MARKET DISCLOSURE UNDER BASEL-II

NEW CAPITAL ADEQUACY FRAMEWORK AS ON 31.03.2013

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), Market Risk Management Committee (MRMC) and Asset Liability Committee (ALCO).
4. 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.

Table DF – 1	Scope of Application

Position as on 31.03.2013

Qualitative Disclosures

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

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

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).

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

<u>Subsidiary:</u> The Bank has one subsidiary as under:

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

<u>Associates</u>: One Regional Rural Bank sponsored by the Bank is as under.

Name of Banks	Country of Incorporation	Ownership (%)
Allahabad UP 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.

<u>Joint Venture</u>: The Bank has invested in Joint Venture Insurance company and Asset Securitisation company as under:

Name of Company	Country of Incorporation	Ownership (%)
M/S Universal Sompo General Insurance Company Limited	India	30.00%
M/S ASREC (India) Ltd.	India	27.04%

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, Associates and Joint Ventures are deducted from Tier-I and Tier-II capital equally as per RBI guidelines.

Sl. No.	Quantitative Disclosures	(Amount: Rs in Crores)
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 105.00 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 the company's paid-up capital. Investment in the joint venture insurance company is not deducted from Capital of the Bank as per RBI Guidelines, since the Bank's investment is not above the level of significant investment, which is not more than 30% of the investee entity's paid-up capital.

Table DF – 2	Capital Structure

Position as on 31.03.2013

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:		
	1.1 paid-up share capital;	500.03	
	1.2 reserves;	9967.69	
	1.3 innovative perpetual debt instruments;	300.00	
	1.4 other capital instruments;	--	
	1.5 amounts deducted from Tier 1 capital, including goodwill and investments.	18.34	
	1.6 Total Tier-I Capital		10749.38
2	The total amount of Tier 2 capital (net of deductions from Tier 2 capital)		3972.88
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	0.00	
	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	2411.90	
	4.2 Of which amount raised during the current year	0.00	
	4.3 Amount eligible to be reckoned as Capital funds	1787.14	
5	Other deductions from capital, if any.	18.34	
6	Total eligible capital (Tier-I + Tier-II)		14722.26

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	30th March every year	NSE	CARE- AA CRISIL- AA+
2.	18.12.2009	150.00	9.08%	Perpetual	18th 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	19th March every year	NSE	CARE- AA CRISIL- AA
2.	18.12.2009	500.00	8.58%	180 months	18th 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.	13.03.2006	500.00	8.00%	120 months	200.00	13th March and September (Semi annual)	NSE	CARE-AA+ CRISIL-AA+
2.	29.09.2006	561.90	8.85%	120 months	337.14	29th September Annual	NSE	CARE-AA+ CRISIL-AA+
3.	25.09.2007	500.00	10.00%	120 months	400.00	31st March Annual	NSE	CARE-AA+ CRISIL-AA+
4.	26.03.2009	400.00	9.23%	120 months	400.00	26th March annual	NSE	CARE-AA+ CRISIL-AA+
5.	04.08.2009	450.00	8.45%	120 months	450.00	4th August Annual	NSE	CARE-AA+ CRISIL-AA+
	TOTAL	**2411.90**			**1787.14**			

Table DF – 3	Capital Adequacy

Position as on 31.03.2013

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 31st March-1993 and 8% by 31st March-1996. The Minimum level of Capital Adequacy was increased to 9% subsequently. These guidelines together are known as Basel-I guidelines.

2. On 27th 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 31st 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 July 01, 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 is continuing with the parallel run of Basel I norms and studying 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 31st March, 2013 also like as on 31st March 2008, 2009, 2010, 2011 & 2012. The Bank continues to apply the Standardized Duration Approach (SDA) for computing capital requirement for market risks with effect from 31st 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 11.03% as on 31.03.2013. The Tier-I CRAR stands at 8.05% 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 through the CBS system. 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 data for Operational Risk and Market Risk have been consolidated at Head Office.

6. The Bank is continuously evaluating its capital requirement. The capital infusion of Rs 23.81 crores by the LICI through allotment of shares has reduced the Govt.'s share to 55.24% from 58%, still leaving sufficient headroom for the Bank to mobilize Tier I and Tier II capital to additionally support capital structure and meet the CRAR requirements against current and future business expansion.

SL No	Quantitative Disclosures (Amount Rs in Crores)		
1	Capital requirements for Credit Risk:		10383.72
	1.1 portfolios subject to standardized approach	10383.72	
	1.2 securitization exposures	0.00	
2	Capital requirements for Market Risk(Standardize Duration Approach		726.48
	2.1 interest rate risk	639.04	
	2.2 foreign exchange risk(including gold)	2.71	
	2.3 equity risk	84.73	
3	Capital requirements for Operational Risk (Basic Indicator Approach)		905.62
4	Total and Tier-1 Capital Ratio:		
	4.1 Total CRAR		11.03%
	4.2 Tier-I CRAR		8.05%

Table DF – 4	Credit Risk : General Disclosures

Position as on 31.03.2013

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 Lending 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 Board of Directors termed as Risk Management Committee (RMC) has been constituted to specifically oversee and co-ordinate Risk Management functions in the bank.

3.2 A Credit Risk Management Committee of executives 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		130936.26	
	1.2 Non Fund Based		18622.35	149558.61
2	Geographic distribution of exposures			
	2.1	Overseas		
		2.1.1 Fund Based	6283.35	
		2.1.2 Non Fund Based	7.89	6291.24
	2.2	Domestic		
		2.2.1 Fund Based	124652.91	
		2.2.2 Non Fund Based	18614.46	143267.37

3	Industry type distribution of exposures		
	Fund based	59211.00	
	Non Fund based	9431.28	68642.28
4	**Residual contractual maturity breakdown of assets (bucket wise position of assets as on 31.03.2013)**		

	Next day	2-7d	8-14d	15-28 d	29-3 m	3-6 m	6-12 m	1-3 y	3-5 y	5y & above	Total
Asset	**4131.12**	**5823.34**	**4269.54**	**2696.82**	**17052.62**	**15156.09**	**12535.52**	**62442.65**	**23622.01**	**40065.8**	**187795.51**

5	Amount of NPAs (Gross)		5136.99
	5.1 Substandard	4576.89	
	5.2 Doubtful 1	391.57	
	5.3 Doubtful 2	162.05	
	5.4 Doubtful 3	4.78	
	5.5 Loss	1.70	
6	Net NPAs		4126.76
7	NPA Ratios		
	7.1 Gross NPAs to gross advances		3.92%
	7.2 Net NPAs to net advances		3.19%
8	Movement of NPAs (Gross)		
	8.1 Opening balance		2058.98
	8.2 Additions		5891.89
	8.3 Reductions		2813.88
	8.4 Closing balance		5136.99
9	Movement of provisions for NPAs		
	9.1 Opening balance	967.28	
	9.2 Provisions made during the period	1481.22	
	9.3 Write-off	0	
	9.4 Write-back of excess provisions	1444.09	
	9.5 Closing Balance		1004.41
10	Amount of Non-Performing Investments		4.60
11	Amount of provisions held for non-performing investments		4.60
12	Movement of provisions for depreciation on investments		
	12.1 Opening balance	486.91	
	12.2 Provisions made during the period	31.34	
	12.3 Write-off	0.00	
	12.4 Write-back of excess provisions	207.17	
	12.5 Closing balance		311.08

Table DF – 5	Credit Risk: Disclosures for Portfolios Subject to the Standardized Approach

Position as on 31.03.2013

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) India Ratings, (d) ICRA Ltd and (e) Brickwork Ratings India 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 by ECRAs 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 ECRAs. 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 approved ECRAs, while computing capital for credit risk as on 31.03.2013 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.

SL No	Quantitative Disclosures	(Amount Rs in Crores)
1	For exposure amounts after risk mitigation subject to the standardised approach, amount of the Bank's outstanding (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)	54134.10
	1.1 (b) Below 100 % risk weight (Non- Funded)	3553.46
	1.2 (a) 100 % risk weight (Funded)	37738.54
	1.2 (b) 100 % risk weight (Non- Funded)	13712.62
	1.3 (a) More than 100 % risk weight (Funded)	26579.27
	1.3 (b) More than 100 % risk weight (Non- Funded)	1356.27
	1.4 Deducted	--

Table DF – 6	Credit Risk Mitigation: Disclosures for Standardised Approaches
Position as on 31.03.2013	

Qualitative Disclosures
1. A comprehensive policy on valuation of property, plant & machinery, has been approved by the Board. 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. 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. 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. 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. 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 mitigation and applicable Risk Weights, in line with RBI Guidelines are (a) Central Government Guarantee (0%) (b) State Government (20%) (c) CGTMSE (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). 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.

Sl. No.	Quantitative Disclosures	(Amount Rs in Crores)
(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.	11479.94
(c)	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

Table DF – 7	Securitisation: Disclosure for Standardised Approach Qualitative Disclosures

Position as on 31.03.2013

Qualitative Disclosures	
(a) The general qualitative disclosure requirement with respect to securitisation, including a discussion of: • the bank's objectives in relation to securitisation activity, including the extent to which these activities transfer credit risk of the underlying securitised exposures away from the bank to other entities; • the nature of other risks (e.g., liquidity risk) inherent in securitized assets • the various roles played by the Bank in the securitization process (e.g., originator, investor, servicer, provider of credit enhancement, liquidity provider) and an indication of the extent of the Bank's involvement in each of them • a description of the process in place to monitor changes in the credit and market risk of securitization exposures (e.g., how the behavior of the underlying assets impacts securitization exposures as defined in para 5.16.1 of the Master Circular on NCAF dated 01.07.2009) • a description of the Bank's Policy governing the use of credit risk mitigation to mitigate the risks retained through securitization exposures	No securitization during the year ended 31.03.2013.
(b) Summary of the bank's accounting policies for securitisation activities, including: • Whether the transactions are	NIL

treated as sales or financings • Methods and key assumptions (including inputs) applied in valuing positions retained or purchased • Changes in methods and key assumptions from the previous period and impact of the changes • Policies for recognizing liabilities on the balance sheet for arrangements that could require the Bank to provide financial support for securitised assets.	
(c) In the banking book, the names of ECAIs used for securitisations and the types of securitisation exposure for which each agency is used.	Not applicable.

SL No	Quantitative Disclosures: Banking Book (Amount Rs. in Crores)	
(d)	The total amount of exposures securitised by the bank	Nil
(e)	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)	
(f)	Amount of assets intended to be securitized within a year	
(g)	Of (f), amount of assets originated within a year	
(h)	Total amount of exposures securitized (by exposure type) and unrecognized gain or losses on sale by exposure type.	
(i)	Aggregate amount of:	
	• on-balance sheet securitisation exposures retained or purchased broken down by exposure type and	
	• off-balance sheet securitisation exposures broken down by exposure type	
(j)	• 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	
	• 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).	

Quantitative Disclosures: Trading Book Rs. in Crores		
(k)	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.	**Nil**
(l)	Aggregate amount of:	
	• on-balance sheet securitisation exposures retained or purchased broken down by exposure type;	
	• Off-balance sheet securitisation exposures broken down by exposure type.	
(m)	Aggregate amount of securitisation exposures retained or purchased separately for:	
	• securitisation exposures retained or purchased subject to Comprehensive Risk Measure for specific risk; and	
	• Securitisation exposures subject to the securitisation framework for specific risk broken down into different risk weight bands.	
(n)	Aggregate amount of:	
	• the capital requirements for the securitisation exposures, subject to the securitisation framework broken down into different risk weight bands.	
	• 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).	

Table DF – 8	Market Risk in Trading Book

Position as on 31.03.2013

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. The Bank has put in place Board approved Policies on Investments, Foreign Exchange Operations, Trading in Forex Market, Derivatives, Asset Liability Management and Stress Testing for effective management of market risk. The policies ensure that operations in fixed income securities, equities, foreign exchange and derivatives are conducted in accordance with sound business practices and as per extant regulatory guidelines.
3. Bank uses 'Cash-flow Approach' and 'Stock Approach' for measuring, monitoring and managing Liquidity Risk. Under cash flow approach, mismatches under various time buckets are analyzed vis-à-vis tolerance limits. Under stock approach, various ratios like Liquid Assets to Total Assets, Purchased Funds to Liquid Assets, Loans to Core Deposits etc. are calculated and analyzed against tolerance limits specified in the ALM Policy. Appropriate corrective measures, wherever required are taken as per directives of ALCO / Board. The Bank has also put in place mechanism for Contingency Funding Plan to assess the projected liquidity position of the Bank under stressed scenarios.
4. Interest Rate Risk is managed through use of Gap analysis of rate sensitive assets and liabilities and monitored through prudential tolerance limits. Bank uses Traditional Gap Analysis (TGA) for assessing the impact of Interest Rate Risk on its Net Interest Income over a short term i.e. upto 1 year. For assessing long term impact of interest rate changes on Market Value of Equity / Net Worth, Duration Gap Analysis (DGA) is carried out.
5. The Bank has put in place various limits to measure, monitor and manage market risk. Day Light Limits, Overnight Limits, Aggregate Gap Limits, VaR Limit, Deal Size Limits, Counterparty Limits, Instrument-wise Limits, Dealer-wise limits, Stop Loss Limits etc. The limits are monitored on daily basis and a reporting system to the top management is in place.
6. The Bank has adopted Standardised Duration Approach as prescribed by RBI for computation of capital charge for Market Risk.

S. No	Quantitative Disclosures (Amount Rs. in Crores)		
1	The total capital requirements for Market Risk		**726.48**
	1.1 Interest rate risk	639.04	
	1.2 Equity position risk	84.73	
	1.3 Foreign exchange risk	2.71	

Table DF – 9	Operational Risk

Position as on 31.03.2013

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 (e) Fraud Risk Management 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 31.03.2013 is Rs. 905.62 Crores.

Table DF – 10	Interest Rate Risk in the Banking Book (IRRBB)

Position as on 31.03.2013

Qualitative disclosures

(a) Interest Rate Risk in the Banking Book:

1. Interest Rate Risk is the risk where changes in market interest rates might adversely affect a bank's financial condition. The immediate impact of changes in interest rates is on bank's earnings i.e. Net Interest Income (NII). A long -term impact of changing interest rates is on bank's Market Value of Equity (MVE) or Net Worth as the economic value of bank's assets, liabilities and off-balance sheet positions get affected due to variation in market interest rates.

2. The impact on income (Earnings perspective) is measured through use of Traditional Gap analysis, which measures mismatch between rate sensitive liabilities and rate sensitive assets (including off-balance sheet positions) over different time intervals, as at a given date. The impact of interest rate risk on NII is assessed by applying notional rate shock of 100,200 & 300 bps on gaps in various time bucket up to a period of one year as prescribed in Bank's ALM Policy.

3. The bank has adopted Duration Gap Analysis (DGA) to measure interest rate risk in its balance sheet from the economic value perspective. The bank computes bucket-wise Modified Duration of Rate sensitive Liabilities and Assets using the suggested common maturity, coupon and yield parameters, prescribed by RBI/ALCO. The modified Duration Gap is computed from weighted average modified duration of total rate sensitive assets and rate sensitive liabilities. The impact of change in interest rate on net worth is analyzed by applying a notional interest rate shock of100, 200 & 300 bps.

4. The analysis on Interest rate risk is done by the bank over monthly basis after approval of the ALCO and the same is reported to the Board/RBI.

S.No.	Quantitative Disclosures	
		(Amount in Rs. Crores)
1.	**Change in Interest Rate**	**Impact on NII**
	1.00%	328.44
2.	**Change in Interest Rate**	**Impact on Net Worth**
	1.00%	950.19