000401140

In accordance with Regulation 32 of the Overseas Companies Regulations 2009.

OS AA01

Statement of details of parent law and other information for an overseas company

THURSDAY

A1EFOFPS
A23 02/08/2012 #3
COMPANIES HOUSE

What this form is for
You may use this form to accompany your accounts disclosed under parent law

What this form is NOT for
You cannot use this form to register an alteration of manner of compliance with accounting requirements

For further information, please refer to our guidance at www.companieshouse.gov.uk

Part 1 Corporate company name

→ **Filling in this form**
Please complete in typescript or in bold black capitals.
All fields are mandatory unless specified or indicated by *

Corporate name of overseas company ❶	INDUSIND BANK LIMITED
UK establishment number	B R 0 1 1 3 1 1

❶ This is the name of the company in its home state.

Part 2 Statement of details of parent law and other information for an overseas company

A1 Legislation

Please give the legislation under which the accounts have been prepared and, if applicable, the legislation under which the accounts have been audited.

Legislation ❷ COMPANIES ACT , INDIA

❷ This means the relevant rules or legislation which regulates the preparation and, if applicable, the audit of accounts

A2 Accounting principles

Accounts

Have the accounts been prepared in accordance with a set of generally accepted accounting principles?
Please tick the appropriate box.

- ☐ **No.** Go to **Section A3.**
- ☑ **Yes.** Please enter the name of the organisation or other body which issued those principles below, and then go to **Section A3.**

Name of organisation or body ❸ ACCOUNTING STANDARD BOARD, INDIA

❸ Please insert the name of the appropriate accounting organisation or body

A3 Accounts

Accounts

Have the accounts been audited? Please tick the appropriate box.

- ☐ **No.** Go to **Section A5.**
- ☑ **Yes.** Go to **Section A4.**

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Statement of details of parent law and other information for an overseas company

A4 Audited accounts

Audited accounts	Have the accounts been audited in accordance with a set of generally accepted auditing standards? Please tick the appropriate box. ☐ **No.** Go to **Part 3 'Signature'.** ☑ **Yes.** Please enter the name of the organisation or other body which issued those standards below, and then go to **Part 3 'Signature'**.	❶ Please insert the name of the appropriate accounting organisation or body
Name of organisation or body ❶	ACCOUNTING STANDARD BOARD, INDIA	

A5 Unaudited accounts

Unaudited accounts	Is the company required to have its accounts audited? Please tick the appropriate box. ☐ **No.** ☐ **Yes.**

Part 3 Signature

	I am signing this form on behalf of the overseas company
Signature	Signature X [signature] X
	This form may be signed by Director, Secretary, Permanent representative.

OS AA01

Statement of details of parent law and other information for an overseas company

Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form The contact information you give will be visible to searchers of the public record.

Contact name MR SHARUKH WADIA

Company name INDUSIND BANK LIMITED

Address THE STRAND

GOLDEN CROSS HOUSE

8 DUNCANNON STREET

Post town LONDON

County/Region

Postcode W C 2 N 4 J F

Country UNITED KINGDOM

DX

Telephone

Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following.

- ☐ The company name and, if appropriate, the registered number, match the information held on the public Register.
- ☐ You have completed all sections of the form, if appropriate
- ☐ You have signed the form

Important information

Please note that all this information will appear on the public record.

Where to send

You may return this form to any Companies House address

England and Wales
The Registrar of Companies, Companies House, Crown Way, Cardiff, Wales, CF14 3UZ.
DX 33050 Cardiff.

Scotland
The Registrar of Companies, Companies House, Fourth floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, Scotland, EH3 9FF.
DX ED235 Edinburgh 1
or LP - 4 Edinburgh 2 (Legal Post).

Northern Ireland:
The Registrar of Companies, Companies House, Second Floor, The Linenhall, 32-38 Linenhall Street, Belfast, Northern Ireland, BT2 8BG.
DX 481 N R Belfast 1

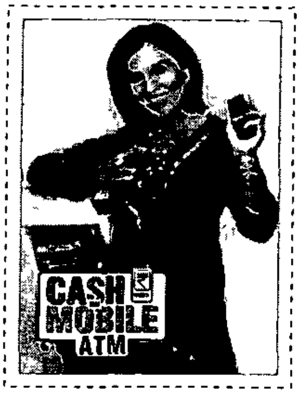
Further information

For further information, please see the guidance notes on the website at www.companieshouse gov uk or email enquiries@companieshouse.gov.uk

This form is available in an alternative format. Please visit the forms page on the website at www.companieshouse.gov.uk

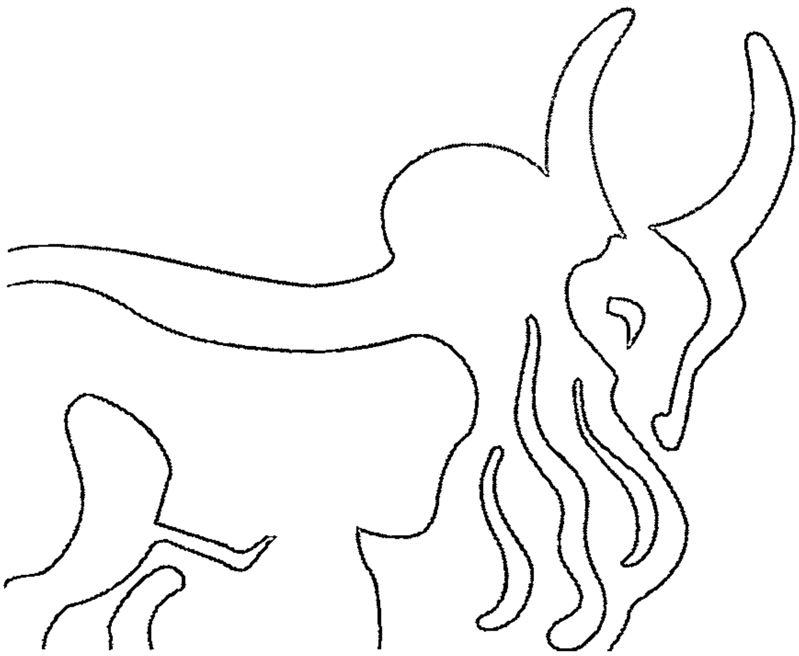
IndusInd Bank

USING TECHNOLOGY
DELIGHTING CUSTOMERS



Responsive Innovation

Annual Report 2011-2012



Board of Directors (as on May 25, 2012)

Mr R Seshasayee, Chairman
Dr T T Ram Mohan
Mr Ajay Hinduja
Mr S C Tripathi
Mr Ashok Kini
Mrs Kanchan Chitale (Additional Director)
Mr Vijay Vaid (Additional Director)
Mr R S Sharma (Additional Director *)
Mr Romesh Sobti, Managing Director & CEO
Mr Y M Kale (Alternate Director to Mr Ajay Hinduja)
(* Appointed on April 19, 2012)

Company Secretary

Mr Haresh K Gajwani

Auditors

M/s B S R & Co
Lodha Excelus
1st Floor, Apollo Mills Compound
N M Joshi Marg
Mahalakshmi, Mumbai 400 011

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

Contents	**Page No**

Registered Office
2401, Gen Thimmayya Road
(Cantonment)
Pune - 411001

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 2011-12

Although full of challenges, the year 2012 witnessed success and an improved financial performance We accepted these challenges and made the best use of our resources and abilities During the year, the Bank expanded its network and significantly increased its customer base as well as profits in line with the adopted plan of achieving **'Scale with Profitability'**

The Bank believes that 'Customer First' attitude is the key to success and delighting customers with our services has always been our focus Continuing the initiative of **'Responsive Innovation'**, your Bank recently launched three unique propositions named as **'Cash-On-Mobile'**, **'Direct Connect'** and **'Quick Redeem Service'** These new innovations reiterate the Bank's commitment towards providing best-of-class services by using technology to its advantage

During the year 2011-12, your Bank received many satisfying awards and accolades Your Bank was selected as 'Best Mid Sized Bank in India' by 'Business Today-KPMG Best Banks Survey 2011' as well as by 'Businessworld-PwC Best Banks Survey 2011' For the second consecutive year, 'Most Improved Bank Performance of the Year Award' was bestowed upon IndusInd Bank by Bloomberg UTV in its 'Financial Leadership Awards' function held in April 2012

IndusInd Bank has remained committed to adopting green banking practices The Bank was honoured with The Panasonic Green Globe Foundation Award, NASSCOM IT User Award and CII Environmental Best Practice Award during the year for its Solar Powered ATMs initiative

I place on record my sincere appreciation of the contribution of all our employees and also thank all stakeholders for supporting us This has helped your Bank achieve a high level of performance, as reflected in this report

Finally, I convey my personal gratitude for the confidence you have reposed in your Bank's Board of Directors and hope that you will continue to extend your wholehearted support to us in our quest for further accelerated progress

I look forward to being in touch with you and sharing my perceptions in future also

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

Yours sincerely,

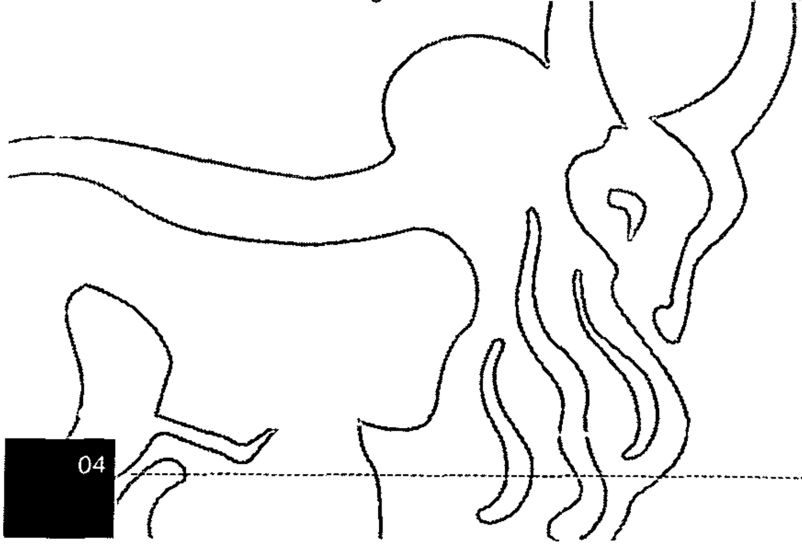
Romesh Sobti
Managing Director & CEO

Key Business Highlights

- Net worth moved to ₹ 4522 37 crores
- Net Profit up by 39% to ₹ 802 61 crores
- Net Interest Income up by 24% to ₹ 1,704 25 crores
- Core Fee Income up by 45% to ₹ 913 24 crores
- Capital Adequacy Ratio (Basel II) at 13 85%, Capital Adequacy Ratio - Tier I at 11 37%
- Return on Assets (RoA) at 1 57% as against 1 46%
- Net NPA at 0 27% as on March 31, 2012 as compared with 0 28% the previous year
- Provisioning Coverage Ratio against NPAs at 72 72% as against 72 61%
- Branch Network increased to 400 and 692 ATMs spread across 270 geographic locations of the country
- Earnings Per Share (Basic) increased to ₹ 17 20 from ₹ 13 16
- Dividend Declared of 22% as against 20% the previous year

Ratings

- 'ICRAAA' for Lower Tier II subordinate debt program and 'ICRAAA-' for Upper Tier II bond program by ICRA
- 'CRISILA1+' for certificate of deposit program by CRISIL
- 'CARE AA' for Lower Tier II subordinate debt program by CARE
- 'Fitch AA-' for Long Term Debt Instruments and 'Fitch A1+' for Short Term Debt Instruments by Fitch Ratings

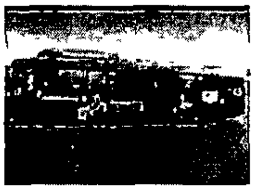


Responsiveness - Initiatives to lead the change

In an attempt to differentiate and establish itself as a leading banking institution, IndusInd Bank firmly positioned itself on the theme of 'Responsive Innovation', which means the Bank is responsive to customer needs Against this backdrop, your Bank launched three new services Cash-on-Mobile, Direct Connect and Quick Redeem during the year These new innovations are aimed at making banking easy and convenient for the customers, while reiterating your Bank's commitment towards providing superior client experience This was communicated to the external audience through multi-media advertising campaigns comprising electronic channels, print, outdoors, radio, in-cinema and digital to create the multiplier effect

QUICK REDEEM SERVICE · DIRECT CONNECT · CASH MOBILE ATM

The non-stop mega advertising blitz has not only enhanced the brand equity on various parameters like visibility quotient, image, recall, and overall communication, but also established it as a young, progressive and agile brand The ads were directed by well known director Imtiaz Ali, and featured popular Bollywood actors like Neetu Kapoor and Jimmy Shergill The selected cast and the subtle humour in the ads definitely helped the campaign break the clutter and resulted in some effective communication In all, the campaign received some rave reviews from the media and was also appreciated on various online social networking sites



Keeping in line with the theme of 'External Responsiveness', your Bank had introduced an initiative called iSolve or 'Internal Responsiveness' a year ago, with an aim to make every employee embrace the Six Behavioural Traits and become an active participant in the quest for solutions The iSolve Six Behavioural Traits are

iSolve Partner for solutions

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

This year, your Bank took this campaign to a new high Apart from the regular interesting internal communication drive comprising e-direct mailers, webcast, posters, wall panels, standees, danglers, badges, and engaging games like golf and dart boards, your Bank put in place a robust 'Internal Social Networking System' which captured the voice of the employees and helped in driving awareness through interesting contests with plenty of freebies At the end of the campaign, real-life examples (based on the six values) from among the employees were chosen and put on the Internal Social Networking System, inviting votes from the employees for the best examples

We have with us six iSolve Ambassadors chosen from the democratically led poll, they were later recognised and awarded in the various bank gatherings and events The campaign is an ongoing exercise and its purpose is to initiate a smooth flow of inter-department and intra-department interaction, which ultimately reflects on the responsiveness of the Organisation To conclude, your Bank is working towards instilling responsiveness in everybody's DNA

Service Quality Initiatives

Taking branch service delivery to the next level!

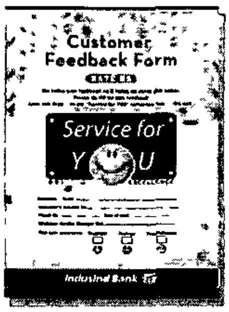
As part of the 'Responsiveness' theme driven by your Bank, a great deal of focus has been on the client service experience delivered through branches. Keeping this in view and with an aim to standardise service we had previously introduced to you the 'Branch Service Score' which connotes a single score of the branch.

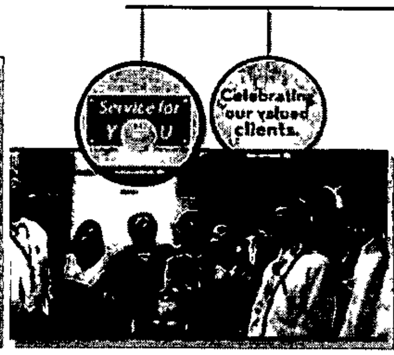
Taking this concept to the next level in 2011-12, we implemented a concerted effort in driving branch service standards across major metros via the 3-6-3 campaign! Simply put, the campaign acronym was derived from the objective of improving service standards of branches on three core vectors across top six cities over a period of three months. The end objective of this campaign was to drive the branch service scores towards 'Gold ratings' from the existing Bronze or Silver service standards.

To achieve this ambitious target, a four-pronged strategy was adopted.

Top down employee communication

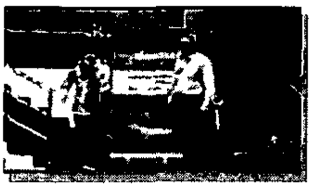
- Campaign rolled out by Vandana Alagh - Head Service
- Presentation made to the zonal heads, regional heads, branch managers seeking active support in driving the agenda
- Conference calls and email communications throughout the course of the project on critical aspects of the programme by national & zonal service assurance teams





Lobby Campaign

- 'Service for You' branch campaign launched for clients in lobbies
- Marketing paraphernalia like standee with campaign logo at entrance of the branch, tent cards and danglers, 'Service for You' badges worn by staff
- Customers handed out simple feedback forms post transactions with a IndusInd pen as a gift
- 'Thought for the Day' notice board with inspiring quotes
- Coloring sheets made available to entertain children accompanying parents to the branches
- Focus on organising branch customer events in lobbies



'Service' mentoring of branches

- Zonal service managers mapped to a cluster of branches as 'Service Mentors' - regular monitoring of service performance of branches on key vectors like branch lobby maintenance, branch open time, complaints handling, account opening and Tatkal usage
- Reiteration of process, system usage and softer aspects of client handling

Employee Recognition Programme

- Employee of the fortnight in each branch based on client feedback-photos of employees displayed in the lobby
- Monthly Service Excellence Awards-service wow stories sent from branches, 3 winners per city per month
- Best service branch in the city based on highest service score for the month, branch trophy and team outing as awards

Internally, the '3-6-3' campaign generated a competitive focus on delivering service, with each branch vying to win the monthly best branch in the city award and individuals aiming to become employees of the fortnight or monthly service awardees. The zonal service assurance teams played an active role in mentoring performance of branches across all service sectors. We are happy to report that by end of the campaign period, 56% of the targeted branches in the six cities had achieved gold service standard ratings by February'12 (compared to only a handful of such branches at the start)!

Initiatives to pursue the agenda of sustainability

IndusInd Bank continued with the growth momentum gained in the 'Green Banking' project under the 'Hum aur Hariyali' campaign The Financial Year 2011-12 proved crucial in terms of adopting strong sustainable practices which not only led to the achievement of organisational goals but also a healthier environment

Sustainability Driven Growth

During the FY 2011-12, your Bank maintained its focus on strategies that supported sustainable growth benefiting all stakeholders, the environment and the community at large The Bank introduced multiple practices at Corporate/Branch level that augmented the awareness and commitment across all segments In effect, the initiatives almost became a part of every employee's system

The Financial Year ended with significant achievement in implementing the following green practices, which resulted in savings, revenue generation and improved logistics

Energy

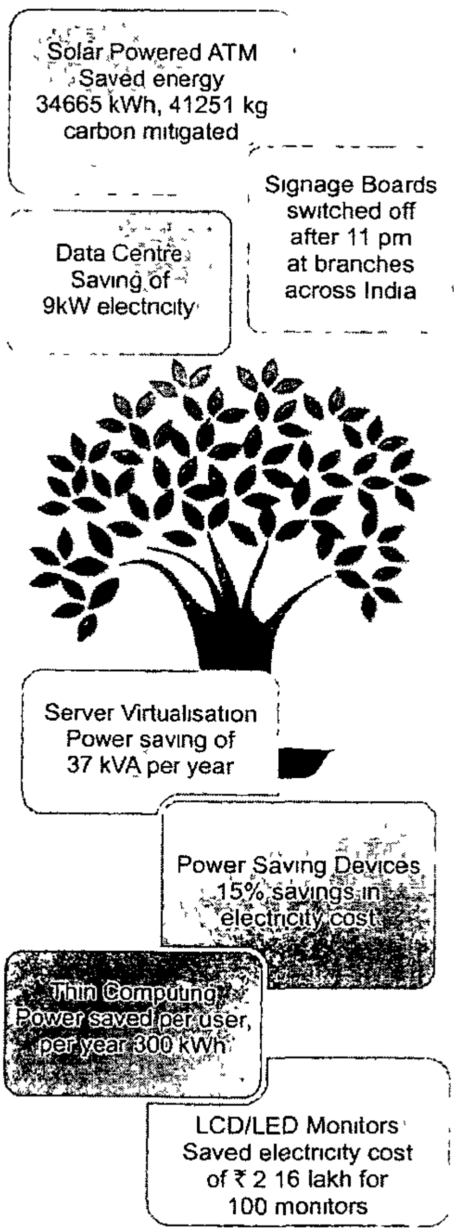
ATMs with Solar Panels Installation of solar panels on 50 ATMs resulted in generation of energy equalling 34665 kWh with a saving of ₹ 2 lakh in commercial electricity and saving of ₹ 4 lakh in DG power A total of 41251 kg carbon was mitigated Further, the Bank proposes to set up ATMs without air conditioners in areas where there is power shortage

Data Centre By making use of energy efficient data centre with APC Cooling and UPS your Bank was able to save energy and costs By adopting a better technology, these cooling units consume 13 5 kW at full load, as against 22 5 kW in conventional cooling units, they also have zero Ozone Depletion Potential (ODP) This saving of 9 kW translates to ₹ 8 1 lakh in electricity cost savings per annum

Server Virtualisation 117 servers were virtualised on nine physical servers resulting in power saving of 37 kVA per year and cost savings of ₹ 27 lakh per year

Thin Computing More than 200 users have been provided with virtual desktops, which will increase to 1000 users in FY12-13 Power saved per user per year is 300 kWh while power cost saved per unit per year is ₹ 1785

LCD/LED Monitors Old CRT monitors have been replaced with LCD/LED monitors resulting in an estimated saving of ₹ 2 16 lakh, in terms of electricity cost for 100 such monitors



Power Saving in Signage Electric signs are switched off after 11 pm at branches across India, preventing wastage of electricity The savings are approximately ₹ 59 lakh per annum from 250 signage where timer has been installed or 7,39,125 kW for 1 Year

Power Saving Devices Select branches and offices have been installed with 26 power saving devices resulting in a 15% saving (on an average) in electricity costs

Paper

Eco-friendly A4 Paper Your Bank has started using eco-friendly spectra paper which is made out of wheat straw instead of wood pulp The supply is centralised, improving the logistics and cost savings by nearly ₹5 lakh Supply of eco-friendly paper translates into saving approx 24000 trees

Fax Servers Introduction of paperless fax in select branches and offices across India has resulted in saving approx 1 lakh pages, and in turn saving at least 10 trees

Multi-functional Devices (MFDs) Your Bank has introduced multi-functional devices at select big offices As a result, substantial saving is expected in use of paper, toners, scanners, photocopiers and printers as the device tracks and gives statistical data on the actual consumption of paper

Visiting Cards Your Bank now issues visiting cards on recycled paper for all employees, emphasising on the importance of protecting the environment

Duplex Printing The concept of duplex printing has been enforced to save paper and prevent wastage

Staff Awareness Through Outreach Programmes

CSR Council at the Corporate as well as Zonal level has been formed for facilitating green practices and encouraging participation at the ground level through a collaborative approach

Events and Campaigns Various events were organised, like 'Art n Craft' from waste paper for employees and their children, participation in a 'Walkathon' for a cause, and campaigns like 'Save Water, Save Energy' to enhance staff engagement and awareness Your Bank continues to focus on one of the key initiatives 'Adopt-a-plant' campaign at select branches, which not only generated business but also helped in brand building More than 6000 saplings were planted and distributed across India and the most notable example being Dharmaj Branch where 700 saplings were planted on barren land that was a part of a school's premises

Your Bank has also included green parameters in request for proposals (RFPs) for procurement of different equipment to ensure environment friendliness The Bank has also partnered with suppliers/vendors who share similar CSR values, and proposes to install ATMs with solar panels in their premises as well

The Bank also disposes all e-waste through authorised recycle vendors who follow the environment norms laid down by the government By undertaking this excercise, the Bank was able to reduce 18000kg carbon footprint With an objective of contributing towards a common CSR goal, there were many department level e-waste initiatives taken up across various zones and regions

Over 250 employees participated in the week-long activities, including the e-waste campaign and the outreach events To align every member of the Bank's team to the "Hum aur Hariyali" philosophy, special training workshops were conducted for the Housekeeping staff (Knight Frank) and supervisors with a special emphasis on explaining global warming and climate change

The year ended with an extensive survey, especially designed to determine employee values and knowledge with regards to environmental sustainability so as to develop better employee engagement programmes as an effective tool for carbon management

Your Bank also supported an empanelled NGO, SUPPORT, a charitable organisation which is associated with the Bank through its pay roll scheme whereby the employees contribute on a monthly basis from their salaries which goes into the corpus funds of the organisation The Corpus fund is utilised by the NGO in the rehabilitation of street children, comprising food, education, health, vocational training and their overall development Its main objective is to get these children in the mainstream so that they become contributing members of the society Your Bank had organised many employee engaging activities like celebrating festivals with the SUPPORT kids which espoused the spirit of Socially Responsible citizen During the year, your Bank donated laptops and desktops to SUPPORT home, enabling the kids to learn computers

NOTICE is hereby given that the Eighteenth Annual General Meeting of the Members of IndusInd Bank Limited will be held at 2 00 p m on Tuesday, July 17, 2012, at Hotel Le Meridien, Raja Bahadur Mill Road, Pune – 411001, India, to transact the following business

Ordinary Business

1 To consider and adopt the Balance Sheet as at March 31, 2012 and the Profit and Loss Account for the year ended March 31, 2012 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 Ajay Hinduja, who retires by rotation and, being eligible, offers himself for re-appointment

4 To appoint a Director in place of Dr T T Ram Mohan, 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 (the Act), M/s B S R & Co , Chartered Accountants, Mumbai, or such other Auditors 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 Appointment of Mrs Kanchan Chitale as Director

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

"**RESOLVED THAT** Mrs Kanchan Chitale who was appointed Additional Director of the Bank on October 18, 2011 under Section 260 of the Companies Act, 1956 and who holds office till the date of the 18th Annual General Meeting, and in respect of whom the Bank has received a notice in writing proposing her candidature for the office of Director, in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956, be and is hereby appointed as Director of the Bank liable to retire by rotation "

7 Appointment of Mr Vijay Vaid as Director

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

"**RESOLVED THAT** Mr Vijay Vaid who was appointed Additional Director of the Bank on October 18, 2011 under Section 260 of the Companies Act, 1956 and who holds office till the date of the 18th Annual General Meeting, and in respect of whom the Bank has received a notice in writing proposing his candidature for the office of Director, in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956, be and is hereby appointed as Director of the Bank liable to retire by rotation "

8 Appointment of Mr R S Sharma as Director

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

"**RESOLVED THAT** Mr R S Sharma who was appointed Additional Director of the Bank on April 19, 2012 under Section 260 of the Companies Act, 1956 and who holds office till the date of the 18th Annual General Meeting, and in respect of whom the Bank has received a notice in writing proposing his candidature for the office of Director, in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956, be and is hereby appointed as Director of the Bank liable to retire by rotation "

9 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 Requirements) 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, Qualified Foreign Investors (QFIs) 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 accordance with 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 Company or the Committee of Directors duly authorised by the Board of the Company 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 Requirements) 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 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 Company or on the whole or any part of the undertaking/s of the Company 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 of passing by the members or till the next Annual General Meeting whichever is less "

By Order of the Board

Place Mumbai
Date May 25, 2012

Haresh K Gajwani
Company Secretary

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 Business 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 Saturday, July 7, 2012 to Tuesday, July 17, 2012 (both days inclusive)

5 The Dividend would be made payable by July 20, 2012 to the shareholders whose names stand in the Register of Members on Friday, July 6, 2012

In terms of the directives of Securities and Exchange Board of India, shares issued by companies should rank pari passu in all respects, including dividend entitlement, and accordingly the equity shares allotted / to be allotted by the Bank upto July 6, 2012 under the Bank's 'Empolyees Stock Options Scheme ("ESOS") 2007', will be entitled for full dividend for the financial year ended March 31, 2012, if declared at the Meeting

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 them 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 Agent of the Bank, viz , Link Intime India Pvt Ltd

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

Item No 6

Mrs Kanchan Chitale is a Chartered Accountant and has set up her own professional practice Her main functional areas include Internal and Management Audits of corporates and specialized / concurrent audits of commercial banks and financial institutions Mrs Chitale has had extensive Internal Audit exposure as Associate Director of M/s M P Chitale & Co , a leading accounting firm in India associated with big corporate names in infrastructure / construction and in banking industries She has contributed articles and given talks on professional topics at seminars and conferences

Mrs Kanchan Chitale was appointed Additional Director of the Bank under Section 260 of the Companies Act, 1956 on October 18, 2011, and she holds office upto the date of the Annual General Meeting She is eligible for appointment as Director of the Bank and the Bank has received a notice in writing along with a deposit of ₹ 500/-, under Section 257 of the Companies Act, 1956 from a member proposing her candidature for the office of Director

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

None of the Directors of the Bank, other than Mrs Kanchan Chitale, is in any way interested in the passing of the Resolution

Item No 7

Mr Vijay Vaid is a Graduate from Bombay University, having practical experience of almost 36 years in all areas of rubber component manufacturing Starting with a proprietary firm, he ventured out to establish Vaid Elastomer Processors Limited, which is one of the leading manufacturers of auto rubber components and employs more than 500 persons He was a member of Executive Committee of Automotive Component Manufacturers Association (ACMA) He is Chairman Trustee of two charitable trusts, viz , Shri Venkteshwar Nidhi and Vaid Foundation, which are actively involved in providing education and medical relief to the needy From the day of inception, more than 206 students and 7,990 patients have benefited

Mr Vijay Vaid was appointed Additional Director of the Bank under Section 260 of the Companies Act, 1956 on October 18, 2011 and he holds office upto the date of the Annual General Meeting He is eligible for appointment as Director of the Bank and the Bank has received a notice in writing along with a deposit of ₹ 500/-, under Section 257 of the Companies Act, 1956 from a member proposing his candidature for the office of Director

Members are requested to pass the resolution under Item No 7 as an Ordinary Resolution

None of the Directors of the Bank, other than Mr Vijay Vaid, is in any way interested in the passing of the Resolution

Item No 8

Mr R S Sharma, a Fellow Member of the Institute of Cost & Works Accountants of India and an Associate Member of the Indian Institute of Bankers, has participated in various management programmes in India and overseas

Mr Sharma is a former Chairman and Managing Director of Oil and Natural Gas Corporation Ltd (ONGC) He was also concurrently the Chairman of ONGC Videsh Ltd (OVL), Mangalore Refinery & Petrochemicals Ltd (MRPL) and five other ONGC Group companies

Mr Sharma was associated with various industry associations and federation houses in responsible capacities He continues to hold the position of Chairman of the FICCI Hydrocarbon Committee

An Honorary Fellow of Institute of Directors, All India Management Association and Project Management Association of India, Mr R S Sharma had led ONGC and Group companies towards corporate excellence

Mr Sharma was also conferred with several prestigious awards such as CNBC TV18 CFO Award in 2005, 2006 and

2007, Amity Corporate Leadership Award in 2009, CII Outstanding Performance Award in 2010, Iconoclast CEO Award in 2010 and Star Lifetime Achievement Award for HR Leadership in February 2011

Mr R S Sharma was appointed Additional Director of the Bank under Section 260 of the Companies Act, 1956 on April 19, 2012 and he holds office upto the date of the Annual General Meeting He is eligible for appointment as Director of the Bank and the Bank has received a notice in writing along with a deposit of ₹500/-, under Section 257 of the Companies Act, 1956 from a member proposing his candidature for the office of Director

Members are requested to pass the Resolution under Item No 8 as an Ordinary Resolution

None of the Directors of the Bank, other than Mr R S Sharma, is in any way interested in the passing of the Resolution

Item No 9

Resolution set out in Item No 9 is an enabling Resolution conferring authority on the Board to cover all corporate requirements and contingencies to issue securities of appropriate nature at 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, considering prevailing market conditions and in line with the extant guidelines issued by SEBI, RBI or any other statutory and / or 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 9 as a Special Resolution

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

By Order of the Board

Haresh K Gajwani
Company Secretary

Place Mumbai
Date May 25, 2012

DIRECTORS' REPORT: 2011-12

The Bank's Directors have pleasure in presenting the Eighteenth Annual Report covering business and operations of the Bank, together with the audited accounts for the year ended March 31, 2012

The financial performance for the year ended March 31, 2012 is summarized as under

(₹ in crores)

	As on March 31, 2012	As on March 31, 2011
Deposits	42,361 55	34,365 37
Advances	35,063 95	26,165 65
Operating Profit (before Depreciation and Provisions and Contingencies)	1,447 99	1,142 22
Net Profit	802 61	577 32

During the year, the Bank's deposits grew by 23 27% and advances increased by 34 01%, despite the deceleration in growth rate in the Indian economy and a challenging macroeconomic environment

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

The Operating Profit (before Depreciation and Provisions and Contingencies) during the year under review rose by 26 77% to ₹1,447 99 crores, from the level of ₹1,142 22 crores in the previous year

The Bank's Net Profit, after considering necessary provisions and contingencies and all expenses, was higher by 39 02% at ₹802 61 crores as against ₹577 32 crores in the previous year

Appropriations

The Directors recommend appropriation of profit as under

(₹ in crores)

Operating Profit before Depreciation and Provisions & Contingencies	**1,447.99**
Less Depreciation on Fixed Assets	74 96
Less Provisions & Contingencies	570 42
Net Profit	**802 61**
Profit Brought forward	**714.36**
Amount available for Appropriation	**1,516 97**
Transfer to Statutory Reserve	200 65
Transfer to Capital Reserve	8 63
Transfer to Investment Reserve Account	0 52
Proposed Dividend	102 89
Tax on Dividend	16 69
Balance carried over to Balance Sheet	1,187 59
Total Appropriations	**1,516 97**

Dividend

The Earning per Share (EPS) of the Bank has risen to ₹ 17 20 during the year 2011-12, from ₹ 13 16 in the previous year

Looking to the overall improvement in performance, the Directors recommend a dividend of ₹ 2 20 per equity share of ₹ 10/- each for the year ended March 31, 2012 (Dividend for the year 2010-11 was ₹ 2 00 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 2011-12, the Bank continued to leverage its business on the three performance planks of Productivity, Profitability and Efficiency, which helped the Bank to improve its profitability significantly

The Bank's Total Income grew by 48 06% to ₹ 6,370 98 crores from ₹ 4,303 02 crores, backed by improved business

The sharp rise in profitability was the result of a healthy increase in the core earnings of the Bank through Net Interest Income (NII) and robust growth in Non-Interest Income streams Net Interest Income improved by 23 81% to ₹ 1,704 25 crores from ₹ 1,376 50 crores while Non-Interest Income rose to ₹ 1,011 78 crores from ₹ 713 66 crores, a rise of 41 77%

The operating environment in the Indian economy witnessed significant turbulence throughout the year, incorporating worsening liquidity conditions and inflationary pressures coupled with volatility in currency exchange rates RBI continued with a staunch anti-inflationary stance until December 2011, and raised policy rates in every review However, to mitigate the liquidity crunch, RBI had reduced CRR by 125 basis points in Q4FY12 and has deferred policy rate reductions to fiscal 2012-13

The year 2011-12 has been one of sustained hardening of interest rates and shrinking of lending margins Although the Yield on Advances improved to 13 77% during the year as against the yield of 12 36% in 2010-11 (an increase of 141 basis points), the Cost of Deposits showed a sharper increase to 8 06% as against 6 32% in the previous year (an increase of 174 basis points) Accordingly, the Net Interest Margin (NIM) declined to 3 33% during the year, as compared with 3 47% in 2010-11

Fees and Miscellaneous Income at ₹ 1,011 78 crores as compared with ₹ 713 66 crores in the previous year showed strong annual growth of 42% Increase in Core Fee Income such as commission, exchange, fees on distribution of third-party products and earnings from foreign exchange business, etc grew about 45% to ₹ 913 24 crores from the level of ₹ 629 44 crores last year

The Bank expanded its branch network rapidly to reach 400 branches, as against 300 branches at the beginning of the year Revenue per employee during the year remained steady at ₹ 30 lakhs

Quality of the Bank's assets improved further, with Net Non-Performing Assets (Net NPAs) falling to 0 27% as at March 31, 2012 from 0 28% last year The Provisioning Coverage Ratio (PCR) improved marginally to 72 72% as compared with 72 61% in the previous 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 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 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

Towards consolidating itself as a full service 'Universal Bank', the Bank acquired the Indian operations of the Credit Cards business of Deutsche Bank AG, as a going concern on a slump sale basis The acquisition was fully funded from internal accruals of the Bank A seamless take-over of the business was completed on June 1, 2011

The Bank kept up its focus on deepening 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

During the year under review, the Bank allotted 17,36,166 shares 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 ₹ 1 73 crores and ₹ 9 78 crores respectively

As at March 31, 2012, the Paid-up Equity Capital of the Bank consisted of 46,75,10,001 shares of ₹ 10/- each, excluding forfeited shares

Tier II Capital

The Bank did not raise any Tier II Capital during the year

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, 2012	March 31, 2011
i) Capital Adequacy Ratio (CRAR)	13 85%	15 89%
ii) CRAR - Tier I Capital	11 37%	12 29%
iii) CRAR - Tier II Capital	2 48%	3 60%

Ratings

Instrument	Rating	Rating Agency
Lower Tier II Subordinate Debt program	AA	ICRA
Upper Tier II Bonds	AA-	ICRA
Certificate of Deposit	A1+	CRISIL
Lower Tier II Subordinate Debt program	AA	CARE
Lower Tier II Debt Instruments	AA- (ind)	FITCH
Upper Tier II Debt Instruments	A (ind)	FITCH
Short Term Debt Instruments	A1+	FITCH

Subsidiary Company

ALF Insurance Services Pvt Ltd , the Bank's subsidiary company was set up to do the business of Insurance Corporate Broking The Bank has since decided against entering the Insurance Broking business, and the subsidiary is being voluntarily wound up

Directors

Mr Ajay Hinduja and **Dr T T Ram Mohan,** Directors, retire by rotation, and being eligible, have offered themselves for re-appointment

Mrs Kanchan Chitale was appointed Additional Director by the Board at its meeting held on October 18, 2011, and will hold office as Additional Director upto the ensuing Annual General Meeting

Mr Vijay Vaid was appointed Additional Director by the Board at its meeting held on October 18, 2011, and will hold office as Additional Director upto the ensuing Annual General Meeting

Mr R S Sharma was appointed Additional Director by the Board at its meeting held on April 19, 2012, and will hold office as Additional Director upto the ensuing Annual General Meeting

The Bank has received notices from members pursuant to Section 257 of the Companies Act, 1956 signifying their intention to propose the candidature of Mrs Kanchan Chitale, Mr Vijay Vaid and Mr R S Sharma for the office of Director

Brief profiles of Mrs Kanchan Chitale, Mr Vijay Vaid and Mr R S Sharma are furnished in the Report on Corporate Governance

Mr Premchand Godha, who had joined the Bank's Board on October 31, 2006, expressed a desire to step down from the Board of our Bank owing to his professional preoccupations Mr Godha's resignation was accepted by the Board on August 18, 2011

The Directors wish to place on record their sincere appreciation for the valuable contributions made by Mr Godha towards the deliberations in the Board during his tenure as Director of the Bank

Mr T Anantha Narayanan, who had joined the Bank's Board on March 18, 2004, ceased to hold office from March 18, 2012 on completion of the maximum permissible tenure of 8 years laid down in Section 10A(2A)(i) of the Banking Regulation Act, 1949

The Directors wish to place on record their sincere appreciation for the valuable contributions made by Mr Anantha Narayanan towards the deliberations in the Board during his tenure as Director of the Bank

Auditors

M/s B S R & Co , Chartered Accountants, the Statutory Auditors of the Bank, who have audited the accounts of the Bank for the year 2011-12, will retire at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment Members are requested to consider their re-appointment and authorise the Board to fix their remuneration The appointment of the Statutory Auditors will be subject to the approval of Reserve Bank of India The members are further requested to authorise the Board to appoint Branch Auditors of the Bank in consultation with the Statutory Auditors and to fix their remuneration

Auditors' Report

M/s B S R & Co , Chartered Accountants, have audited the accounts of the Bank for the year 2011-12 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 2011-12 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 9,370 employees on its rolls as on March 31, 2012 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

Employees Stock Option Scheme

The Bank had instituted an Employees Stock Option Scheme 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 Employees 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 2,72,45,700 Options, comprising 5 82% of the Bank's equity capital, 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, 2012 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 frauds 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 Stock Exchanges, the Ministry of Corporate Affairs, and the Securities and Exchange Board of India 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 25, 2012

R. Seshasayee
Chairman

ANNEXURE TO DIRECTORS' REPORT

STATUTORY DISCLOSURES REGARDING ESOPS (FORMING PART OF THE DIRECTORS REPORT FOR THE YEAR ENDED MARCH 31, 2012)

	Particulars	ESOP2007 as on March 31,2012	ESOP2007 granted on June 24, 2011	ESOP2007 granted on August 16, 2011	ESOP2007 granted on September 30, 2011	ESOP2007 granted on December 21, 2011	ESOP2007 granted on February 29, 2012
1	No of options granted	27,245,700	2,154,750	89,500	261,000	920 000	195,000
2	No of options surrendered (cancelled)	562 538	85,250	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	19,009,318	4,500	0	0	0	0
5	No of options Exercised	7,612,861	0	0	0	0	0
6	No of shares arising as a result of exercise of options	7,612 861	0	0	0	0	0
7	Options Lapsed	0	0	0	0	0	0
8	Variation in terms of ESOP	Not applicable					
9	Money realised by exercise of options (₹ In Lakhs)	3,892 55	0	0	0	0	0
10	Total No of Options in force	19,070,301	2,069,500	89 500	261,000	920,000	195,000
11	Employee-wise details of options granted to						
	(a) Key managerial personnel i e MD & CEO and SEVPs	13,384,000	0	0	0	0	0
	(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 (Refer Table A)*	750,000	0	0	0	750,000	0
	(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	0	0	0	0	0	0
12	Diluted Earnings per share (EPS) pursuant to issue of shares on exercise of option, calculated as per Accounting Standard (AS) 20 - 'Earning Per Share'	The Diluted EPS of the Bank calculated after considering the effect of potential equity shares arising on account of exercise of options is ₹ 16 86					
13	Where the company has calculated the employee compensation cost using the intrinsic value of the stock options the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of options, shall be disclosed The impact of this difference on profits and on EPS of the company shall also be disclosed	The Bank has charged ₹ 3 04 crores to the Profit and Loss account being the intrinsic value of stock options granted for the year ended March 31 2012 Had the Bank adopted the Black - Scholes model based fair valuation, compensation cost for the year ended March 31, 2012, would have increased by ₹ 55 40 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 ₹ 16 02 and ₹ 15 70 respectively					

	Particulars	ESOP2007 as on March 31,2012	ESOP2007 granted on June 24, 2011	ESOP2007 granted on August 16, 2011	ESOP2007 granted on September 30, 2011	ESOP2007 granted on December 21, 2011	ESOP2007 granted on February 29, 2012
14	Weighted average exercise prices and weighted average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock	The weighted average market price of options exercised during the year is ₹ 274 98 The weighted average fair value of options granted during the year ended March 31, 2012 is ₹ 136 76					
15	SIGNIFICANT ASSUMPTIONS USED OT ESTIMATE FAIR VALUE						
	Risk Free Interest Rate		8 29%	8 20%	8 29%	8 28%	8 45%
	Expected Life		4 51	4 51	4 51	4 51	4 51
	Expected Volatility		59 37%	57 68%	57 03%	55 74%	55 07%
	Dividend Yield		1 21%	1 38%	1 38%	1 38%	1 38%
	Price of the underlying share in the market at the time of option grant		266 30	256 55	262 25	240 35	312 25
*	**Table A**						
	Name	**No of Options**					
	Mr Arun Khurana	NIL	NIL	NIL	NIL	750,000	NIL
	Notes to Table A						
	33% of these options will vest on 33% of these options will vest on 34% of these options will vest on	N A	N A	N A	N A	21-12-2012 21-12-2013 21-12-2014	N A

Management Discussion & Analysis

Macro Economic Scenario and Banking Environment

The Financial Year 2011-2012 was characterised by a stressed and deteriorating operating environment, especially since September 2011, caused by worsening of the crisis in the Euro zone The economic environment subsequently shifted into high inflation and low growth dynamics, exerting pressure on fiscal deficit

The Current Account deficit and weak exchange rate added to bearish outlook on the Indian economy The decline in domestic savings and flow of external capital added to supply-side pressures on inflation, most core sectors operated at sub-optimal capacity with limited availability of capital for capacity expansion All these factors reflected in slippages in Government's FY12 targets for GDP growth, fiscal deficit and headline inflation

Comfort was, however, afforded by sustained robust domestic consumption and some moderation in headline inflation despite high crude oil price and weak Rupee During this time, there was a shift to accommodative monetary policy signaling an end to the rate hike cycle in December 2011, and aggressive liquidity injection through 125 bps CRR cut and a 50 bps rate cut in Annual Monetary Policy review on April 17, 2012

Though upwardly trended, the Indian banking sector managed to keep NPAs and Provisions systemically under control, taking benefit from relaxations in RBI norms on restructuring of loans and more stringent norms on credit recovery process The ability to maintain slippages in provisions within a small percentage of the growth in Net Interest Income enabled banks to maintain most of the profitability and efficiency parameters

The outlook for FY13 is neutral to negative with the belief that the worst for the Indian economy is already behind The strong headwinds from the external sector stand diluted at this stage, but are not expected to turn supportive during the current financial year

RBI has shifted to a dovish monetary policy stance ahead of expectations, despite its concerns on elevated core inflation This supportive stance of RBI is necessary to help the Government to work on fiscal consolidation and to revive growth momentum The focus of stakeholders of the Indian economy will be on the ability of the Government to increase revenue, divert domestic capital for capacity expansion to remove supply-side pressures on inflation and attract off-shore capital through next generation reforms process

The macro-economic environment continues to stay dependent on downtrend in crude oil price to release pressure on headline inflation and accelerated inflows into Capital Account to bridge Current Account deficit to provide stability in Rupee exchange rate Given the significant dependence on external capital and liquidity, the Government is expected to maintain stability in exchange rate and create favourable economic and market conditions to attract foreign investors into India

The favourable trending of these critical factors will enable RBI to move from dovish to a loose monetary policy to get the system into surplus liquidity mode at low interest rates The sentiment into FY13 is 'neutral' to 'positive', and there are no significant risk factors to this expectation

Bank's Performance During 2011-2012

Business Performance

The salient features of the Bank's operating performance during the year 2011-12 are summarized in the table below

(₹ in crores)

	2011-12	2010-11	Y-o-Y Growth
Interest Earned	5,359 20	3,589 36	49 31%
Interest Expended	3,654 95	2,212 86	65 17%
Net Interest Income	1,704 25	1,376 50	23 81%
Other Income	1,011 78	713 66	41 77%
Total Operating Income	2,716 03	2,090 16	29 94%
Operating Expenses excluding Depreciation	1,268 04	947 94	33 77%
Operating Profit before Depreciation and Provisions	1,447 99	1,142 22	26 77%
Less Depreciation	74 96	60 55	23 80%
Less Provision & Contingencies	570 42	504 35	13 10%
Net Profit	802 61	577 32	39 02%

The year 2011-12 continued to be a year of weak global and domestic outlook The US economy showed a few positive, albeit very moderate, signs of recovery However, protracted debt crisis in the Euro zone dampened business and consumer confidence The operating environment in the Indian economy also witnessed significant turbulence with worsening liquidity conditions, inflationary pressures coupled with volatility in currency exchange rates and persistently rising crude oil prices The overall macroeconomic environment remained challenging This led to hardening of interest rates and shrinking of lending margins

Despite these changes in the macro-economic conditions, the performance of the Bank held up satisfactorily Net Profit for the year, after considering all expenses and necessary Provisions and Contingencies, rose by 39 02% to ₹ 802 61 crores, as against ₹ 577 32 crores in previous year The Operating Profit (before Depreciation and Provisions and Contingencies) was higher at ₹ 1,447 99 crores as against ₹ 1,142 6622 crores in the previous year showing a rise of 26 77%

The core earnings of the Bank through Net Interest Income improved by 23 81% to ₹ 1,704 25 crores from ₹ 1,376 50 crores Non-Interest Income at ₹ 1,011 78 crores as compared with ₹ 713 66 crores in the previous year showed strong growth of 42% on a y-o-y basis Increase in Core Fee Income such as commission, exchange, fees on distribution of third party products and earnings from foreign exchange business, etc was equally spectacular at ₹ 913 24 crores as against ₹ 629 44 crores with a 45% growth

Operating Expenses (including depreciation) grew by 33%, at ₹ 1,343 00 crores for the year from ₹ 1,008 48 crores in the previous year Operating Expenses rose owing to expansion of the branch and ATM network and additions to workforce to support business activities as well as infrastructure projects

The quality of the Bank's loan book improved further, with Net Non-Performing Assets (Net NPAs) receding to 0 27% as at March 31, 2012 from 0 28% last year The Provisioning Coverage Ratio (PCR) improved marginally to 72 72% as compared with 72 61% in the previous year

Return on Assets for the year improved to 1 57% as compared with 1 46% of the previous year Earnings Per Share (EPS) rose to ₹ 17 20 as against ₹ 13 16 previous year

Consumer Banking

During 2011-12, the Bank's Consumer Banking business showed a healthy growth in revenue, a year-on-year (y-o-y) rise of 41%, with the Liabilities, Wealth and Assets business momentum continuing the upward trajectory

The Bank continued to focus on quality of acquisition and mobilising of CASA deposits, with new client acquisitions growing 110%, y-o-y To drive Retail deposits, the Bank introduced 6% interest on Resident Savings deposits above ₹ 1 lakh and 5 5% interest on balances up to 1 lakh in November 2011, which saw the Resident Savings book grow by 50% in H2

The Bank tied up with high-performance distributors to bring in best-in-class products and services With the aim of consolidating its position as a Universal Bank, the Bank forayed into Home Loans and tied-up with leading Home Loan provider HDFC Ltd to distribute their Home Loans through the Bank's branch network The Bank also launched its Loan Against Property (LAP) offering The Bank offers the Home Loan and LAP products across 35 locations in India

The Bank made a significant acquisition by purchasing Deutsche Bank's Credit Card business, and now offers a full range of premium Credit Card products This business broke even within the first year of its operation The Bank also got into the merchant acquiring business by way of deploying Point-of-Sale (POS) payment terminals for accepting Visa and MasterCard cards

The Bank launched its Premier Relationship Banking Programs - Indus Exclusive and Indus Select for domestic and NRI customers These programs target the high net-worth customers and offer them best-in-class banking products and services

A Memorandum of Understanding was signed with the Indian Army and Indian Navy to launch its Defense Banking program 'Indus Force' to offer tailor-made banking solutions to Defence personnel

The Mobile Banking platform 'Indus Mobile' was launched, issuance of Credit Cards was enabled online through 'Indus Net' and Wealth Management services were made available Keeping in line with the theme of 'Responsive Innovation', the Bank launched three innovations Cash-on-Mobile, Direct Connect and Quick Redeem These new features are aimed at making banking easy and convenient for customers, while reiterating its commitment towards providing superior client experience

The Bank opened 100 new branches and 106 ATMs as part of the strategy of expanding the banking network to different locations in the country 125 new branches are planned to be opened during the current year in select geographies and 250 ATMs to be set up across key markets

The Bank focussed on key service propositions such as client engagement and operating process management to enhance the quality of delivery of banking products and services

Credit Cards

In April 2011, the Bank entered into an agreement to buy out the Credit Cards business of Deutsche Bank The agreement was entered into after 6 months of negotiations and performance of due diligence on the Deutsche Bank (DB) Cards portfolio

Post the performance of due diligence, the formal Purchase Agreement was signed with Deutsche Bank and the business was formally transferred to IndusInd Bank effective June 1, 2011

The purchase of the business entailed a complete "lift and drop" of all facets of the Deutsche Bank Credit Cards business including people, systems, processes, products, contracts, operating processes, risk management policies, systems and controls, and entailed complete integration of these elements into the IndusInd Bank framework

The Bank achieved complete and smooth transfer of the business over the 45-day period and, effective June 1, 2011, the transfer was completed and housed within IndusInd Bank Prior to the transfer, all existing customers of the Deutsche Bank Cards business were communicated the details of the business transfer and were assured of continued service delivery and the enhanced focus on excellence

The launch of IndusInd Bank's Credit Cards business through this acquisition has fast-tracked the Cards' business growth plans

Through the acquisition of the existing DB business, the key benefits which have accrued are

- Acquisition of an evolved and stable systems platform,
- Established processes ranging from sales delivery and customer fulfillment to service delivery and collections, integrating strong risk-decisioning and loan originating engines,
- Trained manpower with best-in-class skill sets,
- Strong product range with deep relationships with Credit Card program partners, and
- Historical and legacy knowledge of Credit and Risk

The business has shown robust growth momentum in the 10 months and turned the loss-making portfolio into a profit center The re-carding exercise has been successfully completed and all the existing customers now hold 'IndusInd Bank' plastic

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, speciality construction equipment like tippers, cranes, excavators and loaders are also financed

The thrust product during the year was small commercial vehicles, which is three-wheeler and entry level four-wheelers and used vehicles, as this product line yields high returns

Aggregate disbursement made during the year 2011-12 was ₹ 12,599 crores, a growth of 41% New loan accounts numbering 7 10 lakh were added during the year The focus during the year was on optimising the product mix to maximise yields, while maintaining portfolio quality

This Division also earned significant fee-based income, primarily through distribution of various third-party insurance products through Cholamandam MS General Insurance, strategic partner of the Bank for bancassurance in 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 monitor movement within the Centre

Corporate and Commercial Banking Group

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

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 and Investment Banking Group

The Corporate and Investment Banking (C&I) group covers large corporate clients and also houses the Investment Banking Team of the Bank The Bank is a Category I Merchant Banker

- Corporate Banking

  C&I Banking provides Universal Banking Solutions to large Indian and multinational corporates Over the last 3 years, this unit has become a banker to almost all the well known industrial houses of the country and actively participates in their short term and longer term financing requirements

  The unit has added 70 new-to-Bank clients and won several consortium and multiple banking entries

  - This year the C&I unit touched a new high of ₹ 10,000 crores mark in assets levels and collected fees in excess of ₹ 1 billion
  - Growth was strong both in fund-based credit facilities as well as Letters of Credit and Guarantee businesses
  - The year saw deeper cross-sell and greater product penetration, delivered through innovative structures in Trade and Foreign Exchange Trade revenues grew by 35% over previous year and Foreign Exchange revenues more than doubled this year in this segment
  - The Bank consolidated on the strong reputation as a provider of solutions for complex funding requirements, solutions which are unique to client needs

- Investment Banking (IB)

  - Despite a dull year for capital markets, the IB Fee grew by 50% due to a strong pipeline of deals that were executed with discipline
  - The Bank has been able to secure relationship-led IB mandates with support of a strong execution team of 25 IB professionals
  - Investment Banking at the Bank has 3 main businesses Debt Capital Markets (DCM), Advisory (M&A and Private Equity) and Structured & Project Finance

    This positions the Bank as a partner in the entire life cycle of growth-oriented corporates, providing both debt and equity solutions

Debt Capital Markets

Structured & Project Finance

Advisory

  - The DCM Desk syndicates project and capital expenditure loans for corporates across banks and financial institutions The business grew well as the Bank was successfully able to leverage relationships and get several prestigious loan syndication mandates
  - Structured / Project Finance deals were successfully executed in sectors like Healthcare, Infrastructure and Renewable Energy
  - The Advisory Team was set up during the year to provide M&A and Private Equity advisory services Due to strong relationships, the Bank has already been able to secure profitable mandates in this space
  - The year also saw the Bank invest in issues of Commercial Paper and Bonds, which were sold down to capitalise on the opportunity of making capital gains

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 1,250 clients

The broad business theme of the Group is centered on 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 clients' wallet, and
- Offering Structured Transactional and Investment Banking services to clients for their specific needs

Highlights of the year

- The Group's Loan Book crossed ₹ 5,000 crores This Group added 270 new clients during the year and deepened relationships with existing clients,
- The Group has been focused on building a sustainable working capital client portfolio and the year saw further strengthening of this position,
- Special emphasis was laid on concluding structured Foreign Exchange (FX) as well as Trade Finance deals, thus showcasing the Bank's capability to offer innovative customised solutions

Business Banking Group

The Business Banking Group (BBG) offers the complete suite of corporate banking products to small businesses, focusing primarily on providing working capital finance products such as Cash Credit, Export Finance, Working Capital Demand Loans, Term Loans and Non-Fund based services such as Bank Guarantee and Letter of Credit The BBG actively participates in distribution of Bank's new product initiatives in Supply Chain Finance and Commodity Financing

Highlights of the year

- Channel Finance, Working Capital Facilities and Term Loan witnessed substantial growth of 80%, 41% and 42% respectively,
- Deposits from BBG clients grew by 73%,
- Forex Income grew by 93% and Trade Income by 58% during the year

Financial Institutions and Public Sector Undertaking Group (FIPS)

Public Sector Undertakings (PSUs) have laid a strong foundation for the industrial development of the country To cater to their needs and have a greater focus on their requirements, the Bank has established a separate vertical called FIPS This Group manages relationships with more than 150 Public Sector Units across the country

Highlights on performance of this group are.

- Revenues were up by 104%
- Fee income up by 90%
- Domestic liability resources up by 36%
- Offshore resources up by 110%

The unit has gained the reputation of providing consistent and error-free delivery of complex transactional products to its client group As a consequence, the Bank was awarded prestigious Payment and Collection mandates by top-rated PSUs

The FIPS Team also spearheads relationships with various banks and financial institutions through the "Correspondent Banking Department" The Division is responsible for developing and maintaining business relationships with Banks, Financial Institutions, Authorized Dealers, Exchange Houses, Export Credit Agencies, Development Financial Institutions and Multilateral Institutions across the globe facilitating engagement with relationship banks for International Trade Finance, working capital for corporate clients, Treasury Business, CMS, Authorised Dealers' arrangements, Nostro / Vostro account relationships, etc

The Correspondent Banking Department currently manages more than 350 relationships across the globe and has been instrumental in offshore positioning

Global Markets Group

Global Markets Group (GMG) is an important business partner in the growth plans of the Bank, specialising in three broad functional units, viz , Money Markets and Balance Sheet Management, Trading in Rates and Foreign Exchange, Bullion, Institutional and Corporate Sales and Structured Solutions

The Money Markets and Balance Sheet Management unit manages the regulatory requirements relating to Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR), resource mobilisation and liquidity management, Asset Liability Management (ALM) and Funds Transfer Pricing (FTP) in order to manage and mitigate market and liquidity risk in the Balance Sheet

As a strategy to support this core function, the unit undertakes trading in government securities, corporate bonds and short term money market instruments like Certificates of Deposit and Commercial Paper, overnight index swaps and investment in mutual funds / equity This strategy ensures better deployment of funds in Bank's cash management operations, thereby ensuring a better usage of funds and augmented Net Interest revenue The unit also assists client activities by offering Constituent Subsidiary General Ledger (CSGL) facility to deal in Government securities

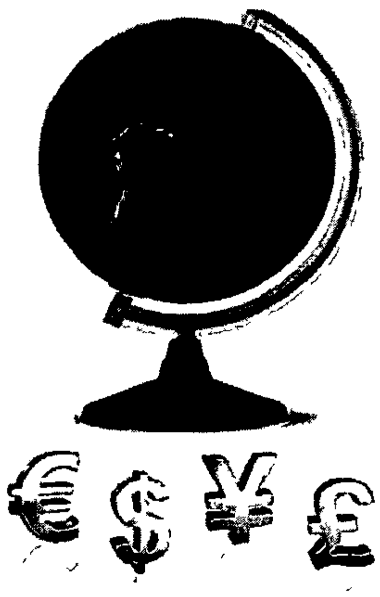
The year witnessed continuation of the hardening interest rate cycle, driven by frequent tightening in rates This coupled with persistent deficit in system liquidity targeted to improve the monetary policy transmission mechanism resulted in high volatility in domestic interest rates As a result, there was a gradual steepening of interest rates across the term structure with the shorter end leading the move followed by mid- and the longer end

The liquidity and resource mobilisation strategy proactively addressed the changing domestic 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, the Trading Desk generated trading profit through dynamic entry / exit strategies as well as improved the yield of core SLR portfolio by riding the rising yield curve

The Trading Desk in Rates and Foreign Exchange aims to maximise the Bank's revenue by taking proprietary positions in the Rupee market as well as G-7 currencies juxtaposed to its strategic entry / exit into the currency and interest rate markets

The Bank received the approval of Reserve Bank of India to run an Options Book, which will enable the Bank to warehouse and manage some of the client risk on its books This product line will become active once the approved limits, which were reduced in December 2011 in the wake of sharp volatility in the USD / INR rates, are rolled back This Desk also provides competitive rates to the client-facing team in order to enhance client value besides using trading techniques in increasing the trading revenues in the inter-bank market

The Bullion and Exchange House Unit handled clients' bullion business on consignment basis and Vostro facilities for the Exchange Houses The Unit also supports the retail Gold Coin scheme of the Bank by providing exchange cover on the consignments



Institutional and Corporate Sales is a client-facing unit, which looks after merchant flows and provides tailor-made solutions to clients looking to hedge their FX and interest rate exposures This Unit generates 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 Sheet The Corporate Sales Desk handled large client volumes and demonstrated its ability to put through large ticket client transactions Regulatory restrictions announced in December 2011 had reduced clients' ability to cancel and re-book their underlying FX exposures

The Structured Solutions Desk consists of a specialised team which provides risk management solutions and advisory using various derivative products to the Bank's corporate clients In FY 2012, growth of over 100% in revenue was witnessed and a few prestigious deals completed, besides winning some of the most competitive PSU bid transactions The Bank has well laid-out operational policy guidelines, risk management policies (including 'Client Suitability Policy') and appropriate systems support to monitor transactions and risk on real-time basis For long-term contracts / solutions, all client deals are covered back-to-back with counter-party banks so as to mitigate market risk A strong infrastructure with respect to both technology and people has been put in place to ensure strong and sustainable growth in GMG revenues in the coming years

The Bank launched the Exchange-Traded Currency Futures Product during the financial year for Retail and Corporate clients, and would expand client offerings in future

Transaction Banking Group

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

The Bank's Global Remittances business saw a 70% jump in value during the year, crossing US$ 4 billion Remittances business is now well diversified, containing 9 product lines, with remittances from 10 countries and over 55 partners Growth during the year was led largely through adding of new partners for both Inward and Outward Remittances

For the third year in succession, the Bank won the mandate awarded by the Haj Committee of India for distribution of Saudi Riyals across 21 locations pan-India Indus Fast Remit, the Online Remittances Platform for inward remittances from NRIs, has now been expanded to 3 countries and saw significant revenue growth during the year

Under the Cash Management Services (CMS), the Bank offers products to its corporate customers facilitating their collections and payments, thus helping the Bank grow its Current Account base This year saw the CMS throughput cross ₹ 36,500 crores, an increase of about 50%, contributed by nearly 29 lakh transactions The Bank has received licences for setting up two Currency Chests The first Currency Chest will be opened in Mumbai in June 2012, followed by the second in Delhi

The Bank has a state-of-the-art corporate online platform "Indus Online", which enables the 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 number of corporate customers using the electronic banking platform rose by 85% The number of transactions through the internet banking platform grew 71%, crossing 5 lakh in number The Bank also acted as a Banker to several IPOs, FPOs and Bond Collections, and handled several Dividend Mandates during the year During the year, the Bank launched a portal, exclusively for constituents of the Tea Trade settlements

Under the Trade and Supply Chain services, the Bank offers its clients end-to-end trade solutions across their value chain Apart from LCs, Guarantees and Export / Domestic Trade Finance, the Bank helps clients enhance cash flows through unlocking of funds in the working capital cycle

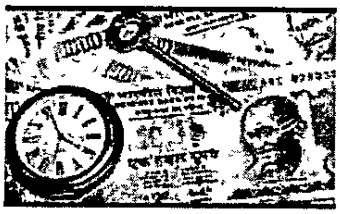
Trade revenues during the year grew by over 32% The Bank provides Commodity Finance against various agricultural commodities The Bank also set up an exclusive group to cater to the specific export finance requirements of the Gems & Jewellery sector and added several new clients to this portfolio

The Supply Chain Finance solutions are a highly effective tool for manufacturing sector clients in negotiating preferential purchase terms and strengthening channel relationships For suppliers, the Bank's solutions provide assured and cost-effective financing of trade receivables, help improve Days' Sales Outstanding and provide Balance Sheet advantages by conversion of accounts receivable to cash Under Channel Finance, the Bank presently provides Short Term Finance to 484 dealers of large manufacturing companies

Indus Direct

in-house developed comprehensive corporate banking portal

- Customised Corporate Payment Solutions
- High degree of transaction security
- Robust & Scalable platform
- 100% Straight Through Processing



Cash Management
Trade Services
Supply Chain Financing
Commodity Financing
Global Remittances
Electronic Banking
Capital & Commodity Markets
The Gems & Jewellery

The Capital and Commodity Market Division focuses on serving Capital, Commodity and other Exchanges, besides associates of exchanges and members The Bank has the unique distinction of being a Clearing-cum-Settlement Banker to NSE and BSE for the Capital and Futures Market segments and for all the commodity futures exchanges

The Bank is also a Clearing Bank to Commodity Spot Exchanges like National Spot Exchange and the NCDEX Spot Exchange The Bank shall be launching lending products in participation with Spot Exchanges

The Bank is also associated as Clearing Bank in Currency Derivatives Segments of NSE and MCX SX, besides being Trading-cum-Clearing Member in the Currency Derivatives Segments of NSE and MCX SX The Bank has been a Depository Participant for NSDL and CDSL and is an empanelled DP, offering services to both the securities and the commodities segments

Priority Sector Lending

The Bank has surpassed the RBI-prescribed aggregate target for Priority Sector Advances Priority Sector Advances aggregated ₹ 12587 36 crores at the end of March 2012, representing 48 11% of the Bank's Net Bank Credit (NBC) of the previous year, as compared with 45 89% at the end of March 2011

During the year, the Bank financed over 4 79 lakh agriculturists and the aggregate Direct Agricultural Advances stood at ₹ 3,319 51 crores, representing 12 69% of the Bank's NBC at the end of March 2012 compared with 11 85% at the end of March 2011 However, the overall Agricultural Advances (i e , Direct Agriculture and Indirect Agriculture) stood at ₹ 4,154 91 crores representing 15 88% of the Bank's NBC at the end of March 2012 compared with 16 46% at the end of March 2011 due to a marginal drop in indirect agriculture advances

During the year, the Bank's finance to 'Weaker Sections' stood at ₹ 2,354 97 crores representing 9 00% of the Bank's NBC at the end of March 2012 Other Priority Sector advances such as finance to Small Enterprises represented 32 23% of the Bank's NBC at the end of March 2012

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 measured, monitored 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 shareholder value

The ERM framework provides single-window view of the risks faced by the Bank and facilitates effective management of associated risks in an integrated manner The Bank has an integrated Risk Management Department, independent of business functions, covering Credit Risk, Market Risk, Operations 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

Basel II - Reinforcement of Risk Management

The Bank has adopted the New Capital Adequacy framework under Basel II w e f March 31, 2009, which has enabled allocating of capital based on risk sensitivity of 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 instituted 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 Operations Risk

As part of the framework, Bank has implemented Policy on Internal Capital Adequacy Assessment Process (ICAAP) which facilitates identification and measurement of material risks other than the risks covered under Pillar I During the year, the Bank further strengthened quantification and management of the material risks under Pillar II of Basel II The Bank has undertaken substantive initiatives to equip itself for migration to more advanced approaches of risk assessment under Basel II

Credit Risk Management

Credit Risk is managed both at transactions level as well as portfolio level The key objective of Credit Risk management is to achieve appropriate reward in relation to risks assumed, while maintaining credit quality within the defined risk appetite

Various measures adopted by the Bank for managing Credit Risk are mentioned 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 portfolios, concentration risk, yield monitoring and business growth,
- Stress Testing of credit portfolios to measure shock absorbing capacity and the impact of potential credit losses on profitability and capital adequacy, thus enabling initiation of appropriate risk mitigation measures,
- Measurement and monitoring of credit quality regularly by means of Weighted Average Credit Rating (WACR) of the credit portfolio,

- Measurement of credit quality of Consumer Finance portfolios by means of Behavioral Score Card,
- Computation of Risk Index to measure the overall credit risk profile of the Bank,
- Prudential internal limits have been prescribed for assuming exposures on counterparties, industries, sectors, etc ,
- Management of exposures to counterparty banks and countries, by setting exposure limits on the basis of risk profiles

Market Risk Management

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

The Bank manages Market Risk in trading portfolios through 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

- Designing and updating a comprehensive policies framework for Funds and Investments, Foreign Exchange Dealing, Derivatives and Equities,
- Implementation of methodologies for measurement and monitoring the market risks associated with respective portfolios,
- Monitoring market risk exposures in line with risk limits set

Asset-Liability Management (ALM)

The Bank's Asset-Liability Management system supports effective management of liquidity risk and interest rate risk, covering all 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
- Interest Rate Risk on the 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

Detailed analysis of liquidity position, interest rate risks, product mix, business growth versus budgets, interest rate outlook, etc was undertaken by the Asset - Liability Committee (ALCO)

The ALCO provides directional guidance to Business Units towards effective managing of liquidity position, while achieving the Business targets The Bank evaluates its structural liquidity position on a daily basis for managing liquidity in a cost-effective manner

Stress Testing - Liquidity Risk

The Bank performs stress tests on liquidity position regularly to simulate as to how the stressed events may impact its funding and liquidity position Stress tests help the Bank to be better equipped to meet stressed situations and to have contingency plans in place

Contingency Planning

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

Interest Rate Risk on Banking Book (IRRBB)

Interest Rate Risk on Banking Book largely arises in four principal forms, viz , (i) Re-pricing Risk, (ii) Optionality, (iii) Basis Risk, and (iv) Yield Curve Risk

From an economic perspective, it is the Bank's policy to minimise sensitivity to changes in interest rates on assets and liabilities Interest Rate risk is calculated on the basis of the re-pricing behaviour of each asset, liability and off-Balance Sheet products The Bank's Assets and Liabilities Management Policy has laid down limits, as per its risk appetite, on the impact on NII and Economic Value of Equity (EVE) for a given change in interest rate

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

Operational Risk Management

Operational Risk is the risk of incurring loss due to failure of systems, technology, processes, employees, projects, disasters, external factors, frauds etc , including legal and regulatory risk Operational Risk occurs on account of human error, failed processes, inadequate systems, fraud, 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 its business

The Bank's Risk Management Department provides necessary direction and undertakes initiatives for implementation of the Operational Risk Management (ORM) Framework The ORM Framework comprises Policy Guidelines, Risk and Control Self Assessment (RCSA), Loss Data Analysis, Key Risk Indicators (KRIs), Risk Profiling of branches, implementation of Basel II Guidelines, etc

The RCSA of all major operations functions have been carried out and necessary risk mitigation plans have been designed and Loss Data Analysis (basis internal as well as external loss data) is carried out periodically

New products / processes are assessed for associated risks before their launch These products / processes are approved by the Operational Risk Management Committee (ORMC), which identifies the risks inherent in the products / processes and prescribes necessary controls to mitigate such risks

The Bank's audit mechanism involves periodical on-site audit, concurrent audits, on the spot and off-site surveillance enabled by Bank's advanced technology and the 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

Systems Risk

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

- 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,
- Established an effective Disaster Recovery site at a distant location, with on-line, real-time replication of data, both in Mumbai and Chennai,
- A comprehensive IT Security Policy and the necessary framework have been put in place to ensure complete data security, confidentiality and integrity, and
- Housed its Data Centre in a professionally managed environment, with sophisticated and fool-proof security features and assured supply of utilities

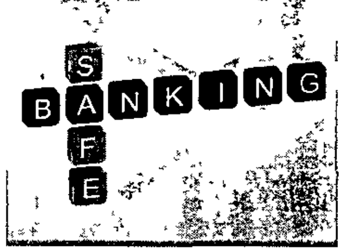
Financial Restructuring and Reconstruction Group

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 utilized the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 for recovering its dues, wherever considered appropriate The Bank is now 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 ₹ 9 45 crores in written-off accounts (Previous Year ₹ 20 95 crores)

The Bank's Provision Coverage Ratio rose to 72 72% (Previous Year 72 61%) This has also resulted in a reduction in the level of Net NPAs, which now stand at 0 27% (Previous Year 0 28%) of Net Total Advances, while the ratio of Gross NPA as percentage of Total Advances amounts to 0 98% (Previous Year 1 01%)

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" compliances, which will help persons from lower income groups 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 Accounts Opening process, automated 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 in line with 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, cutting out the time it took for physical forms to arrive through courier This has helped in freeing up manpower at the branches to attend to customer service as well as providing online status of processing of customer requests / new applications The Bank has also 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 the Bank's website in thirteen languages

As a member of BCSBI, the Bank has adopted the Code of Commitment to Micro and Small Enterprises (MSE Code) 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

Centralised Clearing has been implemented in Ahmedabad, Bangalore, Chandigarh, Chennai, Coimbatore, Delhi, Hyderabad, Jaipur, Kochi, Kolkata, Ludhiana, Mumbai, Pune, Salem, Surat, Thiruvananthapuram and Vadodara for quicker and efficient processing 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 During the year, the Bank has successfully implemented CTS operations in Chennai, Bangalore and Coimbatore through National Payment Corporation of India (NPCI)

The Bank has implemented various system upgrades which include the Teller Module, Expenses Management Software 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 functional,
- 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 consistency of 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 products of the Bank, the terms and conditions governing the operations of the accounts and the rights of depositors, the Fair Practice Code is a voluntary code establishing standards to be followed by all branches in their dealings with the customers

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", the main objective of which 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 The policy serves to enhance transparency and fairness in dealings with customers

Corporate and Global Markets Operations (CGMO)

During the year, the erstwhile Specialised Banking Operations Unit (SPOPS) was re-christened as 'Corporate and Global Markets Operations' (CGMO) to bring more focus on servicing Corporate Client segments, supporting all products under Trade, Remittances, Supply Chain Finance, Global Markets, Cash Management Services, Payments, Depository and Capital Markets

Business initiatives like Currency Derivatives for clients and Online Forex and Remittance solutions were launched with active support of CGMO for processing and servicing, apart from efficient handling of significant incremental volumes of IPO / Bond collections and Dividend mandates Further consolidation of processing activities was continued to derive efficiencies of scale, and processes were reviewed for speedier delivery Increased transaction throughputs in all functions and higher volumes in various other products including Global Markets and Transaction Banking were supported by CGMO.

In addition to supporting volume growth, risk management controls were further strengthened and embedded, as were training efforts on products and processes There was increased emphasis on Bank- and Country-wise exposure management More controls were incorporated in the AML monitoring process of all cross border transactions, with enhanced screening and validation

Internal Control Systems and their Adequacy

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 AML software has been implemented effectively towards enhancing management of operations risk A systems solution has been implemented to operationalise Re-KYC guidelines and follow up on outstanding discrepancies

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, which examines and provides relevant feedback to the Customer Service Committee of the Board for necessary policy / procedural action

In May 2009, the Bank implemented "Talisma", the '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 Centres in Mumbai and Chennai

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 Bank's website for a "Complaint Form", which gives opportunity to all 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 the Bank's Contact Center on toll-free number or send an e-mail to customercare@indusind com, to lodge their grievances

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 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 synchronised 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

To complement the 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 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 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

Compliance Function

The Board and Management of the Bank are committed to high standards in maintaining a corporate culture of observing what is legally binding, and of embracing 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 monitors compliance aspects at various stages, vets the Bank's policies, new products and processes or any modifications in these, and 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

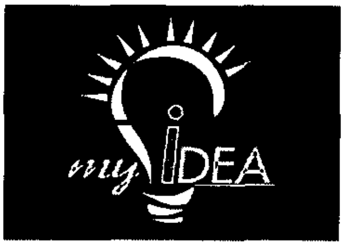
To promote and strengthen compliance-culture among the workforce, the Compliance Function regularly conducts seminars for the branch staff at all levels, viz , from the frontline marketing / operations executives to the Branch Managers, circulates short notes on important topics and analysis of cases including the learnings, and publishes monthly newsletters containing, inter alia, the regulatory highlights and a quarterly bulletin containing compliance-related matters

Human Resources

The Bank is on a high growth path and has not only met but exceeded all business performance expectations, making it the "Best Mid-sized Bank" in the country HR has been an enabler in the Bank's business by partnering the Business Units in talent acquisition, retention and development Employee growth and development remains the focal point and the Bank offers a fulfilling career, work-life balance and market-linked compensation to its employees

Over the past four years, the Bank has steadily moved towards its objective of becoming a "Preferred Employer", which is demonstrated by

- Best professionals from reputed peer banks (Indian and foreign) are willing to make the Bank a long-term career destination,
- High offer acceptance ratio, positive word-of-mouth by current incumbents and more hires through employee referrals speak of the Bank as an employer,
- Lower attrition than the market levels strengthens the belief that employees want to make a career within the Bank and anchor the growth story



Key highlights:

- Hiring quality manpower ("High performers with right skills") pan-India for existing and new business initiatives In line with the business objectives, the manpower strength rose from 7,008 employees in FY 11 to 9,370 employees in FY 12
- Enhancing employee productivity by increasing knowledge / skill levels of employees through quality learning interventions During the year, the Bank conducted 274,000 learning man-hours for over 29,000 participants through well designed classroom and e-learning initiatives Several learning programs in areas of Managerial Effectiveness, Leadership Development, Sales Processes, Banking Products and Operational Processes were conducted in FY12
- e-learning delivered standardised and cost-efficient learning solutions to over 15,000 participants through several online course modules and assessment tests

- An Online Performance Management System based on "SMARTs" is running successfully across the Bank to review and reward employee performance The objective of the Bank's Performance Management processes (Goal-setting, Mid-year review, Annual performance reviews) is to engage with employees, mentor, counsel, link rewards to performance and identify leaders to spearhead the Bank's business growth Annual performance appraisal for FY 2010-11 was conducted in consonance with the Bank's objective of rewarding performance against tangible goal achievements Mid-Year Performance Review for FY12 was completed successfully across the Bank and developmental feedback / performance counselling was provided to the employees for achievement of their annual "SMARTs"
- The Bank's Compensation Policy is driven by a 'Pay-for-Performance' philosophy. Compensation for all job categories is continuously benchmarked with market levels and is structured to pay for performance and role criticality to facilitate attraction and retention of critical resources Under the Bank's ESOP scheme, ESOPs were granted to include more "Must Retain employees" in the grade levels Middle Management and above, as a reward and retention mechanism
- "Employee engagement initiatives" were intensified to connect to employees and promote engagement and creativity at work Employee road shows, Branch visits by HR and line managers, one-on-one and group meetings, business off- sites, sports, festivals, in-house auctions were conducted to create employee bonding and connect An "I Solve" campaign is being pursued to foster a culture of internal responsiveness "My idea", an ideation platform is drawing great employee interest and is generating innovative ideas for business process improvement and enhancing customer delight The Bank is conscious of its social objectives and aids the NGO "Support" through its payroll program
- Technology is the driver of HR processes and has resulted in scalability, cost- efficiency and user delight There was seamless execution and better turnaround times levels (TATs) on HR processes relating to Payroll, On-boarding, Confirmations, Exits, F&F, Gratuity, Loans, Mediclaim, Background Verifications, etc

- The Bank is also passionate about providing a congenial work atmosphere to its employees by enforcing discipline and compliance through values of professionalism and integrity Any staff accountability case pertaining to breach of employee integrity and non-conformance to the Bank's Code of Conduct results in a punitive action against the errant employee

The strategic agenda for future remains to partner the Business Units in meeting the Bank's business objectives, enhance the Bank's human capital and in the process create a world class workplace for actualisation of employee potential

Employees Stock Option Scheme

The Bank had instituted an Employees Stock Option Scheme to enable its employees, including Whole-time Directors, to participate in the future growth of the Bank

The Scheme functions in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 The eligibility of an employee and number of Options to be granted are approved by the Compensation Committee of the Board of Directors

An aggregate of 2,72,45,700 Options, comprising 5 82% of the Bank's equity capital, have been granted Statutory disclosures as required by the revised SEBI Guidelines on ESOS are given in the Annexure to the Directors' Report

Other Initiatives Underway

Quality

Quality is a prime differentiator in a service industry, and the Bank has had the 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 for the triennial 2008-11 had been to emerge as a Top Performer among new generation private sector banks in 3 years, measured by Profitability, Productivity and Efficiency This was to be achieved by doubling the branch network, client base and Balance Sheet size

The catch slogan for the triennial 2011-14 had been changed to 3-2-1, i e , to be number 1 in RoA, RoE and NIM, raise 2-fold the Profits, Clients and Branches, the period taken to achieve the same being 3 years The main target of the Bank is to grow faster than the market, with the underlying target of market share rising across all business segments

The Bank had tied up with the Confederation of Indian Industry's (CII) Institute of Quality, Bangalore to kick off the Quality 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 and colleagues, communication with the external environment, etc

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

During the year, the Bank created a distinct Investor Relations Department to enhance shareholder engagement A Top-level functionary was appointed to the function to communicate the Bank's Performance and Strategy Several initiatives were implemented to enhance disclosure and transparency This included enhancements to the Investor Relations tab of the website and best in class disclosure within the quarterly Investor Presentation Pack An Investor Perception Study to gain a 360-degree view of the Bank from the investment community was also conducted during the year

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, 2012, in electronic form, to the e-mail address provided by shareholders / made available to us by the Depositories

The full text of these reports is also made available in an easily navigable format on the website www indusind com

Information Technology

Ever-increasing adoption of technology is bringing about transformational changes in the Indian Banking sector The focus has been to acquire new customers, while satisfying and retaining the existing ones This year saw increased impetus in Microfinance and the banking sector has realised large untapped potential of rural Indian market which can be reached through technology

The Bank launched multiple products this year which has resulted in better customer satisfaction and helped increase the customer base To help achieve the objective of 3-2-1, a wide-ranging Technology Plan has enabled implementation of cost-effective solutions for innovative products and services

Extensive customer research, focus on differentiation, quality customer service and best-of-the-breed technology support has helped the Bank to launch innovative services with huge success Some of the unique offerings launched in the year 2011-12 were

- Cash-On-Mobile This facility enables customers to transfer money to anybody (including self) irrespective of whether the beneficiary has an IndusInd Bank account or not, from the mobile application to the beneficiary's mobile number The beneficiary can withdraw the funds from IndusInd Bank ATMs without using his debit or ATM card
- Direct Connect A Phone Banking service which allows IndusInd Bank 'Exclusive' customers to speak to the Phone Banking Executive directly without going through the IVR The customers do not have to wait and go through different menu options to talk to the Phone Banking Executive as they are provided with direct access to talk to their designated Executive This leads to ease of access and personalised services
- Quick Redeem Service IndusInd Bank Platinum Credit Card customers can now redeem their Reward Points on every transaction instantly by sending an SMS

Mobile Banking Solution - A comprehensive Mobile banking platform with functionalities like Balance Enquiry, Mini-Statement, Utility payments, Card-less cash withdrawals, Funds Transfer (within and with other banks), including Inter-bank Mobile Payment Service (IMPS) was launched

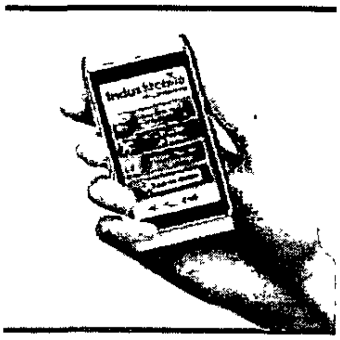
A new Net Banking solution 'Indus Net', Bank's e-Banking portal, was upgraded using Finacle e-Banking solution from Infosys A number of new features were added as part of this upgrade

- View and print images of issued cheques through Check-on-Cheque facility,
- Upgrade the Account and Card by 'Manage my Account' feature,
- Centralised limit management with flexible limit setting for all financial transactions,
- SMS and e-mail alerts subscription for financial and non-financial transactions,
- One-Time Password for second factor authentication of financial transactions,
- WMS, Depository, CRM and Credit Card Portal Integration

Currently, approximately 2% of the financial transactions are getting routed through e-Banking channel There has been two-fold increase in e-Banking Registered User base after implementation of upgraded portal

IVR and Contact Centre platforms were revamped using Aspect Unified IP solution to provide personalised services to HNI clients as well as providing complete redundancy of Contact Centre capability over two cities

This year, the Bank also put to use state-of-the-art Hand-Held Terminals (HHT) using GPRS for instant data transfer from and to Bank's central server for loan collections This has resulted in enhanced process controls, data security, integration with process flow and robust fraud prevention



The Bank implemented ARIS Business Process Management (BPM) Platform to get an integrated and comprehensive solution portfolio for the strategy, design, implementation and control of Bank's business processes The key objective was to build logical references between the business process, underlying IT applications and the IT infrastructure supporting these applications

The Bank has implemented Oracle's best-of-the-breed Wealth Management solution to cater to high value customers This provides one view of all investments, such as insurance, mutual fund investments and structured products

With the increasing adoption of virtualisation, wherever feasible, the Bank stopped buying 'directly attached' storage Storage Area Network (SAN) and Network Attached Storage (NAS) are being increasingly deployed for the storage needs The Bank also initiated 'Unified Communication' so that employees can chat using Instant Messenger (IM), have audio call / conference, and share presentations on desktops thus reducing unwarranted travel costs

As one of the signatories for the global initiative of Carbon Disclosure Project, the Bank has taken many technology initiatives on 'Green Banking' Some of them are adoption of Document Management System, solar-powered ATMs, virtualisation and consolidation of servers, thin client, e-learning, e-procurement, paperless fax system, etc

Whenever investment is made into new technology, due care is taken to protect the complex IT environments from sophisticated attacks and new approaches have been applied for infrastructure protection As part of IT Security governance, Bank has enhanced security framework and implemented mobile and grid-based One Time Password (OTP) for transaction authorisation Various security controls have been implemented like Real-time Virus / Malware Protection, Real-time Website Reputation Analysis, User-based Web Content Filtering, Windows ATM Hardening & Secure Configuration As a result of these robust information security practices, bank has been recognised with Top 100 CISO Award in 2011

Implementation of multiple game-changers in the IT architecture was started during the year The core banking replacement project is expected to get over by third quarter Implementation of iCreate, the Business Intelligence Solution, Enterprise Service Bus (ESB) and the microfinance platform was started and a lot of effort has gone into identifying most suitable treasury solution and ATM switch

IT has been able to successfully deliver cost-effective technology solutions to support business growth through regular system upgrades and replacements Technology has enabled bank in reducing TAT, streamlining request and complaints management, enhancing efficiency and reducing costs, reducing time to market products and providing ease of banking for varied segments

Information Security Review

- RBI Guidelines on Information Security, Technology Risk Management, Cyber Fraud and Electronic Banking, Circular No RBI/2010-11/494 DBS CO ITC BC No 6/31 02 008/2010-11 dated April 29, 2011
  - The Information Security Committee (ISC) has been constituted to oversee the Information Security function,
  - A centralised approach for driving the Information Security awareness program is recognised by the Bank as an important activity,
  - A gap analysis vis-à-vis the RBI guidelines was concluded by an external information security consultant,

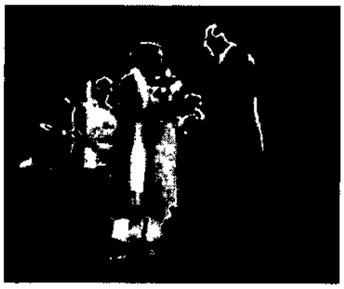
No incident of Information Security breach occurred during the year

Legal

The important legislative / regulatory changes during the year affecting the banking industry were the enactment of the Regulation of Factors (Assignment of Receivables) Bill, 2011 and the setting up of the Central Registry under the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002

The Bank is not involved in any legal proceedings, and is not aware of any threatened legal proceedings, which if determined adversely, could result in a material adverse effect on Bank's business The number of proceedings in which the Bank is involved in is not unusual for a bank of its size in the context of doing banking business

Corporate Communications



During the year 2011-12, the Bank took a number of initiatives to increase its visibility by developing clutter-free communication in an interesting and innovative marketing approach In an attempt to differentiate and establish itself as a leading banking institution, the Bank launched various multi-media advertising campaigns which has not only enhanced its brand equity on various parameters like visibility quotient, image, recall and overall communication but has also established it as a young, progressive and agile brand

The Bank unveiled its new advertising campaign, a series of three ads to communicate a set of innovative services, 'Cash-On-Mobile', 'Direct Connect' and 'Quick Redeem Service' The ads were directed by Imtiaz Ali, the well-known director and featured popular Bollywood actors like Neetu Kapoor and Jimmy Shergill

With the recent advertising campaign, the Bank has firmly positioned itself on the theme of "Responsive Innovation", which means the Bank is responsive to customer needs Last year, the Bank had launched three innovative services, namely 'Choice Money ATM', 'Check-on-Cheque' and '365 Days Banking' The Choice Money ATM service in particular received widespread recognition

The year witnessed a series of activities in the Bank, right from the launch of new products and services, supported by aggressive advertising through 360-degree communication strategy, backed up by interesting and power-packed client engagement and activation programs The Bank's consistent approach has helped drive saliency to the Brand and build affinity

On the external communication front, following initiatives were taken up

- Extensive dissemination of key value propositions through media, sponsorships / events with reputed Associations / Trusts gave higher visibility and reinforced the brand image,
- Regular client engagement activities, Debit and Credit Card promotions, regional level promotions, branch launches, an extensive round of advertising on change in the Savings Bank interest rate, and tactical promotions of festive / seasonal offers,
- Sustained and consistent PR approach has given a lot of media coverage to Bank's initiatives both in print, and electronics which has aided in building a good image of the Bank for its stakeholders This has created a positive feeling for the Bank in industry circles The Bank has also held periodic conference calls, one-on-one meetings, roadshows and Analysts' Meets with the investor fraternity, which had a good impact on the Bank's image,
- Increase in the number of ATMs at strategic / high traffic zones has given the Bank good visibility,
- In the international market, the Bank had a series of short bursts of its TV commercial for its Indus Fast Remit product in the US market, targeting the 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 Virassat, Sahachari and many other events at various branch locations

Branch Network

During the year 2011-12, the Bank opened 100 new branches and106 ATMs As at the financial year ended 2011-12, the Bank had a total of 400 branches spread across 270 geographical locations and 692 ATMs inclusive of 345 off-site ATMs The Bank has a presence in 28 States and Union Territories

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

Infrastructure

During the year 2011-12, apart from expanding its Branch network, the Bank also refurbished / remodelled 6 branches, took up 12 new administrative offices and relocated 4 branches for increasing business prospects The Bank has also set up a National Operations Back Office Centre for core processing activities, expanded its Treasury Dealing Room and is in the final stages of setting up the first Currency Chest These are expected to significantly enhance in-house capabilities and provide support for increased business profitability

CORPORATE GOVERNANCE

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

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 March 31, 2012 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 above mentioned 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 24, 2012

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 Management[1] 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, 2012 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 the Board of Directors This comprises members of Management who are of the level of functional heads

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"

VISION

"IndusInd Bank will be
- A relevant business and banking partner to its clients
- Customer Responsive, striving at all times to collaborate with clients in providing solutions for their banking needs
- A forerunner in the marketplace in terms of profitability, productivity and efficiency
- Engaged with all our stakeholders and will deliver sustainable and compliant returns"

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, Ashok Leyland Ltd
Dr T T Ram Mohan	Independent Non-executive	Banking & Finance	Professor - Finance & Accounting, IIM Ahmedabad
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 & Co-operation	I A S (Retd), Advocate
Mr Ashok Kini	Independent Non-executive	Banking	Managing Director (Retd), State Bank of India
Mrs Kanchan Chitale *	Independent Non-executive	Accountancy	Practising Chartered Accountant
Mr Vijay Vaid *	Independent Non-executive	SSI	Industrialist
Mr R S Sharma **	Independent Non-executive	Economics & Finance	Management Consultant
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

* Appointed Additional Director on October 18, 2011

** Appointed Additional Director on April 19, 2012

ii Meetings

During the year ended March 31, 2012, 7 meetings of the Board were held, on April 18, 2011, May 23, 2011, July 8, 2011, October 18, 2011, December 8, 2011, January 10, 2012 and March 27, 2012 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	Attended last AGM (held on July 15, 2011)	Number of other Directorships		No. of Committees of other companies in which member[3]	No. of Committees of other companies in which Chairman[3]
			Indian Public Limited Companies[1]	Other Companies[2]		
Mr R Seshasayee	7/7	Yes	14	1	4	2
Mr T Anantha Narayanan *	6/7	Yes	6	0	2	2
Dr T T Ram Mohan	6/7	Yes	2	2	2	0
Mr Premchand Godha **	2/7	No	3	5	2	0
Mr Ajay Hinduja ***	0/7	No	1	2	0	0
Mr S C Tripathi	6/7	Yes	8	0	7	0
Mr Ashok Kini	7/7	Yes	5	0	5	3
Mrs Kanchan Chitale ****	4/7	N A	1	2	1	1
Mr Vijay Vaid ****	4/7	N A	0	4	0	0
Mr R S Sharma*****	0/7	N A	1	2	0	0
Mr Romesh Sobti	6/7	Yes	0	0	0	0
Mr Y M Kale	7/7	Yes	5	1	1	1

* Ceased to hold office from March 18, 2012 on completion of the maximum permissible tenure of 8 yrs in the Board of the Bank Meeting held on December 8, 2011, attented through videoconference

** Resigned from the Board from August 18, 2011

*** All 7 meetings were attended by Mr Y M Kale, Alternate Director

**** Appointed Additional Director on October 18, 2011

***** Appointed Additional Director on April 19,2012

1 Comprises Public Limited Companies incorporated in India

2 Comprises Private Limited Companies incorporated in India and Foreign Companies, but excludes Section 25 Companies and Foreign Companies not for profit

3 Comprises only Audit Committee and Shareholders' / Investors' Grievance Committee of Public Limited Companies

III. Remuneration

Non-executive Directors' compensation The members of the Bank, at the 11th Annual General Meeting held on September 3, 2005, had 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 2011-2012 are as under

Name of Director	Salary (including perquisites & allowances)	Sitting Fee (₹)	Total (₹)
Mr R Seshasayee	-	5,20,000	5,20,000
Mr T Anantha Narayanan *	-	6,90,000	6,90,000
Dr T T Ram Mohan	-	5,10,000	5,10,000
Mr Premchand Godha **	-	1,00,000	1,00,000
Mr Ajay P Hinduja ***	-	-	-
Mr S C Tripathi	-	2,50,000	2,50,000
Mr Ashok Kini	-	2,80,000	2,80,000
Mrs Kanchan Chitale ****	-	1,20,000	1,20,000
Mr Vijay Vaid ****	-	1,00,000	1,00,000
Mr R S Sharma*****	-	-	-
Mr Y M Kale	-	2,00,000	2,00,000

* Ceased to hold office from March 18, 2012 on completion of the maximum permissible tenure of 8 yrs in the Board of the Bank

** Resigned from the Board from August 18, 2011

*** All meetings were attended by Mr Y M Kale, Alternate Director

**** Appointed Additional Director on October 18, 2011

***** Appointed Additional Director on April 19,2012

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

a 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

b 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 & CEO

Mr Romesh Sobti was appointed as 'Managing Director & CEO' of the Bank w e f February 1, 2008 for a period of 3 years He was re-appointed as 'Managing Director & CEO' w e f February 1, 2011 for a further period of 3 years

During the financial year 2011-12, the details of remuneration paid to Mr Romesh Sobti are Salary ₹ 123 48 lakh, Other Allowances ₹ 149 39 lakh, 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 reimbursement upto ₹ 1 23 lakh, Leave Fare Concession ₹ 1 23 lakh, Mediclaim for self and family members, Personal Accident Insurance, Performance-based Bonus, Membership of two clubs and two official cars with drivers

iv **Shareholding**

The Equity shares held by the Directors as on March 31, 2012 are (i) 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 Ajay Hinduja and Dr T T Ram Mohan, 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 Ajay Hinduja and Dr T T Ram Mohan, being eligible, have offered themselves for re-appointment as Directors of the Bank

Mrs Kanchan Chitale and Mr Vijay Vaid were appointed Additional Directors (Non-executive) of the Bank by the Board of Directors at its meeting held on October 18, 2011

Mr R S Sharma was appointed Additional Director (Non-executive) of the Bank by the Board of Directors at its meeting held on April 19, 2012

Mrs Kanchan Chitale, Mr Vijay Vaid and Mr R S Sharma shall hold office as Additional Directors upto the ensuing Annual General Meeting

The Bank has received valid notices from members for their appointment as Directors under Section 257 of the Companies Act, 1956

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

Director	Qualification	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 Ajay Hinduja	Degree in Economics (with specialisation in Finance)	Banking & Finance	31 10 2006	• Hinduja Group India Ltd • Hinduja Bank (Switzerland) Ltd	Nil	Nil
Dr T T Ram Mohan	B-Tech (IIT, Mumbai), PGDM (IIM, Calcutta), Ph D (Stern School, NY)	Banking & Finance	16 01 2006	• Brics Securities Ltd • Gujarat Narmada Valley Fertilizers Company Ltd • SBI Pension Fund Pvt Ltd • Paterson Securities Pvt Ltd	• **Brics Securities Ltd** Remuneration Committee and Audit Committee • **Gujarat Narmada Valley Fertilizers Co Ltd** Project Committee and Audit Committee	3,300
Mrs Kanchan Chitale	B Com, F C A	Accountancy	18 10 2011	• Gulf Oil Corporation Ltd • PT Gulf Oil Lubricants Indonesia • Harkan Management Consultancy Services Pvt Ltd	• **Gulf Oil Corporation Ltd** Audit Committee (Chairperson)	Nil
Mr Vijay Vaid	B Com	SSI	18 10 2011	• Vaid Elastomer Processors Pvt Ltd • Vaid Overseas Pvt Ltd • Nine Enterprises Pvt. Ltd • Overseas Infrastructure Alliance (India) Pvt Ltd • Vijay Elastomer Processors Pvt Ltd	Nil	Nil
Mr R S Sharma	B Com, CAIIB, FICWA	Economics & Finance	19 04 2012	• Corevalues Consulting Pvt Ltd • Avendus Capital Pvt. Ltd • Dedicated Freight Corridor Corporation of India Ltd	Nil	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 comprised three members, viz, Mr R Seshasayee (Chairman), Mr T Anantha Narayanan (ceased to be Director w e f March 18, 2012, on completion of eight years in the Board), Dr T T Ram Mohan and Mr Romesh Sobti Mr R S Sharma has since been inducted in the Committee on April 19, 2012

Meetings The Committee met 19 times during the financial year 2011-12, viz, on April 26, 2011, May 13, 2011, May 23, 2011, June 10, 2011, June 14, 2011, June 24, 2011, July 29, 2011, August 16, 2011, September 9, 2011, September 26, 2011, October 20, 2011, November 17, 2011, December 8, 2011, December 15, 2011, January 17, 2012, February 6, 2012, February 29, 2012, March 22, 2012 and March 26, 2012

The attendance details of the members# are as under

Name of Member	Number of Meetings attended
Mr R Seshasayee	14
Mr T Anantha Narayanan *	14
Dr T T Ram Mohan	15
Mr R S Sharma**	0
Mr Romesh Sobti	13

* Ceased to hold office w e f March 18 2012 on completion of 8 yrs in the Board of the Bank

** Inducted on April 19, 2012

\# Includes attendance through videoconference

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 Bank's 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 comprised three members, viz, Mr T Anantha Narayanan (Chairman) (ceased to be Director w e f March 18, 2012, on completion of the maximum permissible tenure of eight years in the Board), Mr S C Tripathi, Mr Ashok Kini, Mr Premchand Godha (resigned from the Board from August 18, 2011) and Mrs Kanchan Chitale Mr R S Sharma has since been inducted in the Committee on April 19, 2012

Meetings The Committee met 6 times during the financial year 2011-12, viz, on April 18, 2011, May 23, 2011, July 8, 2011, October 17, 2011, January 10, 2012 and March 16, 2012

The attendance details of the members are as under

Name of Member	Number of Meetings attended
Mr T Anantha Narayanan	6
Mr S C Tripathi	6
Mr Ashok Kini	6
Mr Premchand Godha *	2
Mrs Kanchan Chitale **	2
Mr R S Sharma***	0

* Resigned from the Board from August 18, 2011

** Inducted on October 18, 2011 and appointed Chairperson on April 18, 2012

*** Inducted on April 19, 2012

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 comprised four members, viz , Mr R Seshasayee, (Chairman), Mr T Anantha Narayanan (ceased to be Director w e f March 18, 2012, on completion of eight years in the Board), Mr Ajay Hinduja, Mrs Kanchan Chitale and Mr Romesh Sobti

Meetings The Committee met thrice during the financial year 2011-12, viz , on April 18, 2011, October 18, 2011, and January 18, 2012

The attendance details of the members are as under

Name of Member	Number of Meetings attended
Mr R Seshasayee *	2
Mr T Anantha Narayanan	3
Mr Y M Kale (Alternate Director to Mr Ajay Hinduja)	3
Mrs Kanchan Chitale **	0
Mr Romesh Sobti ***	2

* Mr Seshasayee, being interested, abstained from attending the meeting held on April 18, 2011

** Inducted in the Nomination Committee on March 27, 2012

*** Mr Sobti, being interested, abstained from attending the meeting held on January 18, 2012

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 comprised two members, viz , Mr T Anantha Narayanan (ceased to be Director w e f March 18, 2012, on completion of eight years in the Board), Mr Vijay Vaid 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 2011-12, viz , on January 9, 2012 and March 16, 2012

The attendance details of the members are as under

Name of Member	Number of Meetings attended
Mr T Anantha Narayanan	2
Mr Vijay Vaid *	2
Mr Romesh Sobti	2

* Inducted on October 18, 2011

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 comprised three members, viz , Mr T Anantha Narayanan (ceased to be Director w e f March 18, 2012, on completion of eight years in the Board), Dr T T Ram Mohan, Mr Premchand Godha (resigned from the Board from August 18, 2011), Mrs Kanchan Chitale 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 2011-12, viz , on September 9, 2011 and February 6, 2012

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	2
Mr Premchand Godha *	0
Mrs Kanchan Chitale **	0
Mr Romesh Sobti	2

* Resigned from the Board from August 18, 2011

** Inducted on October 18, 2011

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 comprised three members, viz , Dr T T Ram Mohan, Mr Premchand Godha (resigned from the Board from August 18, 2011), Mr Ashok Kini 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 October 4, 2011, February 6, 2012 and March 22, 2012

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 *	0
Mr Ashok Kini **	1
Mr Romesh Sobti	3

* Resigned from the Board from August 18, 2011

** Inducted in the Customer Service Committee on October 18, 2011

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 comprised three members, viz , Mr T Anantha Narayanan (ceased to be Director w e f March 18, 2012, on completion of eight years in the Board), Dr T T Ram Mohan, Mr Ajay Hinduja 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 2011-12, viz , on June 24, 2011, January 9, 2012 and March 16, 2012

The attendance details of the members are as under

Name of Member	Number of Meetings attended
Mr T Anantha Narayanan	3
Dr T T Ram Mohan	3
Mr Y M Kale (Alternate Director to Mr Ajay Hinduja) *	2
Mr Romesh Sobti	3

* Inducted on October 18, 2011

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 comprised four members viz , Mr R Seshasayee (Chairman), Mr T Anantha Narayanan (ceased to be Director w e f March 18, 2012, on completion of eight years in the Board), Mr S C Tripathi, Mr Ajay Hinduja (Inducted on October 18, 2011) and Mr Romesh Sobti

Meetings In view of the Committee's role, no meetings were required to be held during the financial year 2011-12

Compensation Committee

Terms of reference The Committee's role is to grant Options to employees under the ESO Scheme, 2007

Composition The Committee comprised two members, viz , Mr R Seshasayee (Chairman), Mr T Anantha Narayanan (ceased to be Director w e f March 18, 2012, on completion of eight years in the Board), Mr Premchand Godha (resigned from the Board from August 18, 2011) and Mrs Kanchan Chitale (inducted in Committee on March 27, 2012)

Meetings The Committee met seven times during the financial year 2011-12, viz , on April 18, 2011, June 24, 2011, August 16, 2011, September 30, 2011, November 18, 2011, December 21, 2011 and February 29, 2012

The attendance details of the members# are as under

Name of Member	Number of Meetings attended
Mr R Seshasayee	7
Mr T Anantha Narayanan	7
Mr Premchand Godha *	2
Mrs Kanchan Chitale **	0

* Resigned from the Board from August 18, 2011

** Inducted on March 27, 2012

Includes attendance through videoconference

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 comprised 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 2011-12, viz , on March 16, 2012 and March 27, 2012

The attendance details of the members are as under

Name of Member	Number of Meetings attended
Dr T T Ram Mohan	2
Mr S C Tripathi	1
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 comprised two members, viz , Mr Ashok Kini, Mr T Anantha Narayanan (ceased to be Director w e f March 18, 2012, on completion of eight years in the Board) and Mr Romesh Sobti

Meetings The Committee met once during the financial year 2011-12, viz , on October 17, 2011

The attendance details of the members are as under

Name of Member	Number of Meetings attended
Mr Ashok Kini	1
Mr T Anantha Narayanan	1
Mr Romesh Sobti	1

Human Resources Committee

Terms of reference The Committee reviews the Bank's HR function

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

Meetings The Committee met once during the financial year 2011-12, viz , on March 22, 2012

The attendance details of the members are as under

Name of Member	Number of Meetings attended
R Seshasayee	1
Mr Y M Kale (Alternate Director to Mr Ajay Hinduja)	1

Details of the three previous Annual General Meetings

AGM	Day and Date	Time	Venue	Whether Special Resolution Passed
15th	Friday, July 3, 2009	2 00 p m	Hotel Sun-n-Sand, 262, Bund Garden Road, Pune – 411001	Yes
16th	Monday, June 28, 2010	2 00 p m	Hotel Sun-n-Sand, 262, Bund Garden Road, Pune – 411001	Yes
17th	Friday, July 15, 2011	2 00 p m	Hotel Sun-n-Sand, 262, Bund Garden Road, Pune – 411001	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
Fifteenth Annual General Meeting	July 3, 2009	• 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	• Authority for augmentation of capital through further issue / placement of securities including American Depository Receipts / Global Depository Receipts / Qualified Institutional Placement, etc
Seventeenth Annual General Meeting	July 15, 2011	• Authority for augmentation of capital through further issue / placement of securities including American Depository Receipts / Global Depository Receipts / Qualified Institutional Placement, etc

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, 2012, none of the Directors of the Bank were 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 2011-2012, 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

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 one Non-executive Independent Director, two Non-executive Directors and one Whole-time Director 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

Shareholders' Rights All information pertaining to business and developmental activities are intimated to the Stock Exchanges on an ongoing 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 19, 2012 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 2011-12

The Bank has continued the exercise of collecting the e-mail IDs of more and more shareholders, so as to communicate more 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 'Whistleblower Policy'

IndusInd Bank Ltd. - Code of Conduct for Prevention of Insider Trading

In accordance with the requirements of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, IndusInd Bank has instituted a comprehensive Code of Conduct for prevention of Insider Trading

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, Mint and Business Line

Quarterly compliance reports on Corporate Governance as prescribed under Clause 49 of the Listing Agreement and the Shareholding Pattern of the Bank as prescribed under Clause 35 of the Listing Agreement with the Stock Exchanges are also filed through NSE Electronic Application Processing System (NEAPS)

Information relating to the financial results is also hosted under the icon "Media Room" and "Investor Relations" on the Bank's website (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

Analysts' Meets and Conference Calls with the analyst fraternity are also held periodically A transcript of the calls is hosted on the Bank's website

The Management's Discussion and Analysis report for 2011-12 forms part of this Annual Report

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 Corporate Broking business and voluntary winding up proceedings have been initiated

Corporate Social Responsibility

The Bank continued with the growth momentum gained in the "Green Banking" project under the "Hum Aur Hariyali" campaign The financial year 2011-12 was crucial in terms of adopting strong sustainable practices which not only lead to the achievement of organisational goals but also a healthier environment

Sustainability-driven Growth

During the financial year 2011-12, the Bank continued with its focus on strategies that support sustainable growth benefiting all the stakeholders, environment and the community at large The Bank introduced multiple practices at Corporate / Branch level which augmented the awareness and engagement levels across all employees and to, in a sense, embed the conviction in the DNA of all employees

The year ended with significant achievements in implementation of following green practices which resulted in substantial cost savings, increased revenue generation and better logistics

Energy

ATMs with Solar Panels Installation of Solar Panels on 50 ATMs has resulted in generation of energy totalling to 34,665 KwH with savings of ₹ 2 00 lakhs in commercial electricity and savings of ₹ 4 00 lakhs in DG power A total of 41,251 kgs of Carbon was mitigated The Bank also proposes to set up ATMs wherein air-conditioning is not necessary, especially in areas where there is shortage of power

Data Centre. Utilisation of Energy-efficient Data Centre with APC Cooling and UPS resulting in saving energy and costs By adopting a better technology, these cooling units consumed 13 5 KW at full load against 22 5KW of power for conventional cooling units The technology also has zero Ozone Depletion Potential (ODP) The saving of 9 KW of energy translates into savings of ₹ 8 1 lakhs of electricity cost per annum

Server virtualisation 117 servers were virtualized on 9 physical servers thus resulting in power saving of 37 KVA per year and cost savings of ₹ 27 lakhs per year

Thin computing More than 200 users have been provided with virtual desktops which will increase to 1,000 users in the current year Power saved per user per year is 300 KWH while Power cost saved per unit per year is ₹ 1,785

LCD / LED monitors Old CRT monitors have been replaced with LCD / LED monitors wherein estimated savings is ₹2 16 lakhs in terms of electricity for every 100 such monitors

Signages Signages are switched off after 11 p m at branches across India, thus avoiding wastage of electricity

Power Saving Devices Few select branches and offices have been installed with 26 power saving devices resulting in average savings of 15% in electricity costs

Paper

Eco-friendly A4 paper The Bank has started using eco-friendly spectra paper which is made out of wheat straw instead of wood pulp The supply is centralised, thus improving logistics and cost savings of nearly ₹5 lakhs Supply of Eco-friendly has resulted into savings of approx 24,000 trees

Fax servers Introduction of paperless fax across selected branch and offices across India has resulted into savings of approx 1 lakh pages and saving of at least 10 trees

Multi Function Devices (MFDs) Your Bank has introduced multi function devices at select big offices wherein substantial savings is expected in papers, toners, scanners, photocopiers and printers

Visiting cards Your Bank has commenced issuance of visiting cards on recycled paper for all employees thus making the employees aware of the importance of protecting the environment

Duplex Printing The concept of duplex printing is enforced for saving in papers and avoiding wastage

Staff Awareness

Council CSR Council at the Corporate as well as Zonal level has been formed for facilitating green practices and encouraging participation at the ground level through a collaborative approach

Events / Campaigns Various events have been organised viz, "Art n Craft" from Waste paper for employees and their children, participation in walkathon for a cause and campaigns like Save Water, Save Energy to enhance staff engagement and awareness Your Bank continued to focus on one of the key initiatives 'Adopt-a-plant' campaign at select branches which not only generated business but helped in brand building as well More than 6,000 saplings were planted and distributed across India

Other than the above mentioned practices, your Bank has also included green parameters in Request For Proposals (RFPs) for procurement of various equipments to ensure it is environment friendly The Bank has also partnered with suppliers / vendors who share similar CSR values and proposes to install ATMs with solar panels in their premises

The Bank also disposes all e-waste through authorised recycle vendors who follow environment norms laid down by the government

Your Bank once again was one of the few signatories from India in the Carbon Disclosure Project (CDP) – a global initiative for sustainable development

Awards earned by the Bank for CSR during the year

The Bank received various awards during the year for its Solar-powered ATM project, which are as under

- CII Environment Best Practice Award 2012 for the **"Most Innovative Environmental Project".**
- Award in the **"Business Enterprise Services"** category – Organised by Panasonic Green Globe Foundation in partnership with distinguished knowledge partners the United Nations Environment Programme (UNEP) and The Energy and Resources Institute (TERI) along with KPMG as Process Validators
- NASSCOM IT User Award for the Horizontal category of Environmental Sustainability

In line with Circular issued by the Ministry of Corporate Affairs, 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, 2012, in electronic form, to the e-mail addresses provided by shareholders / made available 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

General Information for Shareholders

Registration No	11-76333
Financial Year	2011-2012
Board meeting for adoption of audited financial accounts	April 19, 2012
Posting of Annual Report 2010-11	June 22, 2012
Day, Date and Time of 18th Annual General Meeting	Tuesday, July 17, 2012 at 2 00 p m
Venue	Hotel Le Meridien, Pune
Financial Calendar	April 1 to March 31
Book Closure	Saturday, July 07, 2012 to Tuesday, July 17, 2012
Date of Dividend Payment	July 20, 2012
Bank's Website	www indusind com

Distribution of shareholding of IndusInd Bank at March 31, 2012

Range – Shares	No. of Folios	%	No. of shares	%
Upto 1,000	94,449	93 23	1,95,49,173	4 18
1,001 - 5,000	5,525	5 45	1,13,19,752	2 42
5,001 - 10,000	572	0 56	43,11,583	0 92
10,001 – 50,000	444	0 44	95,49,898	2 04
50,001 & above	320	0 32	42,27,79,595	90 44
TOTAL	**1,01,310**	**100 00**	**46,75,10,001**	**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 84% of IndusInd Bank's total equity capital as at March 31, 2012

Shareholding as on March 31, 2012

i **Distribution**

		Category	No. of shares held	% of shareholding
A		**Promoters' holding**	**9,09,99,984**	**19 46**
B		**Non-Promoters' Holding**	**37,65,10,017**	80 54
1		**Institutional Investors**		
	a	Mutual Funds and UTI	3,19,61,573	6 84
	b	Banks, Financial Institutions, Insurance Companies (Central / State Gov Institutions / Non-government Institutions)	50,06,306	1 07
	c	FIIs	16,35,98,480	34 99
		Sub Total	20,05,66,359	42 90
2		**Global Depository Receipts**	6,46,82,364	13 84
3		**Others**		
	a	Private Corporate Bodies	6,11,35,567	13 08
	b	Indian Public*	4,12,76,274	8 83
	c	NRIs/OCBs	80,86,921	1 73
	d	Clearing Members	7,56,000	0 16
	e	Trusts	6,532	0 00
		Sub Total	11,12,61,294	23 80
		GRAND TOTAL	**46,75,10,001**	**100.00**

* 'Indian Public' includes 3,300 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 6521
2	The Bank Of New York (GDR-Depository)	6,46,82,364	13 8355
3	GA Global Investments Limited	2,30,94,839	4 9399
4	IndusInd Limited	2,25,00,000	4 8127
5	Ashok Leyland Limited	2,01,13,923	4 3023
6	Credo India Thematic Fund Limited	1,53,83,458	3 2905
7	Banque Profile De Gestion SA	1,24,26,168	2 6579
8	Hinduja Ventures Limited	93,82,383	2 0068

Sr. No.	Name of Shareholder	No. of shares held	% of shareholding
9	Franklin Templeton Mutual Fund A/c Franklin India Bluechip Fund	89,35,006	1 9111
10	ICICI Prudential Life Insurance Company Ltd	74,97,941	1 6038
11	Deutsche Securities Limited	69,79,263	1 4922
12	Norwest Venture Partners X FII – Mauritius	67,18,087	1 4369
13	Birla Sun Life Trustee Company Private Limited A/c Birla Sun Life International Equity Fund – Plan B	59,50,161	1 2727
14	Flagship Indian Investment Company (Mauritius) Ltd	59,38,008	1 2701
15	Aasia Management and Consultancy Pvt Ltd	58,26,617	1 2463
16	IDL Speciality Chemicals Limited	57,50,000	1 2299

iii. **Total Foreign Shareholding**

	No. of shares held	% of shareholding
Total Foreign Shareholding	32,73,79,614	70 03
Of which GDR / ADR	6,46,82,364	13 84

Details of complaints received and resolved from April 1, 2011 to March 31, 2012

Complaints	Received	Attended to	Pending
Non-Receipt of Share Certificate	184	184	0
Non-Receipt of Dividend Warrants	218	218	0
Non-Receipt of Endorsement Stickers	1	1	0
Non-Receipt of Annual Report	7	7	0
Non-Receipt of Demat Credit / Remat Certificate	7	7	0
Non-Receipt of Rejected DRF	1	1	0
Non-Receipt of Exchanged Certificate	13	13	0
Non-Receipt of Split / Duplicate / Replacement Certificate	10	10	0
Others	49	49	0
Total	**490**	**490**	**0**

Listing details of the Bank's Equity Shares / GDRs on Stock Exchanges

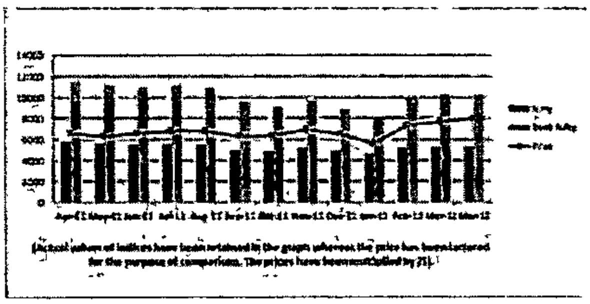
Name of the Stock Exchange	Address of the Stock Exchange	Stock Code No.
Bombay Stock Exchange Ltd	Phiroz Jeejeebhoy Towers Dalal Street, Mumbai 400001	532187
National Stock Exchange of India Ltd	Exchange Plaza, 5th Floor Bandra-Kurla Complex Plot No C/1, G Block, Bandra (E), Mumbai - 400 051	INDUSINDBK Normal - EQ (physical) Depository - AE (manual lots) Depository - BE (odd lots)
Luxembourg Stock Exchange (Global Depository Receipts)	Sociéte de la Bourse de Luxembourg Societe Anonyme RC Luxembourg B 6222	111202

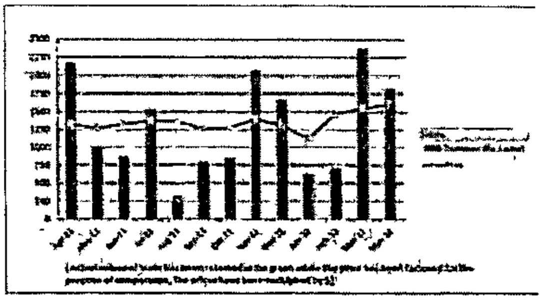
The Bank has paid annual listing fees on its capital for the relevant period to Bombay Stock Exchange Ltd and National Stock Exchange of India Ltd where its shares are listed and to Luxembourg Stock Exchange where its Global Depository Receipts are listed

Market Price Data of the Bank's shares

i **National Stock Exchange of India Ltd**

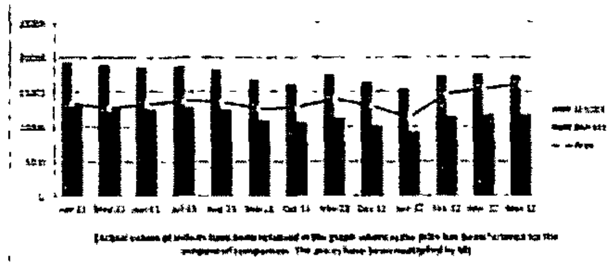
Date	Price of Shares				Turnover in ₹ Lakhs	Nifty	Bank Nifty
	Open (₹)	High (₹)	Low (₹)	Close (₹)			
1-Apr-11	262 15	268 50	259 50	265 55	2171 91	5826 05	11590 95
2-May-11	261 05	261 80	251 55	253 80	996 62	5701 30	11243 80
1-Jun-11	264 05	266 30	262 40	264 70	874 81	5592 00	11033 40
1-Jul-11	275 00	279 30	273 45	275 00	1531 16	5627 20	11255 00
1-Aug-11	275 95	284 00	271 10	272 55	321 74	5516 80	10939 00
2-Sep-11	247 50	253 30	244 50	251 45	796 35	5040 00	9581 35
3-Oct-11	259 90	262 00	252 30	255 10	864 52	4849 50	9185 90
1-Nov-11	283 00	287 90	275 30	279 50	2083 09	5257 95	9822 25
1-Dec-11	254 40	265 00	253 50	260 75	1667 75	4936 85	8895 30
2-Jan-12	225 50	228 80	222 25	226 45	635 14	4636 75	7995 05
1-Feb-12	288 20	294 95	285 00	293 45	714 36	5235 70	9949 10
1-Mar-12	314 90	314 95	305 10	309 95	2371 07	5339 75	10288 90
30-Mar-12	307 95	323 50	307 95	321 65	1827 40	5295 55	10212 75





ii **Bombay Stock Exchange Ltd.**

Date	Price of Shares				Turnover in ₹ Lakhs	SENSEX	BANKEX
	Open (₹)	High (₹)	Low (₹)	Close (₹)			
1-Apr-11	263 00	268 70	259 30	265 60	428 15	19420 39	13189 85
2-May-11	262 00	262 20	251 50	253 95	103 15	18998 02	12804 48
1-Jun-11	264 50	266 25	262 50	263 95	61 36	18608 81	12570 30
1-Jul-11	274 45	279 10	272 05	275 15	145 39	18762 80	12853 67
1-Aug-11	275 60	277 00	270 55	271 90	39 98	18314 33	12482 84
2-Sep-11	247 00	252 90	245 45	251 60	101 29	16821 46	10949 68
3-Oct-11	259 00	261 00	252 00	254 50	63 71	16151 45	10544 72
1-Nov-11	284 00	287 85	275 80	279 30	135 84	17480 83	11277 95
1-Dec-11	257 00	264 45	253 05	260 30	125 65	16483 45	10217 20
2-Jan-12	227 00	228 50	221 75	226 00	43 72	15517 92	9178 05
1-Feb-12	292 00	294 90	284 75	293 15	117 31	17300 58	11427 87
1-Mar-12	310 00	313 80	305 00	310 20	303 24	17583 97	11830 87
30-Mar-12	308 70	322 20	308 30	320 80	315 99	17404 20	11751 18



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 97 26% of the Bank's shares are dematerialised and the rest remain in physical form The volume of trades and share price information is provided on page 29 of this Report

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

As required under Clause 47(c) of the Listing Agreement, a Practising Company Secretary has examined the records relating to Share Transfer Deeds, Registers and other related documents on a half-yearly basis and has certified compliance with the provisions of the above Clause The Certificates are forwarded to BSE and NSE where the Bank's equity shares are listed

As required by SEBI, Share Capital Audit is conducted by a Practising Company Secretary on a quarterly basis, for the purpose, inter alia, of reconciliation of the total admitted equity Share Capital with the depositories and in the physical form with the total issued / paid-up equity capital of the Bank Certificates issued in this regard are forwarded to BSE and NSE

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 Poonam Kumbharde
Tel No 25963838 / 25946980 Fax 25946969
Email rnt helpdesk@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 requested to contact

Investor Services Cell
IndusInd Bank Ltd
731, Solitaire Corporate Park
167, Guru Hargovindji Marg
Andheri (East), Mumbai - 400093
Tel 022 66412487 Fax 022 66412347
Email investor@indusind com

Dividends

Receipt of dividend through Electronic mode

Shareholders can opt for receiving dividend credit directly into their bank accounts by registration of their Bank Account details with their Depository Participant (DP) in case of shareholding in demat mode or with the Registrar & Share Transfer Agent, Link Intime India Pvt Ltd in case of shareholding in physical mode

To avail of this facility, shareholders can approach their respective DPs or can request the Registrar & Share Transfer Agent by a letter signed by all the shareholders, quoting Folio No and attaching a copy of cancelled cheque leaf where their Bank Account is maintained

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) Dividends for and upto the financial year ended March 31, 2004 have already been transferred to the 'IEPF'

Details of unclaimed dividends for financial year 2004-05 onwards, and the last date for claiming such dividend, are given in the table below Members are requested to take note of the due dates for such transfers and claim unpaid dividends well before the due date (expiry of the seven-year period)

Year	Type of dividend	Date of Declaration	Date of expiry of seven-year period
2004-05	Final	3 September 2005	4 October 2012
2006-07	Final	18 September 2007	23 October 2014
2007-08	Final	22 September 2008	27 October 2015
2008-09	Final	3 July 2009	8 August 2016
2009-10	Final	28 June 2010	2 August 2017
2010-11	Final	15 July 2011	20 August 2018

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 can be made in respect of any such amounts

Unclaimed Shares

Pursuant to the recent amendments in Clause 5A of the Listing Agreement entered into with the Stock Exchanges, the Bank had sent three reminder letters in respect of unclaimed shares to shareholders at the addresses available in the Bank's record, in co-ordination with Link Intime India Pvt Ltd , the Bank's Registrar & Share Transfer Agents

Shareholders were requested to respond with their claims on or before March 9, 2012 The Bank is currently in the process of transferring the unclaimed shares to a 'Suspense Account' to be opened with a Depository Participant for this purpose As on March 31, 2012 there were 6,060 folios consisting of 24,90,029 shares which were lying unclaimed as per details below

Particulars	Folios	Shares
Reminder Letters sent	7,222	28,69,929
Responses received upto March 31, 2012	1,162	3,79,900
Unclaimed as on March 31, 2012	6,060	24,90,029

Auditors' Report

To the Members of IndusInd Bank Limited

We have audited the attached balance sheet of IndusInd Bank Limited ('the Bank') as at 31 March 2012 and also the statement of profit and loss and the cash flow statement for the year then ended, 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

We conducted our audit of the Bank including its branches 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 the management, as well as evaluating the overall financial statements presentation We believe that our audit provides a reasonable basis for our opinion

The balance sheet and the statement of profit and loss have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 211(1), (2) and (3C) of the Companies Act, 1956

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 the powers of the Bank, and

c) the returns received from the offices and branches of the Bank have been found adequate for the purposes of our audit

In our opinion, the balance sheet, the statement of profit and loss and the cash flow statement dealt with by this report comply with the accounting principles generally accepted in India including Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, to the extent they are not inconsistent with the accounting policies prescribed by the Reserve Bank of India

We further report that

a) the balance sheet, the statement of profit and loss and the cash flow statement dealt with by this report are in agreement with the books of account and returns,

b) in our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books,

c) on the basis of written representations received from the directors, as on 31 March 2012, and taken on record by the Board of Directors, we report that none of the director is disqualified as on 31 March 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956

In our opinion and to the best of our information and according to the explanations given to us, the said financial statements 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 accounting principles generally accepted in India

a) in the case of the balance sheet, of the state of affairs of the Bank as at 31 March 2012,

b) in the case of the statement of profit and loss, of the profit of the Bank for the year ended on that date, and

c) in the case of the cash flow statement, of the cash flows of the Bank for the year ended on that date

For **B S R & Co**
Chartered Accountants
Firm's Registration No 101248W

N Sampath Ganesh
Partner
Membership No 042554

Place Mumbai
Date 19 April, 2012

IndusInd Bank

BALANCE SHEET AS AT MARCH 31, 2012

	SCHEDULE	As at 31.03 12	As at 31 03 11
			Rupees in '000s
CAPITAL AND LIABILITIES			
Capital	1	467,70,21	465,96,59
Employee Stock Options Outstanding	18(10)	10,94,59	7,97,96
Reserves and Surplus	2	4263,06,00	3576,26,63
Deposits	3	42361,54,96	34365,37,12
Borrowings	4	8682,01,36	5525,42,39
Other Liabilities and Provisions	5	1810,79,85	1694,83,45
TOTAL		**57596,06,97**	**45635,84,14**
ASSETS			
Cash and Balances with Reserve Bank of India	6	2903,57,62	2456,03,89
Balances with Banks and Money at Call and Short Notice	7	2636,04,56	1568,56,00
Investments	8	14571,94,61	13550,81,41
Advances	9	35063,95,14	26165,64,71
Fixed Assets	10	656,79,85	596,45,91
Other Assets	11	1763,75,19	1298,32,22
TOTAL		**57596,06,97**	**45635,84,14**
Contingent Liabilities	12	103190,28,85	82556,15,77
Bills for Collection		6150,99,64	5052,47,60
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 B S R & Co
Chartered Accountants
Firm's Registration No 101248W

R Seshasayee
Chairman

Kanchan Chitale
Director

N Sampath Ganesh
Partner
Membership No 042554

Romesh Sobti
Managing Director

Place Mumbai
Date April 19, 2012

S V Zaregaonkar
Chief Financial Officer

Haresh Gajwani
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2012

Rupees in '000s

			SCHEDULE	Year ended 31.03.12	Year ended 31 03 11
I	**INCOME**				
	Interest Earned		13	5359,19,26	3589,35,74
	Other Income		14	1011,78,27	713,66,15
		TOTAL		**6370,97,53**	**4303,01,89**
II	**EXPENDITURE**				
	Interest Expended		15	3654,94,84	2212,86,49
	Operating Expenses		16	1342,99,56	1008,48,31
	Provisions and Contingencies			570,41,94	504,34,56
		TOTAL		**5568,36,34**	**3725,69,36**
III	**PROFIT**			802,61,19	577,32,53
	Profit brought forward			714,36,22	391,51,40
	AMOUNT AVAILABLE FOR APPROPRIATION			**1516,97,41**	**968,83,93**
IV	**APPROPRIATIONS**				
	Transfer to				
	a) Statutory Reserve			200,65,30	144,33,13
	b) Capital Reserve			8,63,19	1,10,04
	c) Investment Reserve Account			51,63	69,12
	d) Dividend (Proposed)			102,89,13	93,22,97
	e) Corporate Dividend Tax			16,69,15	15,12,45
				329,38,40	254,47,71
	Balance transferred to Balance Sheet			1187,59,01	714,36,22
		TOTAL		**1516,97,41**	**968,83,93**
V	**EARNING PER EQUITY SHARE**				
	(Face value of ₹ 10/- per share)(Rupees)				
	Basic		18(11 6)	17 20	13 16
	Diluted		18(11 6)	16 86	12 88
	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 B S R & Co.
Chartered Accountants
Firm's Registration No 101248W

R Seshasayee
Chairman

Kanchan Chitale
Director

N Sampath Ganesh
Partner
Membership No 042554

Romesh Sobti
Managing Director

Place Mumbai
Date April 19, 2012

S V. Zaregaonkar
Chief Financial Officer

Haresh Gajwani
Company Secretary

IndusInd Bank

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

Rupees in '000s

		Year ended 31 03.12	Year ended 31 03 11
A	**Cash Flow from Operating Activities**		
	Net Profit after taxes	**802,61,19**	**577,32,53**
	Adjustments for non-cash charges/other activities		
	Depreciation on Fixed assets	74,95,86	60,54,98
	Depreciation on Investments	(1,01,61)	7,61,85
	Tax Provisions (Income Tax/Wealth Tax/Deferred Tax)	390,04,20	302,45,80
	Employees Stock Option expenses	2,96,64	5,78,19
	Loan Loss and Other Provisions	181,39,35	194,26,91
	Interest on Tier II/ Upper Tier II bonds	110,79,00	112,64,50
	(Profit)/Loss on sale of fixed assets	(59,21)	2,85,92
	Operating Profit before Working Capital changes	**1561,15,42**	**1263,50,68**
	Adjustments for		
	Increase in trade and Other Receivables (Advances and Other Assets)	(9619,19,49)	(5929,07,50)
	Increase in Inventories (Investments)	(1020,11,59)	(3156,59,28)
	Increase in Trade Payables (Deposits, Borrowings and Other Liabilities)	11242,48,70	8743,21,19
	Cash generated from Operations	**2164,33,04**	**921,05,09**
	Direct Taxes paid (net off income tax refund)	(315,97,46)	(311,95,23)
	Net Cash generated from Operating Activities	**1848,35,58**	**609,09,86**
B	**Cash Flow from Investing Activities**		
	Purchase of Fixed Assets (including WIP)	(150,30,68)	(101,87,03)
	Sale of Fixed Assets (Proceeds)	9,58,86	80,54,73
	Net Cash used in Investing Activities	**(140,71,82)**	**(21,32,30)**
C	**Cash Flow from Financing Activities**		
	Proceeds from fresh Issue – Capital	1,73,61	55,31,92
	-- Share Premium	9,77,69	1129,19,38
	Dividends paid	(93,33,77)	(93,22,97)
	Proceeds from Issue of Unsecured Non-Convertible Redeemable Subordinated Tier-II Bonds	-	-
	Redemption of Sub-ordinated Tier II capital	-	(145,00,00)
	Interest on Tier II/ Upper Tier II Bonds	(110,79,00)	(112,64,50)
	Net Cash (used in) / generated from Financing Activities	**(192,61,47)**	**833,63,83**
	Net Increase in Cash and Cash Equivalents	**1515,02,29**	**1421,41,39**
	Cash and Cash Equivalents as on the first day of the year	**4024,59,89**	**2603,18,49**
	Cash and Cash Equivalents as on the last day of the year	**5539,62,18**	**4024,59,89**

Notes

1 The above Cash Flow Statement has been prepared under the indirect method as set out in Accounting Standard 3 on Cash Flow Statements

2 Figures in bracket indicate cash outflow

As per our report of even date

For INDUSIND BANK LTD

For B S R & Co
Chartered Accountants
Firm's Registration No 101248W

R. Seshasayee
Chairman

Kanchan Chitale
Director

N Sampath Ganesh
Partner
Membership No 042554

Romesh Sobti
Managing Director

Place Mumbai
Date April 19, 2012

S. V Zaregaonkar
Chief Financial Officer

Haresh Gajwani
Company Secretary

SCHEDULES

	As at 31.03.12	As at 31 03 11
		Rupees in '000s
SCHEDULE - 1 CAPITAL		
Authorised Capital		
55,00,00,000 (Previous year 50,00,00,000) equity shares of ₹ 10/- each	550,00,00	500,00,00
Issued, Subscribed and Called Up Capital		
46,75,10,001 (Previous year 46,57,73,835) equity shares of ₹ 10/- each	467,51,00	465,77,38
Paid up Capital		
46,75,10,001 (Previous year 46,57,73,835) equity shares of ₹ 10/- each	467,51,00	465,77,38
Add Forfeited 3,84,200 (Previous year 3,84,200) equity shares of ₹ 10/- each	19,21	19,21
TOTAL	**467,70,21**	**465,96,59**
SCHEDULE - 2 RESERVES AND SURPLUS		
I Statutory Reserve		
Opening balance	367,80,13	223,47,00
Additions during the year	200,65,30	144,33,13
	568,45,43	**367,80,13**
II Share Premium Account		
Opening balance	2145,33,51	1016,14,13
Additions during the year	9,77,69	1143,30,09
Deduction during the year	-	14,10,71
	2155,11,20	**2145,33,51**
III General Reserve		
Opening balance	1,35,57	1,35,57
	1,35,57	**1,35,57**
IV Capital Reserve		
Opening balance	118,69,13	117,59,09
Additions during the year	8,63,19	1,10,04
	127,32,32	**118,69,13**
V Investment Allowance Reserve		
Opening balance	1,00,00	1,00,00
	1,00,00	**1,00,00**
VI Investment Reserve Account		
Opening Balance	2,37,26	1,68,14
Additions during the year	51,63	69,12
	2,88,89	**2,37,26**
VII Revaluation Reserve		
Opening balance	225,34,81	231,63,36
Deduction during the year	6,01,23	6,28,55
	219,33,58	**225,34,81**
VIII Balance in Profit & Loss Account	**1187,59,01**	**714,36,22**
TOTAL	**4263,06,00**	**3576,26,63**

SCHEDULES (Contd.)

					Rupees in '000s
				As at 31.03.12	As at 31 03 11
SCHEDULE - 3 DEPOSITS					
A	**I**	**Demand Deposits**			
		i)	From Banks	128,65,99	61,86,51
		ii)	From Others	6740,28,71	6210,26,53
	II	**Savings Bank Deposits**		4694,11,06	3058,79,06
	III	**Term Deposits**			
		i)	From Banks	3739,10,39	1516,11,55
		ii)	From Others	27059,38,81	23518,33,47
			TOTAL	**42361,54,96**	**34365,37,12**
B	**Deposits of Branches**				
	I	In India		42361,54,96	34365,37,12
	II	Outside India		-	-
			TOTAL	**42361,54,96**	**34365,37,12**
SCHEDULE - 4 BORROWINGS					
	I	**Borrowings in India**			
		i)	Reserve Bank of India	-	20,00,00
		ii)	Other Banks	2257,07,39	194,70,89
		iii)	Other Institutions and Agencies	3145,74,60	3339,00,50
		iv)	Unsecured Non-Convertible Redeemable Debentures / Bonds (Subordinated Tier-II Bonds)	860,10,00	860,10,00
		v)	Unsecured Non-Convertible Redeemable Non-Cumulative Subordinated Upper Tier II Bonds	308,90,00	308,90,00
	II	**Borrowings outside India**		2110,19,37	802,71,00
			TOTAL	**8682,01,36**	**5525,42,39**
Secured borrowings included in I & II above				-	-
SCHEDULE - 5 OTHER LIABILITIES AND PROVISIONS					
	I	Inter-office Adjustments (Net)		17,80,04	92,62,94
	II	Bills Payable		372,18,56	359,95,14
	III	Interest Accrued		317,96,66	258,61,95
	IV	Others [(including Standard Asset Provisions of ₹138,77,30) (Previous year ₹103,02,30)]		1102,84,59	983,63,42
			TOTAL	**1810,79,85**	**1694,83,45**
SCHEDULE - 6 CASH AND BALANCES WITH RESERVE BANK OF INDIA					
	I	Cash in hand (including foreign currency notes)		320,37,65	207,03,97
	II	Balances with Reserve Bank of India			
		i)	In Current Accounts	2583,19,97	2248,99,92
		ii)	In Other Accounts	-	-
			TOTAL	**2903,57,62**	**2456,03,89**

SCHEDULES (Contd.)

	Rupees in '000s As at 31 03 12	As at 31 03 11
SCHEDULE 7 BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I In India		
i) Balances with Banks		
a) In Current Accounts	252,48,70	153,38,77
b) In Other Deposit Accounts	848,08,00	376,03,00
ii) Money at Call and Short Notice - With Others	1099,25,28	50,32,16
TOTAL	**2199,81,98**	**579,73,93**
II Outside India		
i) In Current Accounts	189,73,65	77,29,89
ii) In Other Deposit Accounts	-	-
iii) Money at Call and Short Notice	246,48,93	911,52,18
TOTAL	**436,22,58**	**988,82,07**
GRAND TOTAL	**2636,04,56**	**1568,56,00**
Schedule - 8 INVESTMENTS		
I Investments in India		
Gross Value	14582,38,38	13562,26,78
Less Aggregate of provision / depreciation	10,43,77	11,45,37
Net value of Investments in India	**14571,94,61**	**13550,81,41**
Comprising		
i) Government securities	11901,90,86	10021,86,17
ii) Other approved securities	-	-
iii) Shares	53,65,81	36,97,82
iv) Debentures and bonds	238,55,61	103,42,67
v) Subsidiaries and / or Joint Ventures	50,00	50,00
vi) Others - Deposits under RIDF scheme with NABARD	1429,35,33	1679,54,03
Security Receipt, Mutual Fund and Others	947,97,00	1708,50,72
II Investments Outside India	-	-
TOTAL	**14571,94,61**	**13550,81,41**
SCHEDULE - 9 ADVANCES		
A i) Bills Purchased and Discounted	819,65,38	2295,82,55
ii) Cash Credits, Overdrafts and Loans Repayable on Demand	8516,64,04	7554,31,69
iii) Term Loans	25727,65,72	16315,50,47
TOTAL	**35063,95,14**	**26165,64,71**
B i) Secured by Tangible Assets (includes advances against book debts)	29930,20,24	21271,19,23
ii) Covered by Bank / Government Guarantees (includes advances against L/Cs issued by Banks)	2279,93,11	1180,16,77
iii) Unsecured	2853,81,79	3714,28,71
TOTAL	**35063,95,14**	**26165,64,71**

SCHEDULES (Contd.)

				Rupees in '000s
			As at 31.03.12	As at 31.03.11
C	I)	Advances in India		
		i) Priority Sector	12506,50,66	9356,97,35
		ii) Public Sector	449,44,07	99,23,53
		iii) Banks	60,29,20	1,78,84
		iv) Others	22047,71,21	16707,64,99
		TOTAL	**35063,95,14**	**26165,64,71**
	II)	Advances Outside India	-	-
		TOTAL	**35063,95,14**	**26165,64,71**
SCHEDULE - 10 FIXED ASSETS				
I	**PREMISES**			
	i)	At cost as at the beginning of the year	398,94,05	405,65,30
	ii)	Additions during the year	6,60,40	-
			405,54,45	405,65,30
	iii)	Less Deductions during the year	7,93,88	671,25
	iv)	Less Depreciation to date	39,73,77	34,18,37
		TOTAL	**357,86,80**	**364,75,68**
II	**Other Fixed Assets (including furniture & fixtures)**			
	i)	At cost as at the beginning of the year	572,31,47	648,36,26
	ii)	Additions during the year	125,40,95	94,72,57
			697,72,42	743,08,83
	iii)	Less Deductions during the year	12,53,93	170,77,36
	iv)	Less Depreciation to date	428,95,76	365,02,07
		TOTAL	**256,22,73**	**207,29,40**
III	**Capital Work in Progress**		42,70,32	24,40,83
		GRAND TOTAL	**656,79,85**	**596,45,91**
SCHEDULE - 11 OTHER ASSETS				
I	Interest Accrued		355,78,55	259,12,85
II	Tax Paid in Advance / tax deducted at source (net of provision)		149,92,48	206,47,48
III	Stationery & Stamps		2,00,96	2,46,16
IV	Others		1256,03,20	830,25,73
		TOTAL	**1763,75,19**	**1298,32,22**
SCHEDULE - 12 CONTINGENT LIABILITIES				
I	Claims against the Bank not acknowledged as debts		414,90,29	309,59,72
II	Liability on account of outstanding Forward Exchange Contracts		59556,35,91	47587,32,43
III	Liability on account of outstanding Derivative Contracts		29654,56,71	21021,35,95
IV	Guarantees given on behalf of constituents			
	a)	In India	7292,44,83	9128,96,85
	b)	Outside India	-	-
V	Acceptances, Endorsements and Other Obligations		3666,74,69	2807,82,09
VI	Other Items for which the Bank is contingently liable		2605,26,42	1701,08,73
		TOTAL	**103190,28,85**	**82556,15,77**

SCHEDULES (Contd.)

Rupees in '000s

		Year ended 31 03 12	Year ended 31 03.11
SCHEDULE - 13 INTEREST EARNED			
I	Interest / Discount on Advances / Bills	4216,61,60	2834,60,39
II	Income on Investments	1078,19,51	733,29,74
III	Interest on Balances with RBI and Other Inter-Bank Funds	23,86,42	10,64,42
IV	Others	40,51,73	10,81,19
	TOTAL	**5359,19,26**	**3589,35,74**
SCHEDULE - 14 OTHER INCOME			
I	Commission, Exchange and Brokerage	283,73,24	256,95,33
II	Profit on Sale of Investments / Derivatives (Net)	57,70,34	40,40,37
III	Profit / (Loss) on Sale of Land, Buildings and Other Assets	59,21	(2,85,92)
IV	Profit on exchange transactions (Net)	237,76,68	154,16,00
V	Income earned by way of dividend from companies in India	2,97,82	2,87,40
VI	Miscellaneous Income	429,00,98	262,12,97
	TOTAL	**1011,78,27**	**713,66,15**
SCHEDULE - 15 INTEREST EXPENDED			
I	Interest on Deposits	3076,30,68	1828,50,25
II	Interest on Reserve Bank of India / Inter-Bank Borrowings	194,86,67	84,47,07
III	Others (including interest on Subordinate Debts and Upper Tier II bonds)	383,77,49	299,89,17
	TOTAL	**3654,94,84**	**2212,86,49**
SCHEDULE - 16 OPERATING EXPENSES			
I	Payments to and Provisions for Employees	485,46,97	382,64,97
II	Rent,Taxes and Lighting (includes operating lease rentals)	109,61,22	89,33,24
III	Printing and Stationery	24,46,40	18,15,27
IV	Advertisement and Publicity	16,15,10	16,48,26
V	Depreciation on Bank's Property	74,95,86	60,54,98
VI	Directors' Fees, Allowances and Expenses	70,35	71,15
VII	Auditors' Fees and Expenses	88,56	1,06,54
VIII	Law Charges	27,10,14	18,60,81
IX	Postage, Telegrams, Telephones, etc	45,71,37	39,38,08
X	Repairs and Maintenance	74,83,47	52,35,86
XI	Insurance	38,98,93	33,21,87
XII	Service Provider Fees	114,64,83	80,42,05
XIII	Other Expenditure	329,46,36	215,55,23
	TOTAL	**1342,99,56**	**1008,48,31**

Schedule 17

SIGNIFICANT ACCOUNTING POLICIES

1) General:

1 1 The accompanying financial statements have been prepared under 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 in India requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and disclosure of contingent liabilities on the date of the financial statements Management believes that the estimates and assumptions used in the preparation of the financial statements are prudent and reasonable Any revision to accounting estimates is 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 liabilities is charged to the 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 RBI guidelines are as follows

3 1 Categorisation of Investments

In accordance with the guidelines issued by RBI, the Bank classifies its investment portfolio on the date of purchase 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'

Subsequent shifting amongst the categories is done in accordance with RBI guidelines

3 2 Classification of Investments

For the purpose of disclosure in the Balance Sheet, investments are 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 of debt securities 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 security in this category is re-valued at the market price or fair value and the resultant depreciation of each security is charged to the Profit and Loss account Appreciation, if any, is ignored Market value of government securities is determined on the basis of the prices / Yield to Maturity (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

(iii) **'Available for Sale'** – Each security in this category is re-valued at the market price or fair value and the resultant depreciation of each security in this category is charged to the Profit and Loss account and 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 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

Quoted equity shares are valued at cost or the closing quotes on a recognised stock exchange, whichever is lower Unquoted equity shares are valued at their break-up value or at ₹ 1 per company where the latest Balance Sheet is not available

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 (NAV) 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 with the Bank) are valued at cost and classified as part of HTM category 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) Security Receipts (SR) are valued at the lower of redemption value of the security or the NAV obtained from Securitization Company / Reconstruction Company

(vi) Settlement Date accounting method is followed for recording purchase and sale of transactions in Government securities

(vii) 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 the Profit and Loss account

(viii) Provision for non-performing investments is made in conformity with the RBI guidelines

(ix) In line with the RBI guidelines on uniform accounting methodology, with effect from April 1, 2010, Repurchase (Repo) / Reverse Repurchase (Reverse Repo) transactions (except transactions under Liquidity Adjustment Facility (LAF) with RBI) 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 part of Borrowings / Money at Call and at Short Notice respectively, and the accrued expenditure / income till the Balance Sheet date is taken to the Profit and Loss account Outstanding Repo transactions are marked to market as per the investment classification of the security

In respect of repo transactions under LAF with RBI, monies borrowed from RBI are credited to investment account and reversed on maturity of the transaction Costs thereon are accounted for as interest expense In respect of reverse repo transactions under LAF, monies lent to RBI are debited to investment account and reversed on maturity of the transaction Revenues thereon are accounted as interest income

(x) 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 Profit and Loss Appropriation account to Capital Reserve account

(xi) 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 the 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) The balance in IRA account is considered as Tier II Capital 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 the 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 of 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 instruments 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 of 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) Gains or losses on the termination of hedge swaps is deferred and recognised over the shorter of the remaining contractual life of the hedge swap or the remaining life of the underlying asset/liability

(iv) 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

(v) Provisioning of overdue customer receivable on derivative contracts, if any, is made as per RBI guidelines

(vi) 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 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 RBI guidelines

5 3 In accordance with RBI guidelines, general provision on standard assets is 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, and

c) At 0 40% of the balance outstanding standard advance

5 4 Advances are disclosed in the Balance Sheet, 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 in the Profit and Loss account

5 8 Provision 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 Benchmark Prime Lending Rate (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

The diminution in the fair value is re-computed on each Balance Sheet date till satisfactory completion of all repayment obligations and full repayment of the outstanding in the account, so as to capture the changes in the fair value on account of changes in BPLR / Base Rate, term premium and the credit category of the borrower The shortfall / excess provision held is either charged / credited to the Profit and Loss account respectively

The restructured accounts have been classified in accordance with RBI guidelines, including special dispensation wherever allowed

6) Securitisation Transactions and bilateral assignments

6 1 The Bank transfers loans through securitisation transactions The Bank transfers its loan receivables both through Bilateral Direct Assignment route as well as transfer to Special Purpose Vehicles ('SPV') in securitisation transactions

6 2 The securitization transactions are without recourse to the Bank The transferred loans and such securitised-out receivables are de-recognized 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 and depreciation

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 to determine 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 is charged over the revised remaining useful life of the said asset

7 4 The Bank reviews at each Balance Sheet date whether there is any indication of impairment in an asset In case of impaired assets, the impairment loss i e the amount by which the carrying amount of the asset exceeds its recoverable value is charged to the Profit and Loss account to the extent the carrying amount of assets exceeds their estimated recoverable amount

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 dividend is established

8 4 Commission (except for commission on Deferred Payment Guarantees which is recognised on accrual basis), Exchange and Brokerage are recognised on a transaction date and net off directly attributable expenses

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 the Profit and Loss account on a straight-line basis over the lease term Initial direct costs are charged to the 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) 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 The present value of the obligation under such benefit plan is determined based on independent actuarial valuation using the Projected Unit Credit Method which recognizes each period of service that give rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation

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 The rate at which the annual interest is payable to the beneficiaries by the trusts is being administered by the government The Bank has an obligation to make good the shortfall, if any, between the return from the investments of the trusts and the notified interest rates Actuarial valuation of this Provident Fund Interest shortfall has been done as per the guidance note issued during the year in this respect by the Actuary Society of India (ASI) and the provision towards this liability has been made

10 3 Provision for compensated absences has been made 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, the 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 to and deposits from corporate customers and identified earnings and expenses of the segment

3 **Retail Banking** includes lending to 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, Corporate / Wholesale Banking and Retail Banking

Unallocated includes Capital and Reserves, Employee Stock Options (Grants) Outstanding and other unallocable assets and liabilities

12) Debit and Credit Card reward points liability

The liability towards Credit Card reward points is based on an actuarial valuation and liability towards Debit Card reward points is computed on the basis of management estimates considering past trends

13) Bullion:

13 1 The Bank imports bullion including precious metal bars on a consignment basis for selling to its customers The imports are on a back-to-back basis and are priced to the customer based on the prevailing price quoted by the supplier and the local levies related to the consignment like customs duty etc The income earned is included in commission income

13 2 The Bank also sells gold coins to its customers The difference between the sale price to customers and purchase price quoted is reflected under commission income

14) Income-tax

Tax expenses comprise of 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

15) 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 are computed using the weighted average number of equity shares and dilutive potential equity shares outstanding as at end of the year

16) Provisions, contingent liabilities and contingent assets

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

A disclosure of contingent liability is made when there is

- A possible obligation arising from a past event, the existence of which will be confirmed by occurrence or non occurrence of one or more uncertain future events not within the control of the bank, or
- A present obligation arising from a past event which is not recognized as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made

When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made

Contingent assets are not recognized in the financial statements However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the assets and related income are recognized in the period in which the change occurs

17) Cash and Cash equivalents

Cash and cash equivalents in the cash flow statement comprise Cash in Hand and Balances with RBI and Balances with Banks and Money at Call and Short Notice

Schedule 18

NOTES ON ACCOUNTS

1) Capital Adequacy Ratio

The Bank computes Capital Adequacy Ratio as per RBI guidelines 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

i) Minimum capital to be maintained under the New Capital Adequacy Framework (Basel II), and

ii) 80% of the minimum capital to be maintained under Basel I guidelines

The capital adequacy ratio of the Bank, calculated as per RBI guidelines (Basel II requirement being higher) is set out below

(₹ in crores)

Items	**As per Basel II Framework**	
	March 31, 2012	**March 31, 2011**
Tier I Capital	4457 66	3774 06
Tier II Capital	970 05	1108 21
Total Capital	5427 71	4882 27
Total risk weighted assets	39203 31	30716 03
Capital to Risk-weighted Assets Ratio (%)	13 85%	15 89%
CRAR - Tier I Capital (%)	11 37%	12 29%
CRAR - Tier II Capital (%)	2 48%	3 60%
Sub-ordinated debt raised as Tier II Capital	Nil	Nil
Amount raised by issue of IPDI	Nil	Nil
Amount raised by issue of Upper Tier II instruments	Nil	Nil

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)

	March 31, 2012	March 31, 2011
(1) Value of Investments		
(i) Gross value of Investments	14582 38	13562 27
(a) In India	14582 38	13562 27
(b) Outside India	-	-
(ii) Provisions for Depreciation	10 44	11 46
(a) In India	10 44	11 46
(b) Outside India	-	-
(iii) Net value of Investments	14571 94	13550 81
(a) In India	14571 94	13550 81
b) Outside India	-	-
(2) Movement in provisions held towards depreciation on Investments		
(i) Opening balance	11 46	3 84
(ii) Add Provision made during the year	-	9 00
(iii) Less Write-off / (write-back) of excess provision during the year	(1 02)	(1 38)
(iv) Closing balance	10 44	11 46

2 2 Category wise details of Investments (Net)

(₹ in crores)

	As at March 31, 2012			As at March 31, 2011		
	HTM	AFS	HFT	HTM	AFS	HFT
i) Government securities	9934 38	1967 53	-	8040 48	1981 38	-
ii) Other approved securities	-	-	-	-	-	-
iii) Shares	4 75	48 91	-	5 35	31 63	-
iv) Debentures and bonds	-	238 55	-	-	103 43	-
v) Subsidiaries and / or Joint Ventures	0 50	-	-	0 50	-	-
vi) Others - Deposits under RIDF scheme with NABARD, Security Receipts / Pass Through Certificates, investment in units of Mutual Funds, Commercial Paper, etc	1429 35	947 97	-	1679 54	1708 50	-
Total	**11368 98**	**3202 96**	-	**9725 87**	**3824 94**	-

2 3 Details of Repo / Reverse Repo including under Liquidity Adjustment Facility (LAF) deals

(₹ in crores)

	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	Balance as at year end
Year ended March 31, 2012				
Securities sold under repos				
i) Government Securities	46 75	1900 00	222 51	1846 75
ii) Corporate Debt Securities	-	-	-	-

(₹ in crores)

	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	Balance as at year end
Securities purchased under reverse repos				
i) Government Securities	9 85	2118 92	24 35	-
ii) Corporate Debt Securities	-	-	-	-
Year ended March 31, 2011				
Securities sold under repos				
i) Government Securities	5 31	1600 00	276 98	1000 00
ii) Corporate Debt Securities	-	-	-	-
Securities purchased under reverse repos				
i) Government Securities	10 07	500 00	20 93	50 32
ii) Corporate Debt Securities	-	-	-	-

2 3 a) Issuer composition of Non-SLR investments as at March 31, 2012

(₹ in crores)

No	Issuer	Amount[1]	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities[2]	Extent of 'unlisted' securities[3]
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Public Sector Undertakings	-	-	-	-	-
2	Financial Institutions[4]	1429 35	-	-	-	-
3	Banks	560 06	5 00	-	-	-
4	Private corporate	329 27	157 86	-	-	6 51
5	Subsidiaries / Joint Ventures	0 50	-	-	-	0 50
6	Others	361 29	61 29	-	-	-
7	Provision held towards depreciation	(10 44)	(8 45)	-	-	(1 75)
	Total	**2670.03**	**215.70**	**-**	**-**	**5.26**

Note

(1) Does not include amount of securities pledged with Central Counter Parties such as Clearing Corporation of India Ltd , National Securities Clearing Corporation of India Ltd, and Multi Commodity Exchange of India Ltd

(2) Excludes investment in RIDF scheme of NABARD and equity shares

(3) Excludes investment in RIDF scheme of NABARD, commercial papers, CD's and preference shares acquired by way of conversion of debts

(4) Includes investment in RIDF scheme of NABARD

(5) Amounts reported under 4, 5, 6 and 7 are not mutually exclusive

b) *Issuer composition of Non-SLR investments as at March 31, 2011*

(₹ in crores)

No	Issuer	Amount[1]	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities[2]	Extent of 'unlisted' securities[3]
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Public Sector Undertakings	-	-	-	-	-
2	Financial Institutions[4]	1679 54	-	-	-	-
3	Banks	10 04	10 04	-	-	-
4	Private corporate	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

(1) Does not include amount of securities pledged with Central Counter Parties such as Clearing Corporation of India Ltd , National Securities Clearing Corporation of India Ltd and Multi Commodity Exchange of India Ltd

(2) Excludes investment in RIDF scheme of NABARD and equity shares

(3) Excludes investment in RIDF scheme of NABARD

(4) Includes investment in RIDF scheme of NABARD

(5) Amounts reported under 4, 5, 6 and 7 are not mutually exclusive

c) ***Non-performing Non-SLR investments***

(₹ in crores)

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Opening balance	1 78	3 14
Additions during the year	-	-
Reductions during the year	0 02	1 36
Closing balance	1 76	1 78
Total provisions held	**1.76**	**1 78**

2 4 During the year, the value of sales and transfer of securities to / from HTM category, excluding one-time transfer of securities from HTM and sale on account of Open Market Operation (OMO), has not exceeded 5% of the book value of investments held in HTM category at the beginning of the year As such, in line with RBI guidelines, specific disclosures on book value, market value, and provisions if any, relating to such sale and transfers are not made

3) Derivatives

3.1 Interest Rate Swaps, Forward Rate Agreements, Options and Cross Currency Swaps:

(₹ in crores)

	Particulars	As at March 31, 2012	As at March 31, 2011
(i)	Notional principal of swap agreements	**27913 71**	18792 71
(ii)	Losses which would be incurred if counter parties failed to fulfill their obligations under the agreements	**365 53**	109 49
(iii)	Collateral required by the bank upon entering into swaps	**-**	-
(iv)	Concentration of credit risk arising from the swaps – With banks	**67.43%**	74 81%
(v)	Fair value of the swap book	**34 61**	3 07

The nature and terms of Interest Rate Swaps (IRSs) (including IRSs denominated in foreign currency and done on back to back basis) **as on March 31, 2012 are set out below**

(₹ in crores)

Nature	Nos	Notional Principal	Benchmark	Terms
Merchant and Cover	1	100 00	MIBOR	Fixed Payable V/s Floating Receivable
Merchant and Cover	1	100 00	MIBOR	Fixed Receivable V/s Floating Payable
Merchant and Cover	34	638 65	LIBOR	Fixed Payable V/s Floating Receivable
Merchant and Cover	34	638 65	LIBOR	Fixed Receivable V/s Floating Payable
Merchant and Cover	1	33 97	EURIBOR	Fixed Payable V/s Floating Receivable
Merchant and Cover	1	33 97	EURIBOR	Fixed Receivable V/s Floating Payable
Trading	257	10425 00	MIBOR	Fixed Payable V/s Floating Receivable
Trading	244	10325 00	MIBOR	Fixed Receivable V/s Floating Payable

The nature and terms of IRSs (including IRSs denominated in foreign currency and done on back-to-back basis) **as on March 31, 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	MIBOR	Fixed Receivable V/s Floating Payable

There were no Forward Rate Agreements (FRAs) outstanding on March 31, 2012 **The nature and terms of the FRAs as on March 31, 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 Options as on March 31, 2012 are set out below

(₹ in crores)

Nature	Nos	Notional Principal	Terms
Merchant and Cover	496	1740 86	Options

The nature and terms of Options as on March 31, 2011 are set out below

(₹ in crores)

Nature	Nos	Notional Principal	Terms
Merchant and Cover	514	2228 65	Options

The nature and terms of Cross Currency Swaps (CCSs) (including CCSs denominated in foreign currency and done on back to back basis) **as on March 31, 2012 are set out below**

(₹ in crores)

Nature	Nos	Notional Principal	Benchmark	Terms
Merchant and Cover	2	24 52	LIBOR	Fixed Payable V/s Floating Receivable (Coupon Only Swap)
Merchant and Cover	2	22 01	LIBOR	Fixed Receivable V/s Floating Payable (Coupon Only Swap)
Merchant and Cover	2	406 22	-	Fixed V/s Fixed (Coupon Only Swap)
Merchant and Cover	36	1151 80	LIBOR	Fixed Payable V/s Floating Receivable (Cross Currency Swap)
Merchant and Cover	36	1074 92	LIBOR	Fixed Receivable V/s Floating Payable (Cross Currency Swap)
Merchant and Cover	1	6 88	EURIBOR	Fixed Payable V/s Floating Receivable (Cross Currency Swap)
Merchant and Cover	1	6 02	EURIBOR	Fixed Receivable V/s Floating Payable (Cross Currency Swap)
Merchant and Cover	9	1526 59	-	Fixed V/s Fixed (Cross Currency Swap)
Merchant and Cover	19	659 62	LIBOR	Fixed Payable V/s Floating Receivable (Principal Only Swap)
Merchant and Cover	19	639 19	LIBOR	Fixed Receivable V/s Floating Payable (Principal Only Swap)
Merchant and Cover	2	100 68	-	Fixed V/s Fixed (Principal Only Swap)

The nature and terms of CCSs (including CCSs denominated in foreign currency and done on back to back basis) **as on March 31, 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 (Coupon Only swap)
Merchant and Cover	7	128 79	LIBOR	Fixed Payable V/s Floating Receivable (Principal Only 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 (Coupon Only swap)
Merchant and Cover	7	133 68	LIBOR	Fixed Receivable V/s Floating Payable (Principal Only swap)

3 2 ***Exchange Traded Interest Rate Derivatives***

The Bank has not undertaken any exchange traded interest rate derivative transactions during the year (previous year Nil)

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 It functions independent of Treasury business and undertakes the following activities

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

The Risk Management function applies a host of quantitative tools and methods such as Value at Risk, PV01, stop-loss limits, counterparty limits, deal size limits and overnight position limits

The Bank undertakes derivative transactions for hedging customers' exposure, hedging the Bank's own exposure, as well as for trading purposes, wherever permitted by RBI The customers use these derivative products to hedge their forex and interest rate exposures, all trades with customers are covered back to back with other market makers

The Derivatives Policy approved by Board of Directors defines the framework for carrying out derivatives business and lays down policies and processes to measure, monitor and report risk arising from derivative transactions The policy provides for (a) appropriate risk limits for different derivative products and (b) authority levels for review of limit breaches and to take appropriate actions in such events As part of the Derivatives Policy, the Bank has a Product Suitability and Customer Appropriateness Policy, which is used to classify its customers on the basis of their need for various derivative products as well as their competence in understanding such products and the attendant risks involved

The following table presents summarized data relating to Derivatives

(₹ in crores)

Sr No	Particulars	March 31, 2012		March 31, 2011	
		Currency derivatives	Interest rate derivatives	Currency derivatives	Interest rate derivatives
1	Derivatives (Notional Principal Amount)	66915 68	22295 24	50906 59	14203 73
	a) For hedging	-	-	-	400 00
	b) For trading	66915 68	22295 24	50906 59	13803 73
2	Marked to Market Positions (Note 5)-				
	a) Asset (+)	174 23	15 51	-	-
	b) Liability (-)	-	-	(115 53)	(4 67)
3	Credit Exposure	1326 85	353 65	548 06	203 43
4	Likely impact of one percentage change in interest rate (100*PV01) (Note 1)				
	a) on hedging derivatives	-	-	-	0 15
	b) on trading derivatives	-	0 329	-	0 02
5	Maximum and Minimum of 100*PV01 observed during the year (Note 2) (₹ in lacs)				
	a) on hedging	-	Max 42 12 Min 0 00	-	Max 19 57 Min 0 00
	b) on trading	-	Max 40 71 Min 0 09	-	Max 20 26 Min 0 03

Note 1 Based on the PV01 of the outstanding derivatives as at March 31, 2012

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 There were no outstanding currency futures as on March 31, 2012

Note 5 As on March 31, 2012, Marked to Market receivable is ₹ 481 45 crores and Marked to Market payable is ₹ 307 22 crores in respect of Currency derivatives In respect of Interest rate derivatives, Marked to Market receivable is ₹ 163 47 crores and Marked to Market payable is ₹ 147 96 crores

Foreign Currency exposure not hedged by derivative instruments (Net Open Position) as on March 31, 2012 is ₹ (44 73) crores (previous year ₹ (5 69) crores)

4) Asset Quality

4 1 Non-Performing Assets

(₹ in crores)

Items	March 31, 2012	March 31, 2011
(i) Net NPAs to Net Advances (%)	0 27%	0 28%
(ii) Movement in Gross NPAs		
a) Opening balance	265 86	255 47
b) Additions during the year	286 45	190 38
c) Reductions during the year		
(i) Upgradations	35 57	30 71
(ii) Recoveries* (excluding recoveries made from upgraded accounts)	98 66	38 55
(iii) Write-offs	71 00	110 73
d) Closing balance	347 08	265 86
(iii) Movement in Net NPAs		
a) Opening balance	72 82	101 83
b) Additions during the year	126 26	17 97
c) Reductions during the year	104 41	46 98
d) Closing balance	94 67	72 82
(iv) Movement in provisions for NPAs (excluding provisions on standard assets)		
a) Opening balance	193 04	153 64
b) Provisions made during the year (segregated counter cyclical provision buffer in FY 2011-12)	160 19	172 41
c) Write-off / write-back of excess provisions	100 82	133 01
d) Closing balance	252 41	193 04

Recovries include sale to ARC

4 2 Sector-wise NPAs

Sl No	Sector	% of NPAs to Advances in that sector as on	
		March 31, 2012	March 31, 2011
1	Agriculture & allied activities	0 93%	0 94%
2	Industry (Micro & Small, Medium and Large)	0 45%	0 56%
3	Services	0 48%	0 69%
4	Personal Loans*	75 95%	72 41%

* The amount of Personal Loans outstanding is very insignificant at ₹ 11 02 crores (Previous year ₹12 65 crores) and no new loans have been disbursed during the year

4 3 Details of Loan Assets subjected to Restructuring as on March 31, 2012:

(₹ in crores)

		CDR Mechanism	SME Debt Restructuring	Others incl. Consumer/ Vehicle Loan
Standard Advances Restructured	No of Borrowers	8 (6)	2 (1)	15 (44)
	Amount Outstanding[1]	84 89 (67 75)	20 12 (9 16)	0 21 (3 71)
	Sacrifice (diminution in the fair value)	12 69 (7 98)	3 28 (0 17)	0 21 (0 41)
Substandard Advances Restructured	No of Borrowers	- (1)	1 -	- (1)
	Amount Outstanding	- (8 97)	5 74 -	- (3 95)
	Sacrifice (diminution in the fair value)/ NPA provision held	- (8 97)	4 65 -	- (3 26)
Doubtful Advances Restructured	No of Borrowers	1 (1)	- -	- (1)
	Amount Outstanding	10 00 (10 00)	- -	- (5 83)
	Sacrifice (diminution in the fair value) / NPA provision held	10 00 (10 00)	- -	- (5 83)
TOTAL	**No of Borrowers**	**9 (8)**	**3 (1)**	**15 (46)**
	Amount Outstanding	**94 89 (86 72)**	**25.86 (9 16)**	**0.21 (13.49)**
	Sacrifice (diminution in the fair value) / NPA provision held	**22.69 (26 95)**	**7.93 (0.17)**	**0 21 (9 50)**

(1) Excluding Optionally Convertible Cumulative Redeemable Preference Shares (OCCRPS) of ₹ 16 90 crores and Redeemable Preference Shares (RPS) of ₹ 1 31 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		2011-2012	2010-2011
1)	No of accounts	3	-
2)	Aggregate value (net of provisions) of accounts sold to SC / RC	44 75	-
3)	Aggregate consideration	46 00	-
4)	Additional consideration realized in respect of accounts transferred in earlier years	2 35	1 30
5)	Aggregate gain/ (loss) over net book value	3 60	-

4 5 *During the year, there has been no purchase / sale of non-performing financial assets from / to other banks (previous year Nil)*

4 6 *Dunng the year, there was no secuntization transaction pertaining to Standard Advances (previous year Nil)*

4 7 ***Provision on Standard Assets***

(₹ in crores)

Items	March 31, 2012	March 31, 2011
Cumulative Provision held for Standard Assets	138 77	103 02

Provision towards Standard Assets is included in 'Other Liabilities and Provisions – Others' in Schedule 5, and is not netted off from Advances

As per RBI guidelines, Standard Assets provision as at March 31, 2012, includes additional provision at the rate of 2% on all amounts outstanding on Standard Assets restructured during the last two years

5) Business ratios

Ratios		March 31, 2012	March 31, 2011
i)	Interest income as a percentage to working funds	10 49%	9 05%
ii)	Non-interest income as a percentage to working funds	1 98%	1 80%
iii)	Operating profit as a percentage to working funds	2 69%	2 73%
iv)	Return on assets	1 57%	1 46%
v)	Business (deposits plus gross advances) per employee including trainees (₹ in lacs)	788 42	843 98
vi)	Profit per employee including trainees (₹ in lacs)	8 57	8 24
vii)	Provision coverage ratio	72 72%	72 61%

Note

(1) Working funds are reckoned as the average of total assets as per the monthly returns in Form X filed with RBI during the year

(2) Business per employee (deposits plus gross advances) is computed after 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, 2012

(₹ 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	160 85	1329 22	1447 67	731 90	12196 88	3386 82	9172 73	12885 35	532 38	517 74	**42361 54**
Loans & Advances	2074 69	1039 81	445 26	1038 74	4588 98	3078 37	5688 66	13941 14	1826 66	1341 64	**35063.95**
Investment Securities	-	300 00	-	39 65	257 64	852 25	1518 28	987 45	1397 91	9218 77	**14571 95**
Borrowings	6 31	1686 79	48 55	127 19	383 24	1553 90	2768 38	1199 42	599 34	308 89	**8682 01**
Foreign currency assets	836 85	23 22	40 46	56 96	659 55	61 39	30 69	949 55	4 64	62 10	**2725 41**
Foreign currency liabilities	50 28	140 07	28 73	146 40	289 85	1041 69	806 64	171 85	54 02	-	**2729.53**

IndusInd Bank

(b) 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	1236 33	31 37	20 77	0 45	36 05	59 42	18 54	467 49	-	37 18	**1907.60**
Foreign currency liabilities	37 10	9 62	79 21	94 23	65 00	705 93	245 25	177 40	63 61	-	**1477 35**

7) Exposures

7 1 Exposure to Real Estate Sector

(₹ in crores)

	Particulars	March 31, 2012	March 31, 2011
a)	**Direct exposure**		
	(i) Residential Mortgages	115 78	214 12
	[of which individual housing loans upto ₹25 lacs is ₹ 79 80 crores (previous year upto ₹ 20 lacs, ₹ 121 16 crores)][1]		
	(ii) Commercial Real Estate [2]	1377 48	882 79
	(iii) Investments in Mortgage Backed Securities (MBS) and other securitised Exposures		
	a) Residential,	-	-
	b) Commercial Real Estate	-	-
b)	**Indirect exposure**	243 65	409 56
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)		
	Total Real Estate Exposure	**1736.91**	**1506.47**

(1) As per RBI circular RPCD CO Plan BC 69/04 09 01/2010-11 dated 09/05/2011, limit for housing loan under priority sector has been changed from ₹ 20 lacs to ₹ 25 lacs

(2) Does not include corporate lending backed by mortgage of land and building

7 2 *Exposure to Capital Market*

(₹ in crores)

	Particulars	March 31, 2012	March 31, 2011
(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,	6 55	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,	23 04	22 73
(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,	NIL	72 26
(v)	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers,	1158 10	718 08
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	**1187 69**	820 22

7 3 *Risk Category-wise exposure to country risk*

(₹ in crores)

Risk category	Exposure (net) as at March 31, 2012	Provision held as at March 31, 2012	Exposure (net) as at March 31, 2011	Provision held as at March 31, 2011
Insignificant	218 92	-	881 37	-
Low	556 11	-	415 03	-
Moderate	78 39	-	44 48	-
High	7 58	-	4 89	-
Very High	6 08	-	2 03	-
Restricted	14 77	-	1 68	-
Off Credit	-	-	-	-
Total	**881 85**	-	**1349 48**	-

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 (previous year Nil)

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 ₹ 2853 82 crores (previous year ₹ 3714 29 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, 2012	As on March 31, 2011
Total Deposits of twenty largest depositors	10717 05	10029 11
Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank	25 30%	29 18%

8.2 Concentration of Advances·

(₹ in crores)

	As on March 31, 2012	As on March 31, 2011
Total Advances to twenty largest borrowers	10950 38	8135 08
Percentage of Advances of twenty largest borrowers to Total Advances of the Bank	22 59%	20 64%

Advances are computed as per the definition of Credit Exposure including derivatives as prescribed in Master Circular on Exposure Norms DBOD No Dir BC 7/13 03 00/2011-12 dated July 1, 2011

8 3 Concentration of Exposures·

(₹ in crores)

	As on March 31, 2012	As on March 31, 2011
Total Exposure to twenty largest borrowers / customers	10975 38	8135 08
Percentage of Exposure of twenty largest borrowers / customers to Total Exposure of the Bank on borrowers / customers	22 23%	20 57%

Exposures are computed as per the definition in Master Circular on Exposure Norms DBOD No Dir BC 7/13 03 00/2011-12 dated July 1, 2011 and includes credit and investment exposure

8 4 Concentration of NPAs:

(₹ in crores)

	As on March 31, 2012	As on March 31, 2011
Total Exposure to top four NPA accounts	45 37	36 74

9) Miscellaneous

9 1 Amount of Provisions for taxation during the year

(₹ in crores)

Particulars	2011-12	2010-11
Provision for Income Tax	403 38	326 56
Deferred Tax Credit	(13 69)	(24 50)
Provision for Wealth Tax	0 35	0 40
Total	**390 04**	**302 46**

9 2 Disclosure of penalties imposed by RBI

RBI has not imposed any penalty on the Bank u/s 46(4) of the Banking Regulation Act, 1949 (previous year Nil)

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 74 crores (previous year ₹ 1 78 crores) and has filed a suit for the same

9 4 Contingent Liabilities

Claims against the Bank not acknowledged as debts comprise of tax demands in respect of which the Bank is in appeal of ₹ 108 84 crores (previous year ₹ 149 64 crores) and the cases sub-judice ₹ 306 06 crores (previous year ₹ 159 96 crores) The above are based on the management's estimate, and no significant liability is expected to arise out of the same

9 5 During the year, the Bank had acquired the Indian operations of the Credit Cards business of Deutsche Bank AG, as a going concern on a slump sale basis The acquisition was fully funded from the internal accruals of the Bank The business take-over was completed on June 01, 2011 and all the assets and mutually agreed liabilities of the said Credit Cards business became part of the Bank's Balance Sheet on that date The price paid towards acquisition of the business was allocated to the assets and liabilities on the basis of their fair value on the acquisition date and accounted for accordingly The incomes generated by the business on and from that date, and the assets and liabilities pertaining to the business have been duly considered in the Profit and Loss Account for the year ended and the Balance Sheet as at March 31, 2012 respectively While the acquisition of Credit Cards business has a strategic importance in augmenting the product offerings of the Bank, it has not materially impacted the financial results for the year ended March 31, 2012 and the state of affairs of the Bank as on that date

9 6 Other Income

9 6 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	2011 - 12	2010 - 11
(1) For selling life insurance policies	104 98	71 42
(2) For selling non life insurance policies	56 28	66 94
(3) For selling mutual fund products	26 52	22 69
(4) Others	-	-
Total	**187.78**	**161 05**

9 6 2 ***Miscellaneous income*** includes processing fees ₹ 124 73 crores (previous year ₹ 83 61 crores), card operations fees ₹ 64 27 crores (previous year ₹ 23 62 crores), investment banking income ₹79 02 crores (previous year ₹60 53 crores) and others ₹ 160 99 crores (previous year ₹ 94 37 crores)

9 6 3 The Bank does not have any Overseas branches and hence the disclosure regarding total assets, NPAs and revenue is not applicable

9 6.4 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 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 is decided by the Compensation Committee, which is normally based on the latest available closing price Upon vesting, the options have to be exercised within a maximum period of five years The ESOS 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 granted 2,72,45,700 options as set out 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
11	24/06/2011	21,54,750	253 60
12	16/08/2011	89,500	254 90
13	30/09/2011	2,61,000	262 25
14	21/12/2011	9,20,000	231 95
15	29/02/2012	1,95,000	304 05

Recognition of expense

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 the 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	1,74,90,455	106 25
Granted during the year	36,20,250	251 47
Forfeited / surrendered during the year	3,04,238	194 12
Exercised during the year	17,36,166	65 86
Expired during the year	-	-
Outstanding at the end of the year	1,90,70,301	136 10
Options exercisable at the end of the year	1,13,96,457	75 20

The weighted average price of options exercised during the year is ₹ 274 98

Following summarizes the information about stock options outstanding as at March 31, 2012

Date of grant	Exercise Price	Number of shares arising out of options	Weighted average life of options (in years)
18 July 2008	48 00	70,25,000	3 15
18 July 2008A	50 60	8,81,500	3 31
17 Dec 2008	38 95	7,71,930	3 73
5 May 2009	44 00	3,10,565	4 11
31 August 2009	100 05	1,80,890	4 43
28 Jan 2010	140 15	55,100	4 84
28 Jan 2010A	48 00	6,00,000	3 83
28 Jun 2010	196 50	10,98,916	5 26
14 Sep 2010	236 20	64,500	5 47
26 Oct 2010	274 80	1,43,500	5 59
17 Jan 2011	228 70	25,00,000	5 81
7 Feb 2011	95 45	2,84,000	4 86
7 Feb 2011A	220 45	16,19,400	5 87
24 Jun 2011	253 60	20,69,500	6 25
16 Aug 2011	254 90	89,500	6 39
30 Sep 2011	262 25	2,61,000	6 51
21 Dec 2011	231 95	9,20,000	6 74
29 Feb 2012	304 05	1,95,000	6 93

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

	2011-12
Average dividend yield	1 28%
Expected volatility	55 07% - 59 37%
Risk free interest rates	8 20% - 8 45%
Expected life of options (in years)	3 50 - 5 50
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

The Bank has charged ₹ 3 04 crores to the Profit and Loss account being the intrinsic value of stock options granted for the year ended March 31, 2012 Had the Bank adopted the Black - Scholes model based fair valuation, compensation cost for the year ended March 31, 2012, would have increased by ₹ 55 40 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 ₹ 16 02 and ₹ 15 70 respectively

The weighted average fair value of options granted during the year ended March 31, 2012 is ₹ 136 76

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, 2012, from those followed for the year ended March 31, 2011

11 2 Employee Benefits (AS-15)

Gratuity

The benefit of Gratuity is a funded defined benefit plan For this purpose the Bank has obtained qualifying insurance policies from two insurance companies 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, 2012	March 31, 2011
Changes in the present value of the obligation			
1	Opening balance of Present Value of Obligation	19 67	14 59
2	Interest Cost	1 49	1 11
3	Current Service Cost	4 98	3 97
4	Past Service Cost	-	-
5	Benefits Paid	(2 27)	(1 81)
6	Actuarial (gain) / loss on Obligation	(1 24)	1 81
7	Closing balance of Present Value of Obligation	22 63	19 67
Reconciliation of opening and closing balance of the fair value of the Plan Assets			
1	Opening balance of Fair value of Plan Assets	19 89	14 67
2	Adjustment to Opening Balance	0 94	-
3	Expected Return on Plan assets	1 86	1 38
4	Contributions	4 65	5 09
5	Benefits Paid	(2 27)	(1 81)
6	Actuarial gain / (loss) Return on Plan Assets	(1 13)	0 56
7	Closing balance of Fair Value of Plan Assets	23 94	19 89
Profit & Loss – Expenses			
1	Current Service Cost	4 98	3 97
2	Interest Cost	1 49	1 11
3	Expected Return on Plan assets	(1 86)	(1 38)
4	Net Actuarial gain / (loss) recognised in the year	(0 11)	1 25
5	Expenses Recognised in the statement of Profit & Loss	4 50	4 95
Actuarial Assumptions			
1	Discount Rate	8 00%	8 00%
2	Expected Rate of Return on Plan Assets	8 00%	8 00% -9 30%
3	Expected Rate of Salary Increase	4 50% -5 00%	4 50% - 6 00%

Experience Adjustment

(₹ in crores)

Particulars	March 31, 2012	March 31, 2011	March 31, 2010	March 31, 2009	March 31, 2008
Defined Benefit Obligations	22 63	19 67	14 59	10 24	8 82
Plan Assets	23 94	19 89	14 67	10 97	6 04
Surplus / (Deficit)	1 31	0 22	0 08	0 73	(2 78)
Experience Adjustments on Plan Liabilities	1 24	(1 03)	(3 11)	(0 46)	(3 19)
Experience Adjustments on Plan Assets	(1 13)	0 56	(0 45)	(0 03)	0 04

Provident Fund

The guidance on implementing AS 15, Employee Benefits (revised 2005) states that benefits involving employer established provident funds, which require interest shortfalls to be recompensed are to be considered as defined benefit plans

The details of the fund and plan asset position as at March 31, 2012, are as follows

(₹ in crores)

Assets / Liabilities	March 31, 2012
Present value of Interest Rate guarantee on Provident Fund	0 51
Present value of Total Obligation	63 66
Fair value of Plan Assets	63 06
Net Asset / (liability) recognized in the Balance Sheet	(0 51)
Assumptions	
Normal Retirement age	60 years
Expected guaranteed interest on PF in future	8 25%
Expected returns on fund balance	8 77%
Benefit on normal retirement	Accumulated account balance
Benefit on early retirement / withdrawal / resignation	Same as normal retirement benefit
Benefit on death in service	Same as normal retirement benefit

The Guidance note on valuation of interest rate guarantee embedded in Provident fund issued by ASI is effective from April 01, 2011 In absence of any valuation guidance for the earlier periods, the obligation has not been valued for the last five years

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	
Particulars	**31/03/12**	**31/03/11**	**31/03/12**	**31/03/11**	**31/03/12**	**31/03/11**	**31/03/12**	**31/03/11**	**31/03/12**	**31/03/11**
Result	94 30	162 62	438 26	291 31	915 49	688 58	(0 06)	(0 29)	1447 99	1142 22
Unallocated Expenses									74 96	60 55
Operating Profit									1373 03	1081 67
Income Taxes and Other Provisions									570 42	504 35
Extraordinary profit / loss									0 00	0 00
Net Profit									802 61	577 32
Other Information										
Segment Assets	19307 19	16839 75	12127 37	9802 00	24753 55	17954 90	0 00	0 00	56188 11	44596 65
Unallocated Assets									1407 96	1039 19
Total Assets									57596 07	45635 84
Segment Liabilities	8708 99	5620 66	26822 41	20190 85	16220 12	14790 48	0 00	0 00	51751 52	40601 99
Unallocated Liabilities									5844 55	5033 85
Total Liabilities									57596 07	45635 84

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 (fully divested on September 13, 2011)

IndusInd Marketing and Financial Services Private Limited

Subsidiaries ALF Insurance Services Private Limited (under liquidation)

Summarized transactions with related parties for the year ended March 31, 2012

(₹ in crores)

Items / Related Party	Subsidiaries*	Associates/ Joint ventures	Key Management personnel*	Relatives of key Management Personnel	Total
Deposits	-	1 19	-	-	1 19
	-	(28 59)	-	-	(28 59)
Advances	-	3 90	-	-	3 90
	-	(9 00)	-	-	(9 00)
Investments	-	-	-	-	-
Interest Paid	-	-	-	-	-
Receiving of services	-	87 67	-	-	87 67
Other Liabilities (creditors for expenses, security deposits etc)	-	3 45	-	-	3 45
	-	(4 45)	-	-	(4 45)

*As on March 31, 2012, there was only one related party in the said category, hence, in accordance with RBI guidelines, no disclosure 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, 2011

(₹ in crores)

Items / Related Party	Subsidiaries*	Associates/ Joint ventures	Key Management personnel*	Relatives of key Management Personnel	Total
Deposits	-	2 93	-	-	2 93
	-	(6 70)	-	-	(6 70)
Advances	-	9 32	-	-	9 32
	-	(18 50)	-	-	(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
	-	(3 10)	-	-	(3 10)

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

Note Figures in bracket represent maximum outstanding during the year

11 5 Operating Leases (AS 19)

The Bank has not given any assets on operating lease The Bank has taken number of premises on operating lease consisting of branch premises, office premises, ATMs and residential premises for staff The details of maturity profile of future operating lease payments are given below

(₹ in crores)

	March 31, 2012	March 31, 2011
Future lease rentals payable as at the end of the year		
- Not later than one year	104 70	76 99
- Later than one year but not later than five years	314 63	240 91
- Later than five years	134 15	115 73
Total of minimum lease payments recognised in the Profit and Loss Account for the year	91 55	63 37
Total of future minimum sub-lease payments expected to be received under non-cancellable sub-lease	-	-
Sub-lease payments recognised in the Profit and Loss Account for the year	-	-

The Bank has not sub-leased any of the properties taken on lease There are no provisions relating to contingent rent

The terms of renewal and escalation clauses are those normally prevalent in similar agreements There are no undue restrictions or onerous clauses in the agreements

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, 2012	Year ended March 31, 2011
Net Profit as Reported (₹ in crores)	802 61	577 32
Basic weighted average number of equity shares	46,65,06,257	43,87,64,163
Diluted weighted average number of equity shares	47,59,83,073	44,82,25,770
Nominal value of Equity Shares (₹)	10	10
Basic Earnings per Share (₹)	17 20	13 16
Diluted Earnings per Share (₹) (Reported)	16 86	12 88

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 is under progress Since the control is regarded as temporary, no consolidated financial statements have been drawn up as per AS-21 "Consolidated Financial Statements"

11.8 Deferred Tax (AS 22)

The major components of deferred tax assets / liabilities are as under

(₹ in crores)

	March 31, 2012 Deferred Tax		March 31, 2011 Deferred Tax	
Timing difference on account of	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Difference between book depreciation and depreciation under the Income Tax Act, 1961		5 69		7 96
Difference between Provisions for doubtful debts and advances and amount allowable under Section 36(1)(viia) of the Income Tax Act, 1961	130 19		95 04	
Interest on securities		70 72		46 77
Others	7 79		7 57	
Sub-total	137 98	76 41	102 61	54 73
Net closing balance carried to the Balance Sheet (included in Sch 11 – Others)	**61.57**		**47.88**	

12) Additional Disclosures

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

(₹ in crores)

Particulars	Year ending March 31, 2012	Year ending March 31, 2011
Depreciation on Investments	(1 02)	7 62
Provision for non-performing assets including bad debts written off net of write backs	142 58	161 24
Provision towards Standard Assets	35 75	22 90
Income Tax / Wealth Tax / Deferred Tax	390 04	302 46
Others	3 07	10 13
Total	**570.42**	**504.35**

12.2 Movement in provision for credit card and debit card reward points

(₹ in crores)

Particulars	2011-12
Opening provision	-
Provision for Reward Points on acquisition	8 48
Provision for Reward Points made during the year	6 79
Utilisation / Write back of provision for Reward Points	5 28
Effect of change in rate for accrual of Reward Points	0 96
Closing provision for Reward Points	**9.03**

12 3 Disclosure of Complaints

A Customer Complaints

No	Particulars	2011-12	2010-11
(a)	No of complaints pending at the beginning of the year	307*	272
(b)	No of complaints received during the year	18772	15579
(c)	No of complaints redressed during the year	18754	15474
(d)	No of complaints pending at the end of the year	325	377

* Pending 307 complaints as on beginning of FY 2011-12 is excluding 70 legal cases (included in FY 2010-11)

The number of complaints for the year ended March 31, 2012 is higher as it includes complaints relating to new retail businesses undertaken

B Awards passed by the Banking Ombudsman

No	Particulars	2011-12	2010-11
(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	2	1
(c)	No of Awards implemented during the year	2	1
(d)	No of unimplemented Awards at the end of the year	Nil	Nil

(Compiled by management and relied by auditors)

12 4 Letters of Comfort

The Bank has not issued any letter of comfort

13 Floating provision

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 January 31, 1994 The Bank has only one subsidiary, viz , ALF Insurance Services Pvt Ltd The financials of the subsidiary were not consolidated with the Bank's financials as the said company could not commence business, and CRAR was computed on the financial positions of the Bank alone

The Bank has since decided against entering into Insurance Corporate Broking business, and proceedings for voluntary winding up of the subsidiary have been initiated

The CRAR is accordingly 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 ₹ 550 00 crores comprising 55,00,00,000 equity share of ₹ 10/- each As on 31st March 2012, the Bank has issued, subscribed and paid-up capital of ₹ 467 70 crores, (including forfeited equity shares of ₹0 19 crore), constituting 467,510,001 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

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 2012 was ₹ 1169 00 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 March 31, 2012, 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, ₹ 421 04 crores qualified as Tier II capital

Composition of the Capital – Tier I and Tier II as on March 31, 2012

(₹ in crores)

Tier I Capital	
Paid up Share Capital	467 70
Reserves	4,051 78
Innovative Instruments	-
Other Capital Instrument	-
Gross Tier I Capital	**4,519 48**
Deductions	**61 82**
Investments in Subsidiaries and Associates	0 25
Credit enhancements under Securitisation	-
Deferred Tax Assets	61 57
Net Tier I Capital	**4,457 66**
Tier II Capital	
Upper Tier II Bonds	308 90
Sub-ordinated debts (eligible)	421 04
General Provisions / IRA and Revaluation Reserves	240 36
Gross Tier II Capital	**970 30**
Deductions	**0 25**
Investments in Subsidiaries and Associates	0 25
Credit enhancements under Securitisation	-
Net Tier II Capital	**970.05**
Total eligible capital	**5,427.71**
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	421 04
Tier I Capital Funds	**4,457.66**
Tier II Capital Funds	**970.05**
Total Eligible Capital Funds	**5,427.71**

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 BP BC 15 / 21 06 001 / 2011-12 dated July 01, 2011 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 under Basel II is required to be higher than the prudential floor of 80% of the minimum capital requirement computed as per Basel I framework for credit and market risks

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, operating environment, growth outlook, new business avenues, regulatory changes 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, 2012, is mentioned below

Risk Type	**₹ in crores**
Capital requirements for Credit Risk	**3146.66**
Portfolio Subject to Standardised approach	3146 66
Securitisation exposures	0 00
Capital requirements for Market Risk	
Standardised Duration Approach	**71 76**
Interest Rate Risk	57 37
Foreign Exchange Risk (including gold)	13 50
Equity Risk	0 89
Capital requirements for Operational Risk	**309.86**
Basic Indicator Approach	309 86
Total Capital requirements at 9%	**3528 28**
Total Capital Funds	**5427.71**
CRAR	**13.85%**

Under Basel II, Bank's CRAR works out to be 13 85% as on March 31, 2012, which is higher by 1 98% as compared to 11 87% under Basel I

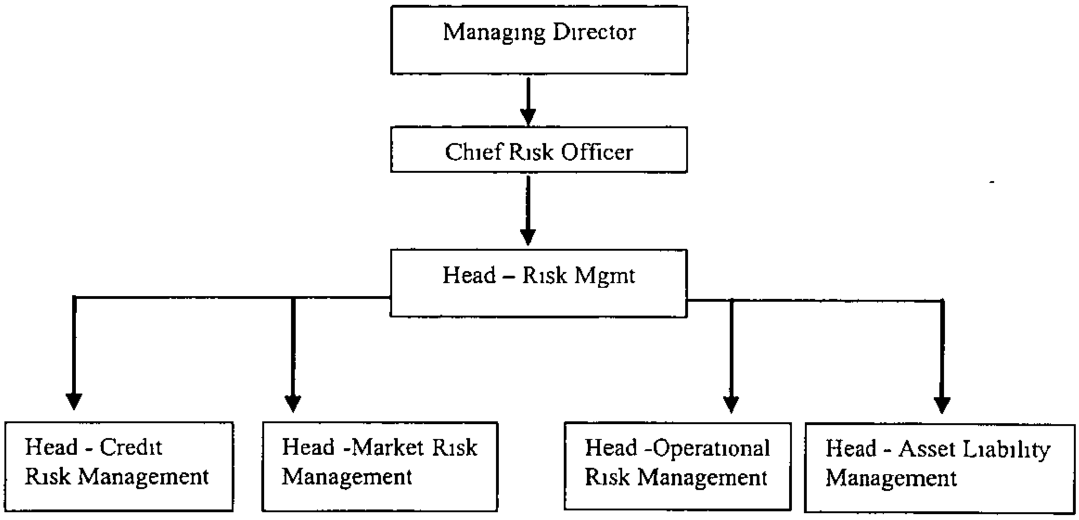
Organisation Structure

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 54% of the total fund-based advances
- The Bank's corporate exposure is fully diversified over 85 industries, thus insulated/minimised 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

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 implemented various Operational Risk management tools such as Risk Events reporting framework, Risk and Control Self Assessment (RCSA) and Loss Data (Basel 8 * 7 matrix) collection including Near Miss Events The Bank weighs each new Product and Process enhancements under Operational Risk Assessment Process (ORAP) framework

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

- Key Risks Indicators
- Score Cards (Branch and Corporate Functions)

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 detailed 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 obtains sufficient collaterals However, collaterals are not the sole criterion for lending, which is generally done based on assessing the business viability of the borrower and the adequacy of the expected 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

Beside the acceptability norms defined in the Credit Policy for an individual transaction, Bank has also implemented various credit related product programmes for 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

The customers under Credit Cards segment are evaluated by means of robust customer selection criteria that include variety of factors

Bank has also put in place a detailed policy for portfolio acquisition which stipulates various criteria for asset selection including due diligence, transfer of risks and rewards of the underlying portfolio, credit enhancements, portfolio risk management and monitoring in accordance with RBI guidelines

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
- Trading entities, Capital Market Broker and Commodity Exchange Broker
- Financial Institutions/Primary Dealers and Banks
- Retail customers (Schematic Loans) – who are assigned credit scoring

The customers under Business Banking segment are assessed, for credit quality, using a scoring model The score serves a measure to categorised the customers into various risk class which are further calibrated to different risk grade

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

- Portfolio Management
- Efficiency in lending decision
- To assess the quality of the borrower – single point reference of credit risk of the borrower
- Preferred 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)
- Pricing credit
- Capital allocation (under Basel II – IRB approaches)

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 monthly 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 04 048/2011-12 dated July 1, 2011, 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

<u>Out of Order status</u> 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'

<u>Overdue.</u> 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*	**54053**
Non Fund Based**	**17711**
Total Exposures	**71764**

* 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	**54053**	-
Non Fund Based	**17711**	-
Total Exposures	**71764**	-

(c) **Industry-Wise Distribution of Exposures**

(₹ in crores)

Industry Name	FB	NFB
Construction		
Construction related to infrastructure	858	1,046
Roads/other infra project	129	106
Contract Construction - Civil	297	460
Power		
Power generation	666	521
Power Transmission	-	207
Real Estate		
Real Estate Developers	136	21
Lease Rental Discounting - Real Estate	828	16
Housing Finance Companies	150	50
Steel		
Steel-Long Products	154	229
Steel Flats-CR,GP/GC	151	110
Steel Flats- HR	75	342
Steel - Alloy	18	9
Sponge Iron	-	22
Casting & Forgings	36	-
Stainless Steel	19	1
Iron and Steel Rolling Mills	4	49
Textiles		
Textiles - Readymade Garments	161	23
Textiles - Cotton fabrics	50	9
Textiles -Cotton fibre / yarn	54	5
Textiles - Manmade fibres / yarn	13	-
Textiles-Texturising	26	9
Textile-Blended Yarn	11	-
Textile - Jute	5	5
Textiles - Synthetic Fabrics	6	-
Textile Machinery	-	5
Cotton ginning,Cleaning,Baling	5	-
Pharmaceuticals		
Pharmaceuticals - Bulk Drugs	277	24
Pharmaceuticals - Formulations	871	94

(₹ in crores)

Industry Name	FB	NFB
Chemicals		
Chemicals - Organic	19	47
Chemicals - Inorganic	155	127
Fertilisers		
Fertilisers - Phosphatic	561	-
Fertilizers - Nitrogenous	-	311
Paper		
Paper - Writing and Printing	39	5
Paper - Industrial	203	-
Paper Newsprint	116	-
Telecom		
Telecom - Cellular/Tower	423	1
Telecom Equipments	45	145
NBFCs(other than HFCs)	1,894	163
Petroleum & Products	28	1,630
Engineering & Machinery	220	825
Gems and Jewellery	477	101
Edible Oils	74	557
Auto Ancillaries	438	99
Diversified	314	305
Hospital & Medical Services	392	66
Food Credit	449	3
Aluminum	400	73
Capital Market Brokers	72	319
Microfinance Institution	352	-
Rubber & Rubber Products	293	12
Rental Discounting - Equipments	452	7
Plastic & Plastic Products	197	81
Sugar	150	85
Electronic components	120	19
Commodity Market Brokers	12	116
Beverage, Breweries, Distilleries	100	11
Automobiles-Commercial Vehicle	122	-
Hotels & Tourism	90	51

(₹ in crores)

Industry Name	FB	NFB
Fast Moving Consumer Goods	53	58
Cement	112	-
Glass & Glass Products	93	10
Shipping	101	-
Educational Institutions	101	1
Computers - Hardware	53	40
Coal	58	36
IT Enabled Services	52	19
Electrical fittings	55	51
Petrochemicals	46	14
Mining, Quarrying & Minerals	4	55
Construction Equipments	35	20
Airlines	-	52
Automobiles-2/3 wheelers	50	29
Wood and Wood Product	36	1
Leather & leather Products	26	8
Tiles/Sanitaryware	25	3
Tea	41	-
Transport Services	19	12
Oil and Gas Exploration	30	-
Tyres	-	26
Electric Equipment	4	15
Media, Entertainment & Advt	11	4
Fasteners	13	-
Retail Chains	10	-
Banks	58	1,976
Trading - Wholesale	1,150	663
Trading - Retail	1,413	83
Services	300	374
Consumer Finance Division	16,990	-
Credit Cards	247	-
Other Industries	671	1,691
Residual Assets	18,989	3,948
Total Exposure	**54,053**	**17,711**

IndusInd Bank

(d) **Residual Contractual Maturity break down of assets**

(₹ in crores)

	Next Day	2 days to 7 days	8 Days 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
Cash	320 38										320 38
Balances with RBI	-	-	-	51 66	129 16	77 50	77 50	697 46	439 14	1,110 78	2,583 20
Balances with other Banks	1,301 28	1,128 86	29 50	61 59	106 83	-	-	7 99	-	-	2,636 05
Investments	-	300 00	-	39 65	257 64	852 25	1,518 28	987 45	1,397 91	9,218 77	14,571 95
Advances (Excl NPAs)	2,074 69	1,039 81	445 26	1,038 74	4,588 98	3,078 37	5,688 66	13,941 14	1,826 66	1,341 64	35,063 95
Fixed Assets										656 80	656 80
Other Assets	103 76	8 40	9 80	19 60	103 42	142 62	32 95	169 65	-	1,173 55	1,763 75

(e) **Movement of NPAs and Provision for NPAs as on March 31, 2012**

(₹ in crores)

A	**Amount of NPAs (Gross)**	**347.07**
	Sub-standard	163 69
	Doubtful 1	50 98
	Doubtful 2	90 43
	Doubtful 3	36 65
	Loss	5 32
B	**Net NPAs**	94 67
C	**NPA ratios**	
	Gross NPA to Gross advances (%)	0 98%
	Net NPA to Net advances (%)	0 27%
D	**Movement of NPAs (Gross)**	
	Opening Balance as on 01 04 11	265 86
	Additions during the year	286 44
	Reductions during the year	205 23
	Closing Balance as on 31 03 12	347 07
E	**Movement of provision for NPAs**	
	Opening as on 01 04 11	193 04
	Provision made in 2011-12	160 18
	Write off / Write back of excess provisions	100 82
	Closing as on 31 03 12	252 40

(f) **Non Performing Investments and Movement of provision for depreciation on Non Performing Investments**

(₹ in crores)

A	Amount of Non-Performing Investments	1 76
B	Amount of provision held for non-performing investments	1 76
C	Movement of provision for depreciation on investments	
	Opening as on 01 04 11	11 46
	Add Provision made in 2011-12	0 00
	Less Write-off/ write-back of excess provision	1 02
	Closing Balance as on 31 3 12	10 44

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 follow 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 generally 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

Risk Weight-wise distribution of Gross Credit Exposures

Category	₹ in crores
Below 100% Risk Weights	51881
100% Risk Weights	16412
More than 100% Risk Weights	3471
Deducted	
- Investments in subsidiaries	(0 50)

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/acceptable collaterals, guarantees necessary in granting credit, evaluation methods for different types of credit and collateral, applicable "haircuts" to collateral, frequency of revaluation and release of collateral are stipulated in the Bank's credit policy, policy on collateral management 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, NSC, guarantee, mortgages, pledge of shares and commodities, bank guarantees, accepted bills of exchange, assignment of receivables etc The credit facilities, in terms of risk policies, are secured by secondary collaterals such as cash deposits, NSC, guarantee, mortgages, fixed assets etc Bank also grants unsecured credit to the borrowers with high standing and low credit risk profile Customers under Credit card programme are assessed by means of comprehensive customer selection parameters

For Business Banking clients, who 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	4419	449
Exposure after applying eligible mitigants	766	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 neither originated any securitization transactions by way of sale of securitised assets, nor retained any exposure on such assets, actual conditional, or contingent, during the financial year ended March 2012

The Bank had earlier 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 6 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 secuntization transactions

(a) Securitisation exposures in Banking Book

There are no outstanding under the secuntization exposures as on 31st March, 2012 No secuntization activities were undertaken by the Bank during financial year ended on 31st March, 2012

(b) Amount of Assets intended to be secuntized 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	57 37
Foreign Exchange Risk (including gold)	13 50
Equity Risk	0 89

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 (f) A framework for Risk and Control Self Assessment (RCSA) and (g) Risk Event Reporting Framework

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 completed the 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 Fframework

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 movement 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 2012, the earning shows a decline of ₹44 25 crores

The impact of change in interest rate by 100 bps and 50 bps has been computed on open positions (as on Mar 31, 2012) 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	44 25	22 13	(22 13)	(44 25)
USD	(0 00)	(0 00)	0 00	0 00
JPY	0 00	0 00	(0 00)	(0 00)
GBP	0 00	0 00	(0 00)	(0 00)
EUR	(0 00)	(0 00)	0 00	0 00
Others	(0 00)	(0 00)	0 00	0 00
Total	**44.25**	**22.12**	**-22 12**	**-44 25**

IndusInd Bank

US DOLLAR DENOMINATED BALANCE SHEET AS AT MARCH 31, 2012

1 USD = ₹ 50.875		As at 31.03.12	(Millions of US$) As at 31.03.11
CAPITAL AND LIABILITIES			
Capital		91 93	91 59
Employee Stock Option Outstanding		2 15	1 57
Reserves and Surplus		837 95	702 95
Deposits		8,326 59	6,754 86
Borrowings		1,706 54	1,086 08
Other Liabilities & Provisions		355 93	333 14
	TOTAL	**11,321.09**	**8,970.19**
ASSETS			
Cash and Balances with Reserve Bank of India		570 73	482 76
Balances with Banks & Money at Call and Short Notice		518 14	308 32
Investments		2,864 26	2,663 55
Advances		6,892 18	5,143 12
Fixed Assets		129 10	117 24
Other Assets		346 68	255 20
	TOTAL	**11,321.09**	**8,970 19**
Contingent Liabilities		20,283 10	16,227 25
Bills for Collection		1,209 04	993 12

PROFIT AND LOSS ACCOUNT FOR THE ENDED MARCH 31, 2012

1 USD = ₹ 50.875		Year Ended 31.03.12	(Millions of US$) Year Ended 31.03.11
I INCOME			
Interest earned		1,053 40	705 52
Other Income		198 88	140 28
	TOTAL	**1,252.28**	**845 80**
II EXPENDITURE			
Interest expended		718 42	434 96
Operating expenses		263 98	198 23
Provisions & contingencies		112 13	99 13
	TOTAL	**1,094.53**	**732 32**
III PROFIT		157 75	113 48
Profit brought forward		140 42	76 97
AMOUNT AVAILABLE FOR APPROPRIATION		**298.17**	**190.45**
IV APPROPRIATIONS			
Transfer to			
a) Statutory Reserves		39 44	28 37
b) Capital Reserves		1 70	0 22
c) Investment Reserve Account		0 10	0 14
d) Dividend on equity		20 22	18 33
e) Corporate Dividend Tax		3 28	2 97
		64 74	50 03
Balance carried over to Balance Sheet		233 43	140 42
	TOTAL	**298.17**	**190.45**

SUBSIDIARY COMPANY

ALF Insurance Services Pnvate Ltd

The Bank does not have a "matenal non-listed Indian subsidiary" as defined in Clause 49 of the Listing Agreement However, ALF Insurance Services Pnvate 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 proceedings for voluntary winding up of the company have been initiated

A copy of all related regulatory documents have been made available at the Bank's Registered Office in Pune Shareholders who wish to peruse a copy of the same can visit 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

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