DISCLOSURES UNDER THE NEW CAPITAL ADEQUACY FRAMEWORK (BASEL II GUIDELINES) FOR THE YEAR ENDED 31 MARCH 2010

I) SCOPE OF APPLICATION

Qualitative Disclosures

(a) The name of the top bank in the group to which the framework applies:

The framework of disclosures applies to Rbl Bank Ltd; a scheduled commercial bank, incorporated on 6th August 1943. The Bank does not have any subsidiary.

(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 consolidated; (iii) that are given a deduction treatment; and (iv) that are neither consolidated nor deducted (e.g. where the investment is risk weighted)

Not applicable

Quantitative Disclosures

(c) The aggregate amount of capital deficiencies in all subsidiaries not included in the consolidation i.e. that are deducted and the name(s) of such subsidiaries

Not applicable

(d) 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.

Not applicable

II) CAPITAL STRUCTURE

Qualitative Disclosures

(a) 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 I or in Upper Tier II.

As per RBI's capital adequacy norms capital funds are classified into Tier-1 and Tier-2 capital. Tier-1 capital consists of paid-up share capital and Reserves & Surplus. Reserves include statutory reserves, share premium, revenue & other reserves. Tier-2 capital consists of revaluation reserves at a discount of 55%, general provisions & loss reserves and subordinated debt.

Equity Capital

The Bank has authorised share capital of Rs. 200.00 Crore, comprising of 20,00,00,000 equity shares of Rs. 10/- each. As on 31 st March 2010 the Bank has subscribed and paid up capital of Rs. 104.72 Crore, constituting fully paid 10,47,20,080 shares of Rs. 10/- each.

Subordinated Debt:

As on 31st March 2010, the Bank has subordinated debt (unsecured redeemable non-convertible debentures) aggregating to Rs. 3.80 Crores. These have residual maturity of less than 1 year and therefore discounted at 100% while including under Lower Tier-2 capital as per New Capital Adequacy Framework. Details are as follows:

(Rs. in crores)

Sr. No.	Date of Allotment	Date of Redemption	Rate of Interest	Amount
1	31.03.2005	30.06.2010	8.40%	2.00
2	31.05.2005	31.08.2010	8.40%	1.50
3	30.06.2005	30.09.2010	8.40%	0.30
	Total			3.80

Quantitative Disclosures

(Rs. in crores)

		Amount
(a)	Tier I Capital:	
	- Paid-up Share Capital	104.72
	- Reserves;	246.58
	- innovative instruments;	-
	- Other capital instruments;	-
	- Less -Deferred Tax Assets	2.27
	- Total Tier -I Capital	349.03
(b)	The total amount of Tier II capital (net of deductions from Tier II capital)	5.70
(c)	Debt Capital instruments eligible for inclusion in Upper Tier II capital	
	- Total amount outstanding	NIL
	- Of which amount raised during the current year	NIL
	- Amount eligible to be reckoned as capital funds	NIL
(d)	Subordinated debt eligible for inclusion in Lower Tier II capital	
	- Total amount outstanding	3.80
	- Of which amount raised during the current year	-
	- Amount eligible to be reckoned as capital funds	-
(e)	Other deductions from capital, if any.	-
(f)	Total Eligible Capital.	354.73

III) CAPITAL ADEQUACY

Qualitative Disclosures

(a) A summary discussion of the bank's approach to assessing the adequacy of its capital to support current and future activities.

The Bank is subjected to the Capital Adequacy guidelines stipulated by RBI which are based on the framework of the Basel Committee on Banking Supervision (BCBS). As per RBI guidelines, Bank is required to maintain minimum CRAR of 9% under both Basel I & Basel II and a Tier-1 CRAR of 4.5% & 6% respectively. As per guidelines on Basel II, for F. Y. ended 2009-10, Bank is required to maintain capital at higher of minimum capital requirement as per Basel II or 90% of the minimum capital requirement as per Basel I. In line with RBI guidelines, Bank has adopted Standardised Approach for Credit Risk, Standardised Duration Approach for Market Risk and Basic Indicator Approach for Operational Risk for computing CRAR as per Basel II.

Assessment of adequacy of Capital to support current and future activities:

Bank has an Internal Capital Adequacy Assessment Policy (ICAAP) to evaluate and document all risks and substantiate appropriate capital allocation as required under Pillar-2 of Basel II framework. Bank has drawn an assessment of capital requirement for F. Y. 2010-14 through projection of future business as a part of ICAAP document. The Board of Directors of the Bank reviews capital adequacy position of the Bank on quarterly basis.

Quantitative Disclosures

A summary of Bank's capital requirement for credit, market and operational risk and the capital adequacy ratio as on 31 st March 2010 is presented below:

(Rs. in crores)

		Amount
(a)	Capital requirements for credit risk:	
	- Portfolios subject to standardised approach	81.95
	- Securitisation exposures.	-
(b)	Capital requirements for Market risk:	
	- Standardised duration approach;	
	- Interest rate risk	2.01
	- Foreign exchange risk (including gold)	-
	- Equity risk	1.10
(c)	Capital requirements for Operational risk:	
	- Basic indicator approach;	8.64
(d)	Total Capital Adequacy Ratio of the Bank (%)	34.07%
	Tier-1 Capital Adequacy Ratio of the Bank (%)	33.53%

IV) CREDIT RISK- GENERAL DISCLOSURES

Qualitative Disclosures

(a) The general qualitative disclosure requirement with respect to credit risk, including:
- Definitions of past due and impaired (for accounting purposes);
- Discussion of the bank’s credit risk management policy;

Risk Management -

The Bank has adopted committee approach to Risk Management. Risk Management Organisation Structure of the Bank is as follows:

Board Of Directors

Risk Management Committee (Board's subcommittee)

Chief Risk Officer

Investment & Credit Risk Management Committee (ICMC)

Operational Risk Management Committee (ORMC)

Asset Liability Management Committee (ALCO)

Board of Directors, at the Apex level, maintains overall oversight of management of risks. The Risk Management Committee (RMC) which is a sub-committee of the Board is headed by the Managing Director and CEO. Committee reviews / recommends risk management processes / systems. At operational level, Investment and Credit Risk Management committee (ICMC), Operational Risk Management Committee (ORMC), Asset Liability Management Committee (ALCO) are commitees of executives / officers of the Bank which oversee management of the risks to which the Bank is exposed.

Credit Risk Management-

Credit Risk is defined as the probability of losses associated with reduction of credit quality of borrowers or counterparties. In Bank's portfolio, losses arise from outright default due to inability or unwillingness of a customer or counterparty to meet commitments in relation to lending, trading, settlements, or any other financial transaction.

Policies - The Bank has put in place Lending / Credit policy, Investment policies, Recovery policy, Risk Management Policy, Policy on Credit Risk Mitigation Techniques & Collateral Management duly approved by Board whereby credit risk carried by the Bank can be identified, quantified and managed within the framework that the Bank considers consistent. Policies prescribe various prudential and exposure limits, collateral standards, financial benchmarks as a part of credit risk management.

Risk Measurement - At present credit risk is assessed through credit rating at the individual level and through risk weighting of assets at the portfolio level and capital is maintained based on risk weights. Besides, the level & direction of credit risk for the Bank is measured using risk profile templates prescribed by RBI, on quarterly basis and finding are reported to RMC and the Board.

Internal Credit Rating - Bank has put in place rating system, which serves as a single point indicator of diverse risk factors of a counterparty and supports credit and pricing decisions. The rating models factor the qualitative and quantitative risk factors relating to financial risk, account operating risk, management risk, business risk etc.

In addition to above the following tools are used for credit risk management / mitigation:

(a) Credit Approving Authority - Delegation of Powers - Bank has well- defined delegation of power structure for sanction of advances.

(b) Investment and Credit Risk Management Committee (ICRMC) is constituted under Risk Management Architecture to:

- assesses adequacy and adherence to loan policies and procedures by ensuring compliance with post sanction follow up, monitoring and supervision measures undertaken by Credit and Inspection Dept.
- examines the quality of credit processing and recommend steps for improvement;

(c) Pre-sanction Credit Appraisal Committee is constituted under Risk Management Architecture to evaluate loan proposals of Rs. 0.50 Cr., and above for fund and non-fund based limits in case of new borrowers for a purview of risk perception.

(d) Portfolio Review - The overall composition and quality of credit portfolio is assessed using risk profile templates prescribed by RBI on quarterly basis and findings are reported to RMC and the Board.

Non- performing Assets - Bank has adopted definitions of non- performing assets as defined by RBI in 'Prudential norms on Income Recognition, Asset Classification (IRAC)'.

A non-performing assets (NPA) is a loan or an advance where:

(i) Interest and/ or principal remain overdue for a period of more than 90 days in respect of a term loan,

(ii) the account remains ‘out of order’ continuously for 90 days 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) Interest and / or installment of principal remains overdue for two harvest seasons but for a period not exceeding two crop seasons in case of short duration crops granted for agricultural purpose,

(v) Interest and / or installment remains overdue for one crop season in case of long duration crops,

(vi) Bank guarantees / Letter of Credits devolved on the Bank are not reimbursed by the customer even after 90 days from the date of payment.

‘Out of Order’ status - An account where the outstanding balance remains continuously in excess of the sanctioned limit / drawing power and /or there are no credits continuously for 90 days as on the date of balance sheet or credits are not enough to cover interest debited during the same period.

‘Overdue’ - Any amount due to the bank under any credit facility is ‘overdue’ if it is not paid on the due date fixed by the bank

Non- performing Investments (NPI) - NPI is one where:

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

(ii) The fixed dividend is not paid in case of preference shares;

(iii) In 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 latest balance sheet in accordance with RBI instructions;

(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 would be treated as NPI and vice versa;

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

Quantitative Disclosures

(b) Total gross credit risk exposures, Fund based and Non-fund based separately.

(Rs. in crores)

Category	Amount
Fund Based	1985.67
Advances	1186.72
Investment in Banking book	390.86
All other Assets	408.09
Non-Fund Based *	82.61
Total	2068.28

*Gurantees given on behalf constituents, acceptances, endorsements

(c) Geographic distribution of exposure, Fund based & Non- fund based separately

(Rs. in crores)

Category	Domestic	Overseas	Total
Fund Based	1,985.67	-	1,985.67
Non-Fund Based *	82.61	-	82.61
Total	2,068.28	-	2,068.28

*Gurantees given on behalf constituents, acceptances, endorsements

(d) Residual contractual maturity breakdown of assets,

(Rs. in crores)

Maturity bucket	Cash, balances with RBI and other banks	Investments	Advances	Other assets including fixed assets
1 day	145.51	11.98	59.42	6.35
2 to 7 days	16.64	27.29	43.76	0.07
8 to 14 days	4.29	-	50.23	0.72
15 to 28 days	13.61	31.60	28.88	1.48
29 days to 3 months	45.88	37.07	134.42	5.97
3 to 6 months	53.10	2.59	56.40	2.70
6 to 12 months	21.35	7.57	114.42	4.34
1 to 3 years	49.81	63.75	338.15	5.86
3 to 5 years	2.83	46.76	145.85	-
Over 5 years	3.05	278.61	198.92	24.54
Total	356.08	507.22	1,170.44	52.01

(e) Industry type distribution of exposures- Funded & Non-funded

(Rs. in crores)

Sr. No.	Industry Classification	Amount Fund Based	Amount Non-Fund Based
1	Iron and steel	1.67	
2	Other Metal and Metal Products	0.61	
3	All engineering	9.09	
3.1	Of which Electronics	0.28	
4	Electricity	3.02	
5	Cotton Textiles	11.71	
6	Other Textiles	59.45	
7	Food Processing	9.74	
8	Vegetable Oil and Vanaspati	0.56	
9	Paper and Paper Products	3.10	
10	Rubber and Rubber Products	0.30	
11	Chemicals, Dyes, Paints, etc.	52.99	11.24
11.1	Of which Drugs & Pharmaceuticals	25.54	6.69
12	Cement	0.54	
13	Gems and Jewellery	1.66	
14	Construction	8.68	
15	Automobiles including trucks	0.76	
16	Computer Software	0.52	
17	Infrastructure	41.54	39.90
17.1	Of which Power	34.02	
18	Other Industries	86.10	31.47
19	Residual exposures to balance the total exposure	894.68	
	Total	1186.72	89.30

As on 31st March 2010 the Bank's exposure to the industries stated below was more than 5% of the total gross credit exposure (advance):

Sr. No.	Industry classification	Percentage of the total gross credit exposure
1	Infrastructure	6.42%
2	Chemicals, Dyes, Paints, etc.	5.06%

NPI and movement of provision for depreciation of NPIs -

Rs. In Crores

(a)	Amount of Non- Performing Investments	2.29
(b)	Amount of provisions held for Non- Performing Investments	2.29
(c)	Movement of provisions for depreciation on investments	
	- Opening balance	7.05
	- Provisions made during the period	0.08
	- Write-off	-
	- Write-back of excess provisions	3.47
	- Closing balance	3.66

Non-Performing Assets (NPA) -

Rs. In Crores

(a)	Amount of NPAs (Gross)	27.64
	- Substandard	10.23
	- Doubtful 1	2.60
	- Doubtful 2	5.30
	- Doubtful 3	5.50
	- Loss	4.01
(b)	Net NPAs	11.36
(c)	NPA ratios	
	- Gross NPAs to gross advances	2.33%
	- Net NPAs to Net advances	0.97%
(d)	Movement of NPAs (Gross)	
	- Opening balance	17.27
	- Additions	14.83
	- Reductions	4.46
	- Closing balance	27.64
(e)	Movement of provisions for NPAs	
	- Opening balance	11.82
	- Provisions made during the period	6.82
	- Write-off	-
	- Write-back of excess provisions	2.36
	- Closing balance	16.28

V) CREDIT RISK: DISCLOSURES FOR PORTFOLIOS SUBJECT TO THE STANDARDISED APPROACH

Qualitative Disclosures

For portfolios under standardised approach:

- Names of credit rating agencies used, plus reasons for any changes;
- Types of exposure for which each agency is used; and
- A description of the process used to transfer public issue ratings onto comparable assets in the banking book;

Bank has decided to use credit rating awarded by Eligible Credit Rating Assessment Institutions namely CARE, CRISIL, FITCH, ICRA for portfolios under Stadardised Approach for Credit Risk. The issuer ratings and short term / long term instrument / bank facilities ratings which are assigned by the accredited rating agencies and published in the public domain are used to assign risk weights in terms of RBI guidelines. Issue ratings has been used if the Bank has an exposure in the rated issue and this include fund based and non fund based working capital facilities as well as loans and investments. These ratings are being used for all exposures for risk weighting purposes under the standardized approach.

Quantitative Disclosures

For exposure amounts after risk mitigation subject to the standardised approach, amount of Bank's outstandings (rated and unrated) in the following three major risk buckets as well as those that are deducted;

(Rs. in crores)

Particulars	Amount
- Below 100% risk weight	1473.77
- 100% risk weight	567.54
- More than 100% risk weight	27.00
- Credit Risk Mitigants (CRM) Deducted	164.02

VI) CREDIT RISK MITIGATION: DISCLOSURES FOR STANDARDISED APPROACHES

Qualitative Disclosures

(a) The general qualitative disclosure requirement with respect to credit risk mitigation including:

- policies and processes for, and an indication of the extent to which the bank makes use of, on- and off-balance sheet netting;
- policies and processes for collateral valuation and management;
- a description of the main types of collateral taken by the bank;
- the main types of guarantor counterparty and their creditworthiness; and
- information about (market or credit) risk concentrations within the mitigation taken

Bank employs various methods and techniques to reduce the impact of credit risks they are exposed to in their daily operations. This process is known as credit risk mitigation.

Bank has put in place 'Policy on Credit Risk Mitigation Techniques and Collateral Management'. Main objectives of this policy are to:

- ensure that Credit Risk Management Techniques are strengthened and management of Collateral is such that capital requirement is aligned with Credit Risk involved in the claim.
- encourage accepting collaterals that can be easily liquidated.
- ensure that 'Credit Risk Mitigation' techniques do not increase other risk such as legal, operational, liquidity and Market risk.

Bank also has Policy on Valuation of Properties and Empanelment of valuers. Main objectives of policy are to:

- obtain fair valuation of prime / collateral securities movable as well as immovable.
- lay down periodicity of valuation
- ensure that Reserve Bank of India guidelines/directives regarding valuation are observed
- get fair market value of securities for correct measurement of capital adequacy position of bank.

Main types of collateral taken by Bank - Bank uses various collaterals both financial as well as non-financial, guarantees and credit insurance as credit risk mitigants. The main collaterals include bank deposits, NSC/KVP/LIC, plant and machinery, Book debts, residential and commercial mortgages, vehicles and other movable properties. All collaterals are not recognised as credit risk mitigants under the standardised approach. The following are the eligible financial collaterals which are considered under standardised approach.

i. Fixed Deposit receipts issued by the Bank;
ii. Securities issued by Central and State Governements;
iii. Kisan Vikas Patra (KVP) and National Saving Certificate (NSC);
iv. Life Insurance Policies (LIC) with declared surrender value of an insurance company which is regulated by an insurance sector regulator;

Collateral Valuation and Management - As stipulated in RBI guidelines, the Bank uses a comprehensive approach. Under this approach, the Bank reduces its credit exposure to a counterparty when calculating its capital requirements to the extent of risk mitigation provided by the eligible financial collateral as specified.

Main type of guarantor counterparties - The main types of guarantors against the credit risk of Bank are:

i. Individuals (Personal Guarantees)
ii. Corporates

Concentration Risk in Credit Risk Mitigants- The Bank has no major risk concentration of Credit risk mitigants as most of the CRM are term deposits issued by the Bank.

Quantitative Disclosures

(a)	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	
(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)	
1	Total Exposure (on and off balance sheet) covered by eligible financial collateral after application of haircuts	164.02
2	Total Exposure (on and off balance sheet) covered by guarantees / credit derivatives	NIL

VII) SECURITISATION EXPOSURES : DISCLOSURE FOR STANDARDISED APPROACH

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 securitised assets;
- the various roles played by the bank in the securitisation process (For example: originator, investor, servicer, provider of credit enhancement, liquidity provider, swap provider, protection provider) and an indication of the extent of the bank's involvement in each of them;
- a description of the processes in place to monitor changes in the credit and market risk of securitisation exposures;
- a description of the bank's policy governing the use of credit risk mitigation to mitigate the risks retained through securitisation exposures;

(b) Summary of the bank's accounting policies for securitisation activites, including:

- whether the transactions are 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 recognising 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

Quantitative Disclosures : Banking Book

(a) The total amount of exposures securitised by the bank;

(b) For exposures securitised losses recognised by the bank during the current period broken by the exposure type (e.g. Credit cards, housing loans, auto loans etc. detailed by underlying security);

(c) Amount of assets intended to be securitised within a year;

(d) Of (f), amount of assets originated within a year before securitisation;

(e) the total amount of exposures securitised (by exposure type) and unrecognised gain or losses on sale by exposure type;

(f) 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

(g) 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).

Not applicable

Quantitative Disclosures : Trading book

(a) 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) 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.

(c) 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.

(d) Aggregate amount of:

- the capital requirements for the securitisation exposures, subject to the securitisation framework broken down into different risk weight bands, and
- 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).

Not applicable

VIII) MARKET RISK IN TRADING BOOK

Qualitative Disclosures

The general qualitative disclosure requirement for market risk including the portfolios covered by the standardised approach.

Market Risk Management

Bank defines market risk as the risk of loss in on- balance sheet and off- balance sheet positions arising from movements in market variables such as interest rates, equity prices. Bank's exposure to market risk arises from investment in trading book (both AFS & HFT category). Under market risk management, liquidity risk, interest rate risk and equity price risk are monitored.

Policies - Bank has put in place Board approved SLR & Non-SLR Investment Policy, Risk Management Policy, Asset Liability Management Policy, Equity Investments Policy for effective management of market risk. The above policies lay down well-defined organisation structure for market risk management functions and processes whereby the market risks carried by the Bank are identified, measured, monitored and controlled.

Prudential limits for Market Risk Management - Policies articulates various guidelines, financial benchmarks, maturity limits, entry level ratings for investment and operations in various market segments. The policies consists, inter-alia, various limits like issuer wise limits, duration limits, single party exposure limits, industry wise exposure limits, modified duration based limits, stop loss limits etc. for the portfolio as a part of market risk management.

Liquidity Risk Management - Liquidity Risk is managed through gap analysis based on residual maturity / behavioural pattern of assets and liabilities as prescribed by RBI. Prudential (tolerance) limits are set for different residual maturity time buckets for efficient asset liability management. Besides, the level & direction of market risk, liquidity risk is measured using risk profile templates prescribed by RBI on quarterly basis and findings are reported to RMC and Board.

Interest Rate Risk Management - Interest rate risk is managed through gap analysis of rate sensitive assets and liabilities and monitored through prudential (tolerance) limits prescribed. The Bank has put in place duration gap analysis framework for management of interest rate risk. The Bank estimates Earnings at Risk (EaR) and Modified Duration Gap (Dgap) periodically against adverse movement in interest rate for assessing the impact on Net Interest Income (NII) and Economic Value of Equity (EVE).

Equity Price Risk Management - The Bank's Equity Investment Policy has fixed stop loss limits for equity. Daily reporting to top management on the transactions and profit is done. Besides, Equity Investment Committee of executives is constituted to take decisions of investment / dis-investment.

Asset Liability Management Committee (ALCO) - Under Risk Management Architecture, the Bank has constituted ALCO committee of executives to monitor management of liquidity and interest rate risk. ALCO monitors adherence of prudential limits fixed by the Bank and determines the strategy in light of the market conditions. ALCO support group of executives / officers is constituted to support ALCO.

Portfolios covered by Standardised Approach - Trading book portfolio is covered by standardised approach. It includes investments under Held For Trading (HFT) and Available For Sale (AFS). Bank has put in place a system for calculating capital charge on market risk in trading portfolio as per RBI guidelines viz. Standardised Duration Approach.

Quantitative Disclosures

The Capital Requirement for : .

Rs. In Crores

Particulars	Amount of Capital required
- Interest Rate Risk	2.01
- Equity Position Risk	1.10
- Foreign Exchange Risk	-

IX) OPERATIONAL RISK

Qualitative Disclosures

In addition to the general qualitative disclosure requirement, the approach (es) for operational risk capital assessment for which the bank qualifies.

Operational Risk Management

Bank defines operational risk as 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 reputational risk.

(a) Policies - The Bank has put in place Risk Management Policy, Operational Risk Management Policy duly approved by Board. Other policies adopted by the Bank which deal with management of operational risk are Information Technology policy, Policy on Know Your Customer & Anti Money Laundering, Policy on Outsourcing of Financial Services.

(b) Structure and organisation of operational risk management function - Under Risk Management Architecture of Bank, the Risk Management Committee of Board is supported by Operational Risk Management Committee (ORMC) consisting of executives / officers which recommends actions to be taken to manage operational risk.

(c) Manual of Instructions - Bank has put in place manuals on all important functional areas viz. manual on Deposits, Advances, Treasury, IT roles & responsibilities etc. covering entire gamut of its business and have been circulated among all concerned. Amendments and modifications to these guidelines are implemeted through circulars sent to all the offices.

(d) Risk Measurement - The level & direction of operational risk is measured using risk profile templates prescribed by RBI on quarterly basis and reported to Board and RMC.

(e) Approach for Operational Risk Capital Assessment - In line with RBI guidelines, the Bank has adopted Basic Indicator Approach (BIA) for computation of capital charge for operational risk.

X) INTEREST RATE RISK IN THE BANKING BOOK (IRRBB) -

Qualitative Disclosures

The general qualitative disclosure requirement, including the nature of IRRBB and key assumptions, including assumptions regarding loan prepayments and behaviour of non- maturity deposits, and frequency of IRRBB measurement.

Interest rate risk is the risk of potential variability in earnings and capital value resulting from changes in market interest rates. Bank holds assets, liabilities with different maturity and linked to different benchmark rates, thus creating exposure to unexpected changes in the level of interest rates in such markets. Interest rate risk in the banking book refers to the risk associated with interest rate sensitive instruments that are not held in the trading book of the Bank.

Key assumptions

1 The interest rate moves uniformly across all time buckets for all assets and liabilities.

2 The distribution into rate sensitive assets and liabilities under Interest Rate Sensitivity Statement is as per RBI specification / maturity / behavioral pattern. The same has been incorporated in ALM policy of the Bank.

Interest rate risk is measured by using Earnings Perspective method and Economic Value Perspective method on quarterly basis.

Earnings perspective - Impact on earnings is calculated using Interest Rate Sensitivity Statement. Midpoint of each time bucket is taken as a proxy for maturity of all assets and liabilities of that time bucket and impact of change in interest rate is worked out.

Economic value perspective - Duration Gap Analysis (DGA) method is used to calculate impact on Market Value of Equity (MVE). Modified durations of assets and liabilities are used to arrive at modified duration of equity.

Quantitative Disclosures

The increase (decline) in earnings and economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring IRRBB, broken down by currency (where the turnover is more than 5% of the total turnover).

Earnings Perspective

(Rs. in crores)

Interest rate shock	Impact
At 1% change for 1 year	1.50
At 2% change for 1 year	3.00

Economic Value Perspective

(Rs. in crores)

Interest rate shock	Impact
200 basis point shock	24.88