

**MARKET DISCLOSURE UNDER BASEL-II**  
**NEW CAPITAL ADEQUACY FRAMEWORK AS ON 31.03.2010**

**RISK MANAGEMENT**

1. Consequent upon globalization, Banks and other financial institutions all over the world are exposed to different types of risks. The emergence of Basel-II accord and its increasing applicability throughout the world calls for sound practices in risk management. To cope with the challenges, the Bank has put in place various risk management practices and processes in line with the guidelines of the Reserve Bank of India issued from time to time.
2. The Bank's risk management objectives broadly covers proper identification, measurement, monitoring / control and mitigation of the risks towards enhancing and maximizing the shareholders' value by addressing appropriate trade off between an expected reward and potential risk.
3. The Bank has set up appropriate risk management organization structure. Board Level Sub-Committee known as "Risk Management Committee" has been constituted in terms of RBI guidance note on Risk Management System. The Committee evaluates overall risks faced by the Bank and put in place effective system to identify measure, monitor and control risk. The committee further integrates various risk management functions at committee level. i.e. integration through Credit Risk Management Committee (CRMC), Operational Risk Management Committee (ORMC) and Asset Liability Committee (ALCO).
4. A General Manager (Integrated Risk Management) is looking after functioning of risk management aspect in integrated manner at bank's Head Office, who is independent of business departments, for implementing best risk management systems and practices in the Bank.
5. In line with the guidelines issued by the RBI, the bank has implemented New Capital Adequacy Framework (Basel-II) with effect from March 31, 2008. The Basel-II framework, as referred, is based on three mutually reinforcing pillars. While **Pillar-1** of the revised framework addresses minimum capital requirement for Credit, Market and Operational risk, **Pillar-2** (Supervisory Review Process) intends to ensure that the banks have adequate capital to address all the risks in their business commensurate with Bank's risk profile and control environment. As required, the bank has put in place a Board approved policy on Internal Capital Adequacy Assessment Process (ICAAP).
6. **Pillar-3** refers to **market discipline**. As directed by the RBI, a set of disclosures (both qualitative & quantitative) are published in **Tables DF 1 to DF 10 (annexed)** with regard to risk management in the bank, which will enable market participants to access key information on the scope of application, capital risk exposures, risk assessment processes, bank's risk profile and level of capitalization etc. This would also provide the market participants with the necessary data to evaluate the performance of the bank in various parameters.

Position as on 31.03.2010

## Qualitative Disclosures

a) The name of the top Bank in the group to which the framework applies.

b) An outline of differences in the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities within the group

- i) that are fully consolidated;
- ii) that are pro-rata consolidate;
- iii) that are given a deduction treatment; and
- iv) That are neither consolidated nor deducted (e.g. where the investment is risk-weighted).

a) The framework of disclosures applies to Allahabad Bank, which is the top bank in the group.

b) The Bank's subsidiary /Associates and Joint venture are as under:

**Subsidiary:** The Bank has one subsidiary as under:

Name of Subsidiary	Country of Incorporation	Ownership (%)
All Bank Finance	India	100%

**Associates:** Two Regional Rural Banks sponsored by the Bank are as under.

Name of Banks	Country of Incorporation	Ownership (%)
Allahabad UP Gramin Bank*	India	35%
Sharda Gramin Bank	India	35%

\* Our two erstwhile RRBs in the state of UP, namely Lucknow Kshetriya Gramin Bank and Triveni Kshetriya Gramin Bank have ceased to exist and a new amalgamated RRB, i.e., Allahabad UP Gramin Bank has come into existence w.e.f. 02.03.2010.

**Joint Venture:** The Bank is not involved in the insurance activity. However, the bank has invested in Joint Venture Insurance company as under:

Name of Company	Country of Incorporation	Ownership (%)
M/S Universal Sompo General Insurance Company Limited	India	30%

The Subsidiary, Associates and Joint Ventures are consolidated in the Statement of Accounts as per Accounting Standard 21, 23 and 27 respectively of Institute of Chartered Accountants of India (ICAI).

For computation of CRAR of the Bank, investment in subsidiary and associates are deducted from Tier-I and Tier-II capital equally and investment in joint venture insurance company is risk weighted as per RBI guidelines, treating the same as an item of investment.

<b>Sl. No.</b>	<b>Quantitative Disclosures</b> <b>(Amount: Rs in Crores)</b>	
1	The aggregate amount of capital deficiencies in all subsidiaries not included in the consolidation i.e. that are deducted and the names of such subsidiaries.	There is no deficiency in respect of any subsidiary.
2	The aggregate amounts (e.g. current book value) of the Bank's total interests in insurance entities, which are risk weighted as well as their name, their country of incorporation or residence, the proportion of ownership interest and if different the proportion of voting power in these entities. In addition, indicate the quantitative impact on regulatory capital of using this method versus using the deduction.	The Bank has made investment amounting to Rs 45.00 Crores by way of equity subscription in an insurance joint venture i.e., Universal Sompo General Insurance Company Limited, incorporated in India representing 30% of its total issued capital. Investment in joint venture insurance company is risk weighted as per RBI guidelines, treating the same as an item of investment.

## Table DF – 2

## Capital Structure

Position as on 31.03.2010

Qualitative Disclosures			
Summary information on the terms and conditions of the main features of all capital instruments, especially in the case of capital instruments eligible for inclusion in Tier 1 or in Upper Tier 2.		The terms and conditions of Tier-I & Tier II Bonds issued by the Bank from time to time adhere to applicable RBI guidelines in this respect.	
SL No	Quantitative Disclosures (Amount Rs in Crores)		
1	The amount of Tier 1 capital, with separate disclosure of:		6175.58
	1.1 paid-up share capital;	446.70	
	1.2 reserves;	5450.19	
	1.3 innovative perpetual debt instruments;	300.00	
	1.4 other capital instruments;	0.00	
	1.5 amounts deducted from Tier 1 capital, including goodwill and investments.	21.31	
2	The total amount of Tier 2 capital (net of deductions from Tier 2 capital)	4189.60	
3	Debt capital instruments eligible for inclusion in Upper Tier 2 capital		
	3.1 Total amount outstanding	1000.00	
	3.2 Of which amount raised during the current year	500.00	
	3.3 Amount eligible to be reckoned as capital funds		1000.00
4	Subordinated debt eligible for inclusion in Lower Tier 2 capital		
	4.1 Total amount outstanding	2491.90	
	4.2 Of which amount raised during the current year	450.00	
	4.3 Amount eligible to be reckoned as Capital funds		2491.90
5	Other deductions from capital, if any.		21.31
6	Total eligible capital (Tier-I + Tier-II)		10365.18

## Information about Innovative Perpetual Debt Instruments eligible under Tier-I:

S.N.	DATE OF ALLOTMENT	BOND AMT. (in crores)	COUPON RATE	TENOR	INTEREST PAYMENT DATE	LISTED	RATING
1	30.03.2009	150.00	9.20%	Perpetual	30 <sup>th</sup> March every year	NSE	CARE- AA+ CRISIL- AA+
2.	18.12.2009	150.00	9.08%	Perpetual	18 <sup>th</sup> December every year	NSE	CARE- AA CRISIL- AA+

**Information about Innovative Instruments eligible under Upper Tier-II:**

S.N.	DATE OF ALLOTMENT	BOND AMT. (in crores)	COUPON RATE	TENOR	INTEREST PAYMENT DATE	LISTED	RATING
1	19.03.2009	500.00	9.28%	180 months	19 <sup>th</sup> March every year	NSE	CARE- AA+ CRISIL- AA
2.	18.12.2009	500.00	8.58%	180 months	18 <sup>th</sup> December every year	NSE	CARE- AA CRISIL- AA+

**Information about Subordinated Debt Instruments eligible under Lower Tier-II:**

S.N.	DATE OF ALLOTMENT	BOND AMT. (in crores)	COUPON RATE	TENOR	BOND AMT. (Discounted) (in crores)	INTEREST PAYMENT DATE	LISTED	RATING
1	31.03.2003	100.00	7.00%	85 months	0.00	31 <sup>st</sup> March Annual	BSE	FITCH- AA
2.	31.03.2004	200.00	5.90%	99 months	80.00	31 <sup>st</sup> March Annual	BSE & NSE	CARE- AA+ FITCH- AA
3.	13.03.2006	500.00	8.00%	120 months	500.00	13 <sup>th</sup> March and September (Semi annual)	NSE	CARE- AA+ CRISIL- AA+
4.	29.09.2006	561.90	8.85%	120 months	561.90	29 <sup>th</sup> September Annual	NSE	CARE- AA+ CRISIL- AA+
5.	25.09.2007	500.00	10.00%	120 months	500.00	31 <sup>st</sup> March Annual	NSE	CARE- AA+ CRISIL- AA+
6.	26.03.2009	400.00	9.23%	120 months	400.00	26 <sup>th</sup> March annual	NSE	CARE- AA+ CRISIL- AA+
7.	04.08.2009	450.00	8.45%	120 months	450.00	4 <sup>th</sup> August Annual	NSE	CARE- AA+ CRISIL- AA+
<b>TOTAL</b>		<b>2711.90</b>			<b>2491.90</b>			

Position as on 31.03.2010

**Qualitative disclosures****A summary discussion of the Bank's approach to assessing the adequacy of its capital to support current and future activities:**

1. The Reserve Bank of India (RBI) introduced a Risk Asset Ratio System for banks in India as a capital adequacy measure covering the elements of Credit Risk in April 1992. The Balance sheet assets, non-funded items and other off-balance sheet exposures are assigned prescribed risk weights and banks have to maintain unimpaired minimum capital funds equivalent to the prescribed ratio on the aggregate of the risk weighted assets on an on going basis. Banks were advised to ensure capital adequacy at a minimum level of 4% on the aggregated risk weighted assets including both fund based and non-fund based exposures by 31<sup>st</sup> March-1993 and 8% by 31<sup>st</sup> March-1996. The Minimum level of Capital Adequacy was increased to 9% subsequently. These guidelines together are known as Basel-I guidelines.
2. On 27<sup>th</sup> April, 2007, the RBI released the "Final Guidelines for implementation of the New Capital Adequacy Framework" under Basel-II. In addition, the RBI issued clarifications on 31<sup>st</sup> March, 2008 on certain issues related to the subject. Incorporating some intermittent changes, the RBI released the master circular on Prudential Guidelines on Capital Adequacy and Market Discipline- New Capital Adequacy Framework on Feb 08, 2010. These guidelines make clear distinction between Credit, Market and Operational risks.
3. In line with the RBI guidelines, the Bank migrated to the New Capital Adequacy Framework (Basel-II) with effect from 31.03.2008. The Bank continued the parallel run of Basel I norms and studied the impact on Bank's CRAR on quarterly basis with a view to ensuring compliance with the guidelines under "prudential floor".
4. Basel-II Framework provides a range of options for determining the capital requirements for Credit Risk, Market Risk and Operational Risk. In accordance with the RBI's guidelines, the Bank has adopted Standardized Approach (SA) for Credit Risk, and Basic Indicator Approach (BIA) for Operational Risk to compute capital as on 31<sup>st</sup> March, 2010 also like as on 31<sup>st</sup> March 2008 and 2009.. The Bank continues to apply the Standardized Duration Approach (SDA) for computing capital requirement for market risks with effect from 31<sup>st</sup> March, 2008. As such, in addition to maintaining capital for credit risk and market risk as hitherto, the bank maintains capital for operational risk from 31.03.2008.
5. Reserve Bank of India prescribes Banks to maintain a minimum Capital to Risk-weighted Assets Ratio (CRAR) of 9 percent with regard to credit risk, market risk and operational risk on an ongoing basis, as against 8 percent prescribed in Basel Documents. The total Capital to Risk Weighted Assets Ratio (CRAR) as per Basel – II guidelines works to 13.62% as on 31.03.2010. The Tier-I CRAR stands at 8.12%

as against RBI's prescription of 6.00%. In computation of capital for credit risk under Standardized Approach, the bank has relied upon the data captured from each individual branch. For this purpose, the Bank has developed in-house designed format for generation of desired reports, at Branch, Zonal and Head Office level. The Bank has used the credit risk mitigants in computation of capital for credit risk, as prescribed in the RBI guidelines under Standardized Approach. The Capital for Credit Risk, Market risk and Operational Risk as per the prescribed approaches has been computed at the bank's Head Office to arrived at the bank's aforesaid CRAR position. The bank has followed the RBI guidelines in force, to arrive at the eligible capital, risk weighted assets and CRAR.

6. The Bank is continuously evaluating its capital requirement. The sufficient headroom available for the bank for mobilizing Tier I and Tier II capital shall additionally support capital structure to meet the required CRAR against future activities.

SL No	Quantitative Disclosures		
	(Amount Rs in Crores)		
1	Capital requirements for Credit Risk:		5694.58
	1.1 portfolios subject to standardized approach	5694.58	
	1.2 securitization exposures	Nil	
2	Capital requirements for Market Risk(Standardize Duration Approach		665.94
	2.1 interest rate risk	235.39	
	2.2 foreign exchange risk(including gold)	26.82	
	2.3 equity risk	403.73	
3	Capital requirements for Operational Risk (Basic Indicator Approach)		486.40
4	Total and Tier-1 Capital Ratio:		
	4.1 Total CRAR		13.62%
	4.2 Tier-I CRAR		8.12%

Position as on 31.03.2010

**Qualitative Disclosures****1. Credit Risk:**

- 1.1. Lending involves a number of risks. Credit Risk is broadly the probability of losses associated with diminution in the credit quality of borrowers or counterparties.
- 1.2. Credit Risk or default risk involves inability or unwillingness of a customer or counterparty to meet commitments in relation to lending, trading, hedging, settlement and other financial transactions. The Credit Risk is generally made up of transaction risk or default risk and portfolio risk.
- 1.3. Credit approving authority, prudential exposure limits, industry exposure limits, credit risk rating system, risk based pricing, loan review mechanism and Credit Risk Mitigants are the instruments used by the bank for credit risk management. Credit risk is controlled through segmental exposure limits to various industries and sectors, prudential exposure and substantial exposure ceilings and risk mitigation by obtaining collateral and guarantees.

**2. Credit Risk Management Policies:**

- 2.1 The bank has put in place a well-structured Credit Risk Management Policy duly approved by the Board. The Policy document defines organizational structure, role and responsibilities and the processes whereby the Credit Risks carried by the Bank can be identified, quantified, managed and controlled within the framework which the Bank considers consistent with its mandate and risk tolerance limits.
- 2.2 Credit Risk is monitored by the bank account wise and compliance with the risk limits / exposure cap approved by the Board is ensured. The quality of internal control system is also monitored and in-house expertise has been built up to tackle all the facets of Credit Risk.
- 2.3 The Bank has taken earnest steps to put in place best Credit Risk Management practices. In addition to Credit Risk Management Policy, the Bank has also framed Board approved Credit Policy, Investment Policy, Country Risk Management Policy, Recovery Policy etc. which form integral part in monitoring of credit risk and ensures compliance with various regulatory requirements, more particularly in respect of Exposure norms, Priority Sector norms, Income Recognition and Asset Classification guidelines, Capital Adequacy, Credit Risk Management guidelines etc. of RBI/other Statutory Authorities.
- 2.4 Besides, the Bank has also put in place a Board approved policy on Credit Risk Mitigation & Collateral Management which lays down the details of securities and administration of such securities to protect the interests of the Bank. These securities act as mitigants against the credit risk to which the bank is exposed.

**3. Architecture and Systems of the Bank:**

- 3.1 A Sub-Committee of Directors termed as Risk Management Committee (RMC) has been constituted by the Board to specifically oversee and co-ordinate Risk Management functions in the bank.
- 3.2 The Credit Risk Management Committee has been set up to formulate and implement various credit risk strategies including lending policy and to monitor Bank's Risk Management functions on a regular basis.

#### 4. Credit Appraisal / Internal Rating:

- 4.1 The Bank manages its credit risk through continuous measuring and monitoring of risks at each obligor (borrower) and portfolio level. The Bank has robust internally developed credit risk grading / rating modules and well-established credit appraisal / approval processes.
- 4.2 The internal risk rating / grading modules capture quantitative and qualitative issues relating to management risk, business risk, industry risk, financial risk and project risk. Besides, such ratings consider transaction specific credit enhancement features while assessing the overall rating of a borrower. The data on industry risk is constantly updated based on market conditions.
- 4.3 The rating for every borrower is reviewed. As a measure of robust credit risk management practices, the bank has implemented a three tier system of credit rating process for the loan proposals sanctioned at Head Office Level and two tier system at Zonal Office/ Branch level which includes validation of rating independent of credit department. For the proposals falling under the powers of Bank's Head Office, the validation of ratings is done at Risk Management Department.
- 4.4 The bank follows a well defined multi layered discretionary power structure for sanction of loans. Credit Grid has been constituted at Head Office and Field General Manager's levels for considering fresh / enhancement proposals. A structure named New Business Group (NBG) headed by CMD has been constituted at Head Office level for considering in-principle approval for taking up fresh credit proposals above a specified cut-off point. The bank has put in place a risk management framework for new products which lay down minimum processing / assessment norms to assess risk in a New Product prior to its introduction.

SL No	Quantitative Disclosures													
	(Amount Rs in Crores)													
1	Total gross credit risk exposures, Fund based and Non-fund based separately.													
	1.1 Fund Based											72437.31		
	1.2 Non Fund Based											11618.83		
2	Geographic distribution of exposures													
	2.1	Overseas												
		2.1.1 Fund Based											845.66	
		2.1.2 Non Fund Based											15.54	
	2.2	Domestic												
		2.2.1 Fund Based											71591.65	
2.2.2 Non Fund Based											11603.29			
3	Industry type distribution of exposures													
	Fund based											33695.00		
	Non Fund based													
4	Residual contractual maturity breakdown of assets (bucket wise position of assets as on 31.03.2010)													
	Next day	2-7d	8-14d	15-28d	29-3m	3-6m	6-12m	1-3y	3-5y	5y	total			
Asset	5819.97	6553.2	3662.22	3098.97	12784.41	9825.23	6403.08	27786.46	10283.92	35481.75	121699.21			
5	Amount of NPAs (Gross)												1221.80	
	5.1 Substandard											662.80		
	5.2 Doubtful 1											147.36		
	5.3 Doubtful 2											199.64		
	5.4 Doubtful 3											160.78		
	5.5 Loss											50.95		
6	Net NPAs												470.15	

<b>7</b>	NPA Ratios		
	7.1 Gross NPAs to gross advances		<b>1.69%</b>
	7.2 Net NPAs to net advances		<b>0.66%</b>
<b>8</b>	Movement of NPAs (Gross)		
	8.1 Opening balance		<b>1078.25</b>
	8.2 Additions		<b>1238.15</b>
	8.3 Reductions		<b>1094.60</b>
	8.4 Closing balance		<b>1221.80</b>
<b>9</b>	Movement of provisions for NPAs		
	9.1 Opening balance	<b>641.64</b>	
	9.2 Provisions made during the period	<b>830.21</b>	
	9.3 Write-off	<b>776.13</b>	
	9.4 Write-back of excess provisions	<b>55.93</b>	
	9.5 Closing Balance		<b>1221.80</b>
<b>10</b>	Amount of Non-Performing Investments		
<b>11</b>	Amount of provisions held for non-performing investments		4.40
<b>12</b>	Movement of provisions for depreciation on investments		
	12.1 Opening balance	220.10	
	12.2 Provisions made during the period	31.70	
	12.3 Write-off	--	
	12.4 Write-back of excess provisions	--	
	12.5 Closing balance		251.80

**Table DF – 5**

**Credit Risk: Disclosures for  
Portfolios Subject to the  
Standardized Approach**

**Position as on 31.03.2010**

### **Qualitative Disclosures**

#### **1. General Principle:**

In accordance with the RBI guidelines, the Bank has adopted Standardized Approach of the New Capital Adequacy Framework (NCAF) for computation of capital for credit risk with effect from 31.03.2008. In computation of capital, the bank has assigned risk weights to different asset classes as prescribed by the RBI.

#### **2. External Credit Ratings:**

2.1 The Reserve Bank of India has permitted Banks to use the external ratings of the following External Credit Rating Agencies (ECRAs) namely (a) Credit Analysis and Research Ltd. (CARE), (b) CRISIL Ltd., (c) FITCH India Ltd. and (d) ICRA Ltd for mapping of risk weights for domestic exposures and (a) Standard & Poor (b) Moody's (c) Fitch for international exposure. In consideration of the above guidelines, the bank has decided to accept the ratings assigned by all these ECRAs, under the Policy on Rating of Claims duly approved by the Board.

2.2 In order to facilitate the process of external rating and enabling the customers to solicit external ratings for their exposures smoothly, the Bank has taken initiatives by entering into separate MOU with all these four Credit Rating Agencies. The bank shall use the ratings assigned for any type of exposures by any of these ECRAs as accepted and provided by the borrowers. External ratings assigned, fresh or reviewed, at least during the previous 15 months shall only be reckoned for capital charge computation by the bank. Wherever, a borrower possesses more than one rating from ECRAs, the guidelines prescribed by the RBI is followed as regards to assignment of risk weight for computation of capital. Accordingly, the bank has taken into consideration the borrower's loan exposure ratings assigned by bank's approved ECRAs, while computing capital for credit risk as on 31.03.2010 under segments namely Corporates and PSEs.

2.3 In case of bank's investment in particular issues of Corporate / PSEs, the issue specific rating of the approved ECRAs are reckoned and accordingly the risk weights have been applied after a corresponding mapping to rating scale provided in RBI guidelines.

2.4 The bank encourages large corporate/ PSE borrowers to solicit ratings from ECRAs and has used these ratings for calculating risk weighted assets wherever such ratings are available.

<b>SL No</b>	<b>Quantitative Disclosures</b> (Amount Rs in Crores)	
<b>1</b>	For exposure amounts after risk mitigation subject to the standardised approach, amount of the bank's outstandings (rated and unrated) in the following three major risk buckets as well as those that are deducted;	
	1.1 (a) Below 100 % risk weight (Funded)	84438.71
	1.1 (b) Below 100 % risk weight (Non- Funded)	43844.14
	1.2 (a) 100 % risk weight (Funded)	27150.21
	1.2 (b) 100 % risk weight (Non- Funded)	9547.00
	1.3 (a) More than 100 % risk weight (Funded)	6996.08
	1.3 (b) More than 100 % risk weight (Non- Funded)	1263.19
	1.4 Deducted	--

<b>Table DF – 6</b>	<b>Credit Risk Mitigation: Disclosures for Standardised Approaches</b>
<b>Position as on 31.03.2010</b>	

<b>Qualitative Disclosures</b>		
<ol style="list-style-type: none"> <li>1. A comprehensive policy on valuation of property, plant &amp; machinery, has been approved by the Board.</li> <li>2. The collaterals commonly used by the Bank as the risk mitigants comprise of the financial collaterals (i.e., bank deposits, govt./postal securities, life insurance policies, gold jewellery, units of mutual funds etc.), various categories of movable and immovable assets/landed properties etc.</li> <li>3. Where personal/corporate guarantee is considered necessary, the guarantee is preferably that of the principal members of the group holding shares in the borrowing company/ flagship Group Company of corporate. It is ensured that their estimated net worth is substantial enough for them to stand as guarantors.</li> <li>4. In line with the regulatory requirements, the Bank has put in place a well-articulated Policy on Credit Risk Mitigation and Collateral Management duly approved by the Bank's Board.</li> <li>5. As advised by RBI, the Bank has adopted the comprehensive approach relating to credit risk mitigation under Standardised Approach, which allows fuller offset of eligible securities against exposures, by effectively reducing the exposure amount by the value ascribed to the securities. Thus the eligible financial collaterals have been used to reduce the credit exposure in computation of credit risk capital. In doing so, the bank has recognised specific securities namely (a) Bank Deposits (b) Life Insurance Policies (c) NSCs/ KVPs (d) Government Securities, in line with the RBI guidelines on the matter.</li> <li>6. Besides, other approved forms of credit risk mitigation are "On Balance Sheet Netting" and availability of "Eligible Guarantees". On balance sheet netting has been reckoned to the extent of the deposits available against the loans/advances of the borrower (to the extent of exposure) as per the RBI guidelines. Further, in computation of credit risk capital, the types of guarantees recognized for taking mitigation, in line with RBI Guidelines are (a) Central Government Guarantee (0%) (b) State Government (20%) (c) CGTSI (0%) (d) ECGC (20%) (e) Bank guarantee in form of bills purchased/discounted under Letter of Credit (20% or as per rating of foreign banks).</li> <li>7. All types of securities eligible for mitigation are easily realizable financial securities. As such, presently no limit/ceiling has been prescribed to address the concentration risk in credit risk mitigants recognized by the Bank.</li> </ol>		
<b>Sl. No.</b>	<b>Quantitative Disclosures</b>	<b>(Amount Rs in Crores)</b>
<b>(b)</b>	For each separately disclosed credit risk portfolio the total exposure (after, where applicable, on- or off balance sheet netting) that is covered by eligible financial collateral after the application of haircuts.	3105.11
<b>(c)</b>	For each separately disclosed portfolio the total exposure (after, where applicable, on or off-balance sheet netting) that is covered by guarantees/credit derivatives (whenever specifically permitted by RBI)	Nil



<ul style="list-style-type: none"> <li>• Whether the transactions are treated as sales or financings</li> <li>• Methods and key assumptions (including inputs) applied in valuing positions retained or purchased</li> <li>• Changes in methods and key assumptions from the previous period and impact of the changes</li> <li>• Policies for recognizing liabilities on the balance sheet for arrangements that could require the Bank to provide financial support for securitised assets.</li> </ul> <p>(c) In the banking book, the names of ECAs used for securitisations and the types of securitisation exposure for which each agency is used.</p>	Not applicable.
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SL No	Quantitative Disclosures: Banking Book	(Amount Rs. in Crores)
<b>(d)</b>	The total amount of exposures securitised by the bank	<b>Nil</b>
<b>(e)</b>	For exposures securitized, losses recognised by the bank during the current period broken down by exposure type (e.g., credit cards, housing loans, auto loans, etc. detailed by underlying security)	
<b>(f)</b>	Amount of assets intended to be securitized within a year	
<b>(g)</b>	Of (f), amount of assets originated within a year	
<b>(h)</b>	Total amount of exposures securitized (by exposure type) and unrecognized gain or losses on sale by exposure type.	
<b>(i)</b>	Aggregate amount of: <ul style="list-style-type: none"> <li>• on-balance sheet securitisation exposures retained or purchased broken down by exposure type and</li> <li>• off-balance sheet securitisation exposures broken down by exposure type</li> </ul>	
<b>(j)</b>	<ul style="list-style-type: none"> <li>• Aggregate amount of securitisation exposures retained or purchased and the associated capital charges, broken down between exposures and further broken down into different risk weight bands for each regulatory capital approach</li> <li>• Exposures that have been deducted entirely from Tier 1 capital, credit enhancing I/Os deducted from total capital, and other exposures deducted from total capital (by exposure type).</li> </ul>	

<b>Quantitative Disclosures: Trading Book</b>		<b>Rs. in Crores</b>
<b>(k)</b>	Aggregate amount of exposures securitised by the bank for which the bank has retained some exposures and which is subject to the market risk approach, by exposure type.	<b>Nil</b>
<b>(l)</b>	Aggregate amount of: <ul style="list-style-type: none"> <li>• on-balance sheet securitisation exposures retained or purchased broken down by exposure type;</li> <li>• off-balance sheet securitisation exposures broken down by exposure type.</li> </ul>	
<b>(m)</b>	Aggregate amount of securitisation exposures retained or purchased separately for: <ul style="list-style-type: none"> <li>• securitisation exposures retained or purchased subject to Comprehensive Risk Measure for specific risk; and</li> <li>• securitisation exposures subject to the securitisation framework for specific risk broken down into different risk weight bands.</li> </ul>	
<b>(n)</b>	Aggregate amount of: <ul style="list-style-type: none"> <li>• the capital requirements for the securitisation exposures, subject to the securitisation framework broken down into different risk weight bands.</li> <li>• securitisation exposures that are deducted entirely from Tier 1 capital, credit enhancing I/Os deducted from total capital, and other exposures deducted from total capital (by exposure type).</li> </ul>	

Position as on 31.03.2010

## Qualitative disclosures

**(a) Market Risk:**

1. Market Risk is defined as the possibility of loss caused by changes/movements in the market variables such as interest rates, foreign currency exchange rates, equity prices and commodity prices. Bank's exposure to Market risk arises from investments (interest related instruments and equities) in trading book (both AFS and HFT categories) and the Foreign Exchange positions. The objective of the market risk management is to minimize the impact of losses on earnings and equity.
2. **Policies for Management of Market Risk:**  
The Bank has put in place Board approved Asset Liability Management Policy for effective management of Market Risk in the bank. Other policies, which also deal with market risk management, are Investment policy, Policy on Risk Management of Foreign Exchange Operations, Policy Guidelines for Undertaking Trading in Forex Market and Policy on Derivatives. The policies set various risk limits for effective management of Market Risk and ensuring that the operations are in line with Bank's expectation of return to market risk through proper Asset Liability Management. The policies also deal with the reporting framework for effective monitoring of Market Risk.
3. The ALM Policy specifically deals with liquidity risk management and interest rate risk management framework. As envisaged in the policy, Liquidity Risk is managed through GAP analysis, based on residual maturity/behavioral pattern of assets and liabilities, on a daily basis based on best available data coverage, as prescribed by the RBI. The bank has put in place mechanism of Short Term Dynamic Liquidity Management and Contingent Funding Plan. Prudential (Tolerance) limits are prescribed for different residual maturity time buckets for efficient Asset Liability Management. Liquidity profile of the Bank is evaluated through various liquidity ratios.
4. Interest Rate Risk is managed through use of Gap analysis of rate sensitive assets and liabilities and monitored through prudential (tolerance) limits. The Bank estimates Earnings at Risk (EaR) periodically against adverse movements in interest rate (as prescribed in the policy) for assessing the impact on Net Interest Income and Economic Value of Equity (EVE) with a view to optimize shareholder value.
5. The Asset Liability Management Committee (ALCO)/Board monitors adherence of prudential limits fixed by the Bank and determines the strategy in light of market conditions (current and expected) as articulated in the ALM policy. The Mid Office at the Treasury also monitors adherence of prudential limits on a continuous basis.

S. No	Quantitative Disclosures		
	(Amount Rs. in Crores)		
1	The total capital requirements for Market Risk		<b>665.94</b>
	1.1 Interest rate risk	235.39	
	1.2 Equity position risk	26.82	
	1.3 Foreign exchange risk	403.73	

**Table DF – 9**

**Operational Risk**

**Position as on 31.03.2010**

**Qualitative disclosures**

1. Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes legal risk but excludes strategic and reputation risks.
2. The bank has framed Operational Risk Management Policy duly approved by the Board. Supporting policies adopted by the Board which deal with management of various areas of operational risk are (a) Compliance Risk Management Policy (b) Forex Risk Management Policy (c) Policy Document on Know Your Customers (KYC) and Anti Money Laundering (AML) Procedures (d) Business Continuity and Disaster Recovery Policy etc.
3. The Operational Risk Management Policy adopted by the Bank outlines organization structure and detailed processes for management of operational risk. The basic objective of the policy is to closely integrate operational risk management system into the day-to-day risk management processes of the bank by clearly assigning roles for effectively identifying, assessing, monitoring and controlling / mitigating operational risks and by timely reporting of operational risk exposures, including material operational losses. Operational risks in the Bank are managed through comprehensive and well articulated internal control frameworks.
4. In line with the final guidelines issued by RBI, the Bank has adopted the **Basic Indicator Approach** for computing capital for Operational Risk.

**Qualitative disclosures**

- 1 In line with the final guidelines issued by RBI, the Bank has adopted the **Basic Indicator Approach** for computing capital for Operational Risk.
2. As per the guidelines, the capital for operational risk is equal to 15% of average positive annual Gross Income of previous three years as defined by RBI. Accordingly, the capital requirement for operational risk as on 31.03.2010 is Rs. 486.40 Crores.

<b>Table DF – 10</b>	<b>Interest Rate Risk in the Banking Book (IRRBB)</b>
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<b>Position as on 31.03.2010</b>
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<b>Qualitative disclosures</b>
<p><b>(a) Interest Rate Risk in the Banking Book:</b></p> <ol style="list-style-type: none"> <li>1. Interest Rate Risk is the risk which affects the bank's financial condition due to changes in the market interest rates. Changes in interest rates affect both the current earnings (earnings perspective) as also the net worth of the Bank (economic value perspective). The risk from earnings perspective can be measured as impact in the Net Interest Income (NII) or Net Interest Margin (NIM). Similarly, the risk from economic value perspective can be measured in the Economic Value of Equity (EVE).</li> <li>2. The Bank identifies the risks associated with the changing interest rates in short term (Earnings perspective) and long term (Economic value perspective). The impact on income (Earnings perspective) is measured through use of Gap analysis by applying notional rate shock up to 100 bps as prescribed in bank's ALM Policy. For the calculation of impact on earnings, the Traditional Gap is taken from the Interest Rate Sensitivity Statement and based on the remaining period from the midpoint of a particular bucket and the impact for change in interest rate up to 100 bps is arrived at. The same is reported to ALCO &amp; Board along with the Interest Rate Sensitivity Statement periodically. The limits are fixed on the net worth.</li> <li>3. The bank has adopted Traditional Gap Analysis combined with Duration Gap Analysis for assessing the impact on the Economic Value of Equity (Economic Value perspective) by applying a notional interest rate shock of 200 bps. The Duration Gap Analysis is calculated by the bank once in a month (based on the Last Reporting Friday data) and is reported to ALCO and Board.</li> <li>4. The Asset Liability Management Committee (ALCO) / Board monitors/reviews adherence of prudential limits fixed by the bank and determine the strategy in light of the market condition (current and future).</li> </ol>

<b>S.No.</b>	<b>Quantitative Disclosures</b>	
	<b>(Amount in Rs. Crores)</b>	
<b>1.</b>	<b>Change in Interest Rate</b>	<b>Earning at Risk</b>
	1.00%	86.45
<b>2.</b>	<b>Change in Interest Rate</b>	<b>Change in Economic Value</b>
	2.00%	3.32%