overcome them through well planned contingent plans.

II Contingency Planning

Contingency funding plans have been developed to anticipate and respond swiftly to approaching or actual material deterioration in market conditions. The Bank reviews its contingency plans in the light of evolving market conditions. The contingency funding plan covers available sources for contingent funding to supplement cash flow shortages, the roles and responsibilities of those involved in the contingency plans, and the Contingency Triggers.

II Interest Rate Risk in the Banking Book (IRRBB)

Interest Rate Risk on the Banking Book largely arises in four principal forms: (a) Repricing Risk; (ii) Optionality; (iii) Basis Risk; and (iv) Yield Curve Risk.

From an economic perspective, it is the Bank's policy to minimise the sensitivity to changes in interest rates on assets and liabilities. Interest Rate Risk is calculated on the basis of the repricing behaviour of each asset, liability and off-Balance Sheet items. Limits are laid down under the Bank's Assets and Liabilities Management Policy, as per its risk appetite, on the impact on NII and Economic Value of Equity (EVE) for a specified change in interest rate.

The Bank has put in place necessary framework to monitor Interest Rate Risk on the Banking Book using the Duration Gap Approach.

II Operational Risk Management

Operational Risk is the potential for incurring loss due to failure of employees, technology, systems or processes, projects, disasters, external factors, frauds etc., including legal and regulatory risk.

Operational Risk occurs on account of fraud, human error, failed processes, inadequate systems, damage to physical assets, improper behaviour or external events. The Bank seeks to ensure that key operational risks are managed in a timely and effective manner through a framework of policies, procedures and tools to identify, assess, monitor, control and

report such inherent risks in the Bank's business.

The Bank's Risk Management Department provides necessary direction and undertakes meaningful initiatives for implementation of the Operational Risk Management Framework. The Operational Risk Framework comprises of Policy guidelines, Risk & Control Self Assessment (RCSA), Loss Data analysis, Key Risk Indicators (KRIs) and Risk Profiling of branches. Risk and Control Self Assessment of major operation functions namely, General Branch Operations, Specialised Operations and Treasury Operations have been successfully carried out and the risk mitigation plans have been designed. Loss Data Analysis (based on internal as well as external loss data) is carried out periodically to draw risk mitigations plans.

New products / processes launched by the Bank are approved by the Operational Risk Management Committee (ORMC), which identifies the risks inherent in the products / processes and prescribes controls to mitigate such risks.

The Bank has efficient audit mechanism, involving periodical on-site audit, concurrent audits, on the spot and off-site surveillance enabled by Bank's advanced technology and Core Banking System.

The Bank has implemented a comprehensive Bank-wide Business Continuity Plan to ensure continuity of its critical functions during disruption / disaster situations.

II Systems Risk

As part of Systems-related Operational Risk Management initiatives, the Bank has achieved the following:

- The Bank has formulated and implemented a comprehensive Business Continuity Plan (BCP) to ensure continuity of its critical business functions and extension of banking services to its customers;
- The Bank has established an effective Disaster Recovery site at a distant location, with on-line, real-time replication of data, both in Mumbai and Chennai;
- Comprehensive IT security framework has been put in place to ensure complete data security and integrity; and
- The Bank has housed its Data Centre in a professionally managed environment, with sophisticated and fool-proof security features and assured supply of utilities.

II Financial Restructuring and Reconstruction Group

All activities relating to recovery of non-performing loans and restructuring of stressed assets are handled by the Financial Restructuring and Reconstruction Group (FRRG). The role of FRRG is critical, given the challenging credit environment faced by banks in India during the past few years. The Bank has actively utilised the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 for recovering its dues, wherever considered appropriate. The Bank has now become a permanent member of the Corporate Debt Restructuring Forum so as to efficiently handle restructuring of viable businesses in coordination with other lenders.

During the year, the Bank has recovered an amount of ₹ 20.95 crores in written-off accounts (Previous Year: ₹ 22.23 crores).

The Bank has also taken measures to improve Provision Coverage in accordance with regulatory prescriptions and the Provision Coverage now stands at 72.61% (Previous Year: 60.14%). This has also resulted in sharp reduction in the level of Net NPAs, which now stand at 0.28% (Previous Year: 0.50%) of Net Total Advances, while the ratio of Gross NPA as percentage of Total Advances stands at 1.01% (Previous Year: 1.23%).

Banking Operations

The Bank has strengthened the policy framework on "Know Your Customer" (KYC) norms and "Anti Money Laundering" (AML) measures from time to time, in line with the policies of Reserve Bank of India. The Bank has implemented a simplified procedure of "Know Your Customer" which will benefit lower income group persons to open accounts with minimal documentation.

The Bank had implemented a state-of-the-art Workflow & Imaging System during the year 2009-10. The System has been implemented in the Account Opening process, automate the Fixed Deposits opening and renewals, Trade Finance-related processing, Third Party products sales operations and centralisation of Branch Expenses processing. The plan is to migrate further processes on to the platform as per the operational needs.

The System enables faster turnaround times, movement of work from branch locations across the country to the Central Operations Unit in real time, thus reducing the time it took for physical forms to arrive through courier. This has helped in freeing up manpower at the branches to tend to customer service as well give online status of processing of customer requests / new applications.

As mandated in RBI directives, the Bank has undertaken review of risk categorisation of all customers' accounts.

The Bank is a member of Banking Codes and Standard Board of India (BCSBI), which was set up to ensure that banks in India adhere to a voluntary Code, which sets minimum standards for fair treatment to customers availing bank services. The Bank has made a commitment to adhere to all the provisions of the Code prescribed by BCSBI. The Bank has implemented almost all provisions of the Code. The Code is displayed at all the branches and the same is also posted on our website in thirteen languages.

In June 2008, the Hon'ble Finance Minister had released the "Code of Commitment to Micro and Small Enterprises" (MSE Code). MSE Code is also a voluntary Code, which sets minimum standards of banking practices for banks to follow when they are dealing with Micro and Small Enterprises as defined in the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006. It provides protection to MSE customers and explains how banks are expected to deal with customers in day-to-day operations and in times of financial difficulty. As a member of BCSBI, the Bank has adopted MSE Code with all the provisions.

The Bank has also formulated the Policy on 'Financing to Micro, Small and Medium Enterprises', and the same is made available on the Bank's website.

Centralized clearing has been implemented in Mumbai, Kolkata, Delhi, Chennai, Bangalore, Chandigarh, Ludhiana, Hyderabad and Kochi for quicker and efficient process. It will be the Bank's endeavour to bring more centres under Centralised Clearing in the near future. Automated ECS has been implemented at major centres.

Cheque Truncation System (CTS), which was implemented in New Delhi by RBI, was operationalised in March 2008 and has been fully stabilised and the Bank is participating in clearing through CTS.

The Bank has implemented various system upgrades which include the Teller Module, Expenses Management and others. The Bank has strengthened its branch processes and monitoring capability to ensure smooth functioning of day-to-day activities.

The Bank has improved internal controls and compliance through the following:

- Separate and independent Compliance function has been set up for Bank-wide compliance;
- Vigilance function has been set up;
- Expenses management software has been deployed at all branches for facilitating cost control;
- Standard Operating procedures have been defined for processes at branches to ensure consistent delivery with increasing branch network
- Branch Monitoring Unit is operative for regular monitoring of branch operations;
- Voucher verification process has been operationalised for checking all the entries posted by the branches; and
- The Process Adherence and Quality function has been operationalised for attaining uniformity in processes followed by branches, to minimise operational risk.

The Bank has revised and adopted a Comprehensive Policy, in pursuance of RBI advices, on settlement of claims in respect of deceased depositors. The policy covers all types of deposits, and has simplified the procedure for settlement.

The Bank has adopted the "Best Practice Code", relating to transaction processing, with the objective of documenting the procedures in line with national and international best practices.

The Bank has put in place a "Deposit Policy" and a "Fair Practice Code". While the former outlines the guiding principles in respect of various deposit products of the Bank, the terms and conditions governing the operations of these accounts and the rights of depositors, the Fair Practice Code is a voluntary code establishing standards to be followed by all our branches in their dealings with the customers.

Setting the benchmark for transparency in operations

<p>Know Your Customer Anti Money Laundering</p> <p>Teller Module</p> <p>Expenses Management</p> <p>Cheque Truncation System</p> <p>Safe Watch</p>		<p>Best Practice Code</p> <p>Deposit Policy</p> <p>Fair Practice Code</p> <p>Citizen's Charter</p> <p>Compensation Policy</p>
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The Bank has framed the “Citizen’s Charter” to promote fair banking practices and to give information in respect of various activities relating to customer service.

The Bank has put in place “Compensation Policy” as part of the commitment to customers to compensate them in case of the Bank being unable to meet the service levels committed to the customers. The main objective of the policy is to establish a system whereby the Bank shall compensate the customer for any direct and actual loss by way of internal loss / payment of charges by customer due to deficiency in service of the Bank, to the extent mentioned in the policy. The policy is based on principle of transparency and fairness in the treatment of customer.

II Specialised Banking Operations (SPOPS)

The Specialised Banking Operations (SPOPS) Team handles processing and delivery of Trade Services, Foreign Exchange, Cash Management Services, Depository, Portfolio Investment Services for NRIs, Capital and Commodity Markets, RTGS, and Global Remittance products, along with Treasury Back-Office Operations through the branch network as well as through the Centralised Processing Unit.

Various new business initiatives and huge volumes were efficiently handled by SPOPS using image-based technology and optimised processes, with improved Turn-Around-Times. The Corporate Client Servicing initiative at select branches has set a new high in customer satisfaction. The ‘Safe Watch’ system has been implemented to monitor Anti Money Laundering measures (AML) / Financial Action Task Force (FATF) check for all cross border transactions.

Internal Control Systems and their adequacy

II Operational Controls

The Bank has laid down the policy framework related to “Know Your Customer” (KYC) norms, “Anti Money Laundering Measures” (AML) and Combating of Financing Terrorism (CFT). The policy has been framed on the basis of recommendations of the Financial Action Task Force and the Paper issued on ‘Customer Due Diligence for Banks’ by the Basel Committee on Banking Supervision. The AML software that has been implemented effectively has brought the operations risk under control. A systems solution has been implemented to operationalise Re-KYC guidelines and follow up on outstanding discrepancies.

In accordance with RBI’s recommendations, a Committee on Procedures and Performance Audit on Public Service in Banks (CPPAPS), comprising senior functional heads of the Bank and a few customers, has been established. The Bank has also constituted a Customer Service Committee of the Board of Directors (CSCB) to review the performance of the CPPAPS.

II Customer Service

The Bank has constituted a Branch Level Customer Service Committee (CSC) at all Branches comprising employees and customers of the respective branches. CSC meetings are convened every month to examine complaints / suggestions, cases of delay, difficulties faced / reported by customers / members of the Committee. Feedback and suggestions are submitted to CPPAPS. CPPAPS examines and provides relevant feedback to the Customer Service Committee of the Board for necessary policy / procedural action.

The Bank implemented in May, 2009 “Talisma”, the Customer Requests, Complaints and Requests Management System. The key objective of this solution is to have a single system to track requests, complaints and queries at customer level so that the service standards as set out by the Bank are managed and bettered. The System has been implemented across all branches and the Bank’s Contact Centre in Mumbai.

II Grievance Redressal Mechanism

The Bank has designed an escalation process for all customer complaints received at branches and at Corporate Office. A quarterly report related to complaints received and redressed is placed before the Board of Directors. Based on the recurrence of complaints in specific areas, causative factors are identified and necessary remedial measures are initiated.

The Bank maintains a dedicated page for lodging of complaints and complaint redressal mechanism on its website www.indusind.com where information on the escalation process and the details of the Nodal Officer / Regional Managers to receive complaints has been furnished. These details are also displayed at the Bank’s Branches. Details of the Banking Ombudsman Scheme, 2006 are also displayed at Branches and provided on the website.

The Bank has also created a link on our website for a “Complaint Form”, which gives opportunity to all our customers to air their grievances in a simplified way and get their complaints redressed without delay. Further, customers can contact the respective Branch Manager or Call our Contact Center on toll free number or send email to customercare@indusind.com to lodge their grievances.

II Inspection and Audit

The Bank's Internal Audit function is adequately equipped to make an independent and objective evaluation of the adequacy and effectiveness of internal controls on an ongoing basis to ensure that business units adhere to compliance requirements and internal guidelines. To achieve this, comprehensive processes have been established for the Internal Auditors to ensure that all facets of the Bank's operations are subjected to scrutiny.

The Bank's Internal Audit function undertakes a comprehensive risk-based audit of all its business units. An Audit Plan is drawn up on the basis of a risk-profiling of auditee units. Accordingly, the Bank undertakes internal audit of its business units at a frequency synchronized to the risk profile of each unit in line with the spirit of guidelines relating to Risk-Based Internal Audit. The scope of risk-based internal audit, besides examining the adequacy and effectiveness of internal control systems and external compliance, also evaluates the risk residing at the auditee units. Credit portfolio of the Bank is administered at Zonal levels and covered by Internal Audit Department.

To complement the Bank's Internal Audit function, the Bank has a strong Concurrent Audit. Further, in order to effectively address business concerns and to react with speed, the Bank's Internal Audit function is decentralised, and has been functioning as an integrated unit to cover all its operational activities. Regional Auditors at different locations are equipped to evaluate all aspects of the Bank's business.

The Bank has developed an effective online surveillance system by using its fully networked Core Banking Software, well-defined and strong internal controls, need-based access to computer systems and clear audit trails which have helped to mitigate operational risks.

To facilitate ownership of the Quality Control mindset, all Exception Reports are available on the system, for viewing and use by Business Units. There is a constant push to automate audit activities in order to enhance transparency and standardisation, as well as to speed up the availability of MIS to Top Management.

To ensure independence of the Audit function and in line with the best corporate governance practices, the Internal Audit function has a reporting to the Audit Committee of the Board, which oversees the performance and reviews the effectiveness of controls laid down by the Bank and compliance with regulatory guidelines, besides rendering effective guidance to ensure conformity with best practices in the area of Internal Audit.

II Compliance Function

The Board and Management of the Bank are committed to maintenance of high standards in maintaining a corporate culture of not only observing what is legally binding but also to embrace broader standards of integrity and ethical conduct.

The Bank has a distinct Compliance Function that facilitates management of Compliance Risk for the Bank. The function independently examines and monitors compliance aspects at various stages. Besides vetting the Bank's policies, new products and processes or any modifications in these, it also provides inputs on compliance aspects to various Business / Functional units.

The Bank has been continually strengthening its processes and controls to ensure better compliance at the execution stage and for early detection of any deviations.

The Compliance Function has also taken steps to strengthen compliance-culture among the workforce through Seminars for the branch level staff at all levels from frontline executives to the Branch Managers; circulating short memos on important topics and case studies; and publishing a quarterly bulletin containing compliance related matter.

Human Resources

The Bank has significantly scaled up its activities in the last three years through robust investments in people, products and infrastructure. HR has also moved in tandem with the Bank's Business pursuits and created an enabling work culture, where employees are able to actualise their potential. The Bank nurtures employees as its critical assets and through employee centric policies seeks to offer a fulfilling career, work - life balance and benchmark rewards and compensation.

The Bank draws upon the best talent in the Industry. Passion and a very strong achievement orientation, bring people to the Bank. Our Bank is already a "Preferred Employer" which is amply demonstrated by:

- Significant intake of quality professionals from reputed peer Indian / Foreign Banks and large corporates from the BFSI segment;
- A very high offer acceptance ratio, a positive word-of-mouth by job seekers, increased hires through employee referrals reinforce our belief that our Bank has become a sought after career destination; and
- Lower attrition levels than the market reinforces the belief that employees now want to be a part of the growth story of the Bank.

The key highlights of the year were:

- Hiring Quality Manpower across India for existing and new business initiatives. In line with business objectives, the manpower strength increased from 5,383 employees in FY 10 to 7,008 employees in FY 11;
- Continued emphasis on enhancing knowledge / skill levels of employees through learning initiatives for increasing productivity. During the year, the Bank conducted 115,000 learning man-hours for more than 24,000 participants through Classroom / e-Learning initiatives. The participants were exposed to several learning programmes in areas of Internal Responsiveness, Leadership Development, Personal Effectiveness Banking Products, and Operational Processes. The e-Learning initiative was intensified and over 10,000 participants were covered through several online course modules and assessment tests. Our Bank won the IBA award for Best e-Learning Initiatives in the Private Sector Bank category;
- An objective Performance Measurement System based on "SMARTs" is running successfully across the Bank to facilitate, review and reward employee performance. In FY 11, all the Performance Management processes relating to Goal Setting / Mid-Year Review / Final Appraisal were conducted online. This was received with an overwhelming response from employees with a very high hit-rate on the system. Final Performance Appraisal for FY 09 - 10 was conducted timely in consonance with the Bank's objective of Rewarding Performance against tangible Goal Achievements. Mid-Year Performance Review was also completed across the Bank and developmental feedback was provided to the employees for achievement of their Goals / SMARTs;
- The Bank's Compensation Policy is driven by a 'Pay-for-Performance' philosophy. Our compensation is also continuously benchmarked against market to ensure attraction and retention of critical performers. The Bank's Employees' Stock Options Scheme was further broad-based by granting Options to 'must retain' employees in Middle Management grade levels also, making them co-owners of the Bank in the process;
- During the year, there was a focus on increased technological interventions for higher operational efficiencies in HR Processes for better TATs, cost-efficiency and scalability. There were improved TATs on HR processes relating to on-boarding, exits and full and final settlements; and
- Several employee engagement initiatives such as branch visits, one-on-one meetings, get-togethers, movies, and participation in sports events were undertaken, as always, to create employee bonding and connect. The intent was to promote Empowerment, Openness, Cooperation and Collaboration.

HR would continue to be a partner to Business Units on enhancing the Bank's Human Capital and build together a sustainable growth model through benchmark HR practices.

II Employee Stock Option Scheme

The Bank had instituted an Employee Stock Option Scheme to enable its employees, including Whole-time Directors, to participate in the future growth of the Bank. Under the Scheme, options upon which exercise or conversion could give rise to the issue of a number of shares not exceeding the aggregate 7% of the issued equity capital of the Bank from time to time can be granted.

The Employee Stock Option Scheme is in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The eligibility and number of options to be granted to an employee is determined on the basis of the criteria laid down in the Scheme and is approved by the Compensation Committee of the Board of Directors.

An aggregate of 2,36,25,450 options have been granted under the Scheme. Statutory disclosures as required by the revised SEBI Guidelines on ESOS are given in the Annexure to the Directors' Report.



Other Initiatives underway

II Quality

Quality is a prime differentiator in a service industry, and the Bank has had the unique distinction of having had its entire Branch network certified as compliant with ISO 9001:2000. However, with the passage of time, it was necessary to move beyond this, and to embed quality in every aspect of the Bank's activities.

The Bank's corporate ambition is now to emerge as a Top Performer among new generation private sector banks in 3 years, measured by Profitability, Productivity & Efficiency.

This shall be achieved by doubling the branch network, client base and Balance Sheet size.

To meet this challenge, a multi-pronged strategy was spelt out at the commencement of 2008-09, and in line with this strategy, efforts were initially concentrated on enhancing quality in a few select areas.

The Bank tied up with the Confederation of Indian Industry's (CII) Institute of Quality, Bangalore, to kick off this initiative with a series of workshops facilitated by CII-IQ faculty across the country, where Managers were sensitised to the need for quality, and practiced converting quality concepts into definite action steps for regular implementation.

Thereafter, teams with relevant skills worked on specific projects under the leadership of a Top Executive, and over time, this movement has continued to cover other aspects of the Bank's operations, products, people, the way employees relate with clients & colleagues, communication with the external environment etc.

II Shareholder Satisfaction

With a view to promoting transparency and enhancing shareholder satisfaction, apart from frequent interaction by the Bank with the Registrar & Transfer Agent, steps have been taken to obtain contact details such as e-mail IDs, cell phone numbers and telephone numbers of all shareholders so as to communicate to shareholders information about developments in the Bank. This direct communication would be in addition to the regular dissemination of information through usual channels such as the Stock Exchanges, Press etc.

Going forward, the Bank's shareholders shall continue to receive best-of-class shareholder services and be best informed about developments in the Bank.

As part of the Green Initiative in Corporate Governance, the Ministry of Corporate Affairs (MCA), Government of India, through its Circular Nos. 17/2011 and 18/2011, dated April 21, 2011 and April 29, 2011 respectively, has allowed companies to send official documents to their shareholders electronically.

The Bank has been at the forefront in "Green Initiatives", and through this process aspires to graduate to paperless compliances.

Shareholders are requested to furnish their e-mail IDs at investor@indusind.com or inform telephonically on 022 - 6641 2487 to help accelerate the Bank's migration to paperless compliances.

In line with Circular issued by MCA, the Bank sought the consent of the shareholders to send the Annual Report i.e., Notice convening the Meeting, Financial Statements, Directors' Report, Auditors' Report, etc. for the year ended March 31, 2011, in electronic form, to the e-mail address provided by you / made available to us by the Depositories.

The full text of these reports shall also be made available in an easily navigable format on our website www.indusind.com

Information Technology

Information Technology (IT) has been an integral part of the Bank. Technology, as a strategic tool has enabled the Bank to focus more on customer satisfaction. IT has helped in reducing TAT in many processes, streamlining requests & complaints management, enhancing efficiency, reducing costs & time to market products, providing ease & comfort of banking for varied segments.

The Bank has always been at the forefront in deploying the latest, state-of-the art technology. In recognition of this strategy, the Bank has been awarded the prestigious 'Best Use of Technology in Training & e-Learning Initiative-2010' and Runner up for 'Best Risk Management Initiative-2010' awards instituted by IBA (Indian Bank's Association). It has also been awarded 'Silver Winners for the 2010 Global Awards for Excellence in Business Process Management and Workflow' by Workflow Management Coalition (WfMC) and BPM in Australia & Asia Region.

Some of the key infrastructure initiatives completed to strengthen the network and security are router and bandwidth upgrades, anti-phishing, anti-malware and infrastructure vulnerability assessment and penetration testing. Contributing to the Green cause, the Bank deployed solar powered ATMs and embarked on projects like Virtualisation and Consolidation of Servers, Thin Clients, e-Archiving, e-Learning, e-Procurement, Paperless fax etc.

The Bank has built an enterprise-wide IT architecture that is aligned with the changing business environment. Apart from ensuring very high availability & BAU, some of the major initiatives completed during 2010-11 are:-

- Implemented 'Check-on-Cheque' a solution where the scanned image of the cheques issued by the customer appears on their statement of account, with signature masked. This is unique and first of its kind in India & enables customer to keep perfect record of cheques issued;
- The ATM Denomination Select Service (Choice Money ATM Services) enables customers to get notes of their choice only at IndusInd Bank ATMs. A customer can choose any combination from a denomination of ₹100, 500 & 1000. Usage of this service in some ATMs going upto 80% clearly shows the value attached by customers to it;
- In-house developed TASS-Tea Auction Settlement rolled out across all the six Tea board Auction centers. Also introduced web based Indus Tea Portal to cater the customer's MIS requirement;
- Enhanced Corporate internet banking 'IndusOnline' to facilitate Trade Services & Supply Chain Finance workflow which is a single window service for corporate customers. This has been deployed with a unique & secure two-factor OTP solution (developed by IIT-Madras) that was awarded the 'Meritorious Invention Award' by NRDC;
- Bank has introduced new online internet based forex trading platform 'FastForex' for its Corporate and Exchange House customers;
- For enhancing control and prohibit password sharing, we have implemented biometrics based supervisory authorisation at the front-end branch teller system;
- In the area of business line such as fee-based income, the bank has tied up with business houses in the Insurance, Mutual Funds arena. To support & grow this line of business, the bank has developed in-house Systems, introduced new processes and implemented new system mi-revenue to track the entire fee based income;
- Rolled out Unified Communication Solution which will enable the users to chat (1-to-1 and multi-party) using an IM, perform an audio call (1-to-1 and conference) and also share a presentation or an entire desktop. This should help in improving productivity and reduce travel for meetings and discussions;
- Strengthened Information Security monitoring and controls by engaging external security organisation on a managed services model;
- Continued optimisation and consolidation of IT resources by Virtualisation in Data Centres contributing to our Green initiatives;
- Implemented Verified by Visa (VbV) to enhance security on net based payments through Visa debit card;
- Introduced Master card ATM acquiring (all users of Master Card can now use 600 odd ATMs of IBL);
- Consumer finance Loan database / application merged into single database, single application (Prolendz);
- Implemented Mobile SMS OTP on Indus Direct;
- Launched the new Speed Remittance with an interface with UOB, Singapore;
- Added new processes to the Business Process Management system (Image & Workflow Solution) to reduce turnaround time & increase employee productivity and cost efficiency;
- Implemented new system Progold to handle bullion trade business;
- Enhanced its treasury by migrating to Eikon, a market information system from Thomson Reuter and introduce new Financial Future modules; and
- Implemented new enterprise-wide MIS System and Consumer Banking Data-warehouse.

Leveraging IT

Virtualisation

Consolidation of Servers

Thin Clients

e-Archiving

e-Procurement



Anti-phishing

Anti-malware

Infrastructure &
Vulnerability Assessment

Penetration Testing

Paperless fax

The Bank has embarked on new technology initiatives in the current financial year like Mobile Banking for retail customers, signed an agreement with Infosys for the implementation of the core banking system, increased deployment of solar powered ATMs, enhancement and addition of new tools for robust security, infrastructure for Credit Card business, fraud management & transaction monitoring system, Basel II with IRB approach, systems to support financial inclusion, infrastructure upgrade to cater to new branches and ATMs.

Legal

The Banking Regulation Act, 1949 (Act) being the law relating to banking has been in force for more than six decades. It, inter alia, empowers the Reserve Bank to regulate and supervise the banking sector. The Banking Laws (Amendment) Bill, 2011 has been introduced to Lok Sabha on 22-03-2011. The Banking Laws (Amendment) Bill, 2011 seeks to amend the Banking Regulation Act, 1949, the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 to make the regulatory powers of Reserve Bank more effective and to increase the access of the nationalised banks to capital market to raise capital required for expansion of banking business and also to make certain other consequential amendments in certain other enactments.

It is proposed:

- (a) To enable the nationalised banks to increase or decrease the authorised capital with approval from the Central Government and the Reserve Bank without being limited by the ceiling of a maximum of three thousand crores of Rupees;
- (b) To provide the nationalised banks to issue two additional instruments ("bonus shares" and "rights issue") for accessing the capital market to raise capital required for expansion of banking business;
- (c) To raise the ceiling on voting rights of shareholders of nationalised banks from one per cent, to ten per cent;
- (d) To make provisions to ensure that control of banking companies is in the hands of fit and proper persons, it should be mandatory for the persons to obtain prior approval from the Reserve Bank who propose to acquire five per cent, or more of the share capital of a banking company;
- (e) To confer power upon the Reserve Bank to impose such conditions as it deems necessary while granting such approval for acquisitions of five per cent, or more share capital of a banking company (including specifying acquisition of a minimum percentage of shares in a banking company) if it considers necessary;
- (f) To remove the existing restriction on voting rights limited to ten per cent, of the total voting rights of all the shareholders of the banking company;
- (g) To confer power upon the Reserve Bank to call for information and returns from the associate enterprises of banking companies also and to inspect the same, if necessary;
- (h) To confer power upon the Reserve Bank to supersede the Board of Directors of a banking company for a total period not exceeding twelve months and appoint an administrator to manage the banking company for certain period if the Reserve Bank comes to the conclusion that the banking company is functioning in a manner detrimental to the interest of the depositors or the banking company itself;
- (i) To insert a new section 2A in the Banking Regulation Act, 1949 so as to exempt mergers of the banking companies from the applicability of the provisions of the Competition Act, 2002. The exemption of mergers of banking companies from the scrutiny of the Competition Commission of India would allow the Reserve Bank to approve mergers of banking companies in public or depositors' interest, in the interest of the banking system in India and to secure the proper management of the banking company in a timely manner without waiting for the approval of the Competition Commission of India;
- (j) To enable the banking companies to issue preference shares subject to regulatory guidelines of the Reserve Bank;
- (k) To align the restriction on commission etc., on sale of shares to issue price rather than to the paid-up value of shares;
- (l) To establish a "Depositor Education and Awareness Fund" to take over inoperative deposit accounts which have not been claimed or operated for a period of ten years or more;
- (m) To substantially increase the penalties and fine for some violations of the Banking Regulation Act, 1949;
- (n) To confer power upon the Reserve Bank to levy penal interest in case of non-maintenance of required cash reserve ratio; and
- (o) To confer power upon the Reserve Bank to order a special audit of co-operative banks in public interest for a more effective supervision of co-operative banks.

Corporate Communications

During the year 2010-11, the Bank took a number of initiatives to increase its visibility by developing clutter free communication in an interesting and innovative marketing approach. The Bank has undergone a comprehensive transformation not only in profitability / productivity and the health of its loan book but also witnessed a substantial enhancement of its brand equity on various parameters like visibility quotient, image, recall and overall communication.

This year too, a special focus was laid on increasing the quality and frequency of communication with the various stakeholders. There was a flurry of activities in the Bank with launches of new products and services. This was well supported by a 360 degree communication strategy on all media vehicles to ensure a multiplier effect.

On the external communication front, following initiatives were taken:

- Extensive dissemination of key value proposition through media;
- Sponsorships / events with reputed Associations/Trusts which in turn gave higher visibility and good brand rub-off;
- Regular client engagement activities, debit card promotions, regional level promotions, branch launches, short bursts of Fixed Deposit Rates at regular intervals on print media and direct mailing exercises undertaken across the country further strengthened the brand flavour;
- Strong and consistent PR approach gave a lot of media coverage on Bank's initiatives both in print and electronic channels. This was supplemented by periodic conference calls, roadshows and one-on-one interactions with the investor and analyst fraternity;
- Increase in the number of ATMs at strategic / high traffic zones gave the Bank good visibility;
- Created a smart & contemporary looking website which further enhanced the brand image; and
- In the international market, released an interesting TV commercial for Bank's remittance service - Indus Fast remit on a popular TV channel in US targeting the NRI community. As a support medium, it was complemented by an innovative channel - the social networking tool to subtly popularize Bank's remittance service to the targeted audience comprising of the young, trendy and upto date NRI community.

On the sponsorship front, the Bank participated in activities having multi-purpose objectives such as sports, philanthropy, music etc. along with service organisations / NGOs and Corporate Bodies to make the Bank's presence felt in the community. Some of the major events were Pandit Chaturlal Memorial Music Concert, Kala Virasat, Ruhaniyat, Sahachari Trust-Design One and SMF Conference organised by IIM Ahmedabad and many other events at various branch locations.

Branch Network

During the year 2010-11, the Bank opened 90 new branches and set up 97 ATMs. As at the year ended March 31, 2011, the Bank had a total of 300 branches spread across 212 geographical locations and 594 ATMs, inclusive of 340 off-site ATMs. The Bank has presence in 28 States and Union Territories.

In addition, the Bank also has Representative Offices in London and Dubai.

Infrastructure

Apart from expanding its Branch network, the Bank also refurbished or remodelled 14 branches and five administrative offices so as to provide enhanced levels of customer experience and supervisory support.



Upholding art & music through events



CORPORATE GOVERNANCE

Certificate on Compliance with the conditions of Corporate Governance under Clause 49 of the Listing Agreement(s)

To the members of IndusInd Bank Ltd.:

We have examined the compliance of conditions of Corporate Governance by INDUSIND BANK LTD. ("the Bank") for the year ended on 31st March 2011 as stipulated in Clause 49 of the Listing Agreement of the said Bank with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof adopted by the Bank for ensuring compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Bank.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Bank has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Bank nor the efficiency or effectiveness with which the Management has conducted the affairs of the Bank.

For **Bhandari & Associates**
Company Secretaries

S. N. Bhandari
Proprietor
C. P. 366

Mumbai, May 12, 2011

Certification by the Chief Financial Officer and the Managing Director

In terms of the revised Clause 49 of the Listing Agreement, the Certification by the Managing Director (CEO) and the Chief Financial Officer of the Bank, on the financial statements and the internal controls relating to financial reporting has been obtained and submitted to the Board.

The Bank's Philosophy on the Code of Corporate Governance

- The Bank believes that consistent implementation of good Corporate Governance practices contributes towards developing and sustaining the best operating systems and procedures.
- The systems which have evolved allow sufficient freedom to the Board and the Management to make decisions and take actions towards the growth of the Bank, and simultaneously remain within the framework of effective accountability. To maintain high standards of good Corporate Governance, the Directors have formed various Committees of the Board. The Committees meet regularly to achieve their specific objectives.
- The Bank is committed to operate on commercial principles ensuring, at the same time, the need to remain accountable, transparent and responsive to its stakeholders.
- The Bank acknowledges the need to uphold the integrity of every transaction it enters into and believes that honesty and integrity in its internal conduct would be judged by its external behaviour. In this context, the Directors have adopted a 'Code of Conduct for Directors and Senior Management'. This Code attempts to set forth the guiding principles on which the Bank shall operate and conduct its daily business with its multitudinous stakeholders, government and regulatory agencies, media, and anyone else with whom it is connected.

Code of Conduct for Directors and Senior Management

The Board of Directors has laid down a code of conduct for all Board Members and Senior Management¹ of the Bank. The said code has been uploaded on the Bank's website (www.indusind.com) under the head 'Investor Relations' – Code of Conduct'.

Declaration by the Managing Director: All members of the Board and Senior Management have affirmed to the Board, of having complied with the 'Code of Conduct' during the year ended March 31, 2011 and no violation of the 'Code of Conduct' has been reported during the year.

¹ For this purpose, the term 'Senior Management' means personnel of the Bank who are members of its Core Management Team, excluding Board of Directors. This comprises members of management who are of the level of functional heads.

THE MISSION

"We will consistently add value to all our stakeholders and emerge as the Best-in-Class in the chosen parameters amongst the comity of banks, by doubling our profits, clients and branches within the next three years."

QUALITY POLICY

"IndusInd Bank is committed to meet and strive to exceed customer requirements through timely, error-free and courteous service. We shall continually improve the effectiveness of our work process through training, customer feedback and review of systems."

Board of Directors

i. Composition

The Board comprises Directors who have specialised knowledge and professional experience in diverse fields. Information in respect of each of the Directors is given below:

Name of Director	Nature of Directorship	Special Knowledge / Practical Experience	Occupation
Mr. R. Seshasayee	Part-time Chairman	Finance and General Management	Executive Vice Chairman of Ashok Leyland Ltd.
Mr. T. Anantha Narayanan	Independent Non-executive	Agriculture & Rural Economy (Practical experience), Finance (Special Knowledge)	Retired as Executive Director (Finance) of Ashok Leyland Ltd.
Dr. T.T. Ram Mohan	Independent Non-executive	Banking & Finance	Professor - Finance & Accounting, IIM Ahmedabad
Mr. Premchand Godha	Independent Non-executive	Finance & SSI (practical experience)	Industrialist
Mr. Ajay Hinduja	Non-executive	Banking & Finance	Industrialist. Director, IndusInd International Holdings Ltd., Mauritius, a promoter company.
Mr. S. C. Tripathi	Independent Non-executive	Rural Economy & Cooperation	I.A.S. (Retd.), Advocate
Mr. Ashok Kini	Independent Non-executive	Banking	Retired as Managing Director of State Bank of India
Mr. Romesh Sobti	Whole-time Director	Banking	Managing Director & CEO
Mr. Y. M. Kale	Alternate Director to Mr. Ajay Hinduja	Corporate Governance, Accounting & Taxation	Service

ii. Meetings

During the year ended March 31, 2011, 9 meetings of the Board were held, on April 16, 2010, May 10, 2010, June 28, 2010, July 9, 2010, October 11, 2010, December 10, 2010, January 17, 2011, February 7, 2011 and March 22, 2011. Details of attendance at the Board Meetings and the previous Annual General Meeting, other Directorships, Membership and Chairmanship of Committees pertaining to each Director are as follows:

Name of the Director	No. of Board Meetings attended	No. of other Public Ltd. Companies in which Director ¹	No. of Committees of the Bank in which member	Whether attended last AGM
Mr. R. Seshasayee	9	13	5	Yes
Mr. R. Sundararaman *	3	0	5	Yes
Mr. T. Anantha Narayanan	7	6	9	Yes
Dr. T. T. Ram Mohan	7	2	5	Yes
Mr. Premchand Godha	5	3	4	No
Mr. Ajay Hinduja **	0	1	2	No
Mr. S. C. Tripathi	8	6	3	No
Mr. Ashok Kini	9	4	2	Yes
Mr. Y. M. Kale	9	3	0	Yes
Mr. Romesh Sobti	9	0	9	Yes

* Ceased to hold office from October 30, 2010 upon completion of 8 years on the Board of the Bank.

** 9 meetings were attended by Mr. Y. M. Kale in the capacity of Alternate Director to Mr. Ajay Hinduja.

1 Excludes Foreign Companies, Private Ltd. Companies, Trusts, etc.

iii. Remuneration

Non-executive Directors' compensation: The members of the Bank, at the 11th Annual General Meeting held on September 3, 2005, passed a resolution authorising the Board of Directors of the Bank to fix the Sitting Fee payable to Non-executive Directors in accordance with Rule 10B of the Companies (Central Government's) General Rules & Forms, 1956 as amended from time to time read with Section 310 of the Companies Act, 1956, or any other rule, regulation, notification issued by any competent authority from time to time as may be applicable.

Subsequently, SEBI, vide circular No SEBI/CFD/DIL/CG/1/2006/13 dated January 13, 2006 has clarified that the requirement of obtaining prior approval of shareholders at a general meeting shall not apply to the payment of Sitting Fees to Non-executive Directors, if made within the limits prescribed under the Companies Act, 1956.

The Bank has not granted Stock Options to any of the Non-executive Directors. The details of Sitting Fees paid to the Non-executive Directors for attending the Board and Committee meetings held during the year 2010-2011 are as under:

Name of Director	Salary (including perquisites & allowances)	Sitting Fee (₹)	Total (₹)
Mr. R. Seshasayee	-	4,20,000	4,20,000
Mr. R. Sundararaman*	-	2,00,000	2,00,000
Mr. T. Anantha Narayanan	-	6,30,000	6,30,000
Dr. T. T. Ram Mohan	-	4,30,000	4,30,000
Mr. Premchand Godha	-	2,30,000	2,30,000
Mr. Ajay P. Hinduja	-	-	-
Mr. S. C. Tripathi	-	3,00,000	3,00,000
Mr. Ashok Kini	-	3,10,000	3,10,000
Mr. Y. M. Kale	-	2,00,000	2,00,000

* Ceased to hold office w.e.f. October 30, 2010 upon completion of 8 yrs. on the Board of the Bank.

The criteria for making payment of remuneration to the Non-executive Directors are as follows:

- An amount of ₹20,000/- per meeting is being paid to the Non-executive Directors towards Sitting Fee for attending meetings of the Board of Directors, Committee of Directors and the Audit Committee, in accordance with Rule 10B of the Companies (Central Government's) General Rules & Forms, 1956.
- With effect from May 2, 2006, the Board has decided that an amount of ₹10,000/- per meeting be paid as Sitting Fee to the Non-executive Directors for attending meetings of Committees other than those mentioned in (a) above.

Whole-time Directors' compensation: The appointment of Whole-time Directors is made with the approval of the Reserve Bank of India.

Mr. Romesh Sobti, Managing Director:

Mr. Romesh Sobti was appointed as Managing Director & CEO of the Bank w.e.f February 1, 2008 for a period of 3 years. During the financial year 2010 - 11, the details of remuneration paid to Mr. Romesh Sobti are: Salary of ₹116.75 lakh p.a., Other Allowances of ₹141.25 lakh p.a., facility of company-leased and furnished accommodation, Provident Fund at 12% of Salary, Gratuity at one month's Salary, Pension at two months' Salary, Medical Expenses of upto ₹1.16 lakh p.a., Leave Fare Concession of 1.16 lakh p.a., Mediclaim for self and family members, Personal Accident Insurance, Performance-based Bonus, membership of two clubs and two official cars with drivers.

Approval of RBI for grant of Stock Options equivalent to 6,00,000 shares to Mr. Romesh Sobti at ₹48/- per share was received on April 26, 2010. Approval of RBI for grant of Stock Options equivalent to 5,00,000 shares to Mr. Sobti at ₹228.70 per share was received on January 13, 2011.

iv. Shareholding

The Equity shares held by Directors as on March 31, 2011 are (i) Mr. T. Anantha Narayanan – 580 (0.0001%); and (ii) Dr. T.T. Ram Mohan – 3,300 (0.0007%). No Director of the Bank holds shares in the Bank for other person/s on a beneficial basis. No Director holds any other security issued by the Bank.

Details of Directors to be appointed / re-appointed at the AGM

Mr. R. Seshasayee's tenure as Part-time Chairman concludes on July 23, 2011. Approval of the Members for re-appointment of Mr. R. Seshasayee as Part-time Chairman of the Bank for a further period of two years is requested, subject to the approval of the Reserve Bank of India.

Mr. T. Anantha Narayanan and Mr. Ashok Kini, Directors, retire by rotation at the forthcoming Annual General Meeting, in accordance with Article 112 of the Articles of Association of the Bank and the applicable provisions of the Companies Act, 1956.

Mr. T. Anantha Narayanan and Mr. Ashok Kini, being eligible, have offered themselves for re-appointment as Directors of the Bank.

A brief profile of the Directors seeking re-appointment / appointment is given below:

Director	Qualification and Experience	Expertise in specific functional areas	Date of Appointment	Name of companies in which Director	Committees of other companies in which Member	Shareholding in Bank (No. of shares)
Mr. R. Seshasayee	B.Com, A.C.A.	Finance and General Management	24.07.2007	Ashok Leyland Ltd., Hinduja Foundries Ltd., Irizar TVS Ltd., Ashley Airways Ltd., Hinduja Automotive Ltd., UK Hinduja Leyland Finance Ltd., Hinduja Group India Ltd., Hinduja National Power Corporation Ltd., Infosys Technologies Ltd., Ashley Alteams India Ltd., Nissan Ashok Leyland Powertrain Ltd., Nissan Ashok Leyland Technologies Ltd., Ashok Leyland Nissan Vehicles Ltd. and Optare Plc, UK.	Ashok Leyland Ltd.: Shareholders / Investor Grievance Committee(Member), Investment Committee (Member) & Technology Committee (Member) Hinduja Foundries Ltd.: Shareholders / Investor Grievance Committee (Member), Investment Committee (Member), Remuneration Committee (Member) & Capital Securities Committee (Member) Infosys Technologies Ltd.: Audit Committee (Member) & Investor Grievance Committee (Member)	Nil
Mr. T. Anantha Narayanan	B.Com, ACA, AICWA	Agriculture and Rural Economy	18.3.2004	Ashley Holdings Ltd., Allsec Technologies Ltd., Ashley Investments Ltd., Ashok Leyland Project Services Ltd., Sanco Trans Ltd. and Sundaram Asset Management Co. Ltd.	Allsec Technologies Ltd.: Audit Committee (Chairman) Sundaram Asset Management Company: Executive Committee of Product Strategy & Investment Committee (Member) & Executive Committee of Risk Management Committee (Chairman) Ashok Leyland Project Services Ltd.: Audit Committee (Chairman)	580
Mr. Ashok Kini	B. Sc., M.A., CAIIB	Banking	30.1.2008	UTI Asset Management Company, Gulf Oil Corporation Ltd., Financial Information Network & Operations Ltd. and Sesa Goa Ltd.	UTI Asset Management Company: Audit Committee (Nominee Director representing shareholders) Gulf Oil Corporation Ltd.: Audit Committee (Independent Director) Financial Information Network & Operations Ltd. (Chairman)	Nil

Committees of the Board

The Board has constituted several Committees of Directors to take decisions and monitor the activities falling within their terms of reference. The Board's Committees are as follows:

Committee of Directors

Terms of Reference: The Committee of Directors exercises powers delegated to it by the Board, for managing the affairs of the Bank; for efficient control over operational areas; and for ensuring speedy disposal of matters requiring immediate approval.

Composition: The Committee comprises four members viz., Mr. R. Seshasayee (Chairman), Mr. R. Sundararaman (ceased to be Director w.e.f. 30th October 2010, on completion of eight years on the Board), Mr. T. Anantha Narayanan, Dr. T. T. Ram Mohan and Mr. Romesh Sobti.

Meetings: The Committee met 17 times during the financial year 2010-11, viz., on May 10, 2010, June 23, 2010, July 21, 2010, August 6, 2010, August 26, 2010, September 14, 2010, September 23, 2010, October 26, 2010, November 16, 2010, November 30, 2010, December 21, 2010, January 11, 2011, January 27, 2011, February 11, 2011, February 21, 2011, March 3, 2011 and March 22, 2011.

The attendance details of the members are as under:

Name of Member	Number of Meetings attended
Mr. R. Seshasayee *	7
Mr. R. Sundararaman **	5
Mr. T. Anantha Narayanan	12
Dr. T. T. Ram Mohan	12
Mr. Romesh Sobti ***	9

* Apart from the above, participated via videoconference in 2 meetings.

** Ceased to hold office w.e.f. October 30, 2010 upon completion of 8 years on the Board of the Bank.

*** Apart from the above, participated via videoconference in 1 meeting.

Audit Committee of the Board

Terms of reference: The role of the Audit Committee includes, *inter alia*: (1) Oversight of the Bank's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible; (2) Recommending to the Board, the appointment / re-appointment of Auditors and fixation of audit fees; (3) Reviewing with the management, the quarterly and annual financial statements before submission to the Board for approval, with particular reference to:

(i) Changes, if any, in accounting policies and practices and reasons for the same; (ii) Major accounting entries involving estimates based on the exercise of judgment by the management; (iii) Significant adjustments made in the financial statements arising out of audit findings; (iv) Disclosure of related party transactions, if any; (v) Qualifications in the draft Audit Report; and (vi) Review of Management Discussion and Analysis of financial condition and results of operations.

The specialised functions of the Audit Committee include: (1) Reviewing with the management, the performance of Statutory and Internal Auditors and the adequacy of the internal control systems; and (2) Reviewing the findings of any internal investigations by the Internal Auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature.

Composition: The Committee comprises four members viz., Mr. T. Anantha Narayanan (Chairman), Mr. S. C. Tripathi, Mr. Ashok Kini and Mr. Premchand Godha.

Meetings: The Committee met 6 times during the financial year 2010-11, viz., on April 15, 2010, May 11, 2010, July 9, 2010, October 11, 2010, January 17, 2011 and March 22, 2011.

The attendance details of the members are as under:

Name of Member	Number of Meetings attended
Mr. T. Anantha Narayanan	5
Mr. S. C. Tripathi	6
Mr. Ashok Kini	6
Mr. Premchand Godha	4

Nomination Committee

Terms of reference: The Committee conducts due diligence as to the credentials of any Director before his / her appointment, and makes appropriate recommendations to the Board, in consonance with the Dr. Ganguly Committee recommendations and the requirements of RBI. The Committee also discharges the functions of the Remuneration Committee envisaged in Clause 49 of the Listing Agreement.

Composition: The Committee comprises four members viz., Mr. R. Seshasayee, (Chairman), Mr. R. Sundararaman (ceased to be Director w.e.f. 30th October 2010, on completion of eight years on the Board), Mr. T. Anantha Narayanan, Mr. Ajay Hinduja and Mr. Romesh Sobti.

Meetings: The Committee met thrice during the financial year 2010-11, viz., on May 5, 2010, July 9, 2010 and January 17, 2011.

The attendance details of the members are as under:

Name of Member	Number of Meetings attended
Mr. R. Seshasayee	3
Mr. R. Sundararaman *	1
Mr. T. Anantha Narayanan	3
Mr. Y. M. Kale (Alternate Director to Mr. Ajay Hinduja)	2
Mr. Romesh Sobti **	Nil

* Ceased to hold office w.e.f. October 30, 2010 upon completion of 8 years on the Board of the Bank.

** Mr. Sobti, being interested, abstained from attending 2 of the meetings.

Stakeholders Relations Committee

Terms of Reference: The objective of the Stakeholders Relations Committee is the redressal of stakeholders' complaints. The Company Secretary discharges the responsibilities of a Compliance Officer.

Composition: The Committee comprises two members viz., Mr. T. Anantha Narayanan and Mr. Romesh Sobti. Meetings of the Committee are Chaired by Mr. T. Anantha Narayanan, a Non-executive Director.

Meetings: The Committee met twice during the financial year 2010-11, viz., on December 9, 2010 and March 22, 2011.

The attendance details of the members are as under:

Name of Member	Number of Meetings attended
Mr. T. Anantha Narayanan	2
Mr. Romesh Sobti	2

Special Committee of the Board (for monitoring large value frauds)

Terms of Reference: In accordance with the directives of Reserve Bank of India, a Special Committee has been set up for monitoring and follow-up of cases of frauds involving amounts of ₹1 crore and above.

Composition: The Committee comprises four members viz., Mr. T. Anantha Narayanan, Dr. T. T. Ram Mohan, Mr. Premchand Godha and Mr. Romesh Sobti. A Non-executive Director is elected the Chairman by the members present at the meeting.

Meetings: The Committee met twice during the financial year, viz., on September 14, 2010 and March 21, 2011. The attendance details of the members are as under:

Name of Member	Number of Meetings attended
Mr. T. Anantha Narayanan	1
Dr. T. T. Ram Mohan	1
Mr. Premchand Godha	2
Mr. Romesh Sobti	1

Customer Service Committee

Terms of reference: The Committee's function is to monitor the quality of customer service extended by the Bank, and to attend to the needs of customers.

Composition: The Committee comprises three members viz., Dr. T. T. Ram Mohan, Mr. Premchand Godha and Mr. Romesh Sobti. A Non-executive Director is elected Chairman by the members present at the meeting.

Meetings: The Committee met thrice during the financial year, viz., on September 29, 2010, January 11, 2011 and March 21, 2011.

The attendance details of the members are as under:

Name of Member	Number of Meetings attended
Dr. T. T. Ram Mohan	2
Mr. Premchand Godha	3
Mr. Romesh Sobti	1

Risk Management Committee

Terms of reference: The Committee's role is to examine risk policies and procedures developed by the Bank and to monitor adherence to various risk parameters and prudential limits by the various operating departments.

Composition: The Committee comprises three members, viz., Mr. R. Sundararaman (ceased to be Director w.e.f. 30th October 2010, on completion of eight years on the Board), Mr. T. Anantha Narayanan, Dr. T. T. Ram Mohan, and Mr. Romesh Sobti. A Non-executive Director is elected Chairman by the members present at the meeting.

Meetings: The Committee met twice during the financial year, viz., on September 29, 2010 and January 11, 2011. The attendance details of the members are as under:

Name of Member	Number of Meetings attended
Mr. R. Sundararaman *	1
Mr. T. Anantha Narayanan	1
Dr. T. T. Ram Mohan	2
Mr. Romesh Sobti	1

* Ceased to hold office w.e.f. October 30, 2010 upon completion of 8 years on the Board of the Bank.

Finance Committee

Terms of reference: The Committee's role is to decide on the appropriate mode of issue of capital; to finalise, settle, approve or agree to terms and conditions including the pricing for the said capital-raising programme; finalise, settle, approve, and authorise the executing of any document, deed, writing, undertaking, guarantee or other papers (including any modification thereof) in connection with the capital-raising programme and authorise the affixing of the Common Seal of the Company, if necessary thereto in accordance with the provisions of Articles of Association of the Company; to appoint and to fix terms and conditions of merchant bankers, investment bankers, lead or other managers, advisors, solicitors, agents or such other persons or intermediaries as may be deemed necessary for the capital-raising programme; to do all such things and deal with all such matters and take all such steps as may be necessary to give effect to the resolution for raising of capital and to settle / resolve any question or difficulties that may arise with regard to the said programme.

Composition: The Committee comprises four members viz., Mr. R. Seshasayee (Chairman), Mr. T. Anantha Narayanan, Mr. S. C. Tripathi and Mr. Romesh Sobti.

Meetings: The Committee met thrice during the financial year 2010-11, viz., on September 15, 2010, September 21, 2010 and September 24, 2010.

The attendance details of the members are as under:

Name of Member	Number of Meetings attended
Mr. R. Seshasayee	3
Mr. T. Anantha Narayanan	3
Mr. S. C. Tripathi	Nil
Mr. Romesh Sobti *	Nil

* Participated in all 3 meetings via videoconference.

Compensation Committee

Terms of reference: The Committee's role is to make recommendations on the issues of augmentation of capital and the issuance of the Bank's shares to its employees under an ESOP Scheme.

Composition: The Committee comprises three members viz., Mr. R. Seshasayee (Chairman), Mr. R. Sundararaman (ceased to be Director w.e.f. 30th October 2010, on completion of eight years on the Board), Mr. T. Anantha Narayanan and Mr. Premchand Godha (inducted on January 17, 2011).

Meetings: The Committee met four times during the financial year 2010-11, viz., on June 28, 2010, September 14, 2010, January 17, 2011 and February 7, 2011.

The attendance details of the members are as under:

Name of Member	Number of Meetings attended
Mr. R. Seshasayee	4
Mr. R. Sundararaman *	2
Mr. T. Anantha Narayanan	4
Mr. Premchand Godha	Nil

* Ceased to hold office w.e.f. October 30, 2010 upon completion of 8 years on the Board of the Bank.

Vigilance Committee

Terms of reference: The Committee conducts overview of cases of lapses of vigilance nature on the part of employees of the Bank.

Composition: The Committee comprises three members viz., Dr. T. T. Ram Mohan, Mr. S. C. Tripathi and Mr. Romesh Sobti.

Meetings: The Committee met twice during the financial year 2010-11, viz., on January 17, 2011 and March 22, 2011

The attendance details of the members are as under:

Name of Member	Number of Meetings attended
Dr. T. T. Ram Mohan	Nil
Mr. S. C. Tripathi	2
Mr. Romesh Sobti	2

Information Technology Committee

Terms of reference: The Committee conducts Board-level overview of aligning Information Technology with the business strategy of the Bank aimed at offering better service to customers, improved risk management and superior performance.

Composition: The Committee comprises three members, viz., Mr. Ashok Kini, Mr. T. Anantha Narayanan, Mr. R. Sundararaman (ceased to be Director w.e.f. 30th October 2010, on completion of eight years on the Board), and Mr. Romesh Sobti.

Meetings: The Committee met once during the financial year 2010-11, viz., on December 9, 2010.

The attendance details of the members are as under:

Name of Member	Number of Meetings attended
Mr. Ashok Kini	1
Mr. R. Sundararaman *	Nil
Mr. T. Anantha Narayanan	1
Mr. Romesh Sobti	1

* Ceased to hold office w.e.f. October 30, 2010 upon completion of 8 years on the Board of the Bank.

Human Resources Committee

The HR Committee was constituted on May 10, 2010.

Terms of reference: To review the Bank's HR function.

Composition: The Committee comprises two members, viz., Mr. R. Seshasayee and Mr. Ajay Hinduja.

Meetings: No meetings of the Committee were held during the year.

Details of the three previous Annual General Meetings:

AGM	Day and Date	Time	Venue	Whether Special Resolution Passed
14th	Monday, September 22, 2008	2.00 p.m.	Hotel Sun-n-Sand, 262, Bund Garden Road, Pune - 411 001	Yes
15th	Friday, July 3, 2009	2.00 p.m.	Hotel Sun-n-Sand, 262, Bund Garden Road, Pune - 411 001	Yes
16th	Monday, June 28, 2010	2.00 p.m.	Hotel Sun-n-Sand, 262, Bund Garden Road, Pune - 411 001	Yes

Special Resolutions:

The details of Special Resolutions passed at the General Meetings of shareholders in the last three years are given below:

General Body Meeting	Date	Resolution
Fourteenth Annual General Meeting	September 22, 2008	<ul style="list-style-type: none"> Authority for further issue / placement of securities including ADRs, GDRs and Qualified Institutions Placement. Variation in terms of options granted to employees. Enhancement of Authorised Capital.
Fifteenth Annual General Meeting	July 3, 2009	<ul style="list-style-type: none"> Authority to create, issue, offer and / or allot equity shares and /or equity shares through depository receipts/ ADRs/ GDRs, etc. of aggregate face value of equity shares not exceeding 25% of the Authorised Share Capital of the Bank.
Sixteenth Annual General Meeting	June 28, 2010	<ul style="list-style-type: none"> Authority for augmentation of capital through further issue/placement of securities including American Depository Receipts/Global Depository Receipts/ Qualified Institutional Placement, etc.

Postal Ballot:

In accordance with Section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001, the consent of the shareholders for any resolution for any alteration in the Object Clause of the Memorandum of Association is required to be obtained by means of a Postal Ballot instead of transacting the same in the General Meeting.

Accordingly, a Postal Ballot was conducted prior to the 17th Annual General Meeting, to pass appropriate resolutions as Special Resolutions for amending the Objects Clause of the Memorandum of Association to enable the Bank to: (i) "Undertake all the activities, functions and obligations of the Depository Participant and such other activities which are incidental or ancillary thereto."; and (ii) "Solicit and procure life insurance business as Corporate Agent and to undertake such other activities as are incidental or ancillary thereto."

The Bank had appointed Mr. S. N. Bhandari, Practising Company Secretary, as Scrutinizer for conducting the Postal Ballot process. The Scrutinizer submitted his report to the Managing Director of the Bank after completion of scrutiny in a fair and transparent manner and the result of passing the above-mentioned Special Resolutions through Postal Ballot was announced on May 2, 2011 at 4.30 p.m. at the Bank's Corporate Office at Tower One, 8th Floor, One Indiabulls Centre, Jupiter Mills Compound, 841, Elphinstone Road (W), Mumbai – 400 013.

Material Disclosures:

Related Party Transactions: During the year, there were no materially significant related party transactions that could have had any potential for conflict with the interests of the Bank at large. Details are available in Schedule 18 (Notes on Accounts) forming part of the Audited Financial Statements for the year.

Disqualification of Directors: As on March 31, 2011, none of the Directors of the Bank was disqualified under Section 274(1) (g) of the Companies Act, 1956.

Mandatory requirements of Clause 49: The Bank has complied with all the mandatory requirements of Corporate Governance stipulated under Clause 49 of the Listing Agreement. A certificate to this effect has been issued by M/s. Bhandari & Associates, Company Secretaries, and the same has been incorporated elsewhere in this document.

Accounting Standards: In the preparation of financial statements for the year 2010-2011, the treatment prescribed in the Accounting Standards issued by the Institute of Chartered Accountants of India from time to time, has been followed by the Bank.

Non-Mandatory requirements of Clause 49 of the Listing Agreement

The status of compliance with the non-mandatory requirements of Clause 49 of the Listing Agreement is given below.

The Chairman's Office: The Chairman (Non-executive) has been provided with an office at the Corporate Office of the Bank.

Tenure of Independent Directors: While Clause 49 puts forth a non-mandatory requirement that the tenure of a Director may be restricted to nine years, according to Section 10A (2A) of the Banking Regulation Act 1949, "No director of a banking company, other than its Chairman or whole-time Director, by whatever name called, shall hold office continuously for a period exceeding eight years".

Remuneration Committee: In accordance with the requirements stipulated by RBI, pursuant to the Ganguly Committee Report, the Board of Directors has constituted a Nomination Committee comprising four members. The Committee conducts due diligence as to the credentials of any Director before his appointment and makes appropriate recommendations to the Board. The Committee discharges the functions of the Remuneration Committee envisaged in Clause 49 of the Listing Agreement.

Shareholder Rights: All information pertaining to business and developmental activities are intimated to the Stock Exchanges on a continuous basis. The Stock Exchanges in turn announce the corporate information on their respective websites. The quarterly financial results are published in newspapers, apart from being reported on the websites of the Stock Exchanges. Therefore, the Bank does not find it expedient to send individual communications to the shareholders regarding significant events and financial performance every half-year.

E-mail messages and SMS messages were sent on April 18, 2011 to shareholders whose e-mail IDs and cell phone numbers respectively were available with the Bank, informing shareholders about declaration of the Bank's Annual Financial Results 2010-11.

The Bank has continued the exercise of collecting the e-mail IDs of shareholders, so as to communicate regularly via e-mail.

Audit qualifications: The Bank endeavours to move towards a regime of unqualified financial statements.

Training of Board Members: The Directors are being provided with opportunities to attend seminars and workshops in order to equip them with relevant inputs for effective discharge of their responsibilities as Directors.

Mechanism for evaluating Non-executive Board Members: The Bank does not have a mechanism for evaluating the performance of Non-executive Directors.

Whistleblower Policy: In line with RBI regulations towards strengthening financial stability and enhancing public confidence in the robustness of the financial sector, the Bank has instituted the “Protected Disclosures Scheme”. The Bank has also instituted a ‘Whistle Blower Policy’.

Means of Communication

Besides communicating to the Stock Exchanges where the Bank’s shares are listed, the financial results of the Bank are also published on a quarterly basis in leading financial publications, viz., Economic Times, Financial Express, Business Standard and Business Line.

The information related to the financial results are also under the “Media Room” and “Investor relations” on Bank’s website (www.indusind.com <<http://www.indusind.com>). The said sections are updated regularly.

Quarterly Press meets are organized during which the results are formally announced to the media and press releases are issued for publication. Regular interviews with the electronic channels on the awareness of results and other available opportunities are held by the Managing Director and the Chief Operating Officer.

Analyst meet and Conference Calls with the analysts fraternity are also held periodically.

Subsidiary Company – ALF Insurance Services Private Ltd.

The Bank does not have a “material non-listed Indian subsidiary” as defined in Clause 49 of the Listing Agreement. However, ALF Insurance Services Private Ltd. is a wholly-owned subsidiary of the Bank. The Company was set up to do the business of Insurance Corporate Broking, but had not commenced operations. The Bank has since decided against entering into Insurance broking business and voluntary winding up proceedings have been initiated.

The Audit Committee of the Bank has reviewed the financial statements and investments of the subsidiary, ALF Insurance Services Private Ltd. The minutes of the Board meetings of this subsidiary company have been placed before the Board of the Bank.

Corporate Social Responsibility

Your Bank under its ‘**Hum aur Hariyali**’ campaign laid a lot of impetus on Green Banking activities in the year 2010- 11, which played a crucial role in increasing awareness about environmental issues. In addition, the Bank adopted several green office practices to optimise the consumption of resources. The objective of undertaking these activities was primarily two-fold – to increase environmental awareness and to achieve the goal of sustainable development. To this effect, the Bank initiated an association with Centre for Environmental and Research Education (CERE), an NGO working to promote environmental sustainability through education and awareness.

All strategies adopted towards achieving sustainable development were planned keeping in mind the interests of the Bank’s stakeholders, community and environment, and were ultimately aimed at turning the Bank into a leader for propagating sustainable business practices.

General Information for Shareholders

Registration No.	11-76333
Financial Year	2010-2011
Board meeting for adoption of audited financial accounts	April 18, 2011
Posting of Annual Report 2010-11	June 18, 2011
Day, Date and Time of 17th Annual General Meeting	Friday, July 15, 2011 at 2.00 p.m.
Venue	Hotel Sun-n-Sand, Pune
Financial Calendar	April 1 to March 31
Book Closure	Tuesday, July 5, 2011 to Friday, July 15, 2011
Date of Dividend Payment	July 19, 2011
Bank’s Website	www.indusind.com

Distribution of shareholding of IndusInd Bank at March 31, 2011

Range – Shares	No. of Folios	%	No. of shares	%
Upto 1,000	99,375	93.03	2,11,07,268	4.53
1,001 - 5,000	6,029	5.64	1,24,28,586	2.67
5,001 - 10,000	643	0.60	48,35,503	1.04
10,001 – 50,000	460	0.43	99,07,932	2.13
50,001 & above	318	0.30	41,74,94,546	89.63
TOTAL	1,06,825	100.00	46,57,73,835	100.00

Outstanding GDRs / ADRs / Warrants or any Convertible Debentures, conversion date and likely impact on equity

The Bank has 6,46,82,364 GDRs (equivalent to 6,46,82,364 equity shares) outstanding, which constituted 13.89% of IndusInd Bank's total equity capital as at March 31, 2011.

Shareholding as on March 31, 2011

i. Distribution

	Category	No. of shares held	% of shareholding
A.	Promoters' holding	9,09,99,984	19.54
B.	Non-Promoters' Holding	37,47,73,851	80.46
1	Institutional Investors		
a.	Mutual Funds and UTI	3,62,96,412	7.79
b.	Banks, Financial Institutions, Insurance Companies (Central/State Gov. Institutions/Non-government Institutions)	22,45,741	0.48
c.	FII's	16,19,86,547	34.78
	Sub Total	20,05,28,700	43.05
2	Global Depository Receipts	6,46,82,364	13.89
3	Others		
a.	Private Corporate Bodies	5,19,55,785	11.15
b.	Indian Public*	4,53,81,813	9.74
c.	NRI's/OCBs	1,12,60,825	2.42
d.	Clearing Members	9,27,442	0.20
e.	Trusts	36,922	0.01
	Sub Total	10,95,62,787	23.52
	GRAND TOTAL	46,57,73,835	100.00

* 'Indian Public' includes 3880 shares held by Resident Independent Directors.

ii. Major Shareholders (with more than 1 percent shareholding)

Sr. No.	Name of Shareholder	No. of shares held	% of shareholding
1	IndusInd International Holdings Ltd.	6,84,99,984	14.7067
2	The Bank of New York (GDR-Depository)	6,46,82,364	13.8871
3	IndusInd Ltd.	2,25,00,000	4.8307
4	Ashok Leyland Ltd.	1,80,25,923	3.8701
5	Lotus Global Investments Ltd.	1,67,33,020	3.5925
6	Banque Profile De Gestion SA	1,24,39,868	2.6708
7	HTMT Telecom Private Ltd.	1,00,11,565	2.1494
8	Deutsche Securities Mauritius Ltd.	86,08,602	1.8482
9	Credo India Thematic Fund Ltd.	75,00,000	1.6102
10	Norwest Venture Partners X FII – Mauritius	67,18,087	1.4423
11	HSBC Global Investment Funds A/C HSBC Global Investment Funds Mauritius Ltd.	64,78,643	1.3909
12	GA Global Investments Ltd.	61,00,042	1.3097
13	Flagship Indian Investment Company (Mauritius) Ltd.	57,91,490	1.2434
14	Aasia Management and Consultancy Pvt. Ltd.	57,77,880	1.2405
15	Sital K Motwani	5,65,2120	1.2135

iii. Total foreign shareholding

	No. of shares held	% of shareholding
Total foreign shareholding	32,89,44,343	70.62
Of which GDR/ADR	6,46,82,364	13.89

Details of complaints received and resolved from April 1, 2010 to March 31, 2011

Complaints	Received	Attended to	Pending
Non-Receipt of Share Certificate	206	206	0
Non-Receipt of Dividend Warrants	533	533	0
Non-Receipt of Endorsement Stickers	3	3	0
Non-Receipt of Annual Report	11	11	0
Non-Receipt of Demat Credit/ Remat Certificate	10	10	0
Non-Receipt of Rejected DRF	14	14	0
Non-Receipt of Exchanged Certificate	22	22	0
Non-Receipt of Split / Duplicate/ Replacement Certificate	16	16	0
Others	62	62	0
Total	877	877	0

Listing details of the Bank's Equity Shares

Name of the Stock Exchange	Address of the Stock Exchange	Stock Code No.	Annual Listing Fee
Bombay Stock Exchange Ltd.	Phiroz Jeejeebhoy Towers Dalal Street, Mumbai 400 001.	532187	₹3,41,930/- paid upto March 2012.
National Stock Exchange of India Ltd.	Exchange Plaza, 5th Floor Bandra-Kurla Complex Plot No. C/1, G Block, Bandra (E), Mumbai - 400 051.	INDUSINDBK Normal – EQ (physical) Depository – AE (manual lots) Depository – BE (odd lots)	₹5,51,500/- paid upto March 2012.
Luxembourg Stock Exchange (Global Depository Receipts)	Société de la Bourse de Luxembourg Societe Anonyme RC Luxembourg B 6222	111202	Euro 2500 paid upto December 31, 2011.

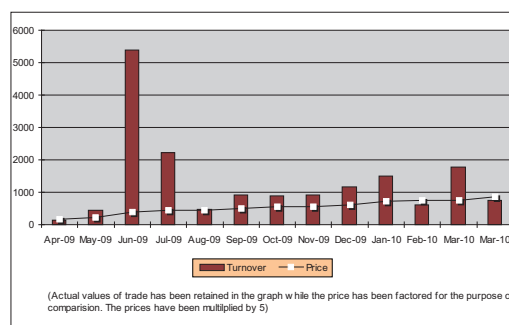
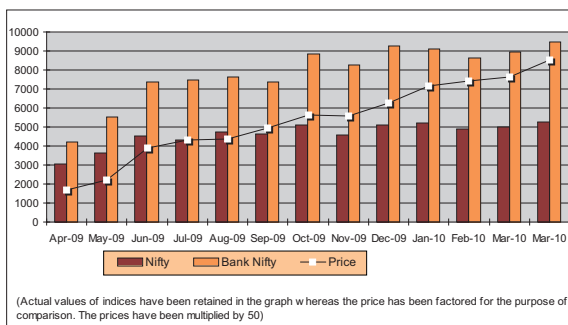
Market Price Data of the Bank's shares

i. National Stock Exchange of India Ltd.

Date	Price of Shares				Turnover in ₹ Lakhs	Nifty	Bank Nifty
	Open (₹)	High (₹)	Low (₹)	Close (₹)			
1-Apr-10	171.00	177.90	171.00	177.20	756.79	5290.50	9507.75
3-May-10	191.55	196.75	188.25	189.60	728.11	5222.75	9775.50
1-Jun-10	196.20	197.55	185.15	187.00	1692.42	4970.20	9119.05
1-Jul-10	204.00	207.35	203.00	205.55	587.64	5251.40	9349.40
2-Aug-10	205.60	208.30	204.35	205.20	557.62	5431.65	10411.50
1-Sep-10	223.95	229.70	223.25	228.90	1481.83	5471.85	10879.75

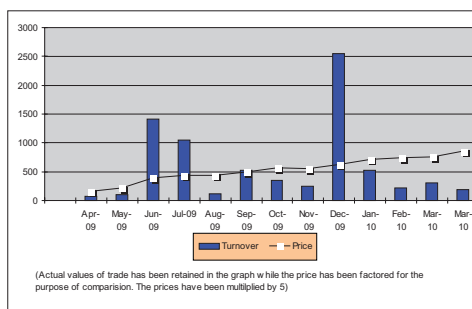
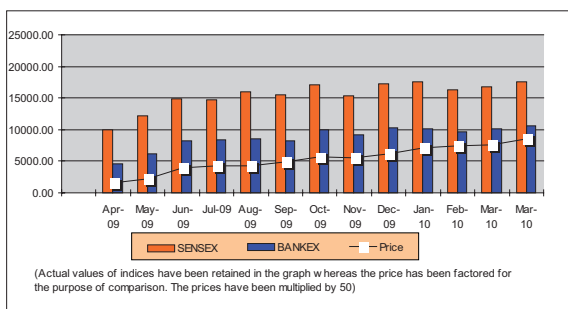


Date	Price of Shares				Turnover in ₹ Lakhs	Nifty	Bank Nifty
	Open (₹)	High (₹)	Low (₹)	Close (₹)			
1-Oct-10	265.90	267.55	260.55	264.60	4155.45	6143.40	12556.75
1-Nov-10	268.40	293.30	266.35	285.95	6342.89	6117.55	12734.90
1-Dec-10	293.85	305.00	283.00	303.00	16468.29	5960.90	12310.75
3-Jan-11	265.90	269.85	264.00	264.65	1028.51	6157.60	11855.75
1-Feb-11	225.55	225.70	216.60	218.65	1026.89	5417.20	10481.20
1-Mar-11	222.10	236.35	222.10	232.70	4754.85	5522.30	10885.40
31-Mar-11	279.00	280.50	261.65	263.60	4461.31	5833.75	11705.45



ii. Bombay Stock Exchange Ltd.

Date	Price of Shares				Turnover in ₹ Lakhs	SENSEX	BANKEX
	Open (₹)	High (₹)	Low (₹)	Close (₹)			
1-Apr-10	171.55	178.00	171.55	176.60	1080.93	17692.62	10712.89
3-May-10	193.50	197.00	188.50	189.95	175.72	17386.08	11081.80
1-Jun-10	196.00	198.45	185.20	187.20	512.11	16572.03	10394.48
1-Jul-10	204.40	207.45	203.20	205.15	174.26	17509.33	10643.43
2-Aug-10	207.20	208.20	204.50	205.65	104.70	18081.21	11816.87
1-Sep-10	223.50	229.45	222.55	228.05	306.50	18205.87	12351.08
1-Oct-10	266.00	268.45	260.55	264.15	519.04	20445.04	14252.13
1-Nov-10	267.40	293.80	266.70	285.45	1863.43	20355.63	14490.31
1-Dec-10	291.00	304.70	283.20	302.30	1419.46	19850.00	14022.33
3-Jan-11	266.20	269.90	264.00	264.80	490.82	20561.05	13454.28
1-Feb-11	225.75	225.80	215.60	218.35	247.92	18022.22	11889.73
1-Mar-11	221.60	236.40	221.60	233.30	623.85	18446.50	12355.22
31-Mar-11	279.50	280.85	262.05	263.70	446.97	19445.22	13299.77



Dematerialisation of shares and liquidity

The Bank's shares are tradable (in electronic form only) at the Bombay Stock Exchange Ltd. and the National Stock Exchange of India Ltd. 96.83% of the Bank's shares are dematerialised and the rest remain in physical form. The volume of trades and share price information is provided elsewhere in this document.

In view of the numerous advantages offered by the depository system, members holding the shares of the Bank in physical form are requested to get the same dematerialised and converted to the electronic form.

Share Transfer System

A Share Transfer Committee comprising the Bank's executives has been formed to deal with matters relating to transfer of shares, issue of duplicate Share Certificates in lieu of mutilated share certificates or those which are misplaced / lost, and other related matters. The approvals granted by the Share Transfer Committee are confirmed at subsequent Board meetings. With a view to expediting the process of physical share transfers, the Share Transfer Committee meets every Friday.

Trading in the Bank's shares now takes place compulsorily in dematerialised form. However, members holding share certificates in physical form are entitled to transfer their shareholding by forwarding the share certificates along with valid, duly executed and stamped transfer deed signed by the member (or on his / her behalf) and the transferee to the Bank or to the Bank's Registrar & Share Transfer Agent, Link Intime India Pvt. Ltd.

Shareholders holding shares in different folios but in identical name(s) are requested to get their shareholdings consolidated into one folio by requesting the Bank / Registrar for the same. The request may please be accompanied with proof of identification and the share certificates.

Registrar & Share Transfer Agent

Link Intime India Pvt. Ltd.

C-13, Pannalal Silk Mills Compound

L.B.S. Marg, Bhandup (West), Mumbai – 400078

Contact Person: Ms. Vishakha Suryavanshi

Tel. No.: 25963838 / 25946980 Fax: 25946969

Email: vishakha.suryavanshi@linkintime.co.in

Redressal of Investors' Grievances

In order to service the investors in an efficient manner and to attend to their grievances, the Bank has constituted an 'Investor Services Cell' at its undermentioned Office at Mumbai. Members are welcome to contact:

Investor Services Cell

IndusInd Bank Ltd.

Solitaire Corporate Park

167, Guru Hargovindji Marg

Andheri (East), Mumbai - 400 093

Tel: 022 66412487 Fax: 022 66412347

Email: investor@indusind.com

Unclaimed Dividends

In accordance with the provisions of Section 205A of the Companies Act, 1956, read with Investor Education and Protection Fund (Awareness and Protection of Investors), Rules 2001, the dividends that remain unclaimed for a period of seven years from the date of transfer of the dividend to 'unpaid dividend account', shall be transferred to the 'Investor Education and Protection Fund' (IEPF). The table below gives the due dates for such transfers that are required to be effected during the period July 2010 – October 2012. Members are requested to take note of the due dates for such transfers.

Year	Type of dividend	Date of Payment of Dividend	Due date for transfer to IEPF
2003-04	Final	13 August 2004	12 September 2011
2004-05	Final	3 September 2005	4 October 2012

Pursuant to Section 205C of the Companies Act, 1956, it is clarified that no claims shall lie against IEPF or the Bank in respect of individual amounts which have remained unclaimed or unpaid for a period of seven years from the dates that they first became due for payment, and no payment shall be made in respect of any such amounts.

AUDITORS' REPORT

To the Members of IndusInd Bank Limited

1. We have audited the attached Balance Sheet of IndusInd Bank Limited (the Bank) as at March 31, 2011 and also the Profit and Loss Account and the Cash Flow Statement annexed thereto for the year ended on that date. 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.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and 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.
3. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 and the Third Schedule to the Banking Regulation Act, 1949, read with Section 211 of the Companies Act, 1956 (the 'Companies Act').
4. 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 purpose of our audit and have found them to be satisfactory;
 - (b) In our opinion, the transactions of the Bank, which have come to our notice, have been within its powers.
5. In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 read with guidelines issued by the Reserve Bank of India; in so far as they apply to the Bank.
6. We further report that:
 - (i) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (ii) in our opinion, proper books of accounts as required by law have been kept by the Bank so far as appears from our examination of those books;
 - (iii) on the basis of written representations received from the directors, as on March 31, 2011, and taken on record by the Board of Directors, we report that none of the directors are disqualified from being appointed as director in terms of Clause (g) of Sub-section (1) of Section 274 of the Companies Act, 1956.

7. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 1956, in the manner so required for banking companies, and give a true and fair view in conformity with the accounting principles generally accepted in India.
- (i) in case of the Balance Sheet, of the state of affairs of the Bank as at March 31, 2011;
 - (ii) in case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) in case of the Cash Flow Statement, of the cash flows for the year ended on that date

For M. P. Chitale & Co.
Chartered Accountants
Firm Regn No. 101851W

Ashutosh Pednekar
Partner
ICAI M No.41037

Mumbai
April 18, 2011

BALANCE SHEET AS AT MARCH 31, 2011

	SCHEDULE	As at 31.03.11	Rupees in ` 000s As at 31.03.10
CAPITAL AND LIABILITIES			
Capital	1	465,96,59	410,64,67
Employee Stock Options Outstanding	18(10)	7,97,96	2,19,77
Reserves and Surplus	2	3576,26,63	1984,38,69
Deposits	3	34365,37,12	26710,16,88
Borrowings	4	5525,42,39	4934,28,97
Other Liabilities and Provisions	5	1694,83,45	1327,83,46
TOTAL		45635,84,14	35369,52,44
ASSETS			
Cash and Balances with Reserve Bank of India	6	2456,03,89	2099,18,49
Balances with Banks and Money at Call and Short Notice	7	1568,56,00	504,00,00
Investments	8	13550,81,41	10401,83,98
Advances	9	26165,64,71	20550,58,87
Fixed Assets	10	596,45,91	644,83,06
Other Assets	11	1298,32,22	1169,08,04
TOTAL		45635,84,14	35369,52,44
Contingent Liabilities	12	82455,07,04	47200,01,51
Bills for Collection		5052,47,60	4013,47,52
Significant Accounting Policies	17		
Notes on Accounts	18		

The schedules referred to above form an integral part of Balance Sheet.

The Balance Sheet has been prepared in conformity with Form "A" of the Third Schedule to the Banking Regulation Act, 1949.

As per our report of even date.

For INDUSIND BANK LTD.

For M.P. Chitale & Co.
Chartered Accountants

R. Seshasayee
Chairman

T. Anantha Narayanan
Director

Romesh Sobti
Managing Director

Ashutosh Pednekar
Partner

Place : Mumbai
Date : April 18, 2011

S. V. Zaregaonkar
Chief Financial Officer

Haresh Gajwani
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

	SCHEDULE	Year ended 31.03.11	Rupees in `000s Year ended 31.03.10
I. INCOME			
Interest Earned	13	3589,35,74	2706,99,49
Other Income	14	713,66,15	553,47,76
TOTAL		4303,01,89	3260,47,25
II. EXPENDITURE			
Interest Expended	15	2212,86,49	1820,57,87
Operating Expenses	16	1008,48,31	736,00,10
Provisions and Contingencies		504,34,56	353,58,53
TOTAL		3725,69,36	2910,16,50
III. PROFIT		577,32,53	350,30,75
Profit brought forward		391,51,40	246,99,94
AMOUNT AVAILABLE FOR APPROPRIATION		968,83,93	597,30,69
IV. APPROPRIATIONS			
Transfer to			
a) Statutory Reserve		144,33,13	87,57,69
b) Capital Reserve		1,10,04	31,91,43
c) Investment Reserve Account		69,12	14,91
d) Dividend (Proposed)		93,22,97	73,88,18
e) Corporate Dividend Tax		15,12,45	12,27,08
		254,47,71	205,79,29
Balance transferred to Balance Sheet		714,36,22	391,51,40
TOTAL		968,83,93	597,30,69
V. EARNING PER EQUITY SHARE			
(Face value of ₹10/- per share)(Rupees)			
Basic	18(11.6)	13.16	9.01
Diluted	18(11.6)	12.88	8.80
Significant Accounting Policies	17		
Notes on Accounts	18		

The schedules referred to above form an integral part of Profit & Loss Account.

The Profit & Loss Account has been prepared in conformity with Form "B" of the Third Schedule to the Banking Regulation Act, 1949.

As per our report of even date.

For INDUSIND BANK LTD.

For M.P. Chitale & Co.
Chartered Accountants

R. Seshasayee
Chairman

T. Anantha Narayanan
Director

Romesh Sobti
Managing Director

Ashutosh Pednekar
Partner

Place : Mumbai
Date : April 18, 2011

S. V. Zaregaonkar
Chief Financial Officer

Haresh Gajwani
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

	Year ended 31.03.2011	Rupees in ` 000s Year ended 31.03.2010
A. Cash Flow from Operating Activities		
Net Profit after taxes	577,32,53	350,30,75
Adjustments for non-cash charges/other activities :		
Depreciation on Fixed assets	60,54,98	45,28,70
Depreciation on Investments	7,61,85	(29,14)
Tax Provisions (Income Tax/Wealth Tax/Deferred Tax)	302,45,80	182,74,37
Employees Stock Option expenses	5,78,19	1,04,67
Loan Loss and Other Provisions	194,26,91	171,13,30
Interest on Tier II/ Upper Tier II bonds	112,64,50	82,75,39
(Profit)/Loss on sale of fixed assets	2,85,92	3,64,71
Operating Profit before Working Capital changes	1263,50,68	836,62,75
Adjustments for :		
Increase in trade and Other Receivables (Advances and Other Assets)	(5929,07,50)	(4931,33,69)
Increase in Inventories (Investments)	(3156,59,28)	(2318,14,29)
Increase in Trade Payables (Deposits,Borrowings and Other Liabilities)	8743,21,19	6656,23,39
Cash generated from Operations	921,05,09	243,38,16
Direct Taxes paid	(311,95,23)	(157,81,99)
Net Cash from Operating Activities	609,09,86	85,56,17
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets	(101,87,03)	(78,50,86)
Sale of Fixed Assets (Proceeds)	80,54,73	3,93,91
Net Cash used in Investing Activities	(21,32,30)	(74,56,95)
C. Cash Flow from Financing Activities		
Proceeds from fresh Issue - Capital	55,31,92	55,45,46
- Share Premium	1129,19,38	416,17,91
Dividends paid	(93,22,97)	(73,88,18)
Proceeds from Issue of Unsecured Non-Convertible Redeemable Subordinated Tier-II Bonds	-	420,00,00
Redemption of Sub-ordinated Tier II capital	(145,00,00)	(66,50,00)
Interest on Tier II/ Upper Tier II Bonds	(112,64,50)	(82,75,39)
Net Cash used in Financing Activities	833,63,83	668,49,80
Net Increase in Cash and Cash Equivalents	1421,41,39	679,49,02
Cash and Cash Equivalents as on the first day of the year	2603,18,49	1923,69,47
Cash and Cash Equivalents as on the last day of the year	4024,59,89	2603,18,49

Notes:

- The above Cash Flow Statement has been prepared under the indirect method as set out in Accounting Standard 3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India (ICAI).
- Figures in bracket indicate cash outflow.
- Refer to note 15 under Schedule No.17.
- Previous year's figures have been regrouped and recast to conform to the current year's classification.

As per our report of even date.

For INDUSIND BANK LTD.

For M.P. Chitale & Co.
Chartered Accountants

R. Seshasayee
Chairman

T. Anantha Narayanan
Director

Romesh Sobti
Managing Director

Ashutosh Pednekar
Partner

Place : Mumbai
Date : April 18, 2011

S. V. Zaregaonkar
Chief Financial Officer

Haresh Gajwani
Company Secretary

SCHEDULES

	As at 31.03.11	Rupees in `000s As at 31.03.10
SCHEDULE - 1 CAPITAL		
Authorised Capital		
50,00,00,000 (Previous year 50,00,00,000) equity shares of ₹10/- each	500,00,00	500,00,00
Issued, Subscribed and Called Up Capital		
46,57,73,835 (Previous year 41,04,54,640) equity shares of ₹10/- each	465,77,38	410,45,46
Paid up Capital		
46,57,73,835 (Previous year 41,04,54,640) equity shares of ₹10/- each	465,77,38	410,45,46
Add : Forfeited 3,84,200 (Previous year 3,84,200) equity shares of ₹10/- each	19,21	19,21
2010-11		
On September 24, 2010, Bank issued 5,00,00,000 equity shares of ₹10/- each through a Qualified Institutional Placement (QIP). Accordingly as at March 31, 2011, the paid-up share capital and share premium account under reserves of the Bank stand increased by ₹50,00,00 and ₹1122,75,00 respectively		
2009-10		
On August 17, 2009, Bank issued 5,48,97,140 equity shares of ₹10/- each through a Qualified Institutional Placement (QIP). Accordingly as at March 31, 2010, the paid-up share capital and share premium account under reserves of the Bank stand increased by ₹54,89,71 and ₹425,45,28 respectively		
TOTAL	465,96,59	410,64,67
SCHEDULE - 2 RESERVES AND SURPLUS		
I Statutory Reserve		
Opening balance	223,47,00	135,89,31
Additions during the year	144,33,13	87,57,69
	367,80,13	223,47,00
II Share Premium Account		
Opening balance	1016,14,13	599,96,22
Additions during the year	1143,30,09	427,21,12
Deduction during the year	14,10,71	11,03,21
	2145,33,51	1016,14,13
III General Reserve		
Opening balance	1,35,57	1,35,57
	1,35,57	1,35,57
IV Capital Reserve		
Opening balance	117,59,09	85,67,66
Additions during the year	1,10,04	31,91,43
	118,69,13	117,59,09
V Investment Allowance Reserve		
Opening balance	1,00,00	1,00,00
	1,00,00	1,00,00
VI Investment Reserve Account		
Opening Balance	1,68,14	1,53,23
Additions during the year	69,12	14,91
	2,37,26	1,68,14
VII Revaluation Reserve		
Opening balance	231,63,36	235,63,18
Deduction during the year	6,28,55	3,99,82
	225,34,81	231,63,36
VIII Balance in Profit & Loss Account	714,36,22	391,51,40
TOTAL	3576,26,63	1984,38,69

SCHEDULES (Contd.)

	As at 31.03.11	Rupees in `000s As at 31.03.10
SCHEDULE - 3 DEPOSITS		
A I Demand Deposits		
i) From Banks	61,86,51	59,54,41
ii) From Others	6210,26,53	4347,23,44
II Savings Bank Deposits	3058,79,06	1914,96,20
III Term Deposits		
i) From Banks	1516,11,55	2274,60,90
ii) From Others	23518,33,47	18113,81,93
TOTAL	34365,37,12	26710,16,88
B Deposits of Branches		
I In India	34365,37,12	26710,16,88
II Outside India	-	-
TOTAL	34365,37,12	26710,16,88
SCHEDULE - 4 BORROWINGS		
I Borrowings in India		
i) Reserve Bank of India	20,00,00	-
ii) Other Banks	194,70,89	531,97,82
iii) Other Institutions and Agencies	3339,00,50	2685,41,26
iv) Unsecured Non-Convertible Redeemable Debentures/Bonds (Subordinated Tier-II Bonds)	860,10,00	1005,10,00
v) Unsecured Non-Convertible Redeemable Non-Cumulative Subordinated Upper Tier II Bonds	308,90,00	308,90,00
II Borrowings outside India	802,71,00	402,89,89
TOTAL	5525,42,39	4934,28,97
Secured borrowings included in I & II above	-	-
SCHEDULE - 5 OTHER LIABILITIES AND PROVISIONS		
I Inter-office Adjustments (Net)	92,62,94	5,70,83
II Bills Payable	359,95,14	383,01,14
III Interest Accrued	258,61,95	236,50,47
IV Others [(including Standard Asset Provisions of ₹103,02,30) (Previous year ₹80,12,30)]	983,63,42	702,61,02
TOTAL	1694,83,45	1327,83,46
SCHEDULE - 6 CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I Cash in hand (including foreign currency notes)	207,03,97	189,57,74
II Balances with Reserve Bank of India		
i) In Current Accounts	2248,99,92	1909,60,75
ii) In Other Accounts	-	-
TOTAL	2456,03,89	2099,18,49

SCHEDULES (Contd.)

	As at 31.03.11	Rupees in `000s As at 31.03.10
SCHEDULE - 7 BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I In India		
i) Balances with Banks		
a) In Current Accounts	153,38,77	202,56,10
b) In Other Deposit Accounts	376,03,00	165,14,55
ii) Money at Call and Short Notice - With Others	50,32,16	-
TOTAL	579,73,93	367,70,65
II Outside India		
i) In Current Accounts	77,29,89	10,34,90
ii) In Other Deposit Accounts	-	-
iii) Money at Call and Short Notice	911,52,18	125,94,45
TOTAL	988,82,07	136,29,35
GRAND TOTAL	1568,56,00	504,00,00
Schedule - 8 INVESTMENTS		
I Investments in India		
Gross Value	13562,26,78	10405,67,50
Less : Aggregate of provision/depreciation	11,45,37	3,83,52
Net value of Investments in India	13550,81,41	10401,83,98
Comprising :		
i) Government securities	10021,86,17	8521,51,28
ii) Other approved securities	-	3,56,08
iii) Shares	36,97,82	36,16,92
iv) Debentures and bonds	103,42,67	13,54,46
v) Subsidiaries and/ or Joint Ventures	50,00	50,00
vi) Others - Deposits under RIDF scheme with NABARD	1679,54,03	1739,77,54
- Security Receipt, Mutual Fund and Others	1708,50,72	86,77,70
II Investments Outside India	-	-
TOTAL	13550,81,41	10401,83,98
SCHEDULE - 9 ADVANCES		
A		
i) Bills Purchased and Discounted	2295,82,55	2385,33,61
ii) Cash Credits, Overdrafts and Loans Repayable on Demand	7554,31,69	6287,18,52
iii) Term Loans	16315,50,47	11878,06,74
TOTAL	26165,64,71	20550,58,87
B		
i) Secured by Tangible Assets (includes advances against book debts)	21271,19,23	15954,70,59
ii) Covered by Bank/ Government Guarantees (includes advances against L/Cs issued by Banks)	1180,16,77	1758,70,07
iii) Unsecured	3714,28,71	2837,18,21
TOTAL	26165,64,71	20550,58,87
C		
I Advances in India		
i) Priority Sector	9356,97,35	6326,62,96
ii) Public Sector	99,23,53	451,32,20
iii) Banks	1,78,84	2,05,95
iv) Others	16707,64,99	13770,57,76
TOTAL	26165,64,71	20550,58,87
II Advances Outside India	-	-
TOTAL	26165,64,71	20550,58,87

SCHEDULES (Contd.)

	As at 31.03.11	Rupees in `000s As at 31.03.10
SCHEDULE - 10 FIXED ASSETS		
I PREMISES		
i) At cost as at the beginning of the year	405,65,30	406,06,34
ii) Revaluation during the year	-	-
iii) Additions during the year	-	6,85
	405,65,30	406,13,19
iv) Less : Deductions during the year	6,71,25	47,89
v) Less : Depreciation to date	34,18,37	28,54,99
TOTAL	364,75,68	377,10,31
II Other Fixed Assets (including furniture & fixtures)		
i) At cost as at the beginning of the year	648,36,26	600,59,03
ii) Additions during the year	94,72,57	74,40,23
[includes Assets given on lease ₹82,82,02 (Previous year ₹225,71,92)]	743,08,83	674,99,26
iii) Less : Deductions during the year	170,77,36	26,63,00
iv) Less : Depreciation to date	365,02,07	398,46,72
TOTAL	207,29,40	249,89,54
III Capital Work in Progress	24,40,83	17,83,21
GRAND TOTAL	596,45,91	644,83,06
SCHEDULE - 11 OTHER ASSETS		
i Interest Accrued	259,12,85	291,90,42
ii Tax Paid in Advance / tax deducted at source (net of provision)	206,47,48	223,52,25
iii Stationery & Stamps	2,46,16	1,69,34
iv Others	830,25,73	651,96,03
TOTAL	1298,32,22	1169,08,04
SCHEDULE - 12 CONTINGENT LIABILITIES		
i Claims against the Bank not acknowledged as debts	309,59,72	297,32,62
ii Liability on account of outstanding Forward Exchange Contracts	47587,32,43	28180,48,64
iii Liability on account of outstanding Derivative Contracts	21021,35,95	11740,34,41
iv Guarantees given on behalf of constituents		
a) In India	9128,96,85	4699,66,80
b) Outside India	-	-
v Acceptances, Endorsements and Other Obligations	2807,82,09	1882,19,04
vi Other Items for which the Bank is contingently liable	1600,00,00	400,00,00
TOTAL	82455,07,04	47200,01,51

SCHEDULES (Contd.)

	Year ended 31.03.11	Rupees in `000s Year ended 31.03.10
SCHEDULE - 13 INTEREST EARNED		
i Interest/ Discount on Advances/ Bills	2834,60,39	2112,94,80
ii Income on Investments	733,29,74	559,15,24
iii Interest on Balances with RBI and Other Inter-Bank Funds	10,64,42	10,94,44
iv Others	10,81,19	23,95,01
TOTAL	3589,35,74	2706,99,49
SCHEDULE - 14 OTHER INCOME		
i Commission, Exchange and Brokerage	256,95,33	193,55,00
ii Profit on Sale of Investments / Derivatives (Net)	40,40,37	111,03,47
iii Profit/ (Loss) on Sale of Land, Buildings and Other Assets	(2,85,92)	(33,99,97)
iv Profit on exchange transactions (Net)	154,16,00	84,45,14
v Income earned by way of dividend from companies in India	2,87,40	2,91,43
vi Miscellaneous Income	262,12,97	195,52,69
TOTAL	713,66,15	553,47,76
SCHEDULE - 15 INTEREST EXPENDED		
i Interest on Deposits	1828,50,25	1560,06,13
ii Interest on Reserve Bank of India/ Inter-Bank Borrowings	84,47,07	48,29,08
iii Others (including interest on Subordinate Debts and Upper Tier II bonds)	299,89,17	212,22,66
TOTAL	2212,86,49	1820,57,87
SCHEDULE - 16 OPERATING EXPENSES		
i Payments to and Provisions for Employees	382,64,97	290,55,77
ii Rent, Taxes and Lighting (includes operating lease rentals)	89,33,24	68,83,49
iii Printing and Stationery	18,15,27	13,97,44
iv Advertisement and Publicity	16,48,26	6,26,39
v Depreciation on Bank's Property	60,54,98	45,28,70
vi Directors' Fees, Allowances and Expenses	71,15	61,06
vii Auditors' Fees and Expenses	1,06,54	1,05,83
viii Law Charges	18,60,81	14,81,84
ix Postage, Telegrams, Telephones, etc.	39,38,08	34,76,62
x Repairs and Maintenance	52,35,86	47,80,00
xi Insurance	33,21,87	29,86,85
xii Service Provider Fees	80,42,05	61,34,32
xiii Other Expenditure	215,55,23	120,81,79
TOTAL	1008,48,31	736,00,10

Schedule 17

SIGNIFICANT ACCOUNTING POLICIES

1) **General:**

- 1.1 The accompanying financial statements have been prepared on the historical cost convention, except where otherwise stated, and in accordance with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956, and notified by the Companies (Accounting Standards) Rules, 2006, read with guidelines issued by the Reserve Bank of India ('RBI') and conform to the statutory provisions and practices prevailing within the banking industry in India.
- 1.2 The preparation of the financial statements, in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and disclosure of contingent liabilities in the financial statements. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Any revisions to the accounting estimates are recognised prospectively in current and future periods.

2) **Transactions involving Foreign Exchange:**

- 2.1 Monetary assets and liabilities denominated in foreign currency are translated at the balance sheet date at the exchange rates notified by the Foreign Exchange Dealers' Association of India ('FEDAI') and the resulting gains or losses are recognised in the profit and loss account.

Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.
- 2.2 All Foreign Exchange contracts outstanding at the balance sheet date are re-valued at the rates of exchange notified by the FEDAI for specified maturities and the resulting gains or losses are recognised in the profit and loss account.
- 2.3 The Swap Cost arising on account of foreign currency swap contracts to convert foreign currency funded liabilities into rupee liability is charged to Profit and loss account as 'Interest –Others' by amortizing over the underlying swap period.
- 2.4 Income and Expenditure items are translated at the rates of exchange prevailing on the date of the transaction.
- 2.5 Contingent liability at the balance sheet date on account of outstanding forward foreign exchange contracts, guarantees, acceptances, endorsements and other obligations denominated in foreign currency is stated at the closing rates of exchange notified by FEDAI.

3) **Investments:**

The significant accounting policies in accordance with the RBI guidelines and subsequent circulars issued by the RBI are as follows:

3.1 Categorisation of investments:

In accordance with the guidelines issued by RBI, the Bank classifies its investment portfolio into the following three categories:

- i) **'Held to Maturity' (HTM)** – Securities acquired by the Bank with the intention to hold till maturity.
- ii) **'Held for Trading' (HFT)** – Securities acquired by the Bank with the intention to trade.
- iii) **'Available for Sale' (AFS)** – Securities which do not fall within the above two categories are classified as 'available for sale'.

3.2 Classification of Investments:

For the purpose of disclosure in the Balance Sheet, investments have been classified under six groups as required under RBI guidelines - Government Securities, Other Approved Securities, Shares, Debentures and Bonds, Investments in Subsidiaries/ Joint Ventures and Other Investments.

3.3 Valuation of Investments:

- (i) **'Held to Maturity'** – These investments are carried at their acquisition cost. Any premium on acquisition is amortised over the balance period to maturity. The amortised amount is deducted from Interest earned – Income on investments (Item II of Schedule 13). The book value of security is reduced to the extent of amount amortised during the relevant accounting period. Diminution other than temporary, if any, in the value of such investments is determined and provided for on each investment individually.
- (ii) **'Held for Trading'** – Each scrip in this category is re-valued at the market price or fair value and the resultant depreciation of each scrip in this category is recognised in the Profit and Loss account. Appreciation, if any, is ignored. Market value of government securities is determined on the basis of the prices/ YTM published by RBI or the prices/ YTM periodically declared by Primary Dealers Association of India (PDAI) jointly with Fixed Income Money Market and Derivatives Association (FIMMDA) for valuation at year-end. In case of unquoted government securities, market price or fair value is determined as per the prices/ YTM published by FIMMDA.
- (iii) **'Available for Sale'** – Each scrip in this category is re-valued at the market price or fair value and the resultant depreciation of each scrip in this category is recognised in the Profit and Loss account. Appreciation, if any, is ignored.

Market value of government securities (excluding treasury bills) is determined on the basis of the price list published by RBI or the prices periodically declared by PDAI jointly with FIMMDA for valuation at year-end. In case of unquoted government securities market price or fair value is determined as per the rates published by FIMMDA.

Market value of other debt securities is determined based on the yield curve and spreads provided by FIMMDA.

Equity shares are valued at cost or the closing quotes on a recognised stock exchange, whichever is lower.

Treasury bills are valued at carrying cost, which includes discount amortised over the period to maturity.

Units of mutual funds are valued at the lower of cost and net asset value provided by the respective mutual funds.

- (iv) Investments in Equity Shares held as Long-term investments by erstwhile IndusInd Enterprises & Finance Ltd. and Ashok Leyland Finance Ltd. (since merged) are valued at cost. Provision towards diminution in the value of such Long-term investments is made only if the diminution in value is not temporary in the opinion of management.
- (v) Settlement Date accounting method is followed for recording purchase and sale of transactions in Government securities.
- (vi) Broken period interest on debt instruments is treated as a revenue item. Brokerage, commission, etc. pertaining to investments paid at the time of acquisition is charged to revenue.
- (vii) In line with the RBI guidelines on uniform accounting methodology, with effect from 1st April 2010, Repurchase (Repo) / Reverse Repurchase (Reverse Repo) transactions are accounted for as Borrowing/ Lending respectively. On completion of the second leg of the Repo / Reverse Repo transaction, the difference between the consideration amounts is reckoned as Interest Expenditure / Income. Amounts outstanding in Repo / Reverse Repo account as at the Balance Sheet date is shown as a part of Borrowings/ Money at Call and at Short Notice respectively, and only the accrued expenditure / income till the Balance Sheet date is taken to Profit and Loss account. Outstanding Repo transactions are marked to market as per the investment classification of the security.
- (viii) Profit in respect of investments sold from "HTM" category is included in Profit on Sale of Investments and an equivalent amount (net of taxes if any, and transfer to Statutory Reserves as applicable to such profits) is transferred out of P & L Appropriation account after tax to Capital Reserve account.
- (ix) Security Receipts (SR) are valued at the lower of redemption value of the security or the Net Asset Value (NAV) obtained from Securitization Company / Reconstruction Company.
- (x) In the event, provisions created on account of depreciation in the 'AFS' or 'HFT' categories are found to be in excess of the required amount in any year, the excess is credited to Profit and Loss account and an equivalent amount (net of taxes, if any and net of transfer to Statutory Reserves as applicable to such excess provision) is appropriated to an Investment Reserve account (IRA) in Schedule 2 – "Reserves &

Surplus" under the head 'Revenue & Other reserves'. The balance in IRA account is included under Tier II within the overall ceiling of 1.25% of total Risk Weighted Assets prescribed for General Provisions / Loss reserves.

The balance in IRA account is used to meet provision on account of depreciation in AFS and HFT categories by transferring an equivalent amount to Profit and Loss account as and when required.

4) **Derivatives**

Derivative contracts are designated as hedging or trading and accounted for as follows:

- (i) The hedging contracts comprise forward rate agreements, interest rate swaps and currency swaps undertaken to hedge interest rate risk on certain assets and liabilities. The net interest receivable / payable is accounted on an accrual basis over the life of the swaps. However, where the hedge is designated with an asset or liability that is carried at market value or lower of cost and market value in the financial statements, then the hedging is also marked to market with the resulting gain or loss recorded as an adjustment to the market value of designated assets or liabilities.
- (ii) The trading contracts comprise proprietary trading in interest rate swaps and currency futures. The gain / loss arising on unwinding or termination of the contracts, is accounted for in the Profit and Loss account. Trading contracts outstanding as at the balance sheet date are re-valued at their fair value and resulting gains / losses are recognised in the Profit and Loss account.
- (iii) Premium paid and received on currency options is accounted up-front in the Profit and Loss account as all options are undertaken on a back-to-back basis.
- (iv) Provisioning of overdue customer receivable on derivative contracts, if any, is made as per RBI guidelines.
- (v) In accordance with the Prudential Norms for Off-balance Sheet Exposures issued by RBI, provisioning against outstanding credit exposure as at the balance sheet date is made, as is applicable to the assets of the concerned counterparties under 'standard' category. Credit exposures are computed as per the current marked to market value of the contract arising on account of interest rate and foreign exchange derivative transactions.

5) **Advances:**

- 5.1 Advances are classified as per the RBI guidelines into standard, sub-standard, doubtful and loss assets after considering subsequent recoveries to date.
- 5.2 Provision for non-performing assets is made in conformity with the RBI guidelines.
- 5.3 In accordance with RBI guidelines, general provision on standard assets has been made as under:
 - a) At 1% of standard advances to Commercial Real Estate Sector
 - b) At 0.25% of standard direct advances to SME and Agriculture
 - c) And at 0.40% of the balance outstanding standard advance.
- 5.4 Advances disclosed under Schedule 9 of the Balance Sheet are net of provisions and interest suspended for non-performing advances. Provision made against standard assets is included in 'Other Liabilities and Provisions'.
- 5.5 Advances include the Bank's participation in / contributions to Pass Through Certificates (PTCs) and /or to the asset-backed assignment of loan assets of other banks / financial institutions where the Bank has participated on risk-sharing basis.
- 5.6 Advances exclude derecognised securitised advances, inter-bank participation and bills rediscounted.
- 5.7 Amounts recovered against bad debts written off in earlier years are recognised to the Profit and Loss account.
- 5.8 Provisions no longer considered necessary in context of the current status of the borrower as a performing asset, are written back to the Profit and Loss account to the extent such provisions were charged to the Profit and Loss account.
- 5.9 Restructured / rescheduled accounts:

In case of restructured / rescheduled accounts provision is made for the sacrifice against erosion/ diminution in fair value of restructured loans, in accordance with RBI guidelines.

The erosion in fair value of the advances is computed as the **difference** between fair value of the loan before and after restructuring.

Fair value of the loan before restructuring is computed as the present value of cash flows representing the interest at the existing rate charged on the advance before restructuring and the principal, discounted at a rate equal to the Bank's BPLR / Base Rate as on the date of restructuring plus the appropriate term premium and credit risk premium for the borrower category on the date of restructuring.

Fair value of the loan after restructuring is computed as the present value of cash flows representing the interest at the rate charged on the advance on restructuring and the principal, discounted at a rate equal to Bank's BPLR / Base Rate as on the date of restructuring plus the appropriate term premium and credit risk premium for the borrower category on the date of restructuring.

In cases restructured under CDR, the amount of sacrifice is generally as per the CDR package. The restructured accounts have been classified in accordance with RBI guidelines, including special dispensation wherever allowed.

6) **Securitisation Transactions:**

- 6.1 The Bank transfers loans through securitisation transactions. The Bank securitises its loan receivables both through Bilateral Direct Assignment route as well as transfer to Special Purpose Vehicles ('SPV') in securitisation transactions.
- 6.2 The securitisation transactions are without recourse to the Bank. The transferred loans and such securitised-out receivables are de-recognised in the balance sheet as and when these are sold (true sale criteria being fully met) and the consideration has been received by the Bank. Gains / losses are recognised only if the Bank surrenders the rights to the benefits specified in the loan contracts.
- 6.3 In respect of certain transactions, the Bank provides credit enhancements in the form of cash collaterals / guarantee and/or by subordination of cashflows to senior Pass Through Certificates (PTC). Retained interest and subordinated PTCs are disclosed under "Advances" in the balance sheet.
- 6.4 Recognition of gain or loss arising out of Securitisation of Standard Assets :

In terms of RBI guidelines, profit/premium arising on account of sale of standard assets, being the difference between the sale consideration and book value, is amortised over the life of the securities issued by the Special Purpose Vehicles ('SPV').

Any loss arising on account of the sale is recognized in the Profit and Loss Account in the period in which the sale occurs.

7) **Fixed Assets:**

- 7.1 Fixed assets (including assets given on operating lease) have been stated at cost (except in the case of premises which were re-valued based on values determined by approved valuers) less accumulated depreciation and impairment, if any. Cost includes incidental expenditure incurred on the assets before they are ready for intended use. The carrying amount of fixed assets is reviewed at each balance sheet date if there are any indications of impairment based on internal / external factors.
- 7.2 The appreciation on revaluation is credited to Revaluation Reserve. Depreciation relating to revaluation is adjusted against the Revaluation Reserve.
- 7.3 Depreciation has been provided pro rata for the period of use, on Straight Line Method at such rates that are reflective of management's estimate of the useful life of the related fixed assets. These rates are as prescribed under Schedule XIV to the Companies Act, 1956, except in respect of the following where the rates adopted are higher than the prescribed rates:
 - (a) Computers at 33.33% p.a.
 - (b) Furniture and Fixtures at 10% p.a.
 - (c) Electrical Installations at 10% p.a.
 - (d) Other Office Equipment at 10% p.a.
 - (e) Vehicles at 20% p.a.

Taking into account various criteria such as changes in technology, changes in business environment, utility and efficacy of an asset class to meet with intended user needs, etc., the useful life of an asset class is periodically assessed. Whenever there is a revision in the estimated useful life of an asset, the unamortised depreciable amount will be charged over the revised remaining useful life of the said asset.

8) **Revenue Recognition:**

- 8.1 Income by way of interest and discount on performing assets is recognised on accrual basis and on non-performing assets the same is recognised on realisation.
- 8.2 Interest on Government securities, debentures and other fixed income securities is recognised on accrual basis. Income on discounted instruments is recognised over the tenor of the instrument on a straight-line basis.
- 8.3 Dividend income is accounted on accrual basis when the right to receive payment is established.
- 8.4 Commission (except for commission on Deferred Payment Guarantees which is recognised on accrual basis), exchange and brokerage are recognised on realisation.
- 8.5 Lease income and service charges earned on the Consumer Finance Advances are recognised on accrual basis.
- 8.6 Income from distribution of third party products is recognised on the basis of business booked.

9) **Operating Leases:**

Lease rental obligations in respect of assets taken on operating lease are charged to profit and loss account on straight-line basis over the lease term. Initial direct costs are charged to profit and loss account.

Assets given under leases in respect of which all the risks and benefits of ownership are effectively retained by the Bank are classified as operating leases. Lease rentals received under operating leases are recognized in the profit and loss account on accrual basis as per contracts.

10) **Retirement and Other Employee Benefits :**

- 10.1 Payment obligations under the Group Gratuity scheme are managed through purchase of appropriate insurance policies. The Gratuity scheme of the Bank is a defined benefit scheme and the expense for the year is recognized on the basis of actuarial valuation as at the balance sheet date.
- 10.2 Provident fund contributions are made under trusts separately established for the purpose and the scheme administered by Regional Provident Fund Commissioner (RPFC), as applicable.
- 10.3 Provision for compensated absences has been made in the accounts on the basis of actuarial valuation as at the balance sheet date. The actuarial valuation is carried out as per the projected unit credit method.
- 10.4 The Bank has applied the intrinsic value method to account for the compensation cost of ESOP granted to the employees of the Bank. Intrinsic value is the amount by which the quoted market price of the underlying shares on the grant date exceeds the exercise price of the options. Accordingly, the compensation cost is amortized over the vesting period.

11) **Segment Reporting:**

In accordance with the guidelines issued by RBI, Bank has adopted Segment Reporting as under:

1. **Treasury** includes all investment portfolio, profit / loss on sale of investments, profit/loss on foreign exchange transactions, equities, income from derivatives and money market operations. The expenses of this segment consist of interest expenses on funds borrowed from external sources as well as internal sources and depreciation/ amortisation of premium on Held to Maturity category investments.
2. **Corporate/ Wholesale Banking** includes lending and deposits from corporate customers and identified earnings and expenses of the segment.
3. **Retail Banking** includes lending and deposits from retail customers and identified earnings and expenses of the segment.
4. **Other Banking Operations** includes all other operations not covered under Treasury, Wholesale Banking and Retail Banking.

12) **Income-tax:**

Tax expenses comprise current and deferred taxes. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Unrecognized

deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realized.

13) Earnings per Share:

Earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Diluted earnings per equity share have been computed using the weighted average number of equity shares and dilutive potential equity shares outstanding as at end of the year.

14) Provisions:

A provision is recognised when there is an obligation as a result of past event, and it is probable that an outflow of resources will be required to settle the obligation, and in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

15) Others:

Cash and cash equivalents in the cash flow statement comprise cash in hand and balances with RBI (Schedule 6) and balances with banks and money at call and short notice (Schedule 7).

Schedule 18

NOTES ON ACCOUNTS

1. Capital Adequacy Ratio:

The Bank computes Capital Adequacy Ratio as per RBI guidelines. The prudential norms laid down by RBI, for capital adequacy under Basel I framework (Basel I) require the Bank to maintain a Capital to Risk weighted Assets Ratio at a minimum of 9%, covering credit risk and market risk. As per RBI directions, the Bank has migrated to the New Capital Adequacy Framework (Basel II) with effect from March 31, 2009. Under the Basel II guidelines, the Bank is required to maintain Capital to Risk weighted Assets Ratio, at a minimum of 9% on an on-going basis covering, credit risk, market risk and operational risk. Further, the minimum capital to be maintained by the Bank is subjected to a prudential floor which is the higher of :

- (a) Minimum capital to be maintained under the New Capital Adequacy Framework (Basel II); and
- (b) 80% of the minimum capital to be maintained under Basel I guidelines

The capital adequacy ratio of the Bank, calculated as per RBI guidelines is set out below:

(₹ in crores)

Items	As per Basel I Framework		As per Basel II Framework	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
Tier I Capital	3774.06	2139.99	3774.06	2139.99
Tier II Capital	1108.21	1259.46	1108.21	1259.46
Total Capital	4882.27	3399.45	4882.27	3399.45
Total Risk Weighted Assets	33918.87	25376.24	30716.03	22179.61
i) Capital Adequacy Ratio (%)	14.39%	13.40%	15.89%	15.33%
ii) CRAR - Tier I Capital (%)	11.13%	8.43%	12.29%	9.65%
iii) CRAR - Tier II Capital (%)	3.26%	4.97%	3.60%	5.68%
iv) Amount of subordinated debt raised as Tier-II capital	Nil	420.00	Nil	420.00
(of which Upper Tier II capital)	-	-	-	-

The Bank's capital funds are higher than the minimum requirements prescribed under the Basel I and Basel II framework.

2. Investments:

2.1 Details of Investments:

(₹ in crores)

	2010-2011	2009-2010
(1) Value of Investments :		
(i) Gross Value of Investments	13562.27	10405.68
(a) In India	13562.27	10405.68
(b) Outside India	-	-
(ii) Provision / Depreciation	11.46	3.84
(a) In India	11.46	3.84
(b) Outside India	-	-
(iii) Net Value of Investments	13550.81	10401.84
(a) In India	13550.81	10401.84
(b) Outside India	-	-
(2) Movements in provision held towards depreciation on Investments :		
(i) Opening Balance	3.84	4.93
(ii) Add: Provision made during the year	9.00	0.18
(iii) Less: Write-off / write-back of excess provision during the year	(1.38)	(1.27)
(iv) Closing Balance	11.46	3.84

2.2 Category wise details of Investments (Net):

(₹ in crores)

	31/03/2011			31/03/2010		
	HTM	AFS	HFT	HTM	AFS	HFT
i) Government securities	8040.48	1981.38	-	6865.97	1655.54	-
ii) Other approved securities	-	-	-	3.56	-	-
iii) Shares	5.35	31.63	-	5.35	30.82	-
iv) Debentures and bonds	-	103.43	-	-	13.54	-
v) Subsidiaries and/ or Joint Ventures	0.50	-	-	0.50	-	-
vi) Others - Deposits under RIDF scheme with NABARD, SR/PTC, MF, etc.	1679.54	1,708.50	-	1739.78	86.78	-
Total	9725.87	3824.94	-	8615.16	1786.68	-

2.3 Details of Repo/ Reverse Repo (including liquidity adjustment facility) deals:

(₹ in crores)

	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	Balance as on year end
Year ended March 31, 2011				
Securities sold under repos				
i) Government Securities	5.31	1600.00	276.98	1000.00
ii) Corporate Debt Securities	-	-	-	-

	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	Balance as on year end
Securities purchased under reverse repos				
i) Government Securities	10.07	500.00	20.93	50.32
ii) Corporate Debt Securities	-	-	-	-
Year ended March 31, 2010				
Securities sold under repos				
i) Government Securities	5.08	886.04	71.67	100.00
ii) Corporate Debt Securities	-	-	-	-
Securities purchased under reverse repos				
i) Government Securities	14.66	1400.00	129.00	-
ii) Corporate Debt Securities	-	-	-	-

2.4 a) Issuer composition of Non-SLR investments as at March 31, 2011:

(₹ in crores)

No.	Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' Securities*	Extent of 'unlisted' securities**
1	PSUs	-	-	-	-	-
2	FIs ***	1679.54	-	-	-	-
3	Banks	10.04	10.04	-	-	-
4	Private corporates	133.33	-	-	1.31	1.31
5	Subsidiaries/ Joint Ventures	0.50	-	-	-	-
6	Others	1717.00	17.00	-	-	-
7	Provision held towards depreciation	(11.46)	-	-	(0.55)	(0.55)
	Total	3528.95	27.04	-	0.76	0.76

Note

Central Government Security Pledge with CCIL for SGF and Pledge with MCX and NSCCL for Currency Derivative Segment is not considered as Non SLR Investment Holding

*Excludes investments in NABARD RIDF and equity shares

**Excludes investments in NABARD RIDF

*** Includes deposits placed with NABARD RIDF.

b) Issuer composition of Non-SLR investments as at March 31, 2010:

(₹ in crores)

No.	Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' Securities*	Extent of 'unlisted' securities**
1	PSUs	-	-	-	-	-
2	FIs ***	1739.78	-	-	-	-
3	Banks	62.75	62.75	-	-	-
4	Private corporates	38.15	-	-	-	-
5	Subsidiaries/ Joint Ventures	0.50	-	-	-	-

No.	Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' Securities*	Extent of 'unlisted' securities**
6	Others	39.43	39.43	-	21.31	1.36
7	Provision held towards depreciation	(3.84)	-	-	-	-
	Total	1876.77	102.18	-	21.31	1.36

Note: Central government 8.07 GOI 2017 Security pledged with CCIL is not considered as Non SLR investment holding.

*Excludes investments in NABARD RIDF and equity shares

**Excludes investments in NABARD RIDF

*** Includes deposits placed with NABARD RIDF.

c) Non-performing Non-SLR investments:

(₹ in crores)

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Opening balance	3.14	1.78
Additions during the year since 1st April	-	1.36
Reductions during the above period	1.36	-
Closing balance	1.78	3.14
Total provisions held	1.78	3.14

3. Derivatives:

3.1 Forward Rate Agreement/Interest Rate Swap/Cross Currency Swaps:

(₹ in crores)

Items	March 31, 2011	March 31, 2010
1) The notional principal of swap agreements	18792.71	10609.67
2) Losses which would be incurred if counter-parties failed to fulfill their obligations under the agreements	109.49	84.22
3) Collateral required by the bank upon entering into swaps	-	-
4) Concentration of credit risk arising from the swaps (with banks)	74.81%	64.91%
5) The fair value of the swap book	3.07	1.85

The Nature and Terms of the IRS (including IRS denominated in foreign currency and done on back to back basis) **as on 31 March 2011 are set out below:**

(₹ in crores)

Nature	Nos.	Notional Principal	Benchmark	Terms
Merchant and Cover	2	150.00	MIBOR	Fixed Payable V/s Floating Receivable
Merchant and Cover	2	150.00	MIBOR	Fixed Receivable V/s Floating Payable
Merchant and Cover	11	326.87	LIBOR	Fixed Receivable V/s Floating Payable
Merchant and Cover	11	326.87	LIBOR	Fixed Payable V/s Floating Receivable
Trading	172	6450.00	MIBOR	Fixed Receivable V/s Floating Payable
Trading	168	6400.00	MIBOR	Fixed Payable V/s Floating Receivable
Hedging	13	400.00	MIBOR	Fixed Receivable V/s Floating Payable

The Nature and Terms of the IRS (including IRS denominated in foreign currency and done on back-to-back basis) **as on 31 March 2010 are set out below:**

(₹ in crores)

Nature	Nos.	Notional Principal	Benchmark	Terms
Merchant and Cover	2	53.90	MIBOR	Fixed Payable V/s Floating Receivable
Merchant and Cover	2	53.90	MIBOR	Fixed Receivable V/s Floating Payable
Merchant and Cover	11	347.10	LIBOR	Fixed Payable V/s Floating Receivable
Merchant and Cover	11	347.10	LIBOR	Fixed Receivable V/s Floating Payable
Trading	122	4325.00	MIBOR	Fixed Receivable V/s Floating Payable
Trading	115	4225.00	MIBOR	Fixed Payable V/s Floating Receivable

The Nature and Terms of the FRAs as on 31 March 2011 are set out below:

(₹ in crores)

Nature	Nos.	Notional Principal	Benchmark	Terms
Merchant and Cover	142	1749.18	LIBOR	FRA Purchased
Merchant and Cover	142	1749.18	LIBOR	FRA Sold

The Nature and Terms of the FRAs as on 31 March 2010 are set out below:

(₹ in crores)

Nature	Nos.	Notional Principal	Benchmark	Terms
Merchant and Cover	22	435.21	LIBOR	FRA Purchased
Merchant and Cover	22	435.21	LIBOR	FRA Sold

The Nature and Terms of the Options as on 31 March 2011 are set out below:

(₹ in crores)

Nature	Nos.	Notional Principal	Terms
Merchant and Cover	514	2228.65	Options

The Nature and Terms of the Options as on 31 March 2010 are set out below:

(₹ in crores)

Nature	Nos.	Notional Principal	Terms
Merchant and Cover	45	1130.67	Options

The Nature and Terms of the CCS (including CCS denominated in foreign currency and done on back to back basis) **as on 31 March 2011 are set out below:**

(₹ in crores)

Nature	Nos.	Notional Principal	Benchmark	Terms
Merchant and Cover	13	278.97	LIBOR	Fixed Payable V/s Floating Receivable (Cross Currency swap)
Merchant and Cover	3	128.29	LIBOR	Fixed Payable V/s Floating Receivable (Cross Currency swap)
Merchant and Cover	7	128.79	LIBOR	Fixed Payable V/s Floating Receivable (Cross Currency swap)
Merchant and Cover	13	290.79	LIBOR	Fixed Receivable V/s Floating Payable (Cross Currency swap)
Merchant and Cover	3	130.10	LIBOR	Fixed Receivable V/s Floating Payable (Cross Currency swap)
Merchant and Cover	7	133.68	LIBOR	Fixed Receivable V/s Floating Payable (Cross Currency swap)

The Nature and Terms of the CCS (including CCS denominated in foreign currency and done on back to back basis) **as on 31 March 2010 are set out below:**

(₹ in crores)

Nature	Nos.	Notional Principal	Benchmark	Terms
Merchant and Cover	2	177.76	LIBOR	Fixed Payable V/s Floating Receivable (Cross Currency swap)
Merchant and Cover	2	12.03	LIBOR	Fixed Payable V/s Floating Receivable (Coupon only swap)
Merchant and Cover	2	184.38	LIBOR	Fixed Receivable V/s Floating Payable (Cross currency swap)
Merchant and Cover	2	13.09	LIBOR	Fixed Receivable V/s Floating Payable (Coupon only swap)

3.2 Exchange Traded Interest Rate Derivatives:

The Bank has not undertaken exchange traded interest rate derivative transactions during the year.

3.3 Disclosures on Risk Exposure in Derivatives

The Risk Management Department of the Bank is responsible for measuring, reporting and monitoring risk arising from Derivatives transactions. Risk Management Department functions independent of the Treasury. The risk management methods generally applied are quantitative like Value at Risk, PV01, stop-loss limits, counterparty limits, deal sizes and overnight positions.

The Risk Management function undertakes the following activities:

- Monitors daily derivatives operations against the set out policies and limits
- Reviews daily profitability, product-wise, and activity reports for derivatives operations
- Reports MIS and exceptions to the Top Management on a daily basis
- Ensures monitoring of effectiveness of derivative deals identified as hedges against the terms of the hedging instruments and underlying hedged risk.

Bank undertakes derivative transactions for hedging of customer's exposure, hedging the Bank's exposure and for trading purposes wherever permitted by RBI.

Derivative trades are done both for the Bank's balance sheet hedging requirements and also for the customer hedging requirements. The Customers use these products offered to hedge their forex and interest rate exposure. All the trades with customers are covered on a back-to-back basis with other market makers.

The Derivatives policy, approved by Board of Directors, define the framework for carrying out the derivatives business and lays down policies and processes adopted to measure, monitor and report risk arising from derivative transactions. Derivatives Policy provides :

- Appropriate risk limits for different derivatives products
- Authority for review of limit breaches and to take appropriate actions.

Derivatives policy prescribes 'Product Suitability and Customer Appropriateness' policy which is used to classify the clients depending on their understanding of the derivative products.

The following table presents summarized data relating to Derivatives:

(₹ in crores)

Sr. No	Particulars	March 31, 2011		March 31, 2010	
		Currency Derivatives	Interest rate Derivatives	Currency Derivatives	Interest rate Derivatives
1	Derivatives (Notional Principal Amount)	-	13250.00	-	10609.67
	a) For hedging	-	400.00	-	-
	b) For trading	-	12850.00	-	10609.67

Sr. No	Particulars	March 31, 2011		March 31, 2010	
		Currency Derivatives	Interest rate Derivatives	Currency Derivatives	Interest rate Derivatives
2	Marked to Market Positions-				
	a) Asset (+)	-	3.07	-	1.85
	b) Liability (-)	-	-	-	-
3	Credit Exposure	-	178.37	-	196.28
4	Likely impact of one percentage change in interest rate (100*PV01) (Note 1)				
	a) on hedging derivatives	-	0.15	-	-
	b) on trading derivatives	-	0.02	-	0.01
5	Maximum and Minimum of 100*PV01 observed during the year (Note 2) (₹ in lacs)				
	a) on hedging*	-	Max: 19.57 Min: 0.00	-	Max: 4.53 Min: 0.00
	b) on trading	-	Max: 20.26 Min: 0.03	-	Max: 6.66 Min: 0.00

* During the tenor of the hedge minimum PV01 was 15.15 lacs

Note 1: Based on the PV01 of the outstanding derivatives as at March 31, 2011.

Note 2: Based on the absolute value of PV01 of the derivatives outstanding during the year. Derivative contracts that are "back-to-back" have not been included herein.

Note 3: Mark to Market positions above includes interest accrued on the swaps.

Note 4: Forward Exchange Contracts are not included in the Currency derivatives above.

Note 5: There were no outstanding currency futures as on March 31, 2011.

Foreign Currency exposure not hedged by derivative instruments (Net Open Position) as on March 31, 2011 is ₹ (5.69) crores (previous year ₹ (0.20) crores).

4. Asset Quality:

4.1 Non-Performing Assets:

(₹ in crores)

Items	2010-2011	2009-2010
(i) Net NPAs to Net Advances (%)	0.28%	0.50%
(ii) Movement in Gross NPAs		
a) Opening Balance	255.47	255.02
b) Additions during the year	190.38	221.60
c) Reductions during the year		
(i) Upgradations	30.71	81.65
(ii) Recoveries (excluding recoveries made from upgraded accounts)*	38.55	69.99
(iii) Write-offs	110.73	69.51
d) Closing Balance	265.86	255.47
(iii) Movement in Net NPAs		
a) Opening Balance	101.83	179.13
b) Additions during the year	17.97	48.66

Items	2010-2011	2009-2010
c) Reductions during the year	46.98	125.96
d) Closing Balance	72.82	101.83
(iv) Movement in provisions for NPAs (excluding provisions on standard assets)		
a) Opening Balance	153.64	75.89
b) Provisions made during the year	172.41	172.94
c) Write-off/write-back of excess provisions	133.01	95.19
d) Closing Balance	193.04	153.64

* Recoveries include sale to ARC

4.2 Sector-wise NPAs

Sl. No.	Sector	% of NPAs to Advances in that sector as on	
		March 31, 2011	March 31, 2010
1	Agriculture & allied activities	0.94%	1.17%
2	Industry (Micro & Small, Medium and Large)	0.56%	0.52%
3	Services	0.69%	0.71%
4	Personal Loans	72.41%	54.69%

4.3 Details of Loan Assets subjected to Restructuring as on March 31, 2011

(₹ in crores)

		CDR Mechanism	SME Debt Restructuring	*Others incl. Consumer/Vehicle loans
Standard Advances Restructured	No. of Borrowers	6 (3)	1 (1)	44 (81)
	Amount Outstanding	67.75 (33.74)	9.16 (11.59)	3.71 (8.03)
	Sacrifice (diminution in the fair value)	7.98 (5.41)	0.17 (0.17)	0.41 (0.56)
Substandard Advances Restructured	No. of Borrowers	1 -	- -	1 (1)
	Amount Outstanding	8.97 -	- -	3.95 (5.88)
	Sacrifice (diminution in the fair value)/ NPA provision held	8.97 -	- -	3.26 ^ -
Doubtful Advances Restructured	No. of Borrowers	1 -	- -	1 -
	Amount Outstanding	10.00 -	- -	5.83 -
	Sacrifice (diminution in the fair value) / NPA provision held	10.00 -	- -	5.83 -

		CDR Mechanism	SME Debt Restructuring	*Others incl. Consumer/ Vehicle loans
TOTAL	No. of Borrowers	8 (3)	1 (1)	46 (82)
	Amount Outstanding	86.72 (33.74)	9.16 (11.59)	13.49 (13.91)
	Sacrifice (diminution in the fair value) / NPA provision held	26.95 (5.41)	0.17 (0.17)	9.50 (0.56)

^ Bank holds NPA provision of ₹3.11 crores

Note: Amounts in brackets represent previous year figures

4.4 Details of financial assets sold to Securitisation / Reconstruction Company for asset reconstruction:

(₹ in crores)

Items	2010-2011	2009-2010
1) No. of accounts	-	1046
2) Aggregate value (net of provisions) of accounts sold to SC/ RC	-	21.27
3) Aggregate consideration	-	21.00
4) Additional consideration realized in respect of accounts transferred in earlier years	1.30	-
5) Aggregate gain/ (loss) over net book value	-	(0.27)

4.5 During the year, there has been no purchase / sale of non-performing financial assets from /to other banks.

4.6 During the year, there was no securitization transaction pertaining to Standard Advances (previous year Nil).

4.7 Provision on Standard Assets :

(₹ in crores)

Items	March 31, 2011	March 31, 2010
Cumulative Provision held for Standard Assets	103.02	80.12

Provision towards Standard Assets has not been netted off from Advances but included in 'Other Liabilities and Provisions – Others' in Schedule 5.

5. Business ratios:

		March 31, 2011	March 31, 2010
i)	Interest income as a percentage to working funds	9.05%	8.80%
ii)	Non-interest income as a percentage to working funds	1.80%	1.80%
iii)	Operating profit as a percentage to working funds	2.73%	2.29%
iv)	Return on assets	1.46%	1.14%
v)	Business (deposits plus gross advances) per employee including trainees (₹ in lacs)	843.98	837.46
vi)	Profit per employee including trainees (₹ in lacs)	8.24	6.51
vii)	Provision coverage ratio	72.61%	60.14%

Note:

- (1) Working funds are calculated at the average of working funds as per the Bank's monthly returns (Form X) filed with the RBI.
- (2) Business per employee (deposits plus gross advances) is computed excluding Inter-bank deposits.
- (3) Returns on Assets are computed with reference to average working funds.

6. Asset Liability Management:

Maturity Pattern of Assets and Liabilities:

(a) As at March 31, 2011:

(₹ in crores)

	Day 1	2 to 7 Days	8 to 14 Days	15 to 28 Days	29 days to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Deposits	260.32	1281.81	1099.05	1219.63	7502.35	3164.75	7988.27	10658.49	612.12	578.58	34365.37
Loans & Advances	461.34	870.87	341.77	1376.28	4323.50	2448.60	4549.77	9907.60	1353.46	532.46	26165.65
Investment Securities	750.32	-	-	-	253.66	880.56	1058.62	491.51	1363.34	8752.80	13550.81
Borrowings	3.82	1005.49	76.49	101.19	1083.00	946.63	-	521.91	1477.99	308.90	5525.42
Foreign currency assets	-	-	-	-	-	-	-	-	-	37.18	37.18
Foreign currency liabilities	141.29	-	-	-	-	-	-	-	-	-	141.29

(b) As at March 31, 2010:

(₹ in crores)

	Day 1	2 – 7 Days	8 – 14 Days	15-28 Days	29 days to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Deposits	163.96	703.96	749.75	749.67	3626.83	5354.04	6157.17	8164.29	525.85	514.65	26710.17
Loans & Advances	752.41	819.23	655.89	1063.44	3339.32	2084.27	5324.24	5436.87	771.02	303.90	20550.59
Investment Securities	-	-	-	-	183.42	593.11	935.52	550.86	1256.28	6882.65	10401.84
Borrowings	-	1140.97	11.30	19.20	629.31	517.96	-	342.43	1425.23	847.89	4934.29
Foreign currency assets	-	-	-	-	-	-	-	-	-	43.02	43.02
Foreign currency liabilities	142.49	-	-	-	-	-	-	-	-	-	142.49

7. Exposures:

7.1 Exposure to Real Estate Sector :

(₹ in crores)

Items	March 31, 2011	March 31, 2010
a) Direct Exposure		
(i) Residential Mortgages [of which individual housing loans upto ₹20 lacs is ₹121.16 crores (previous year ₹99.92 crores)]	214.12	146.68
(ii) Commercial Real Estate *	882.79	452.96
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised Exposures :		
a) Residential,	-	-
b) Commercial Real Estate	-	-

Items	March 31, 2011	March 31, 2010
b) Indirect Exposure	409.56	300.55
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)		
Total Real Estate Exposure	1506.47	900.19

* Does not include corporate lending backed by mortgage of land and building.

7.2 Exposure to Capital Market:

(₹ in crores)

Items	March 31, 2011	March 31, 2010
(i) Direct investment in equity shares, convertible bonds, convertible debentures and units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	7.15	7.15
(ii) Advances against shares/bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	22.73	23.79
(iii) Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	NIL	NIL
(iv) Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds/convertible debentures/units of equity oriented mutual funds `does not fully cover the advances;	72.26	135.00
(v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	718.08	505.69
(vi) Loans sanctioned to corporates against the security of shares/bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	NIL	NIL
(vii) Bridge loans to companies against expected equity flows/issues;	NIL	NIL
(viii) Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	NIL	NIL
(ix) Financing to stockbrokers for margin trading;	NIL	NIL
(x) All exposures to Venture Capital Funds (both registered and unregistered)	NIL	NIL
Total Exposure to Capital Market	820.22	671.63

7.3 Risk Category-wise exposure to country risk:

(₹ in crores)

Risk category	Exposure (net) as at March 31, 2011	Provision held as at March 31, 2011	Exposure (net) as at March 31, 2010	Provision held as at March 31, 2010
Insignificant	881.37	-	346.10	-
Low	415.03	-	111.59	-
Moderate	44.48	-	4.68	-

Risk category	Exposure (net) as at March 31, 2011	Provision held as at March 31, 2011	Exposure (net) as at March 31, 2010	Provision held as at March 31, 2010
High	4.89	-	15.39	-
Very High	2.03	-	122.00	-
Restricted	1.68	-	-	-
Off Credit	0.00	-	-	-
Total	1349.48	-	599.76	-

7.4 Single borrower limit and Group Borrower Limit:

During the year the Bank has not exceeded the prudential credit exposure limit in respect of Single Borrower and Group Borrowers.

7.5 Unsecured advances

The Bank has not extended any project advances where the collateral is an intangible asset such as a charge over rights, licences, authorizations etc. As such, the Unsecured Advances of ₹3,714.28 crores (previous year ₹2,837.18 crores) as given in Schedule 9B(iii) are without any collateral or security.

8. Concentration of Deposits, Advances, Exposures and NPAs

8.1 Concentration of Deposits

(₹ in crores)

	As on March 31, 2011	As on March 31, 2010
Total Deposits of twenty largest depositors	10029.11	8444.45
Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank	29.18%	31.62%

8.2 Concentration of Advances*

(₹ in crores)

	As on March 31, 2011	As on March 31, 2010
Total Advances to twenty largest borrowers	8135.08	5152.27
Percentage of Advances to twenty largest borrowers to Total Advances of the Bank	20.64%	18.24%

*Advances computed as per definition of Credit Exposure including derivatives furnished in Master Circular on Exposure Norms DBOD.No.Dir.BC.15/13.03.00/2009-10 dated July 1, 2010.

8.3 Concentration of Exposures**

(₹ in crores)

	As on March 31, 2011	As on March 31, 2010
Total Exposure to twenty largest borrowers / customers	8135.08	5152.27
Percentage of Exposure to twenty largest borrowers / customers to Total Exposure of the Bank on borrowers / customers	20.57%	18.18%

**Exposures computed based on credit and investment exposure as prescribed in Master Circular on Exposure Norms DBOD.No.Dir.BC.15/13.03.00/2009-10 dated July 1, 2010.

8.4 Concentration of NPAs

(₹ in crores)

	As on March 31, 2011	As on March 31, 2010
Total Exposure to top four NPA accounts	36.74	43.98

9. Miscellaneous:**9.1 Amount of Provisions for taxation during the year :**

(₹ in crores)

Particulars	2010-11	2009-10
Provision for Income Tax /deferred tax	302.06	182.34
Wealth tax	0.40	0.40
Total	302.46	182.74

9.2 Disclosure of penalties imposed by RBI :

The Reserve Bank of India has not imposed any penalty on the Bank u/s 46(4) of the Banking Regulation Act, 1949.

9.3 Fixed Assets:

Cost of premises includes ₹4.09 crores (previous year ₹4.09 crores) in respect of properties for which execution of documents and registration formalities are in progress. Of these properties, the Bank has not obtained full possession of one property having WDV of ₹1.78 crores (previous year ₹1.81 crores) and has filed a suit for the same.

9.4 Changes in Accounting Estimates – Revision of estimated useful life of fixed assets

With effect from January 1, 2011, the estimated useful life of Furniture and Fixtures has been revised to 10 years from 15 years, Electrical Installation and Other Office Equipment to 10 years from 20 years, and Vehicles to 5 years from 10 years. Consequent to this revision, the depreciation charged to Profit and Loss account during the year is higher by ₹12.66 crores with a corresponding decrease in the carrying amount of Other Fixed Assets under Schedule 10 as at the Balance Sheet date.

9.5 Other Assets:

Other assets include stock of gold on consignment basis of ₹10.96 crores (previous year ₹13.05 crores) and Net Deferred Tax Assets ₹47.88 crores (previous year ₹23.38 crores).

9.6 Other Liabilities and Provisions:

Other Liabilities – Others' include credit balances in nostro accounts aggregating ₹66.86 crores (previous year ₹86.74 crores).

9.7 Contingent Liabilities:

Claims against the Bank not acknowledged as debts comprise tax demands in respect of which the Bank is in appeal of ₹49.64 crores (previous year ₹151.41 crores) and the cases sub-judice ₹159.96 crores (previous year ₹145.92 crores). The above are based on the management's estimate, and no significant liability is expected to arise out of the same.

9.8 Other Income**9.8.1 Fees received in Bancassurance business**

Commission, Exchange and Brokerage in Schedule 14 include the following fees earned on Bancassurance business:

(₹ in crores)

Nature of Income	March 2011	March 2010
(1) For selling life insurance policies	71.42	55.25
(2) For selling non life insurance policies	66.94	44.87
(3) For selling mutual fund products	22.69	14.01
(4) Others	-	-
Total	161.05	114.13

9.8.2 Miscellaneous income includes recovery from bad debts written off ₹20.95 crores (previous year ₹22.23 crores), lease rentals ₹2.47 crores (previous year ₹19.68 crores) and others (processing charges, cheque return charges and depository services charges, etc.) ₹238.71 crores (previous year ₹153.62 crores).

9.9 The Bank does not have any Overseas branches and hence the disclosure regarding total assets, NPAs and revenue is not applicable.

9.10 The Bank does not have any Off-balance Sheet SPVs (which are required to be consolidated as per accounting standards).

10. Employee Stock Option Scheme (“ESOS”):

The shareholders of the Bank had approved Employee Stock Option Scheme (ESOS) on September 18, 2007, enabling the Board and /or the Compensation Committee to grant such number of Options of the Bank not exceeding 7% of the aggregate number of issued and paid up equity shares of the Bank, in line with the guidelines of the Securities & Exchange Board of India (SEBI). The options shall vest at the discretion of the Compensation Committee, but within a maximum period of five years from the date of grant of option. The exercise price for each grant shall be decided by the Compensation Committee, which would normally be based on the latest available closing price. Upon vesting, the options shall have to be exercised within a maximum period of five years. The ESOS scheme is equity settled where the employees will receive one equity share per option.

Pursuant to the ESOS 2007 scheme, the Compensation Committee of the Bank has so far granted 2,36,25,450 options on various dates as below:

Sr. No	Date of grant	No of options	Range of exercise price (₹)
1.	18/07/2008	1,21,65,000	48.00 - 50.60
2.	17/12/2008	34,56,000	38.95
3.	05/05/2009	8,15,500	44.00
4.	31/08/2009	3,18,500	100.05
5.	28/01/2010	7,47,000	48.00 - 140.15
6.	28/06/2010	13,57,450	196.50
7.	14/09/2010	73,500	236.20
8.	26/10/2010	1,43,500	274.80
9.	17/01/2011	25,00,000	228.70
10.	07/02/2011	20,49,000	95.45 - 220.45

Recognition of expense

The Bank follows the intrinsic value method to account for its ESOS in accordance with the Guidance Note on “Accounting for Employee Share-based Payments” issued by the ICAI. Excess of fair market price over the exercise price of an option as at the grant date is recognized as a deferred compensation cost and amortized on a straight-line basis over the vesting period of such options. The fair market price is the latest available closing price, prior to the date of the meeting of Board of Directors, in which options are granted, on the stock exchange on which the shares of the Bank are listed. Since shares are listed in more than one stock exchange, the stock exchange where the Bank’s shares have been traded highest on the said date is considered.

Stock option activity under the scheme during the year:

	No. of options	Weighted average exercise price (₹)
Outstanding at the beginning of the year	1,62,22,500	48.37
Granted during the year	67,23,450	199.34
Forfeited / surrendered during the year	1,36,300	108.09
Exercised during the year	53,19,195	47.34
Expired during the year	Nil	Nil
Outstanding at the end of the year	1,74,90,455	106.25
Options exercisable at the end of the year	87,58,505	47.98

The weighted average market price of options exercised during the year is ₹259.21.

Following summarises the information about stock options outstanding as at March 31, 2011:

Grant	Exercise Price	Number of shares arising out of options	Weighted average life of options (in years)
18 July 2008	48.00	73,25,000	4.15
18 July 2008A	50.60	10,14,100	4.31
17 Dec 2008	38.95	15,54,130	4.73
5 May 2009	44.00	5,69,705	5.11
31 August 2009	100.05	2,45,570	5.43
28 Jan 2010	140.15	1,08,250	5.84
28 Jan 2010A	48.00	6,00,000	4.84
28 Jun 2010	196.50	13,16,700	6.26
14 Sep 2010	236.20	64,500	6.47
26 Oct 2010	274.80	1,43,500	6.59
17 Jan 2011	228.70	25,00,000	6.82
7 Feb 2011	95.45	2,84,000	5.86
7 Feb 2011A	220.45	17,65,000	6.87

Fair value methodology:

The fair value of options granted during the year has been estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	2010-11
Average dividend yield	1.25%
Expected volatility	66.15% - 73.33%
Risk free interest rates	6.61% - 8.08%
Expected life of options (in years)	3.50 - 4.51
Expected forfeiture	Nil

Expected volatility is a measure of the amount by which the equity share price is expected to fluctuate during a period. The measure of volatility used in Black-Scholes option pricing model is the annualized standard deviation of the continuously compounded rates of return on the share over a period of time. Expected volatility has been computed by considering the historical data on daily volatility in the closing equity share price on NSE, over a prior period equivalent to the expected life of the options, till the date of the grant.

Bank has charged ₹6.48 crores to P&L being the intrinsic value of stock options granted for the year ended March 31, 2011. Had the Bank adopted the Black-Scholes model based fair valuation, compensation cost for the year ended March 31, 2011, would have increased by ₹25.20 crores and the proforma profit after tax would have been lower correspondingly. On a proforma basis, the basic and diluted earnings per share would have been ₹12.58 and ₹12.32 respectively.

The weighted average fair value of options granted during the year ended March 31, 2011 is ₹126.87.

11. Disclosures - Accounting Standards :

11.1 Net Profit or Loss for the period, prior period items and changes in accounting policies (AS-5):

There has been no material change in Accounting Policies adopted during the year ended March 31, 2011, from those followed for the year ended March 31, 2010.

11.2 Employee Benefits (AS-15):

Gratuity:

The benefit of Gratuity is funded defined benefit plan. For this purpose the company has obtained two qualifying insurance policies from LIC of India and Aviva Life Insurance Company India Limited. The following table summarises the components of net expenses recognized in the profit and loss account and funded status and amounts recognized in the balance sheet, on the basis of actuarial valuation :

(₹ in crores)

		March 31, 2011	March 31, 2010
Changes in the present value of the obligation			
1	Opening balance of Present Value of Obligation	14.59	10.24
2	Interest Cost	1.11	0.77
3	Current Service Cost	3.97	2.25
4	Past Service Cost	-	-
5	Benefits Paid	(1.81)	(1.79)
6	Actuarial (gain) / loss on Obligation	1.81	3.12
7	Closing balance of Present Value of Obligation	19.67	14.59
Reconciliation of opening and closing balance of the fair value of the Plan Assets			
1	Opening balance of Fair value of Plan Assets	14.67	10.97
2	Expected Return on Plan assets	1.38	1.04
3	Contributions	5.09	4.90
4	Benefits Paid	(1.81)	(1.79)
5	Actual Return on Plan Assets	0.56	(0.45)
6	Closing balance of Fair Value of Plan Assets	19.89	14.67
Profit & Loss – Expenses			
1	Current Service Cost	3.97	2.25
2	Interest Cost	1.11	0.77
3	Expected Return on Plan assets	(1.38)	(1.04)
4	Net Actuarial gain (loss) recognised in the year	1.25	3.56
5	Expenses Recognised in the statement of Profit & Loss	4.95	5.54
Actuarial Assumptions			
1	Discount Rate	8.00%	8.00%
2	Expected Rate of Return on Plan Assets	8.00% - 9.30%	8.00%
3	Expected Rate of Salary Increase	4.50% - 6.00%	4.00% - 6.00%

Leave Encashment :

The Company provides benefits to its employees under the Leave Encashment pay plan, which is a non-contributory defined benefit plan. The employees of the company during the tenure of their employment are entitled to carry forward unutilized balance of Privilege Leave upto 180 days.

Provision for Leave Encashment has been made in the accounts on the basis of actuarial valuation as at the balance sheet date.

(₹ in crores)

Particulars		March 31, 2011	March 31, 2010
1	Opening balance of Present Value of Obligation (PVO)	10.96	7.97
2	Interest Cost	0.88	0.64
3	Service Cost	2.46	2.02
4	Benefits paid	(2.23)	(1.37)
5	Actuarial (gain) / loss on Obligation	0.75	1.70
6	Closing balance of Present Value of Obligation	12.82	10.96

Particulars		March 31, 2011	March 31, 2010
Balance Sheet Statement			
1	Present Value of Obligation as at 31.03.11	12.82	10.96
2	Un-funded Liability as at 31.03.11	12.82	10.96
3	Un-funded Liability recognised in Balance Sheet	12.82	10.96
Profit & Loss Account			
1	Interest Cost	0.88	0.64
2	Service Cost	2.46	2.02
3	Gain (loss) recognised in the year	0.75	1.70
4	Net Gain / Loss	4.09	4.36
Actuarial Assumptions			
1	Discount Rate	8.00%	8.00%
2	Expected Rate of Salary Increase	4.00%	4.00%

11.3 Segment Reporting (AS-17):

The Bank operates in four business segments, viz. Treasury, Corporate / Wholesale Banking, Retail Banking and Other Banking Operations. There are no significant residual operations carried by the Bank.

Summary:

Part A: Business Segments

(₹ in crores)

Business Segment	Treasury		Corporate/ Wholesale Banking		Retail Banking		Other Banking Operation		Total	
	31/03/11	31/03/10	31/03/11	31/03/10	31/03/11	31/03/10	31/03/11	31/03/10	31/03/11	31/03/10
Revenue	945.39	773.01	1560.00	1198.05	2360.13	1681.91	(1.00)	19.52	4864.52	3672.49
Inter-Segment Revenue									(561.50)	(412.02)
Total Income									4303.02	3260.47
Result	162.62	92.08	291.31	211.45	688.58	440.49	(0.29)	5.16	1142.22	749.18
Unallocated Expenses									60.55	45.29
Operating Profit									1081.67	703.89
Income Taxes and Other Provisions									504.35	353.58
Extraordinary profit/loss									0.00	0.00
Net Profit									577.32	350.31
Other Information:										
Segment Assets	16839.75	12450.64	9802.00	9041.93	17954.90	12999.78	-	-	44596.65	34492.35
Unallocated Assets									1039.19	877.17
Total Assets									45635.84	35369.52
Segment Liabilities	5620.66	4997.85	20190.85	14291.89	14790.48	12979.94	-	-	40601.99	32269.68
Unallocated Liabilities									5033.85	3099.84
Total Liabilities									45635.84	35369.52

Geographic Segments:

The business operations of the Bank are largely concentrated in India. Activities outside India are restricted to resource mobilization in the international markets. Since the Bank does not have material earnings emanating from foreign operations, the Bank is considered to operate only in domestic segment.

11.4 Related party transactions (AS-18):

The following is the information on transactions with related parties:

Key Management Personnel:

Mr. Romesh Sobti, Managing Director

Associates: IndusInd Information Technology Limited
IndusInd Marketing and Financial Services Private Limited
IBL Services & Solutions Private Limited

Subsidiaries : ALF Insurance Services Private Limited

Summarized transactions with related parties for the year ended March 31, 2011:

(₹ in crores)

Items / Related Party	Subsidiaries*	Associates/ Joint Ventures	Key Management Personnel*	Relatives of Key Management Personnel	Total
Deposits	-	2.93 (6.70)	-	-	2.93 (6.70)
Advances	-	9.32 (18.50)	-	-	9.32 (18.50)
Investments	-	0.60 (0.60)	-	-	0.60 (0.60)
Interest Paid	-	0.04	-	-	0.04
Receiving of services	-	64.21	-	-	64.21
Other Liabilities (creditors for expenses, security deposits etc.)	-	3.10	-	-	3.10

* As on March 31, 2011, there was only one related party in the said category; hence, in accordance RBI guidelines, there are no disclosures relating to the transactions with these related parties.

Note: Figures in bracket represent maximum outstanding during the year.

Summarized transactions with related parties for the year ended March 31, 2010:

(₹ in crores)

Items / Related Party	Subsidiaries*	Associates/ Joint Ventures	Key Management Personnel*	Relatives of Key Management Personnel	Total
Deposits	-	0.95 (4.07)	-	-	0.95 (4.07)
Advances	-	13.45 (13.45)	-	-	13.45 (13.45)
Investments	-	0.60 (0.60)	-	-	0.60 (0.60)

Items / Related Party	Subsidiaries*	Associates/ Joint Ventures	Key Management Personnel*	Relatives of Key Management Personnel	Total
Interest Paid	-	0.06	-	-	0.06
Receiving of services	-	45.53	-	-	45.53
Other Liabilities (creditors for expenses, security deposits etc.)	-	1.70	-	-	1.70

* As on March 31, 2010, there was only one related party in the said category; hence, in accordance RBI guidelines, there are no disclosures relating to the transactions with these related parties.

Note: Figures in bracket represent maximum outstanding during the year.

- 11.5** The Bank does not have any non-cancelable operating leases during the year, where it is the lessee. The details of other operating leases where the Bank is the lessor, are as under :

Tranche- I

(₹ in crores)

Particulars	2010-11	2009-10
Description of the asset	Wind Turbine Generator-37 Nos.	
Gross carrying amount	-	25.68
Accumulated depreciation	-	9.51
Depreciation recognized during the current year	0.80	1.37
Contingent Rent recognized during the year	1.61	4.44
Minimum Lease Payments (MLP)	2010-11 : Nil 2009-10: MLP based on the actual consumption of electricity at the contracted rates by the lessee. Accordingly, future minimum lease payments are indeterminate.	

Tranche - II

(₹ in crores)

Particulars	2010-11	2009-10
Description of the asset	Wind Turbine Generator – 88 Nos.	
Gross carrying amount	-	72.45
Accumulated depreciation	-	21.78
Depreciation recognized during the current year	2.23	3.82
Minimum Lease Payments (MLP)		
Not later than one year	-	12.00
Later than one year and not later than five years	-	12.25
Later than five years	-	-

The Wind Turbine Generators given on operating lease have been disposed off during the year, and hence, the gross carrying amount, accumulated depreciation and future minimum lease payments are Nil.

11.6 Earnings per share (AS 20):

The numerators and denominators used to calculate the earnings per share as per AS-20 are as under:

	Year ended March 31, 2011	Year ended March 31, 2010
Net Profit as Reported (₹ in crores)	577.32	350.31
Basic weighted average number of equity shares	43,87,64,163	38,88,10,470
Diluted weighted average number of equity shares	44,82,25,770	39,78,90,850
Nominal value of Equity Shares (₹)	10	10
Basic Earnings per Share (₹)	13.16	9.01
Diluted Earnings per Share (₹) (Reported)	12.88	8.80

11.7 Consolidated Financial Statements – Subsidiary(AS 21):

ALF Insurance Services Pvt. Ltd., subsidiary of the Bank, could not commence operations. Consequent to the resolution of Board of Directors, the process of winding up of the said company has since been initiated. Accordingly, no consolidated financial statements have been drawn up as per AS-21 “Consolidated Financial Statements”.

11.8 Taxation (AS 22):

- Provision for tax has been made after considering contingency provision as admissible deduction.
- Deferred Tax (AS-22): The major components of deferred tax assets / liabilities, are as under:

(₹ in crores)

	31.03.2011 Deferred Tax		31.03.2010 Deferred Tax	
Timing difference on account of :	Assets	Liabilities	Assets	Liabilities
Difference between book depreciation and depreciation under the Income Tax Act, 1961		7.96		30.83
Difference between Provisions for doubtful debts and advances and amount allowable under Section 36(1) (viiia) of the Income Tax Act, 1961	95.04		75.51	
Interest on securities		46.77		29.70
Others	7.57		8.40	
Sub-total	102.61	54.73	83.91	60.53
Net closing balance carried to Balance Sheet (included in Sch. 11 – Others)	47.88		23.38	

11.9 In the opinion of the Bank there is no impairment of its fixed Assets to any material extent as at March 31, 2010, requiring recognition in terms of Accounting Standard 28.

12. Additional Disclosures:

12.1 Provisions and Contingencies charged to Profit and Loss account for the year consist of:

(₹ in crores)

Particulars	Year ending March 31, 2011	Year ending March 31, 2010
Depreciation on Investments	7.62	(0.29)
Provision for non-performing assets including bad debts written off net of write backs	161.24	131.28
Provision towards Standard Assets	22.90	21.00
Income Tax / Wealth Tax / Deferred Tax/ Fringe Benefit Tax	302.46	182.74
Others	10.13	18.85
Total	504.35	353.58

12.2 Disclosure of Complaints:

A Customer Complaints:

No.	Particulars	2010-11	2009-10
(a)	No. of complaints pending at the beginning of the year	272	60
(b)	No. of complaints received during the year	15579	6846
(c)	No. of complaints redressed during the year	15474	6634
(d)	No. of complaints pending at the end of the year	377	272

B. Awards passed by the Banking Ombudsman :

No.	Particulars	2010-11	2009-10
(a)	No. of unimplemented Awards at the beginning of the year	Nil	Nil
(b)	No. of Awards passed by the Banking Ombudsmen during the year	1	Nil
(c)	No. of Awards implemented during the year	1	Nil
(d)	No. of unimplemented Awards at the end of the year	Nil	Nil

(Compiled by management and relied by auditors)

12.3 Letters of Comfort

Bank has not issued any letter of comfort during the year.

13. The Bank does not carry any floating provision in the books.
14. The Micro, Small and Medium Enterprises Development Act, 2006 that came into force from October 2, 2006, provides for certain disclosures in respect of Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or interest payments due to delays in such payments
15. Previous year's figures have been regrouped/ reclassified wherever necessary.

DISCLOSURES UNDER THE NEW CAPITAL ADEQUACY FRAMEWORK (BASEL II GUIDELINES)

I. Scope of Application

IndusInd Bank Limited ('the Bank') is a commercial bank, which was incorporated on 31st January 1994. The Bank has only one subsidiary - Alfin Insurance Services Ltd. The financials of the subsidiary are not consolidated with the Bank's financials as the said Company could not commence business and CRAR is computed on the financial position of the Bank alone.

The amount of capital held in this subsidiary is deducted from Capital funds, i.e. 50% Tier I and 50% Tier II.

II. Capital Structure

Equity Capital:

The Bank has authorised share capital of ₹500.00 crores comprising 50,00,00,000 equity share of ₹10/- each. As on 31st March 2011, the Bank has issued, subscribed and paid-up capital of ₹465.97 crores, (including forfeited equity shares of ₹0.19 crore), constituting 46,57,73,835 shares of ₹10/- each. The Bank's shares are listed on the National Stock Exchange and the Bombay Stock Exchange. The GDRs issued by the Bank are listed on the Luxembourg Stock Exchange.

During the year, Bank issued 5,00,00,000 equity shares of ₹10/- each to Qualified Institutional Buyers through the Qualified Institutional Placement (QIP) route, at a premium of ₹224.55 per share.

The provisions of the Companies Act, 1956, and other applicable laws and regulations govern the rights and obligations of the equity share capital of the Bank.

Debt Capital Instruments:

The Bank has been raising capital funds by means of issuance of Upper Tier II and Subordinated bonds.

The details of Upper Tier II and Subordinated debt (Unsecured Redeemable Non-convertible Bonds), which are eligible as Tier II capital, are given below.

Upper Tier II Capital:

The aggregate value of Upper Tier II capital as on 31st March 2011 was ₹308.90 crores as per the table below:

Sr. No.	Date of Allotment	Amount (₹ in crs.)	Coupon (%)	Redemption Date
1.	31.03.2006	100.00	Payable semi-annually @ 9.60% p.a for first 10 years and @ 10% p.a. from 11th year till redemption	30.03.2021
2.	30.09.2006	80.20	Payable semi-annually @ 10.25% p.a for first 10 years and @ 10.75% p.a. from 11th year till redemption	30.09.2021
3.	23.12.2006	128.70	Payable semi-annually @ 9.75% p.a for first 10 years and @ 10.25% p.a. from 11th year till redemption	23.12.2021
	Total	308.90		

The entire amount of ₹308.90 crores is eligible as Tier II capital.

Subordinated Debt

As on 31st March 2011, the Bank had an outstanding subordinated debt (Unsecured Redeemable Non-convertible Bonds) aggregating ₹860.10 crores. The details are stated below:

Sr. No.	Date of Placement	Amount (₹ in crs)	Coupon (%)	Redemption Date
1.	30.06.2004	50.00	@ 7.00% p.a. payable annually	30.04.2014
2.	31.03.2005	75.10	@ 8.50% p.a. payable annually	30.06.2014
3.	30.12.2005	115.00	@ 8.40% p.a. payable annually	30.05.2015
4.	30.03.2007	50.00	@ 10% p.a. payable semi-annually	30.06.2012
5.	29.09.2007	50.00	@ 10.35% p.a. payable semi-annually	29.04.2013
6.	31.03.2009	100.00	@ 10.50% p.a. payable annually	30.06.2014
7.	31.03.2010	420.00	@ 9.50% p. a payable annually	30.06.2015
	Total	860.10		

Of this, ₹593.06 crores qualified as Tier II capital.

Composition of the Capital – Tier I and Tier II as on March 31, 2011

₹ in crores

Tier I Capital	
Paid up Share Capital	465.97
Reserves	3,356.52
Innovative Instruments	-
Other Capital Instrument	-
Gross Tier 1 Capital	3,822.49
Deductions	48.43
Investments in Subsidiaries and Associates	0.55
Credit enhancements under Securitisation	-
Deferred Tax Assets	47.88
Net Tier I Capital	3,774.06
Tier II Capital	
Upper Tier II Bonds	308.90
Sub-ordinated debts (eligible)	593.06
General Provisions / IRA and Revaluation Reserves	206.80
Gross Tier II Capital	1,108.76
Deductions	0.55
Investments in Subsidiaries and Associates	0.55
Credit enhancements under Securitisation	-
Net Tier II Capital	1,108.21
Total eligible capital	4,882.27
Debt Capital instruments eligible for inclusion in Upper Tier II Capital	
Total amount outstanding	308.90
Of which amount raised during the current year	NIL
Amount eligible to be reckoned as Capital funds	308.90
Subordinated debt eligible for inclusion in Lower Tier 2 Capital	
Total amount outstanding	860.10
Of which amount raised during the current year	NIL
Amount eligible to be reckoned as Capital funds	593.06
Tier I Capital Funds	3774.06
Tier II Capital Funds	1108.21
Total Eligible Capital Funds	4882.27

III. Capital Adequacy

The capital adequacy of the Bank is computed and monitored as per the norms stipulated by Reserve Bank of India (RBI) vide its circular no, DBOD.No.BPBC.15 / 21.06.001 / 2010-11 dated July 01, 2010. This circular prescribes the risk weights for the balance sheet assets, non-funded items and other off-balance sheet exposures and the minimum capital funds to be maintained as ratio to the aggregate of the risk weighted assets and other exposures, as also, capital requirements in the trading book, on an ongoing basis and operational risk. The Basel II approach is risk sensitive wherein the capital is required to be maintained in relation to risk assumed. The Basel II norms requires holding of capital for Credit, Market and Operational risk.

These guidelines also covers instructions regarding the components of capital and capital charge required to be provided for by the banks for credit and market risks. It deals with providing explicit capital charge for credit and market risk and addresses the issues involved in computing capital charges for interest rate related instruments in the trading book, equities in the trading book and foreign exchange risk (including gold and other precious metals) in both trading and banking books. Trading book for the purpose of these guidelines includes securities included under the Held for Trading category, securities included under the Available For Sale category, open gold position limits, open foreign exchange position limits, trading positions in derivatives, and derivatives entered into for hedging trading book exposures.

As per the said guidelines, the Bank is required to maintain CRAR at a minimum level of 9%, of which Tier I CRAR should be atleast 6%. The minimum capital is subject to prudential floor which is higher of (i) minimum capital required to be maintained as per Basel II, (ii) 100%, 90% and 80% of the minimum capital required for Credit and Market risk under Basel I over the years March 2009, March 2010 and March 2011, respectively.

Besides computing CRAR under the Pillar I requirement, the Bank also periodically undertakes stress testing in various risk areas to assess the impact of stressed scenario or plausible events on asset quality, liquidity, interest rate and forex on its profitability and capital adequacy.

The assessment of future capital needs is effectively done based on the business projections, asset mix, dynamic operating environment, growth outlook, new business avenues and risk and return profile of the business segments. The future capital requirement is assessed by taking cognizance of all the risk elements viz. Credit, Market and Operational risk and mapping these to the respective business segments.

The Summary of Capital requirements for Credit Risk, Market Risk and Operational Risk as on March 31, 2011, is mentioned below:

Risk Type	₹ in crores
Capital requirements for Credit Risk	2476.29
Portfolio Subject to Standardised approach	2476.29
Securitisation exposures	-
Capital requirements for Market Risk	
Standardised Duration Approach	71.44
Interest Rate Risk	61.22
Foreign Exchange Risk (including gold)	9.00
Equity Risk	1.22
Capital requirements for Operational Risk	216.71
Basic Indicator Approach	216.71
Total Capital requirements at 9%	2764.44
Total Capital Funds	4882.27
CRAR	15.89%

Under Basel II, Bank's CRAR works out to be 15.89% as on March 31, 2011, which is higher by 1.50% as compared to 14.39% under Basel I.

Integrated Risk Management: Objectives and Organisation Structure

The Bank has established an Enterprise-wide Risk Management Department responsible for Bank-wide risk management covering Credit risk, Market risk (including ALM) and Operational risk, independent of the Business segments. The Risk Management Department focuses on identification, measurement, monitoring and controlling of risks across various segments. The Bank has been progressively adopting the best International practices so as to continually reinforce its Risk Management functions.

Organisation Structure:



The set up of Risk Management Department is hereunder:

Separate Committees, as specified below, are set up to manage and control various risks:

- Risk Management Committee (RMC)
- Credit Risk Management Committee (CRMC)
- Market Risk Management Committee (MRMC)
- Asset Liability Management Committee (ALCO)
- Operational Risk Management Committee (ORMC)

Bank has articulated various risk policies which specify the risks, controls and measurement techniques. The policies are framed keeping risk appetite as the central objective. Against this background, the Bank identifies a number of key risk components. For each of these components, the Bank determines a target that represents the Bank's perception of the component in question.

The risk policies are vetted by the sub-committees, viz. CRMC, MRMC, etc. and are put forth to RMC, which is a sub-committee of the Board. Upon vetting of the policies by RMC, the same is placed for the approval of the Board and implemented.

Bank has put in place a comprehensive policy on ICAAP, which presents a holistic view of the material risks faced, control environment, risk management processes, risk measurement techniques, capital adequacy and capital planning.

Policies are periodically reviewed and revised to address the changes in the economy / banking sector and Bank's risk profile. Monitoring of various risks is undertaken at periodic intervals and a report is submitted to Top Management / Board.

Credit Risk

The Bank manages credit risk comprehensively; both at Transaction level and at Portfolio level. Some of the major initiatives taken are listed below :

- Bank uses a robust Risk rating framework for evaluating credit risk of the borrowers. The Bank uses segment-specific rating models which are equipped with transition matrix capabilities.
- Risks on various counter-parties such as corporates, banks, are monitored through counter-party exposure limits, governed by country risk exposure limits also in case of international trades.
- The Bank manages risk at the portfolio level too, with portfolio level prudential exposure limits to mitigate concentration risk.
- The Bank has a well-diversified portfolio across various industries and segments, as illustrated by the following data.
 - ☐ Retail and schematic exposures (which provide wider diversification benefits) account for as much as 51% of the total fund-based advances.
 - ☐ The Bank's corporate exposure is fully diversified over 85 industries, thus insulated from individual industry cycles.

The above initiatives support qualitative business growth while managing inherent risks within the risk appetite.

Market risk

Key sources of Market Risk are Liquidity Risk, Interest Rate Risk, Price Risk and Foreign Exchange Risk. The Bank has implemented a state-of-the-art Treasury system which supports robust risk management capabilities and facilitates Straight-through Processing.

Market Risk is effectively managed through comprehensive policy framework which provides various tools such as Mark-to-Market, Duration analysis, Value-at-Risk, besides through operational limits such as stop-loss limits, exposure limits, deal-size limits, maturity ladder, etc.

Asset Liability Management (ALM)

The Bank's ALM system supports effective management of liquidity risk and interest rate risk, covering 100% of its assets and liabilities.

- Liquidity Risk is monitored through Structural Liquidity Gaps, Dynamic Liquidity position, Liquidity Ratios analysis and Behavioral analysis, with prudential limits for negative gaps in various time buckets.
- Interest Rate Sensitivity is monitored through prudential limits for Rate Sensitive Gaps and other risk parameters.
- Interest Rate Risk on the Investment portfolio is monitored through Modified Duration on a daily basis. Optimum risk is assumed through duration, to balance between risk containment and profit generation from market movements.

ALCO meetings were convened frequently during the financial year, wherein analytical presentations were made providing detailed analysis of liquidity position, interest rate risks, product mix, business growth v/s budgets, interest rate outlook, which helped to review the business strategies regularly and undertake new initiatives.

The interest rate outlook projected in ALCO meetings have largely been in line with the actual interest rate trend taking place.

Operational risk

Operational risk is managed by addressing People risk, Process risk, Systems risk as well as risks arising out of external environment.

The Bank has efficient audit mechanism, involving periodical on-site audit, concurrent audits, on the spot and off-site surveillance enabled by the Bank's advanced technology and Core Banking System.

The Bank has initiated the process of putting in place Operational Risk Management Framework, using sophisticated tools, such as:

- Key Risks Indicators
- Score Cards
- Risk Events
- Loss Data (Basel 8*7 matrix approach)
- Near Miss Events
- Risk and Control Self Assessment (RSCA)

The framework would help in mitigation of operational risks and optimization of capital requirement towards operational risks under Basel II norms.

Systems Risk

As part of Systems-related Operational Risk Management initiatives, the Bank has achieved the following :

- The Bank has formulated and implemented a comprehensive Business Continuity Plan (BCP) to ensure continuity of its critical business functions and extension of banking services to its customers.
- The Bank has established an effective Disaster Recovery site at a distant location, with on-line, real-time replication of data, both in Mumbai and Chennai.
- Comprehensive IT security framework has been put in place to ensure complete data security and integrity.
- The Bank has housed its data center in a professionally managed environment, with sophisticated and fool-proof security features and assured supply of utilities.

The robust Risk Management framework created in the Bank supports rapid and qualitative growth with optimization of risks and maximization of shareholder value.

IV. Credit Risk Exposures

"Credit Risk" is defined as the probability / potential that the borrower or counter-party may fail to meet its obligations in accordance with agreed terms. It involves inability or unwillingness of a borrower or counter-party to meet commitments in relation to lending, trading, hedging, settlement and other financial transactions.

Credit Risk is made up of two components:

1. **Transaction Risk (or Default Risk)**, which represents the risk arising from individual credit exposures and

2. **Portfolio Risk**, which represents the risk inherent in the portfolio of credit assets (concentration of assets, correlation among portfolios, etc.).

Credit risk is found in a variety of transactions across the Bank's portfolio including not only loans, off balance sheet exposures, investments and financial guarantees, but also the risk of a counterparty in a derivative transaction becoming unable to meet its obligations. Credit risk constitutes the largest risk to which the Bank is exposed. The Bank has adequate system support which facilitates credit risk management and measurement across its portfolio. The system support is strengthened and expanded as and when new exposures are added to the Bank's portfolio.

The Bank has articulated comprehensive guidelines for managing credit risk as outlined in Credit Policy, Credit Risk Policy and related Policies framework, Bank Risk Policy, Country Risk Policy, Loan Review Policy and Recovery Policy. The credit risk management systems used at the Bank have been implemented in accordance with these guidelines and best market practices. The credit risk management process focuses on both specific transactions and on groups of specific exposures as portfolios.

The Bank's credit risk policy and related policies and systems focus are framed to achieve the following key objectives:

- Monitoring concentration risk in particular products, segments, geographies etc thereby avoiding concentration risk from excessive exposures to any particular products, segments, geographies etc.
- Assisting in building quality credit portfolio and balancing risks and returns in line with Bank's risk appetite
- Tracking Credit quality migration
- Determining how much capital to hold against each class of the assets
- Undertaking Stress testing to evaluate the credit portfolio strength
- To develop a greater ability to recognize and avoid potential problems
- Alignment of Risk Strategy with Business Strategy
- Adherence to regulatory guidelines

Credit Risk Management at specific transaction level

The central objective for managing credit risk at each transaction level is development of evaluation and monitoring system that covers the entire life cycle of the exposure, i.e. opportunity for transaction, assessing the credit risk, granting of credit, disbursement and subsequent monitoring, identifying the obligors with emerging credit problems, remedial action in event of credit quality deterioration and repayment or termination of the obligation.

The Credit Policy of the Bank stipulates for applicability of various norms for managing credit risk at a specific transaction level and more relevant to the target segment of the obligors. The Credit Policy covers all the types of obligors, viz. Corporate, SME, Trader and Schematic Loans such as Home Loan, Personal Loan, etc.

The major components of Credit Policy are mentioned below:

- The transaction with the customer/ prospective customer is undertaken with an aim to build long term relationship.
- All the related internal and regulatory guidelines such as KYC norms, RBI prudential norms, etc. are adhered to while assessing the credit request of the borrower.
- The credit is granted with due diligence and detail insight into the customer's circumstances and of specific assessments that provide a context for such credits.
- The facility is granted based on the customer's creditworthiness, capital base or assets to assure that the customer is able to substantiate the repayment. Due regard is also placed to the industry in which the customer is operating, the business specific risks and management capability and their risk appetite.
- Regular follow-up in the overall health of the borrower is undertaken to assess whether the basis of granting credit has changed.
- When loans and credits are granted to borrowers falling outside preferred credit rating, the Bank normally considers sufficient collateral. However, collaterals are not the sole criteria for lending, which is generally done based on assessing the adequacy of the cash flows.
- The Bank has defined exposures limit on the basis of internal risk rating of the borrower.
- The Bank is particularly cautious when granting credits to businesses in affected or seasonal industries.

- In terms of Bank's country risk management, due caution is exercised when assuming risk in countries with an unstable economic or political scenario.

Besides the acceptability norms defined in the Credit Policy for an individual transaction, Bank has also implemented various credit related product programmes, for its Business Banking unit, which provides for criteria and framework from origination to termination/ repayment of loan obligations. The customers under this segment are evaluated using a scoring model developed based on the segment specific risk profile.

Credit Approval Committee

The Bank has put in place the principle of 'Committee' or 'Approval Grids' approach while according sanctions to the credit proposals. This provides for an unbiased, objective assessment/evaluation of credit proposals. Such Committees include atleast one official from an independent department, which has no volume or profits targets to achieve. The official of the independent department is a compulsory member of the Credit Committee and a dissent by such member cannot be overridden by others. The spirit of the credit approving system is that no credit proposals are approved or recommended to higher authorities unless all the members of the 'Committee' or 'Approval Grids' agree on the acceptability of the proposal in all respects. In case of disagreement the proposal is referred to next higher Committee whose decision to approve or decline with conditions is then final.

The following 'Approval Grids' are constituted:

❑ Corporate & Commercial Banking Segment

- ◆ Branch Credit Committee (BCC)
- ◆ Zonal Credit Committee (ZCC)
- ◆ Corporate Office Credit Committee (COCC) – I
- ◆ Corporate Office Credit Committee (COCC) – II
- ◆ Executive Credit Committee (ECC)

❑ Consumer Banking (CB) Segment :

The scheme of delegation under Consumer Banking Segment includes Vehicle financing, personal loans, housing loans and other schematic loans under multi-tier Committee based approach as under:

- ◆ Branch Credit Committee – Consumer Banking (BCC – CB)
- ◆ Regional Credit Committee – Consumer Banking (RCC-CB)
- ◆ Corporate Office Credit Committee – Consumer Banking (COCC- CB I & II)
- ◆ Executive Credit Committee

The credit proposals which are beyond the delegated powers of ECC are placed to Committee of Directors (COD) or Board of Directors (BOD) for approval.

Risk Classification

The Bank monitors the overall health of its customers on an on-going basis to ensure that any weakening of a customer's earnings or liquidity is detected as early as possible. As part of the credit process, customers are classified according to the credit quality in terms of internal rating, and the classification is regularly updated on receipt of new information/ changes in the factors affecting the position of the customer.

The Bank has operationalised the following risk rating/ scoring models depending on the target segment of the borrower:

- Large Corporate, Small & Medium Enterprises, NBFC, Business Banking
- Trading entities, Capital Market Broker and Commodity Exchange Broker
- Financial Institutions/Primary Dealers and Banks
- Retail customers (Schematic Loans) – which are assigned credit scoring

Rating grades in each rating model, other than the segments driven by product programmes, is on a scale of 1 to 8, which are further categorised by assigning +/- modifiers to reflect the relative standing of the borrower within the specific risk grade. The model-specific rating grades are named distinctly. Each model-specific rating grade reflects the relative ratings of the borrowers under that particular segment. For instance, L4 indicates a superior risk profile of a Large Corporate, when compared to another Large Corporate rated L5.

In order to have a common risk yardstick across the Bank, these model specific ratings are mapped to common scale ratings which facilitate measurement of risk profile of different segments of borrower by means of common risk ladder.

The various purposes for which the rating/scoring models are used are mentioned hereunder:

- ☞ Risk based pricing i.e. higher premium for higher risk
- ☞ Capital allocation (under Basel II – IRB approaches)
- ☞ Portfolio Management
- ☞ Efficiency in lending decision
- ☞ To assess the quality of the borrower – single point reference of credit risk of the borrower
- ☞ Minimum rating norms for assuming exposures
- ☞ Prudential ceiling for single borrower exposures – linked to rating
- ☞ Frequency of review of exposures.
- ☞ Frequency of internal auditing of exposures
- ☞ To measure the portfolio quality
- ☞ Target for quality of advances portfolio is monitored by way of Weighted Average Credit Rating (WACR).

Credit Quality Assurance:

Bank has also adopted Loan Review Mechanism (LRM), which involves independent assessment of the quality of an advance, effectiveness of loan administration, compliance with internal policies of bank and regulatory framework and portfolio quality. It also helps in tracking weaknesses developing in the account for initiating corrective measures in time. LRM is carried out by Credit Quality Assurance team, which is independent of Credit and Business functions.

Credit Risk Management at Portfolio level:

The accumulation of individual exposures leads to portfolio, which creates the possibility of concentration risk. The concentration risk, ideally on account of borrowers/ products with similar risk profile, may arise in various forms such as Single Borrower, Group of Borrowers, Sensitive Sector, Industry-wise Exposure, Unsecured Exposure, Rating wise Exposure, Off Balance sheet Exposure, Product wise Exposure, etc. The credit risk concentration is addressed by means of structural and prudential limits stipulated in the Credit Risk Policy and other related policies.

Concentration risk on account of exposures to counter-parties (both single borrower and group of borrowers), Industry-wise, Rating-wise, Product-wise, etc., is being monitored by Risk Management Dept (RMD). For this purpose, exposures in all business units, viz. branches, treasury, investment banking, etc., by way of all instruments (loans, equity/debt investments, derivative exposures, etc.) are being considered. Such monitoring is carried out at monthly intervals. Besides, respective business units are monitoring the exposure on continuous real-time basis.

The concentration risk is further evaluated in terms of statistical measures and benchmarks. Detail analysis of portfolio risk and control measures in place is carried out on a quarterly basis on various parameters. Direction of risks and controls (decreasing, stable, and increasing) and resultant net risk is also done. Further, a comprehensive Stress Testing framework based on several factors and risk drivers assessing the impact of stressed scenario on Credit quality, its impact on Bank's profitability and capital adequacy, is placed to Top Management /Board every quarter. The framework highlights the Bank's credit portfolio under 3 different levels of intensity across default, i.e. mild, medium and severe, and analyses its impact on the portfolio quality and solvency level.

Impaired credit - Non Performing Assets (NPAs):

The Bank has an independent Credit Administration Department that constantly monitors accounts for irregularities, identifies accounts for early warning signals for potential problems and identifies individual NPA accounts systematically.

The guidelines as laid down by RBI Master Circular No. DBOD.No.BP.BC.21/21.04.048/2010-11 dated July 1, 2010, on Asset classification, Income Recognition and Provisioning to Advances portfolio are followed while classifying Non-performing Assets (NPAs). The guidelines are as under:

- a) An asset, including a leased asset, becomes non-performing when it ceases to generate income for the bank
- b) A non performing asset (NPA) is a loan or an advance where;
 - i. interest and / or installment of principal remains overdue for a period of more than 90 days in respect of a term loan,
 - ii. the account remains 'out of order', in respect of an Overdraft / Cash Credit (OD/ CC),
 - iii. the bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted,
 - iv. the installment of principal or interest thereon remains overdue for two crop seasons for short duration crops,
 - v. the installment of principal or interest thereon remains overdue for one crop season for long duration crops,

- vi. the amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitisation transaction undertaken in terms of RBI guidelines on Securitisation dated February 1, 2006.
- vii. in respect of derivative transactions, the overdue receivables representing positive mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment.

Out of Order status: An account should be treated as 'out of order' if the outstanding balance remains continuously in excess of the sanctioned limit / drawing power. In cases where the outstanding balance in the principal operating account is less than the sanctioned limit / drawing power, but 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, these accounts should be treated as 'out of order'.

Overdue: Any amount due to the bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the bank.

Credit Risk Exposures

(a) Total Gross Credit Risk Exposures

₹ in crores

Fund Based*	41532
Non Fund Based**	16705
Total Exposures	58237

* Includes all exposures such as Cash Credit, Overdrafts, Term Loan, Cash, SLR securities etc., which are held in banking book.

** Off-Balance items such as Letter of Credit, Bank Guarantee and credit exposure equivalent of Inter-bank forwards, merchant forward contracts and derivatives, etc.

(b) Geographical Distribution of Exposures

(₹ in crores)

	Domestic	Overseas
Fund Based	41532	Nil
Non Fund Based	16705	Nil
Total Exposures	58237	Nil

(c) Industry-Wise Distribution of Exposures

(₹ in crores)

Industry Name	FB	NFB
Construction		
Project Construction	18	381
Other Infrastructure	1	338
Contract Construction	706	196
Real Estate		
Real Estate Developers	436	47
Lease Rental Discounting - Real Estate	310	0
Housing Finance Companies	371	3
Loans against Property	94	1
Real estate - Residential	34	0
Real Estate-Commercial Const	1	0
Steel		
Steel-Long Products	8	132
Steel Flats-CR,GP/GC	174	91

Industry Name	FB	NFB
Steel Flats- HR	25	0
Steel - Alloy	32	20
Sponge Iron	15	18
Stainless Steel	19	0
Iron and Steel Rolling Mills	2	10
Textiles		
Textiles - Readymade Garments	173	21
Textiles - Cotton fabrics	81	14
Textiles -Cotton fibre / yarn	43	1
Textiles - Synthetic Fabrics	7	0
Textile Machinery	0	5
Cotton ginning, Cleaning, Baling	0	0
Textile - Jute	1	7
Telecom		
Telecom - Cellular/Tower	875	1
Telecom Equipments	103	26
Telecom Cables	0	1
Pharmaceuticals		
Pharmaceuticals - Bulk Drugs	279	13
Pharmaceuticals - Formulations	643	45
Chemicals		
Chemicals - Organic	49	38
Chemicals - Inorganic	19	15
Fertilisers		
Fertilisers - Phosphatic	0	0
Fertilizers - Nitrogenous	0	91
NBFCs (other than HFCs)	1780	47
Power Generation - Private	324	571
Automobiles-Commercial Vehicle	158	0
Auto Ancillaries	498	58
Engineering & Machinery	222	297
Petroleum & Products	51	422
Aluminium	302	104
Hospital & Medical Services	353	30
Plastic & Plastic Products	318	40
Gems and Jewellery	281	59
Paper - Industrial	216	32
Electronic components	229	12
Airlines	0	227
Power	130	94
Cement	218	0
Sugar	155	53

Industry Name	FB	NFB
Rubber & Rubber Products	187	12
Microfinance Institution	155	0
Shipping	150	0
Diversified	50	81
Commodity Market Brokers	3	114
Food Credit	98	0
Edible Oils	89	8
Construction Equipments	88	1
IT Enabled Services	24	63
Petrochemicals	36	40
Educational Institutions	73	0
Mining, Quarrying & Minerals	33	37
Beverage, Breweries, Distilleries	49	11
Coal	7	53
Other Food processing	57	1
Electric Equipment	35	19
Power Cables	50	0
Automobiles-2/3 wheelers	50	0
Paper Newsprint	50	0
Paper - Writing and Printing	39	5
Hotels & Tourism	31	13
Wood and Wood Product	40	3
Tea	41	0
Glass & Glass Products	33	1
Casting & Forgings	32	0
Leather & leather Products	27	5
Media, Entertainment & Advt	20	10
Tyres	4	25
Computers - Hardware	23	4
Textiles-Texturising	24	0
Transport Services	11	12
Organised Retailing	23	0
Retail Chains	21	0
Electrical fittings	0	19
Textiles - Manmade fibres / yarn	1	17
Fast Moving Consumer Goods	14	0
Consumer Finance Division	11612	0
Other Industries	3132	8591
Residual Assets	15366	3999
Total Exposure	41532	16705

(d) Residual Contractual Maturity break down of assets

(₹ in crores)

	Next day	2 days to 7 days	8 days to 14 days	15 days to 28 days	29 days to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Cash	207.04	-									207.04
Balances with RBI				44.98	112.45	67.47	67.47	607.23	382.33	967.07	2249.00
Balances with other Banks	1200.45	24.58	62.59	99.22	173.73			7.99			1568.56
Investments	750.32	-	-		25366	880.56	1058.62	491.51	1363.34	8752.80	13550.81
Advances (Excl NPAs)	461.34	870.87	341.77	1376.28	4323.50	2448.60	4549.77	9907.60	1353.46	532.46	26165.65
Fixed Assets										596.46	596.46
Other Assets	118.13	6.05	7.06	14.12	79.68	107.92	33.10	162.53		769.73	1,298.32

(e) Movement of NPAs and Provision for NPAs as on 31.03.11

(₹ in crores)

A	Amount of NPAs (Gross)	265.86
	Sub-standard	103.35
	Doubtful 1	70.57
	Doubtful 2	67.99
	Doubtful 3	22.55
	Loss	1.40
B	Net NPAs	72.82
C	NPA ratios	
	Gross NPA to Gross advances (%)	1.01%
	Net NPA to Net advances (%)	0.28%
D	Movement of NPAs (Gross)	
	Opening Balance as on 01.04.10	255.47
	Additions during the year	190.38
	Reductions during the year	179.99
	Closing Balance as on 31.03.11	265.86
E	Movement of provision for NPAs	
	Opening as on 01.04.10	153.64
	Provision made in 2010-11	172.42
	Write off / Write back of excess provisions	133.02
	Closing as on 31.03.11	193.04

(f) Non Performing Investments and Movement of provision for depreciation on Non Performing Investments

(₹ in crores)

A	Amount of Non-Performing Investments	1.78
B	Amount of provision held for non-performing investments	1.78
C	Movement of provision for depreciation on investments	
	Opening as on 01.04.10	3.84
	Add: Provision made in 2010-11	9.00
	Less: Write-off/ write-back of excess provision	(1.38)
	Closing Balance as on 31.3.11	11.46

V. Credit risk: Disclosures for portfolios under the standardised approach

As per the Basel II guidelines on Standardised approach, the risk weight on the certain categories of domestic counter parties is determined based on the external rating assigned by any one of the accredited rating agencies, i.e. CRISIL, ICRA, CARE and Fitch. For Foreign counterparties and banks, rating assigned by S&P, Moody's and Fitch are used.

The Bank computes risk weight on the basis of external rating assigned, both Long Term and Short Term, for the facilities availed by the borrower. The external ratings assigned are generally facility specific. The Bank follows the below-mentioned procedures as laid down in the Basel II guidelines for usage of external ratings:

- Ratings assigned by one rating agency are used for all the types of claims on the borrowing entity.
- Long term ratings are used for facilities with contractual maturity of one year & above. Short term ratings are applied for facilities with contractual maturity of less than one year.
- If either the short term or long term ratings attracts 150% risk weight on any of the claims on the borrower, the Bank assigns uniform risk weight of 150% on all the unrated claims, both short term and long term unless the exposure is subjected to credit risk mitigation.
- In case of multiple ratings, if there are two ratings assigned to the facility that maps to different risk weights, the rating that maps to higher risk weight is used. In case of three or more ratings, the ratings corresponding to the two lowest risk weights is referred to and the higher of those two risk weights is be applied. i.e., the second lowest risk weight.
- For securitised transactions, SO ratings assigned by the rating agency are applied for arriving at the risk weights.

Presently, the Bank does not assign any risk weight on the basis of proxy ratings.

Risk Weight-wise distribution of Gross Credit Exposures

Category	₹ in crores
Below 100% Risk Weights	36840
100% Risk Weights	19261
More than 100% Risk Weights	2136
Deducted	
- Investments in subsidiaries	(1.10)

VI. Credit risk mitigation: Disclosures for standardised approach

The Bank mitigates credit exposure with eligible collaterals and guarantees to reduce the credit risk of obligors as stipulated under Basel II. In principle with mitigating credit risk, Bank has put in place a comprehensive policy on Credit Risk Mitigants and Collaterals for recognizing the eligible collaterals and guarantors for netting the exposures and reducing the credit risk of obligors. Basic procedures and descriptions of controls as well as types of standard collateral, guarantees necessary in granting credit, evaluation methods for different types of credit and collateral, applicable "haircuts" to collateral and revaluation of collateral are stipulated in the Bank's credit policy and credit risk mitigant policy. The Bank uses net exposure for capital calculations after taking cognizance of on balance sheet/ off balance sheet netting as applicable for the category of eligible collaterals and guarantees. On Balance sheet netting is applied for facilities covered by deposits and after meeting the criteria as laid down under Basel II norms. All collaterals and guarantees are recorded and the details are linked to individual accounts. Perfection of security interest, date, currency and correlation between collateral and counterparty are also considered.

As lending is subject to default risk, Bank accepts collateral securities to minimize the impact of loss and consequently reducing the credit risk. The type of collaterals is determined based on the nature of facility, product type, counter party risk and its credit quality. However, as explained earlier, collateral is not the sole criteria for granting credit. For Corporate and SME clients, working capital facility is generally secured by charge on current assets and Term loan is secured by charge on fixed assets. In case of project financing, Bank stipulates for escrow of receivables/project cash flows along with the charge on underlying project assets. The credit risk policy clearly defines the type of secondary securities and minimum percentage of it to the total exposures to be obtained in case of credit granted to obligors falling outside the preferred rating grade. Credit facilities are also granted against the security of assets such as cash deposits, KVP, NSC, IVP, guarantee, mortgages, pledge of shares and commodities, bank guarantees, accepted bills of exchange, assignment of receivables etc. The credit facilities are secured by secondary collaterals such as cash deposits, KVP, NSC, IVP, guarantee, mortgages, etc. Bank also grants unsecured credit to the borrowers with high standing and low credit risk profile.

For Business Banking clients, which are driven by product programmes and templated scoring models, the facilities are ordinarily secured by adequate collaterals. The programmes have a robust mechanism for collateral acceptance, valuation and monitoring.

In case of schematic products such as Home Loan, Auto Loan, etc., Loan to value ratio, margin and valuation/revaluation of collaterals is defined in the respective product programme. The valuation is generally carried out by the empanelled valuer of the Bank. Bank has also put in place approved product paper on loan against warehouse receipts, shares and other securities. The margin, valuation and revaluation of the assets are specified in the product note.

The credit approving authorities decides on the type and amount of collaterals for each type of facility on a case-to-case basis. For schematic loans and facilities offered under product programme, securities are obtained as defined in the product notes.

Eligible financial asset collateral and guarantor

For the purpose of credit risk mitigation, i.e. offsetting the amount of collateral / basket of collaterals against the individual/ pool of exposures to which the collaterals are assigned, financial asset collateral types are defined by the Bank as per the New Capital Adequacy Framework to include Fixed deposits, KVP, IVP, NSC, Life Insurance Policies, Gold, Securities issued by Central and State Governments and units of Mutual Fund. On a similar note, the eligible guarantors are classified into the following categories:

- Sovereigns, Sovereign entities, Banks and Primary Dealers with lower risk weights than the counterparty
- Other entities rated AA(-) or better including guarantee cover provided by parent, subsidiary and affiliate companies when they have lower risk weight than the obligor.

₹ in crores

Particulars	On/off balance sheet netting	Supported by guarantee
Exposure before applying eligible mitigants	7308	98
Exposure after applying eligible mitigants	1248	0

VII. Securitisation: Disclosure for standardised approach

Securitisation “means a process by which a single performing asset or a pool of performing assets are sold to a bankruptcy remote Special Purpose Vehicle (SPV) and transferred from the balance sheet of the originator to the SPV in return for an immediate cash payment.

SPV means any company, trust, or other entity constituted or established for a specific purpose - (a) activities of which are limited to those for accomplishing the purpose of the company, trust or other entity as the case may be; and (b) which is structured in a manner intended to isolate the corporation, trust or entity as the case may be, from the credit risk of an originator to make it bankruptcy remote.

Bank had no exposure towards securitised assets, both purchased as well as retained.

The Bank had carried out securitization transaction in past and such deals were done on the basis of ‘True Sale’, which provides 100% protection to the Bank from the default in case of assets originated by it. All risks in the securitised portfolio were transferred to the Special Purpose Vehicle (SPV). Post-securitisation, Bank continued to service the loans transferred under securitization. Bank had also provided for credit enhancements in the form of cash collaterals to a minimum extent.

The Bank, in the past, had securitized its assets with the objectives of managing its funding requirements, improving liquidity, reducing credit risk and diversifying the portfolio risk, managing interest rate risk, and capital adequacy. The Bank has not securitised any of its portfolios for the past 5 years

Apart from managing credit risk, Bank also considered different types of risks viz. interest rate risk and liquidity risk for the retained assets or acquired portfolio and ensure its adequate assessment and mechanism for mitigating the same. The securitized portfolio, both the retained part and acquired assets, were monitored regularly in terms of various risk parameters such as repayment, cash flows to service the interest, principal and other charges, counterparty risk, servicer’s capability, underlying asset risk profile and interest rate risk.

Exposure details on account of securitization transactions

(a) Securitisation exposures in Banking Book

There are no outstandings under the securitization exposures as on 31st March 2011. No securitization activities were undertaken by the Bank during financial year ended on 31st March 2011.

(b) Amount of Assets intended to be securitized within a year:

For the time being Bank does not have any plans to undertake securitization of its assets. However, for the purpose of balance sheet management and if the situation so warrants, securitization of exposure may be explored.

(c) Securitisation exposure in Trading Book:

Bank does not have any securitised exposure classified under Trading book category.

VIII. Market risk in Trading book

Market Risk may be defined as the possibility of loss to a bank caused by changes in the market variables. The market risk for the Bank is governed by the Market Risk Policy and Funds and Investment policy which are approved by the Board. These policies serve to outline the Bank's risk appetite and risk philosophy in respect of Treasury / Forex / Equity / Derivatives / Bullion operations, and the controls that are considered essential for the management of market risks. The policies are reviewed periodically to update it with changed business requirements, economic environment and revised regulatory guidelines.

Sources of market risk:

Market risks arise from the following risk factors:

- Price risk for bonds, forex, equities and bullion
- Interest rate risk for investments, derivatives, etc
- Exchange rate risk for currencies; and
- Trading / liquidity risk.

Objectives of Market risk management:

The broad objectives of Market Risk management are:

- Management of interest rate risk and currency risk of the trading portfolio.
- Adequate control and suitable reporting of investments, Forex, Equity and Derivative portfolios
- Compliance with regulatory and internal guidelines.
- Monitoring and Control of transactions of market related instruments.

Scope and nature of risk reporting and measurement systems:

Reporting

The Bank reports on the various investments, Foreign exchange positions and derivatives position with their related risk measures to the top management and the committees of the Board on a periodic basis. The Bank periodically reports the related positions to the regulators in compliance with regulatory requirements.

Measurement

The Bank monitoring its risks through risk management tools and techniques such as are Value-at-Risk, Modified Duration, PV01, Stop Loss, amongst others. Based on the risk appetite of the Bank, various risk limits are placed which is monitored on a daily basis.

Capital requirements for Market risks @ 9%

(₹ in crores)

Market Risk elements	Amount of capital required
Interest Rate Risk	61.22
Foreign Exchange Risk (including gold)	9.00
Equity Risk	1.22

Operational Risk

The Bank has framed Operational Risk Management Policy duly approved by the Board. Other policies adopted by the Board that deals with management of operational risk are (a) Information System Security Policy (b) Policy on

Know Your Customer (KYC) and Anti Money Laundering Policy (AML) process (c) IT business continuity and Disaster Recovery Plan and (d) Business Continuity Plan (BCP) (e) New Product Programme Policy and (f) A framework for Risk and Control Self Assessment (RCSA).

The Operational Risk Management Policy adopted by the Bank outlines organization structure and detail process for management of Operational Risk. The basic objective of the policy is to closely integrate operational Management system to risk management processes of the Bank by clearly assigning roles for effectively identifying, assessing, monitoring and controlling / mitigating operational risk exposures, including material operational losses. Operational risks in the Bank are managed through comprehensive and well-articulated internal control frameworks. The Bank has initiated process of capturing, reporting and assessing risk events at the process level using RCSA framework.

IX. Interest Rate Risk in the Banking Book (IRRBB)

Interest Rate Risk is the risk of loss in the Bank's net income and net equity value arising out of a change in level of interest rates and / or their implied volatility. Interest rate risk arises from holding assets and liabilities with different principal amounts, maturity dates and re-pricing dates. The Bank holds assets, liabilities and off balance sheet items across various markets with different maturity or re-pricing dates and linked to different benchmark rates, thus creating exposure to unexpected changes in the level of interest rates in such markets. Interest rate risk in the banking book refers to the risk associated with interest rate sensitive instruments that are not held in the trading book of the Bank.

Risk Management Framework

The Board of the Bank has overall responsibility for management of risks and it decides the risk management policy of the Bank and set limits for liquidity, interest rate, foreign exchange and equity price risks. The Asset Liability Management Committee (ALCO) consisting of Bank's senior management including Managing Director is responsible for ensuring adherence to the limits set by the Board as well as for deciding the business strategy of the Bank (for the assets and liabilities) in line with the Bank's budget and decided risk management objectives. ALCO decides strategies and specifies prudential limits for management of interest rate risk in the banking book within the broad parameters laid down by Board of Directors. These limits are monitored periodically and the breaches, if any, are reported to ALCO.

Monitoring and Control

The Board of Directors has approved the Asset-Liability Management policy. The policy is intended to be flexible to deal with rapidly changing conditions; any variations from policy should be reported to the Board of Directors with recommendations and approval from the ALCO.

The Bank has put in place a mechanism for regular computation and monitoring of prudential limits and ratios for liquidity and interest rate risk management. The Bank uses its system capability for limits and ratio monitoring. The ALCO support group generates periodic reports for reporting these to ALCO and senior management of the Bank. The ALM support group carries out various analyses related to assets and liabilities, forecast financial market outlook, compute liquidity ratios and interest rate risk values based on the earnings and economic value perspective.

Risk measurement and reporting framework:

The estimation of interest rate risk involves interest rate sensitive assets (RSAs) and interest rate sensitive liabilities (RSLs).

The techniques for managing interest rate risk include:

- Interest rate sensitivity gap Analysis
- Earning at Risk Analysis
- Stress Testing

Interest rate sensitivity gap: The gap or mismatch risk as at a given date, is measured by calculating gaps over different time intervals. Gap analysis measures mismatches between rate sensitive liabilities (RSL) and rate sensitive assets (RSA) (including off-balance sheet positions). The report is prepared by grouping liabilities, assets and off-balance sheet positions into time buckets according to residual maturity or next re-pricing period, whichever is earlier. The difference between RSA and RSL for each time bucket signifies the gap in that time bucket. The gap report provides a good framework for determining the earnings impact.

Earning at Risk: Any change in interest rate would impact Bank's net interest income (NII) and the value of its fixed income portfolio (price risk). The interest rate risk is measured by EaR that is the sensitivity of the NII to a 100 basis points adverse change in the level of interest rates.

Stress Testing: The Bank measures the impact on net interest margin (NIM) / EaR after taking into account various possible movements in interest rates across tenor and their impact on the earnings and economic value of the Bank is calculated for each of these scenarios. These reports are prepared on a monthly basis for measurement of interest rate risk.

With an upward rate shock of 1% across the curve, as per Rate Sensitive Gaps in INR as on 31.03.2011, the earning shows a decline of ₹89.78 crores.

The impact of change in interest rate by 100 bps and 50 bps has been computed on open positions (as on March 31, 2011) and shown hereunder against the respective currencies.

	Change in interest rates (in bps)			
	Impact on NII (Rupees in crores)			
Currency	-100	-50	50	100
INR	89.768	44.884	(44.884)	(89.768)
USD	0.001	0.000	(0.000)	(0.001)
JPY	0.007	0.003	(0.003)	(0.007)
GBP	0.000	0.000	(0.000)	(0.000)
EUR	0.000	0.000	(0.000)	(0.000)
Others	0.000	0.000	(0.000)	(0.000)
Total	89.776	44.888	(44.888)	(89.776)

US DOLLAR DENOMINATED BALANCE SHEET AS AT MARCH 31, 2011

1 USD = ₹44.595	As at 31.03.11	(Millions of US\$) As at 31.03.10
CAPITAL AND LIABILITIES		
Capital	104.49	92.08
Employee Stock Option Outstanding	1.79	0.49
Reserves and Surplus	801.94	444.98
Deposits	7,706.10	5,989.50
Borrowings	1,239.02	1,106.47
Other Liabilities & Provisions	380.05	297.75
TOTAL	10,233.39	7,931.27
ASSETS		
Cash and Balances with Reserve Bank of India	550.74	470.72
Balances with Banks & Money at Call and Short Notice	351.73	113.02
Investments	3,038.64	2,332.51
Advances	5,867.39	4,608.27
Fixed Assets	133.75	144.60
Other Assets	291.14	262.15
TOTAL	10,233.39	7,931.27
Contingent Liabilities	18,489.76	10,584.15
Bills for Collection	1,132.97	899.98

PROFIT AND LOSS ACCOUNT FOR THE ENDED MARCH 31, 2011

1 USD = ₹44.595	Year ended As at 31.03.11	(Millions of US\$) Year ended As at 31.03.10
I INCOME		
Interest earned	804.88	607.02
Other Income	160.03	124.11
TOTAL	964.91	731.13
II EXPENDITURE		
Interest expended	496.21	408.25
Operating expenses	226.14	165.04
Provisions & contingencies	113.10	79.29
TOTAL	835.45	652.58
III PROFIT	129.46	78.55
Profit brought forward	87.79	55.39
AMOUNT AVAILABLE FOR APPROPRIATION	217.25	133.94
IV. APPROPRIATIONS		
Transfer to		
a) Statutory Reserves	32.36	19.64
b) Capital Reserves	0.25	7.16
c) Investment Reserve Account	0.15	0.03
d) Dividend on equity	20.91	16.57
e) Corporate Dividend Tax	3.39	2.75
	57.06	46.15
Balance carried over to Balance Sheet	160.19	87.79
TOTAL	217.25	133.94



SUBSIDIARY COMPANY

ALF Insurance Services Private Limited

DIRECTORS' REPORT

Your Directors are pleased to present the Eighth Annual Report along with the audited accounts for the year ended March 31, 2011.

Financial Performance

(In Rupees)

Particulars	Year ended 31st March 2011	Year ended 31st March 2010
Interest Income	3,52,264	5,14,057
Total Income	3,52,264	5,14,057
Administrative and Other Expenses	55,402	41,157
Total Expenditure	55,402	41,157
Net Profit Before Tax	2,96,862	4,72,900
Provision for Taxation	33,194	1,48,674
Profit After Tax	2,63,668	3,24,226
Profit brought forward from Previous year	14,92,555	11,68,330
Profit carried to Balance Sheet	17,56,223	14,92,555

Business

The Company has earned ₹3.52 lakhs as against ₹5.14 lakhs which was entirely generated out of Interest income. The Members would be aware of the fact that the Company has not commenced any business since incorporation. The Members, in the Extra-ordinary General Meeting held on 30th of March 2011, has passed a Special Resolution for Voluntary winding up of the Company. The Company has commenced the process of winding-up.

Board of Directors

Mr. C. M. Sambasivam, Director, retires by rotation and being eligible, offers himself for reappointment.

The Board has appointed Mr. V. Govindarajan as Additional Director, on 6th of July 2010, who will hold the office till the date of the Annual General Meeting. Motions proposing their regularization are proposed at the Annual General Meeting. The Board recommends the motion. Mr. S.T. Krishnekumar, Director of the Company, has resigned on 6th of July 2010. The Company wishes to give its sincere appreciation and gratitude towards the support extended by him during his tenure as Director.

Appointment of Liquidator

The Members, at the Extra-ordinary General Meeting held on 30th of March 2011, have passed a Special Resolution for appointment of Mr. S. Prasad as Liquidator of the Company.

Directors' Responsibility Statement

- In the preparation of the annual accounts for the period ended March 31, 2011, the applicable accounting standards have been followed by the Company.
- The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2011 and the profit of the company for the period ended that date.
- The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- The accounts of the Company have not been prepared on a going concern basis since the members, in the Extra-ordinary General Meeting held on 30th March 2011, have passed a Special Resolution for Voluntary Winding up of the Company.

Auditors

M/s. Prasad and Srinath, Chartered Accountants, Chennai, retire at the ensuing Annual General Meeting and are eligible for re-appointment.

Secretarial Compliance Certificate:

Secretarial Compliance Certificate pursuant to Section 383A of the Companies Act issued by Mr. G. Ramachandran, Company Secretary in Practice, is attached and the same forms part of this report.

Particulars of employees

None of the employees are covered under Section 217 (2A) of the Companies Act read with Companies (Particulars of Employees) Rules, 1975.

Conservation of Energy, Technology absorption and Foreign exchange Earning / Outgo

Your Company has no activities relating to Conservation of Energy or Technology Absorption. Your Company did not have any foreign earnings or outgo.

Acknowledgement

Your Directors wish to place on record their deep appreciation for the whole-hearted and sincere co-operation from its Bankers and other associates.

For and on behalf of the Board of Directors

C. M. Sambasivam V. Govindarajan
Director Director

Chennai
April 7, 2011

Additional information as required under Part IV of Schedule VI to the Companies Act, 1956.

For the year ended 31st March 2011

Balance Sheet Abstract and Company's General Business Profits:

ALF INSURANCE SERVICES PRIVATE LIMITED

1. Registration Details:	
Registration No.	050551
State Code	18
Balance Sheet Date	31.3.2011
2. Capital raised during the year:	(Amount in Thousands)
Public Issue	NIL
Rights Issue	NIL
Bonus Issue	NIL
Private Placement	NIL

3. Position of Mobilisation and deployment of Funds:	
Total Liabilities	6756
Total Assets	6756
Source of Funds:	
Paid up Capital	5000
Reserves & Surplus	1756
Secured Loans	NIL
Unsecured Loans	NIL
Net Deferred Tax	NIL
Application of Funds:	
Net Fixed Assets	NIL
Investments	NIL
Net Current Assets	6756
Misc. Expenditure	NIL
Accumulated Losses	NIL
4. Performance of Company:	
Turnover	352
Total Expenditure	55
Profit/(Loss) Before Tax	297
Profit/(Loss) After Tax	264
Earnings per Share (₹)	0.53
Dividend Rate	NIL
5. Generic Names of Three Principal Products/Services of the Company: (as per monetary terms)	
Item Code No. (ITC Code)	67200
Product Description	Insurance Brokerage

For and on behalf of the Board of Directors

C. M. Sambasivam V. Govindarajan
Director Director

Chennai
April 7, 2011

Secretarial Compliance Certificate

Registration No : U67200TN2003PTC050551

Authorised Capital : ₹50,00,000/-

Paid – up Capital : ₹50,00,000/-

To Members,
ALF Insurance Services Private Limited
Chennai

I have examined the registers, records, books and papers of **ALF Insurance Services Private Limited (under Voluntary Winding up / Liquidation as on the date of the Certificate), No.115 & 116 G. N. Chetty Road, T Nagar, Chennai - 600 017** as required to be maintained under the Companies Act, 1956, (the Act) and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March 2011.

In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid financial year:

- The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions and the rules made thereunder and all entries therein have been duly recorded.
- The Company has duly filed the forms and returns as stated in Annexure 'B' to this certificate with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities, wherever applicable, under the Act and the rules made thereunder.
- The Company is a Public Limited Company by virtue of Section 3 (i) (iv) (c) of the Act and has 3 (Three) members. The Company has the minimum prescribed paid-up capital;
 - has not invited public to subscribe for its shares or debentures; and
 - has not invited or accepted any deposits from persons other than its members, directors or their relatives.
- The Board of Directors duly met 5 (Five) times on 7.4.2010, 6.7.2010, 7.10.2010, 2.2.2011 and 4.3.2011 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose. No circular resolutions were reported to be passed during the period under scrutiny.
- The Company has not closed its Register of Members, and/or Debentureholders during the financial year under review.
- The Annual General Meeting for the financial year ended on 31st March 2010 was held on 7th May 2010 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
- An Extra Ordinary General Meeting was held on 30th March 2011 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
- The Company has not advanced loan amount to its directors and/or persons or firms or companies referred in the section 295 of the Act.
- The Company has not entered into any contracts falling under the purview of Section 297 of the Act.
- The Company has made necessary entries in the register maintained under Section 301 of the Act.

11. As there were no instances falling within the purview of Section 314 of the Act, the Company is not required to obtain any approvals from the Board of Directors, Members or Central Government during the year under scrutiny.
12. The Company has not issued any duplicate share certificates during the period under review.
13. The Company has:
 - (i) not allotted any security and there were no lodgment thereof for transfer or any other purpose in accordance with the provisions of the Act.
 - (ii) not declared any dividend, therefore deposit of dividend declared into separate bank account does not arise.
 - (iii) not declared any dividend and therefore posting of warrants and transfer of unclaimed/unpaid dividend to Unpaid Dividend Account does not arise.
 - (iv) no amounts in unpaid dividend account, application money due for refund, matured deposits, matured debentures and any interest accrued thereon, for a period of seven years and therefore the question of transfer of such amounts to the Investors Education and Protection Fund does not arise.
 - (v) duly complied with the requirements of section 217 of the Act.
14. The Board of Directors of the Company is duly constituted and the appointment of additional director was duly made. Apart from the above, there were no appointment of directors, alternate directors and directors to fill casual vacancy during the financial year.
15. The Company has not appointed any Managing Director / Whole-time Director / Manager during the financial year.
16. The Company has not appointed any sole-selling agents during the period under review.
17. The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar and/or such other authorities as prescribed under the various provisions of the Act.
18. The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.
19. The Company has not issued any shares, debentures, or other securities during the financial year.
20. The Company has not bought back any shares during the financial year under review.
21. There was no redemption of Preference Shares or Debentures during the financial year.
22. There were no transactions necessitating the Company to keep in abeyance the rights to dividend pending registration of transfer of shares. The Company has not issued any rights or bonus shares during the year under scrutiny.
23. The Company neither invited nor accepted deposits including any unsecured loans falling within the purview of Section 58A during the financial year.
24. The Company has not made any borrowings during the financial year under review.
25. The Company has not made loans and investments, or given guarantees or provided securities to other bodies corporate during the financial year under review.
26. The Company has not altered the provisions of the Memorandum with respect to situation of the Company's registered office from one state to another during the year under scrutiny.
27. The Company has not altered the provisions of the Memorandum with respect to the objects of the Company during the year under scrutiny.
28. The Company has not altered the provisions of the Memorandum with respect to name of the Company during the year under scrutiny.
29. The Company has not altered the provisions of the Memorandum with respect to share capital of the Company during the year under scrutiny.
30. The Company has not altered its Articles of Association during the year under scrutiny.
31. I was informed that there was no prosecution initiated against or show cause notices received by the Company during the period under scrutiny for offences under the Act.
32. The Company has not received any money as security from its employees during the period under scrutiny and hence the provisions of Section 417 of the Companies Act, 1956, are also not applicable.
33. The Company is presently out the purview of Provident Fund Act.

Place: Chennai
Date: April 7, 2011

G. RAMACHANDRAN
Company Secretary in Practice
ACS No. 9865 CP. No.3056

Annexure A

Registers as maintained by the Company:

1. Register and Index of Shareholders
2. Register and Index of Debenture holders
3. Register of Transfers.
4. Register of Directors
5. Register of Directors' Share-holding.
6. Minutes of the Meeting of Board of Directors
7. Minutes of the Annual General Meetings.
8. Minutes of the Extraordinary General Meetings.
9. Minutes of the Statutory Meeting.
9. Register of Contracts, Companies and firms in which Directors of the Company are interested.
10. Register of Charges
11. Books of Accounts.
12. Register of Investment

Annexure B

Documents filed with Registrar of Companies:

Sl. No.	Nature of the Event	Form No.	Pursuant to Section	Date filed with RoC	Whether filed within the time limit	If delay in filing, whether requisite additional fees paid
1.	Balance Sheet, Profit & Loss Account along with Notice and Directors Report for the year-ended 31.03.2010.	23 AC & ACA	220	4.6.2010	Yes	N. A.
2.	Secretarial Compliance Certificate for the year ended 31.03.2010.	66	383A	4.6.2010	Yes	N. A.
3.	Annual Return as on 7.5.2010	20B	159	4.6.2010	Yes	N. A.
4.	Appointment of additional director at the Board Meeting held on 6.7.2010	32	260 / 303	2.8.2010	Yes	N. A.
5.	Resignation of a Director on 6.7.2010	32	303	12.8.2010	No	Yes
6.	Notice of Special Resolution passed by the Members at the EGM held on 30.3.2011 for Members Voluntary Winding-up	23	484(1)(b)	25.4.2011	Yes	N. A.
7.	Appointment of Liquidator and other resolutions passed by the members at the EGM held on 30.3.2011	23	490 and other applicable Sections	27.4.2011	Yes	N. A.
8.	Declaration of Solvency as at 30.3.2011	62	484(1)(b)	25.4.2011	Yes	N. A.

G. RAMACHANDRAN

Company Secretary in Practice
ACS No. 9865 CP. No.3056

Place: Chennai

Date: April 7, 2011

AUDITORS' REPORT

Auditors' Report to the members of ALF Insurance Services Private Limited

1. We have audited the attached balance sheet of ALF Insurance Services Private Limited as at 31st March 2011, and the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order
4. Further to our comments in the Annexure referred to above, we report that:
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books
 - (iii) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account
 - (iv) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - (v) On the basis of written representations received from the Directors, as on 31st March 2011 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2011 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2011,
 - (b) in the case of the Profit and Loss Account of the Profit for the year ended on that date.

For PRASAD & SRINATH
Chartered Accountants
FRN 005826 S
S. PRASAD
Partner
M. No.12847

Place: Chennai
Date: April 7, 2011

ANNEXURE

Referred to in paragraph 3 of our report of even date,

- 1) The Company does not have any Fixed Asset and hence maintenance of register and physical verification does not arise.
- 2) The Company does not have any stock of inventory and hence reporting on physical verification does not arise.
- 3) a) The Company has neither granted nor taken any loans, secured or unsecured to/from companies, firms, or other parties covered in the register maintained under section 301 of the companies Act, 1956.
- 4) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal system.
- 5) According to the information given to us, the company has not entered into any transactions that need to be entered into the register maintained under section 301 of the Companies Act 1956.
- 6) The company has not accepted deposits from the Public during the year.
- 7) The company does not have separate internal audit system. However in our opinion the existing internal control procedures are sufficient considering the size and nature of business of the company.
- 8) The Central Government has not prescribed maintenance of any cost records under Section 209 (1) (d) of the Companies Act, 1956.
- 9)
 - a) The Company is regular in depositing applicable undisputed statutory dues with appropriate statutory authorities.
 - b) According to the information and explanations given to us, there were no disputed amounts payable in respect of Income tax, Wealth tax, Sales tax, Customs duty, Excise duty, Service tax and Cess as at 31.03.2011 for a period of more than six months from the date they became payable.
- 10) The company does not have accumulated losses. The company has not incurred cash losses during the year covered by our audit and the immediately preceding year.
- 11) The company does not have any dues to a bank or to a financial institutions or o Debenture holders.
- 12) The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- 13) The company is not a chit fund or a nidhi/ mutual benefit fund/ society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- 14) The company is not dealing in or trading in shares, securities, debentures and other investments. Therefore, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- 15) The company has not given any guarantee for loans taken by others from banks or financial institutions.
- 16) The Company does not have any term loan.
- 17) The company has not raised funds on short-term basis.
- 18) The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
- 19) The company has not issued any debentures.
- 20) The company has not raised money by way of public issues.
- 21) During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, we have neither come across any instance of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management.

For PRASAD & SRINATH
Chartered Accountants
FRN 005826 S

S. PRASAD
Partner
M. No.12847

Place: Chennai
Date: April 7, 2011

BALANCE SHEET AS AT MARCH 31, 2011

SCH	31st March 2011	31st March 2010
	₹	₹
SOURCE OF FUNDS		
Shareholders' Funds		
Share Capital	1	5,000,000
Reserves and Surplus	2	1,756,223
Total		6,756,223
APPLICATION OF FUNDS		
Current Assets Loans and Advances	3	7,026,366
Less: Current Liabilities and Provisions	4	270,142
Net Current Assets		6,756,223
Total		6,756,223

Schedules and Notes to the Accounts form part of this Balance Sheet

As per our Report of even date

For and on behalf of
Prasad & Srinath
Chartered Accountants

For and on behalf of the Board

S.Prasad
PARTNER

M.NO.12847
Place : Chennai
Date: April 7, 2011

C.M.SAMBASIVAM
DIRECTOR

GOVINDARAJAN.V
DIRECTOR

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

SCH	31st March 2011	31st March 2010
	₹	₹
INCOME		
Interest On Fixed Deposit	352,264	514,057
(TDS ₹71869 ; p/y ₹113079)		
TOTAL INCOME	(A) 352,264	514,057
EXPENDITURE		
Administration	5	55,402
Preliminary Expenses written off	-	-
TOTAL EXPENDITURE	(B) 55,402	41,157
Profit Before Tax	(A-B) 296,862	472,900
Less: Provision for Taxation	92,298	146,696
Add: Excess provision Reversed (for Prior Period)	(59,104)	1,978
Profit after Tax	263,668	324,226
Profit brought forward from previous Year	1,492,555	1,168,330
Profit carried to Balance Sheet	1,756,223	1,492,555

Schedules and Notes to the Accounts form part of this Balance Sheet

As per our Report of even date

For and on behalf of
Prasad & Srinath
Chartered Accountants

For and on behalf of the Board

S.Prasad
PARTNER

M.NO.12847
Place : Chennai
Date: April 7, 2011

C.M.SAMBASIVAM
DIRECTOR

GOVINDARAJAN.V
DIRECTOR

Schedule to Accounts

	31st March 2011		31st March 2010	
	₹	₹	₹	₹
1. SHARE CAPITAL				
Authorised				
5,00,000 Equity Shares of ₹10/- each		5,000,000		5,000,000
Issued, Subscribed and Paid up 5,00,000 equity shares of ₹10/- each		5,000,000		5,000,000
[The entire capital is held by IndusInd Bank Ltd. and its nominees]				
2. RESERVES AND SURPLUS				
Profit and Loss Account		1,756,223		1,492,555
TOTAL		<u>1,756,223</u>		<u>1,492,555</u>
3. CURRENT ASSETS, LOANS AND ADVANCES				
Interest Receivable		0		387,689
Tax Deducted at source		107,097		422,631
Advance Tax Paid		78,400		150,920
Bank Balance (with Scheduled Bank)				
In current Account	6,840,869		12,447	
In Fixed Deposit Account	0	6,840,869	6,237,514	6,249,961
TOTAL		<u>7,026,366</u>		<u>7,211,201</u>
4. Current Liabilities & Provisions				
a) Current liabilities				
Sundry Creditors	27,575		67,590	
b) Provisions				
Provision for Taxation	242,567		651,056	
TOTAL		<u>270,142</u>		<u>718,646</u>

5. Administrative Expenses

Rates & Taxes	16,571	11,533
Professional Charges	27,501	18,119
Statutory Audit Fees	11,030	11,030
Bank Charges	300	475
	<u>55,402</u>	<u>41,157</u>

ACCOUNTING POLICIES

1. Revenue Recognition

1.1 Interest on Fixed Deposit is accounted on Accrual basis

1.2 Retirement Benefits

The Company does not have any employees and hence Provision towards gratuity and encashment of leave has not been made in accounts

2. The Company does not have any deferred tax liability

3. The members have passed a special resolution at the Extra-ordinary General Meeting held on 30th of March 2011 at the Registered office of the Company for voluntary winding up of the Company therefore the accounts are not prepared on a going concern basis.

4. The figures have been rounded off to nearest rupee.

5. Previous year figure have been regrouped whenever necessary

As per our Report of even date

For and on behalf of

Prasad & Srinath

Chartered Accountants

For and on behalf of the Board

S.Prasad

PARTNER

M.NO.12847

Place : Chennai

Date: April 7, 2011

C.M.SAMBASIVAM

DIRECTOR

GOVINDARAJAN.V

DIRECTOR

STATEMENT PURSUANT TO SEC.212 (1) (E) OF THE COMPANIES ACT, 1956
RELATING TO SUBSIDIARY COMPANY AS ON MARCH 31, 2011

1. Name of Subsidiary Company	: ALF Insurance Services Pvt. Ltd.
2. Financial Year ending	: March 31, 2011
3. Holding Company's Interest	: 4,99,998 equity shares of ₹10/- face value
4. Extent of holding	: 100%
5. Profit (Loss) for the financial year of the subsidiary so far as it concerns the member of the holding company and not dealt with in the books of accounts of the holding company	: ₹2,63,668
6. Profit (Loss) for the financial year of the subsidiary so far as it concerns the member of the holding company and dealt with in the books of accounts of the holding company	: Nil
7. Profit (Loss) for the previous financial year of the subsidiary so far as it concerns the member of the holding company and not dealt with in the books of accounts of the holding company	: ₹3,24,226
8. Profit (Loss) for the previous financial year of the subsidiary so far as it concerns the member of the holding company and dealt with in the books of accounts of the holding company	: Nil



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NOTES

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FORM OF PROXY



Registered Office :
2401, General Thimmaya Road
(Cantonment), Pune 411 001

Folio No. _____

DP ID-Client ID NO. _____

No. of Shares held _____

I/We _____ of _____ in the district of _____ being a member/members of the above named Bank, hereby appoint _____ of _____ in the district of _____ or failing him _____ of _____ in the district of _____ as my/our proxy to vote for me/us on my/our behalf at the Seventeenth Annual General Meeting of the Bank to be held at 2.00 p.m. on Friday, July 15, 2011, at Hotel Sun-n-Sand, 262, Bund Garden Road, Pune – 411001, India and at any adjournment thereof.

Revenue
Stamp

Signed this _____ day of _____ 2011.

(Signature)

NOTE : This proxy form, in order to be effective and valid, should be duly stamped, completed and signed and must be deposited at the Registered Office of the Bank not less than 48 hours before the time of the Meeting.

ATTENDANCE SLIP



Registered Office :
2401, General Thimmaya Road
(Cantonment), Pune 411 001

Folio No. _____

DP ID-Client ID NO. _____

No. of Shares held _____

17th Annual General Meeting, Friday, July 15, 2011 at 2.00 p.m. , at Hotel Sun-n-Sand, 262, Bund Garden Road, Pune – 411001, India

I hereby record my presence at the 17th Annual General Meeting of the Bank to be held at 2.00 p.m. on Friday, July 15, 2011, at Hotel Sun-n-Sand, 262, Bund Garden Road, Pune – 411001, India.

Name of the shareholder/proxy (in block letters) _____

Signature of the Shareholder/Proxy _____

NOTE : Shareholders attending the meeting in person or by proxy are requested to complete the attendance slip and hand it over to the Bank officials at the entrance of the meeting hall.

BANK ACCOUNT PARTICULARS / NECS MANDATE FORM

Folio No. _____

No. of Shares held _____

I/We _____ do hereby authorise IndusInd Bank Limited to

* Print the following details on my/our Dividend Warrant

* Credit my dividend directly to my Bank account by National Electronic Clearing Service (NECS)

(* strike out whichever is not applicable)

Particulars of Bank Account:

- A. Bank Name : _____
- B. Branch Name : _____
- Address with PIN Code
(for NECS Mandate only)
- C. 9 Digit Code Number of the Bank and Branch (as appearing on the MICR Cheque) : _____
- D. Account Type (Savings / Current / NRE / NRO) : _____
- E. Account No. (as appearing on the Cheque Book) : _____

I/We shall not hold the Bank responsible if the NECS could not be implemented or the Bank discontinues the NECS, for any reason.

Link Intime Pvt. Ltd.

MAIL TO ✉

Unit : IndusInd Bank Ltd., C-13, Pannalal Silk Mills Compound
L.B.S. Marg, Bhandup (W), Mumbai - 400 078

Signature of the Shareholder

NOTE : Please attach the photocopy of a cheque or a blank cancelled cheque issued by your Bank relating to your above account for verifying the accuracy of the 9 digit code number.

In case you are holding shares in demat form, kindly advise your Depository Participant to take note of your Bank Account particulars / NECS mandate.



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