Disclosures (on solo basis) under Pillar 3 in terms of New Capital Adequacy Framework (Basel II) of Reserve Bank of India as on 31.03.2010

I . Scope of application

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

b. The Bank has following Subsidiaries Associates and Joint ventures -- both domestic and foreign:

Sr. No.	Name of the subsidiary	Extent of ownership
SUBSIDIARY (Domestic)		
i	Nainital Bank Limited	98.39%
ii	BOBCARDS Limited	100.00%
iii	BOB Capital Market Limited	100.00%
SUBSIDIARY (Foreign)		
iv	Bank of Baroda (U.K.) Ltd	100.00%
v	Bank of Baroda (Uganda) Ltd.	80.00%
vi	Bank of Baroda (Kenya) Ltd.	86.70%
vii	Bank of Baroda (Guyana) Inc.	100.00%
vii	Bank of Baroda (Botswana) Ltd.	100.00%
ix	Bank of Baroda (Tanzania) Ltd.	100.00%
x	Bank of Baroda (Trinidad & Tobago) Ltd.	100.00%
xi	Bank of Baroda (Ghana) Ltd	100.00%
xii	Baroda (New Zealand) Ltd.	100.00%

The Bank also has following Associates both domestic and foreign:

Sr. No.	Name of the associate	Extent of ownership
ASSOCIATES (Domestic)		
i	Baroda Pioneer Asset Management Company Limited	49.00%
ii	Jhabua Dhar K G Bank	35.00%
iii	Nainital Almora K G Bank	35.00%
iv	Baroda Gujarat Gramin Bank	35.00%
v	Baroda Rajasthan Gramin Bank	35.00%
vi	Baroda U P Gramin Bank	35.00%
ASSOCIATE (Foreign)		
vii	Indo Zambia Bank Limited	20.00%

The Bank has following domestic Joint Venture.

Sr. No.	Name of the Joint Venture	Extent of ownership
JOINT VENTURE (Domestic)		
i.	IndiaFirst Life Insurance Company Ltd.	44.00%

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

c. There is no deficiency of capital in respect of any subsidiary.

d. The Bank has interest in the Insurance entity as per the details given below.

I. The current Book value of Bank's total interest in the insurance entity – Rs.88.00 crores.

II. Name – IndiaFirst Life Insurance Company Limited.

III. Country of Incorporation – India

IV. The proportion of ownership interest – 44%

The bank has deducted the investment of Rs.88.00 crores from its capital in respect of its equity holding in IndiaFirst Life Insurance Company Limited.

II . Capital structure

a. The Tier-I capital of the Bank consists of equity capital, Innovative Perpetual Debt Instrument (IPDI) and various types of reserves. The Tier-II capital consists of Revaluation Reserves (discounted as per provisions of RBI), General Loss Reserve and Provisions on Standard Assets, Upper Tier II Capital and Lower Tier II capital. Upper Tier II capital also consists of MTN Bonds issued in overseas market. The terms of unsecured redeemable debts are as under:

Upper Tier 2 Capital:

Series	Interest Rate (%)	Date of maturity	Amount in Rs. Crs.
Series VII	9.30	28.12.2022	500.00
Series VIII	9.30	04.01.2023	1000.00
Series IX	9.15	04.03.2024	1000.00
Series XI	8.38	08.06.2024	500.00
Series XII	8.54	08.07.2024	500.00
MTN Tier II Bonds (Overseas)	6.625	25.05.2022 (with call option on 25.05.2017)	1347.00
		Total	**4847.00**

Lower Tier 2 Capital:

Series	Interest Rate (%)	Date of maturity	Amount in Rs. Crs.
Series IV	5.85	02.07.2014	300.00
Series V	7.45	28.04.2015	770.00
Series VI	8.95	15.05.2016	920.00
Series X	8.95	12.04.2018	500.00
		Total	**2490.00**

b. **The Tier 1 capital of the bank is as under:**

(Amount in Rs. Crore)

i)	Total Tier I Capital	14985.33
	Out of which:	
ii)	Paid up share capital	365.53
iii)	Reserves excluding revaluation reserves	13419.61
iv)	Innovative Perpetual Debt Instrument	1200.20
v)	Deductions	628.45
vi)	Eligible Tier I Capital	14356.88

c. The Total amount of Tier 2 capital of the bank (net of deduction from tier 2 capital) is Rs. 8060.36 Crore.

d. The debt capital instruments eligible for inclusion in Upper Tier 2 capital are:

(Rs in Crore)

Total amount outstanding	4847.00
Of which amount raised during the current year	1000.00
Amount eligible to be reckoned as capital funds	4847.00

e. Subordinated debt capital instruments eligible for inclusion in Lower Tier 2 capital are:

(Rs. in Crore)

Total amount outstanding	2490.00
Of which amount raised during the current year	0.00
Amount eligible to be reckoned as capital funds	2430.00

f For computation of Capital Adequacy, deductions as under have been done from Tier I and Tier II capital:

Sr No.	Nature of Deduction	Deduction from Tier I	Deduction from Tier II
1	Credit enhancement guarantee in respect of securitization transaction	20.72	20.72
2	Capital charge for illiquid position in trading book	65.00	0.00
3	Investment in subsidiaries/ JV / Associates	542.73	542.73
4	**Total**	**628.45**	**563.45**

g. The total eligible capital comprises of:

(Rs in Crore)

Tier – I Capital	14356.88
Tier – II Capital	8060.36
TOTAL	**22417.24**

III. Capital Adequacy

a. Bank maintains capital to cushion the risk of loss in value of exposure, businesses etc. so as to protect the depositors, general creditors and stake holders against any unforeseen losses. Bank has a well defined Internal Capital Adequacy Assessment Process (ICAAP) policy to comprehensively evaluate and document all risks and to provide appropriate capital so as to evolve a fully integrated risk/ capital model for both regulatory and economic capital.

In line with the guidelines of the Reserve Bank of India, the Bank has adopted Standardised Approach for Credit Risk, Basic Indicator Approach for Operational Risk and Standardized Duration Approach for Market Risk for computing CRAR.

The capital requirement is affected by the economic environment, regulatory requirement and by the risk arising from bank's activities. The purpose of capital planning of the bank is to ensure the adequacy of capital at the times of changing economic conditions, even at the times of economic recession. In capital planning process the bank reviews:

- Current capital requirement of the bank
- The targeted and sustainable capital in terms of business strategy, policy and risk appetite.
- The future capital planning is done on a three-year outlook.

The capital plan is revised on an annual basis. The policy of the bank is to maintain capital as prescribed in the ICAAP Policy (minimum 12% Capital Adequacy Ratio or as decided by the Bank from time to time). At the same time, Bank has a policy to maintain capital to take care of the future growth in business so that the minimum capital required is maintained on continuous basis. On the basis of the estimation bank raises capital in Tier-1 or Tier-2 with due approval of its Board of Directors. The Capital Adequacy position of the bank is reviewed by the Board of the Bank on quarterly basis and the same is submitted to RBI also.

b. The position of Bank's Risk Weighted Assets (RWA), Minimum Capital requirement and Actual Capital Adequacy as on 31.03.2010 are as under:

(i) Capital requirements for credit risk:	RWA(Basel-II) / Capital (Amount in Rs. Crore)
Portfolios subject to standardised approach in respect of credit risk	137110.98
Securitisation exposures	NIL
Total RWAs in Credit Risk	137110.98
Minimum Capital Requirement for Credit Risk @9.00% of the RWAs	12339.99

(ii) Capital requirements for market risk in respect of :	
Interest rate risk	4766.77
Foreign exchange risk (including gold)	225.00
Equity risk	4557.58
Total RWAs in respect of Market Risk	9549.35
Minimum Capital Requirement for Market Risk @9.00% of the RWAs	859.44
(iii) Capital requirements for operational risk:	
Basic Indicator Approach;	9431.08
Minimum Capital Requirement for Operational Risk @9.00% of the RWAs	848.80
(iv) Total RWA , Capital & CRAR	
Total RWAs in respect of Credit, Market & operational Risk	**156091.41**
Minimum Capital Requirement for Credit Market & Operational Risk @9.00% of the RWAs	**14048.23**
(v) Actual Position Eligible Tier I Capital	14356.88
Eligible Tier II Capital	8060.36
Total Eligible Capital	**22417.24**
Total capital ratio for Bank of Baroda:	
CRAR	**14.36%**
Tier I capital to Total RWA	9.20%
Tier II capital to Total RWA	5.16%

IV. General disclosures in respect of Credit Risk

a. The policy of the bank for classifying bank's loan assets is as under:

NON PERFORMING ASSETS (NPA): A non performing asset (NPA) is a loan or an advance where:

I. Interest and/ or installment of principal remain 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.

An OD/CC account is treated as **'out of order'** if the outstanding balance remains continuously in excess of the sanctioned limit/drawing power for more than 90 days. 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 are treated as **'out of order'**.

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.

<u>Non Performing Investments (NPI):</u>

In respect of securities, where interest/principal is in arrears, the Bank does not reckon income on the securities and makes appropriate provisions for the depreciation in the value of the investment.

A non-performing investment (NPI), similar to a non-performing advance (NPA), is one where:

(i) Interest/ installment (including maturity proceeds) is due and remains unpaid for more than 90 days.

(ii) This applies mutatis-mutandis to preference shares where the fixed dividend is not paid.

(iii) In the case of equity shares, in the event the investment in the shares of any company is valued at Re.1 per company on account of the non-availability of the latest balance sheet in accordance with the Reserve Bank of India instructions, those equity shares are also reckoned as NPI.

(iv) If any credit facility availed by the issuer is NPA in the books of the bank, investment in any of the securities issued by the same issuer is treated as NPI and vice versa.

(v) The investments in debentures / bonds which are deemed to be in the nature of advance are subjected to NPI norms as applicable to investments.

Non Performing Assets of the Bank are further classified in to three categories as under:

► Sub standard Assets

A sub standard asset is one which has remained NPA for a period less than or equal to 12 months.

► Doubtful Assets

An asset would be classified as doubtful if it has remained in the sub standard category for 12 months.

► Loss Assets

A loss asset is one where loss has been identified by the bank or by internal or external auditors or the RBI inspection. In loss assets realizable value of security available is less than 10% of balance outstanding/ dues.

b. Strategies and Processes:

The bank has a well defined Loan Policy & Investment Policy covering the important areas of credit risk management as under:

- Exposure ceilings to different sectors of the economy, different types of borrowers and their group and industry
- Fair Practice Code in dispensation of credit
- Discretionary Lending Powers for different levels of authority of the bank
- Processes involved in dispensation of credit – pre-sanction inspection, rejection, appraisal, sanction, documentation, monitoring, and recovery.
- Fixation of pricing.

c. The Credit Risk philosophy, architecture and systems of the bank are as under:

Credit Risk Philosophy:

- To optimize the risk and return envisaged in order to see that the Economic Value Addition to Shareholders is maximized and the interests of all the stakeholders are protected alongside ensuring corporate growth and prosperity with safety of bank's resources.
- To regulate and streamline the financial resources of the bank in an orderly manner to enable the various channels to incline and achieve the common goal and objectives of the Bank.
- To comply with the national priorities in the matter of deployment of institutional finance to facilitate achieving planned growth in various productive sectors of the economy.
- To instill a sense of credit culture enterprise-wide and to assist the operating staff.
- To provide need-based and timely availability of credit to various borrower segments.
- To strengthen the credit management skills namely pre-sanction, post-sanction monitoring, supervision and follow-up measures so as to promote a healthy credit culture and maintain quality credit portfolio in the bank.
- To deal with credit proposals more effectively with quality assessment, speedy delivery, in full compliance with extant guidelines.
- To comply with various regulatory requirements, more particularly on Exposure norms, Priority Sector norms, Income Recognition and Asset Classification guidelines, Capital Adequacy, Credit Risk Management guidelines etc. of RBI/other Authorities.

Architecture and Systems of the Bank:

- A Sub-Committee of Directors has been constituted by the Board to specifically oversee and co-ordinate Risk Management functions in the bank.
- Credit Policy Committee has been set up to formulate and implement various credit risk strategy including lending policies and to monitor Bank's Enterprise-wide Risk Management function on a regular basis.
- Formulating policies on standards for credit proposals, financial covenants, rating standards and benchmarks.
- Credit Risk Management cells deal with identification, measurement, monitoring and controlling credit risk within the prescribed limits.
- Enforcement and compliance of the risk parameters and prudential limits set by the Board/regulator etc.,
- Laying down risk assessment systems, developing MIS, monitoring quality of loan portfolio, identification of problems and correction of deficiencies.
- Evaluation of Portfolio, conducting comprehensive studies on economy, industry, test the resilience on the loan portfolio etc.,
- Improving credit delivery system upon full compliance of laid down norms and guidelines.

d. The Scope and Nature of Risk Reporting and / or Measurement System:

The Bank has in place a robust credit risk rating system for its credit exposures. An effective way to mitigate credit risks is to identify potential risks in a particular asset, maintain a healthy asset quality and at the same time impart flexibility in pricing assets to meet the required risk-return parameters as per the bank's overall strategy and credit policy.

The bank's robust credit risk rating system is based on internationally adopted frameworks and global best practices and assists the bank in determining the Probability of Default and the severity of default, among its loan assets and thus allow the bank to build systems and initiate measures to maintain its asset quality.

e. The Quantitative Disclosures in respect of Credit Risk are as under:

As on 31.03.2010

(Balance Amount in Rs. Crores)

Industry	Fund based	Non Fund Based	Total
(i) Total gross credit risk outstanding balance (global)	177137.13	29118.20	206255.33
(ii) Geographic distribution of outstanding balance			
• Overseas	43548.34	5446.25	48994.59
• Domestic	133588.79	23671.95	157260.74
(iii) Industry type distribution of outstanding balance (Domestic exposure)			
Industry			
COAL	50.75	104.40	155.15
MINING	646.11	175.08	821.19
IRON & STEEL	6383.10	2547.93	8931.04
OTHER METALS & METAL PRODUCT	1282.83	482.80	1765.63
ALL ENGINEERING	3990.82	2829.84	6820.66
OF WHICH : ELECTRONICS	1019.55	313.02	1352.57
ELECTRICITY (GEN. & TRANS.)	7091.96	160.76	7252.72
COTTON TEXTILES	2639.16	88.98	2728.14
JUTE TEXTILES	89.40	39.42	128.82
OTHERS TEXTILES	4048.24	569.65	4617.89
SUGAR	392.56	59.80	452.36
TEA	36.49	0.21	36.70
FOOD PROCESSING	1239.49	108.09	1347.58
VEGETABLE OILS (INCL.VANASPA	376.33	347.16	723.49
TOBACCO & TOBACCO PRODUCTS	20.72	3.05	23.77
PAPER & PAPER PRODUCTS	752.61	162.43	915.04
RUBBER & RUBBER PRODUCTS	231.17	73.94	305.11
CHEMICALS,DYES,PAINTS & PHAR	3561.57	1535.61	5097.18
OF WHICH :			
FERTILIZERS	302.45	716.39	1018.84
PETRO-CHEMICLAS	242.05	216.60	458.65
DRUGS & PHARMACEUTICALS	1264.90	142.33	1407.23
CEMENT	708.75	65.75	774.50
LEATHER & LEATHER PRODUCTS	246.03	37.24	283.27
GEMS & JEWELLERY	655.85	35.19	691.04
CONSTRUCTION	2422.28	640.40	3062.68
PETROLIUM	2720.26	600.06	3320.32
AUTOMOBILES INCLUDING TRUCKS	1367.95	408.69	1776.64
COMPUTER SOFTWARE	127.66	22.48	150.14
INFRASTRUCTURE	13548.82	2574.10	16122.92
OF WHICH:			
POWER	3541.12	579.02	4120.14
TELECOMMUNICATION	5706.36	669.90	6376.26
ROADS	2318.27	979.35	3297.62
PORTS	680.86	97.87	778.73
OTHER INFRASTRUCTURE	1302.21	530.95	1833.16
NBFC	7046.61	152.94	7199.55
TRADING	5703.58	3523.33	9226.91
OTHER INDUSTRIES	3260.32	1018.52	4278.84
OF WHICH: BEVERAGES	240.79	5.24	246.03
WOOD	200.00	40.08	240.08
GLASS	419.96	52.36	472.32
PLASTIC	1520.04	312.59	1832.63
TOTAL	70641.44	18367.83	89009.27

Total credit exposure (O/s) to “Iron & Steel” and “Trading” sector is Rs.8931.04cr, and Rs.9226.91cr respectively constituting 5.68% and 5.87% correspondingly (i.e., more than 5%) of the total domestic credit exposure of the bank.

f . Residual maturity breakdown of assets

	Advances				Investments			Other Foreign Currency Assets				
Time bucket	**Domestic Rupee**	**Domestic Fgn Currency**	**Int'l**	**Total (A)**	**Domestic**	**Int'l**	**Total (B)**	**Domestic**	**Int'l**	**Total (C)**	**Total Assets (A+B+C)**	**%age**
1 Day	1982.41	17.94	414.02	2414.37	374.16	6.22	380.38	74.89	3788.37	3863.26	6658.01	2.50%
2-7 Days	4453.53	109.32	2169.51	6732.36	899.61	222.64	1122.25	99.34	3274.85	3374.19	11228.80	4.22%
8-14 Days	6408.31	37.18	840.72	7286.21	812.92	28.27	841.19	338.64	76.29	414.93	8542.33	3.21%
15-28 Days	2517.18	149.04	1570.66	4236.88	763.03	127.35	890.38	615.07	3583.88	4198.95	9326.21	3.51%
29-90 Days	11048.41	1191.30	6315.70	18555.41	2561.96	204.77	2766.73	153.51	9314.38	9467.89	30790.03	11.57%
3 - 6 months	12985.64	951.12	7915.81	21852.57	1506.62	649.30	2155.92	6.81	3257.71	3264.52	27273.01	10.25%
6 - 12 months	15748.08	694.91	7576.68	24019.67	776.05	537.37	1313.42	0.00	2308.25	2308.25	27641.34	10.39%
1 - 3 years	34885.41	276.75	7641.45	42803.61	4213.48	1181.49	5394.97	887.33	1128.36	2015.69	50214.27	18.88%
3 - 5 years	24982.06	50.95	6068.69	31101.70	13768.46	180.75	13949.21	0.00	23.01	23.01	45073.92	16.94%
Over 5 years	13118.48	35.60	2878.42	16032.50	31885.35	482.57	32367.92	0.00	863.39	863.39	49263.81	18.52%
TOTAL	**128129.51**	**3514.11**	**43391.66**	**175035.28**	**57561.64**	**3620.73**	**61182.37**	**2175.59**	**27618.49**	**29794.08**	**266011.73**	**100.00%**

g . Disclosures in respect of Non Performing Advances and Investments:

Sr. No.	Asset Category	Amount in Rs. Crores
(i)	**NPAs (Gross):**	**2400.69**
	Substandard	894.83
	Doubtful 1	436.27
	Doubtful 2	238.27
	Doubtful 3	68.68
	Loss	762.64
(ii)	**Net NPAs**	
	Total	602.32
(iii)	**NPA Ratios**	
	Gross NPAs to gross advances	1.36%
	Net NPAs to net advances	0.34%
(iv)	**Movement of NPA(Gross)**	
	Opening balance	1842.92
	Additions	1671.22
	Reductions	1113.45
	Closing balance	2400.69
(v)	**Movement of provisions for NPAs**	
	Opening balance	1373.16
	Provision made during the year	648.96
	Write off/ Write back of excess provision	234.61
	Closing balance	1787.51
(vi)	**Non Performing Investments**	
	Amount of Non-Performing Investments	256.50
	Amount of provisions held for non-performing investment	253.63
(vii)	**Movement of provisions for depreciation on investments during the year**	
	Opening balance	917.32
	Provisions made during the period	64.41
	Write-back	453.94
	Closing balance	527.79

V. Credit risk: Disclosures for portfolios subject to the standardised approach

Under Standardized Approach the bank accepts rating of all RBI approved ECAI (External Credit Assessment Institution) namely CARE, CRISIL, Fitch (India), and ICRA for domestic credit exposures. For overseas credit exposures the bank accepts rating of Standard & Poor, Moody's and Fitch.

The bank encourages Corporate and Public Sector Entity (PSE) borrowers to solicit credit ratings from ECAI and has used these ratings for calculating risk weighted assets wherever such ratings are available.

The exposure amounts after risk mitigation subject to Standardized Approach (rated and unrated) in the following three major risk buckets are as under:

Category of Risk Weight	Outstanding Exposure (Amount in Cr.)
Below 100 % risk weight	**112466.62**
100 % risk weight	**75956.85**
More than 100 % risk weight	**4588.42**
Total CRM Deducted	**13243.44**
Total Exposure	**206255.33**

VI. Credit risk mitigation:

a. Bank obtains various types of securities (which may also be termed as collaterals) to secure the exposures (Fund based as well as Non-Fund based) on its borrowers. Bank has adopted reduction of exposure in respect of certain credit risk mitigant, as per RBI guidelines. Wherever corporate guarantee is available as credit risk mitigant, the credit risk is transferred to the guarantor to the extent of guarantee available. Generally following types of securities (whether as primary securities or collateral securities) are taken:

1. Moveable assets like stocks, moveable machinery etc.
2. Immoveable assets like land, building, plant & machinery.
3. Shares as per approved list
4. Bank's own deposits
5. NSCs, KVPs, LIC policies, Securities issued by Central & State Governments etc.
6. Debt securities - rated by approved credit rating agency- with certain conditions
7. Debt securities- not rated- issued by a bank- with certain conditions
8. Units of Mutual funds
9. Cash Margin against Non-fund based facilities
10. Gold and Gold Jewelry.

The bank has well-laid out policy on valuation of securities charged to the bank.

The securities mentioned at Sr. No. 4 to 10 above are recognized as Credit Risk Mitigants for on-balance sheet netting under Basel-II standardized approach for credit risk.

The main types of guarantors against the credit risk of the bank are:

- Individuals (Personal guarantees)
- Corporates
- Central Government
- State Government
- ECGC
- CGTMSE

CRM collaterals available in Loans Against Bank's Own Deposit and Loans against Government Securities, LIC Policies constitute a major percentile of total CRM.

CRM securities are also taken in non fund based facilities like Guarantees and Letters of Credit.

Eligible guarantors (as per Basel-II) available as CRM in respect of Bank's exposures are mainly Central/ State Government, ECGC, CGTSI, Banks & Primary Dealers with a lower risk weight than the counter party AND other entities (mainly parent, subsidiary and affiliate companies) rated AA(-) or better.

b. For each credit risk portfolio, total exposure that is covered by eligible financial collateral, after application of haircut is as under:

Amt in Rs.crore

Credit Risk Portfolio	**Financial Collateral (post haircut)**
Domestic Sovereign	21.41
Foreign Sovereign	0.00
Public Sector Entities	582.00
Claims on Banks	47.23
Primary Dealers	0.11
Corporates	7474.35
Reg Retail Portfolio	5338.7
Residential Property	48.91
Commercial Real Estate	98.11
Specified Categories	172.84
Other Assets	863.47
TOTAL	14647.13

c. Details of exposures that are covered by Guarantees (permitted by RBI)

Asset category	**Claim on ECGC**	**Claims on CGTMSE**	**Rated AA and above**	**Guarantee by State Govt**	**Guarantee by Central Govt**	**Guarantee by other Bank**
Domestic Sovereigns	0.00	0.00	0.00	0.00	46.14	10.20
Public Sector Entity	0.40	0.00	49.98	2777.95	2327.99	369.42
Claims on Banks	0.00	0.00	0.00	0.00	0.00	0.00
Primary Dealers	0.00	0.00	0.00	0.00	0.00	0.00
Corporates	2714.53	0.00	11.88	250.00	115.33	126.45
Regulatory Retail	342.94	0.05	0.00	0.56	1.94	60.74
Residential Property	0.00	0.00	0.00	0.00	0.00	0.00
Comm. Real Estate	0.00	0.00	0.00	0.00	0.00	0.00
Specified Categories	0.00	0.00	0.00	0.00	0.00	0.00
Other Assets	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	**3057.87**	**0.05**	**61.86**	**3028.51**	**2491.40**	**566.81**

VII. Securitisation:

a. The Bank has a Securitization Policy duly approved by its Board. As per the Policy the nature of portfolio to be securitized are retail loans (housing loans, auto loans, advance against properties, personal loans and credit cards) SSI and Infrastructure projects loans.

The Bank does not have any case of its assets securitised as on 31st March, 2010.

b. In the process of securitization bank has acted as "provider of credit enhancement" for an amount of Rs.41.44 crores as on 31.03.2010 which has been deducted from the capital of the bank.

c. There is no case of retained exposure in respect of securitization.

Amount of securitization exposure purchased by the bank is as under:-

Amt. in Rs.cr

Risk weight category as per external credit rating	Book value	Amt held under banking book	RW %	Risk adjusted value
AAA – CRISIL	87.97	87.97	100	87.97
LAAA – ICRA	2.96	2.96	100	2.96
Total	**90.93**	**90.93**	**100**	**90.93**

d. An amount of Rs.20.72cr has been deducted from each of Tier I and Tier II capital as 50% of credit enhancement.

e. The bank does not presently plan to securitise any of its standard assets during the year 2010-11.

VIII. Market risk in trading book

The Bank defines market risk as potential loss that the Bank may incur due to adverse developments in market prices. The following risks are identified as Market risk:

- Interest Rate Risk
- Currency Risk
- Price risk

To manage risk, Bank's Board has laid down various limits such as Aggregate Settlement limits, Stop loss limits and Value at Risk limits. The risk limits help to check the risks arising from open market positions. The stop loss limit takes in to account realized and unrealized losses.

Bank has put in place a proper system for calculating capital charge on Market Risk on Trading Portfolio as per RBI Guidelines, viz., Standardised Duration Approach. The capital charge thus calculated is converted into Risk Weighted Assets. The aggregated Risk Weighted Assets for credit risk, market risk and operational risk are taken in to consideration for calculating the Bank's CRAR under Basel-II.

Risk Weighted Assets and Capital Charge on Market Risk (as per Standardised Duration Approach) as on 31st March 2010 are as under:

(Rs. in Crore)

	RWAs	Capital Charge
Interest Rate Risk	4766.77	429.01
Equity Position Risk	4557.58	410.18
Foreign Exchange Risk	225.00	20.25
Total Capital Charge	9549.35	859.44

IX. Operational risk

In line with RBI guidelines, Bank has adopted the Basic Indicator Approach to compute the capital requirements for Operational Risk. Under Basic Indicator Approach, average income of last 3 years is taken into consideration for arriving at Risk Weighted Asset.

X . Interest rate risk in the banking book (IRRBB)

a. The interest rate risk is measured and monitored through two approaches:

(i) Earning at Risk (Traditional Gap Analysis) (Short Term):

The immediate impact of the changes in the interest rates on net interest income of the bank is analysed under this approach.

The Earning at Risk is analysed under different scenarios:

1. Yield curve risk: A parallel shift of 1% is assumed for assets as well as liabilities.
2. Bucket wise different yield changes are assumed for the assets and the same are applied to the liabilities as well.
3. Basis risk and embedded option risk are assumed as per historical trend.

(ii) Economic Value of Equity (Duration Gap Analysis) (Long term)

It is done by calculating modified duration of assets and the liabilities to finally arrive at the modified duration of equity.

- This approach assumes parallel shift in the yield curve for a given change in the yield.
- Impact on the Economic Value of Equity is also analysed for a 200 bps rate shock as indicated by RBI.
- Market linked yields for respective maturities are used in the calculation of the modified duration.

The analysis of bank's Interest Rate Risk in Banking Book (IRRBB) is done for both the domestic as well as overseas operations. The Economic value of equity for domestic operations is measured and monitored on a quarterly basis.

b. The net impact on Net Interest Income (NII) of the bank against 100 bps increase in interest rates is increase of Rs. 125.60 Crore in the Domestic Operations (Rupee resources and deployment) and Rs. 52.80 Crore in International Operations and vice-versa.