

Disclosures (on solo basis) under Pillar 3 in terms of New Capital Adequacy Framework (Basel II) of Reserve Bank of India as on 30.09.2012

I . Scope of application

- a. The framework of disclosures applies to Bank of Baroda, on solo basis, 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	98.57%
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%
viii	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	Bank of 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 Joint Ventures.

Sr. No.	Name of the Joint Venture	Extent of ownership
JOINT VENTURE (Domestic)		
i.	IndiaFirst Life Insurance Company Ltd.	44.00%
JOINT VENTURE (Foreign)		
i	India International Bank (Malaysia) Bhd.	40.00%

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.209.00 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.209.00 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
Series XIII	8.48	31.05.2025	500.00
Series XIV	8.48	30.06.2025	500.00
Series XV	8.52	10.08.2025	500.00
MTN Tier II Bonds (Overseas)	6.625	25.05.2022 (with call option on 25.05.2017)	1585.65
Total			6585.65

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	27521.75
	Out of which:	
ii)	Paid up share capital	412.38
iii)	Reserves excluding revaluation reserves	25197.67
iv)	Innovative Perpetual Debt Instrument	1911.70
v)	Deductions	809.27
vi)	Eligible Tier I Capital	26712.48

c. The Total amount of Tier 2 capital of the bank (net of deduction from tier 2 capital) is Rs. 9331.37 Crore.

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

(Rs in Crs)

Total amount outstanding	6585.65
Of which amount raised during the current year	0.00
Amount eligible to be reckoned as capital funds	6585.65

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	1420.00

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	Other intangible Assets (Deficit on account of take over of assets & liabilities- Memon Co-Operative Bank Ltd.)	74.61	0.00
2	Investment in subsidiaries/ JV / Associates	734.66	734.66
3	Total	809.27	734.66

g. The total eligible capital comprises of:

(Rs in Crore)

Tier – I Capital	26712.48
Tier – II Capital	9331.37
TOTAL	36043.85

III. Capital Adequacy

- a. Bank maintains capital to cushion the risk of loss in value of exposure, businesses etc. so as to protect the interest of 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. Capital Planning exercise of the bank is carried out every year to ensure the adequacy of capital at the times of changing economic conditions, even at the time of economic recession. In capital planning process the bank reviews:

- o Current capital requirement of the bank
- o 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 31.03.2012 are as under:

(i) CREDIT RISK:	RWA(Basel-II) (Amount in Rs. Crore)
Portfolios subject to standardised approach in respect of credit risk (RWA)	242353.07
Securitisation exposures (RWA)	6.52
Total RWAs in Credit Risk	242359.59
Minimum Capital Requirement for Credit Risk @9.00% of the RWAs	21812.36
(ii) MARKET RISK:	RWA (Basel II)
Interest rate risk (RWA)	7633.24

Foreign exchange risk (including gold) (RWA)	225.00
Equity risk (RWA)	10706.26
Total RWAs in respect of Market Risk	18564.50
Minimum Capital Requirement for Market Risk @9.00% of the RWAs	1670.81
(iii) OPERATIONAL RISK:	
Basic Indicator Approach (RWA)	18203.00
Minimum Capital Requirement for Operational Risk @9.00% of the RWAs	1638.27
(iv) Total RWA , Capital & CRAR	
Total RWAs in respect of Credit, Market & operational Risk	279127.09
Minimum Capital Requirement for Credit Market & Operational Risk @9.00% of the RWAs	25121.44
(v) Actual Position	26712.48
Eligible Tier I Capital	
Eligible Tier II Capital	9331.37
Total Eligible Capital	36043.85
Total capital ratio for Bank of Baroda:	
CRAR	12.91%
Tier I capital to Total RWA	9.57%
Tier II capital to Total RWA	3.34%

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.

Non Performing Investments (NPI):

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 allows the bank to build systems and initiate measures to maintain its asset quality.

e. The Quantitative Disclosures in respect of Credit Risk as on 30.09.2012 are as under:

S.NO.	INDUSTRY	FB (Cr.s.)	NFB (Cr.s.)	TOTAL (Cr.s.)
	Total gross credit risk outstanding	296330.39	56605.09	352935.48
	Geographical distribution			
	1.Domestic	202623.08	48584.02	251207.10
	2.Overseas	93707.31	8021.07	101728.38
S.NO.	INDUSTRY	FB (Cr.s.)	NFB (Cr.s.)	TOTAL (Cr.s.)
A	Mining and Quarrying	1071.56	405.54	1477.10
A.1	Coal	146.52	216.43	362.96
A.2	Other	925.03	189.11	1114.14
B.	Food Processing	3990.40	2197.63	6188.03
B.1	Sugar	579.24	13.12	592.36
B.2	Edible Oils and Vanaspati	576.28	1884.31	2460.59
B.3	TEA	24.81	1.34	26.15
B.4	Coffee	6.26	2.00	8.26
B.5	Others	2803.81	296.86	3100.66
C.	Beverages	531.84	173.53	705.37
C.1	Tobacco and tobacco products	242.77	170.52	413.29
C.2	Others	289.07	3.01	292.08
D.	Textiles	9968.73	1991.40	11960.13
D.1	Cotton Textile	3906.04	512.80	4418.84
D.2	Jute Textile	158.79	34.91	193.70
D.3	Handicraft/Khadi	309.55	17.21	326.76

D.4	Silk	236.52	13.51	250.03
D.5	Woolen	314.71	5.70	320.40
D.6	Others	5043.12	1407.27	6450.39
	Out of D to spinning Mills	2671.33	386.61	3057.95
E.	Leather and Leather products	378.57	86.62	465.19
F.	Wood and Wood products products	453.07	139.08	592.15
G.	Paper and Paper products	1451.35	311.14	1762.49
H.	Petroleum	4295.25	1875.06	6170.31
I.	Chemicals and Chemical Products	6498.50	2814.67	9313.17
I.1.	Fertilizers	647.23	1476.08	2123.31
I.2	Drugs and Pharmaceuticals	2334.32	424.39	2758.71
I.3	Petro-Chemicals	385.46	185.08	570.54
I.4	Other	3131.49	729.12	3860.61
J.	Rubber Plastic and their Products	2896.31	756.21	3652.52
K.	Glass and Glassware	902.72	209.31	1112.03
L.	Cement and Cement Products	1135.11	256.24	1391.35
M.	Basic Metal and Metal Products	14163.10	4244.22	18407.32
M.1	Iron and Steel	10685.34	3280.21	13965.55
M.2	Other Metal and Metal Products	3477.76	964.01	4441.77
N.	All Engineering	5782.69	4865.05	10647.74
N.1	Electronics	1168.64	346.30	1514.94
N.2	Other Engg	4614.04	4518.75	9132.80
O.	Vehicles,vehicle parts and Transport Equipments	1891.02	662.58	2553.60
P.	Gems and Jewellery	1300.47	157.05	1457.52
Q.	Construction	4974.57	1151.47	6126.04
R.	Infrastructure	29730.53	6212.63	35943.16
R.1	Transport	7503.47	1840.17	9343.63
R.1.1	Railways	5.88	2.96	8.84
R.1.2	Roadways	5282.29	1555.61	6837.90
R.1.3	Aviation	537.37	5.70	543.07
R.1.4	Waterways	667.27	110.35	777.62
R.1.5	Others Transport	1010.66	165.54	1176.20
R.2	Energy	14082.89	2938.41	17021.30
R.2.1	Electricity gen-trans--distri	14082.89	2938.41	17021.30
R.2.1.1	of which state electricity Board	5112.55	157.87	5270.42
R.3	TELECOMMUNICATION	6275.55	789.43	7064.98
R.4	OTHERS	1868.62	644.63	2513.25
R.4.1	WATER SANITATION	332.59	367.20	699.78
R.4.2	Social and Commercial Infrastructure	141.67	1.12	142.78
R.4.3	Others	1394.36	276.32	1670.68
S	Other Industries	1848.49	1229.61	3078.10
	ALL INDUSTRIES	93264.26	29739.04	123003.30

Credit exposure in industries where outstanding exposure is more than 5% of the total domestic credit exposure of the bank are as follows:

Sr no	Industry	Exposure amt. (in cr.)	% of Total Domestic Exposure
1.	Electricity gen-trans--distri	17021.30	6.78
2.	Iron and Steel	13965.55	5.56

f. Residual maturity breakdown of assets

Residual contractual maturity breakdown of Assets - As on 30th September 2012												Rs. In Crore	
Time bucket	Advances				Investments			Other Foreign Currency Assets			Total Assets (A+B+C)	%age	
	Domestic Rupee	Domestic Fgn Currency	Int'l	Total (A)	Domestic	Int'l	Total (B)	Domestic	Int'l *	Total (C)			
1 Day	1811.57	4.20	2275.21	4090.98	2666.70	6.17	2672.87	378.68	11738.97	12117.65	18881.50	4.29%	
2-7 Days	2368.35	84.77	2132.24	4585.37	1548.99	11.47	1560.46	396.41	3608.73	4005.14	10150.97	2.30%	
8-14 Days	2938.12	118.93	1469.42	4526.47	32.36	3.27	35.63	184.99	1520.42	1705.41	6267.51	1.42%	
15-28 Days	2490.61	1118.80	4703.13	8312.54	875.84	91.06	966.90	496.83	7177.59	7674.42	16953.86	3.85%	
29-90 Days	15233.81	871.68	18274.04	34379.53	4920.96	256.88	5177.84	449.27	6394.12	6843.39	46400.76	10.53%	
3 - 6 months	12275.92	1307.54	18588.81	32172.27	2020.57	304.67	2325.24	0.00	6591.36	6591.36	41088.87	9.33%	
6 - 12 months	15914.20	920.23	8186.85	25021.28	2982.06	251.73	3233.79	0.00	6866.80	6866.80	35121.87	7.97%	
1 - 3 years	77151.86	250.68	18767.76	96170.30	16425.50	835.53	17261.03	0.00	809.79	809.79	114241.11	25.94%	
3 - 5 years	21148.38	55.71	14710.62	35914.71	9766.07	1529.83	11295.90	0.00	32.70	32.70	47243.31	10.73%	
Over 5 years	42619.22	0.00	4388.25	47007.47	55871.32	1029.14	56900.46	0.00	231.23	231.23	104139.16	23.64%	
TOTAL	193952.04	4732.54	93496.33	292180.91	97110.37	4319.75	101430.12	1906.18	44971.71	46877.89	440488.92	100.00%	

NOTE: * This figure excludes the foreign currency funds with our own branches which forms a part of Inter Office Adjustment in Balance Sheet.

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

Sr. No.	Asset Category	Amount in Rs. Crores
(i)	NPAs (Gross):	5879.01
	Substandard	3775.64
	Doubtful 1	1019.69
	Doubtful 2	456.90
	Doubtful 3	185.77
	Loss	441.01
(ii)	Net NPAs	
	Total	2384.63
(iii)	NPA Ratios	
	Gross NPAs to gross advances	1.98%
	Net NPAs to net advances	0.82%

(iv)	Movement of NPA(Gross)	
	Opening balance	4464.75
	Additions	*2728.12
	Reductions	1313.86
	Closing balance	5879.01
(v)	Movement of provisions for NPAs	
	Opening balance	2921.11
	Provision made during the year	1722.16
	Write off/ Write back of excess provision	**1148.89
	Closing balance	3494.38
(vi)	Non Performing Investments	
	Amount of Non-Performing Investments	360.32
	Amount of provisions held for non-performing investment	310.48
(vii)	Movement of provisions for depreciation on investments during the year	
	Opening balance	701.94
	Provisions made during the period	***34.90
	Write-back	105.60
	Closing balance	631.24

* Exchange fluctuation of Rs. 23.16 cr has been adjusted for international exposure.

** Exchange fluctuation of Rs. 40.99 cr has been adjusted for international exposure.

*** Exchange fluctuation of Rs. 8.48 cr has been adjusted for international exposure.

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

Under Standardized Approach the bank accepts rating of all RBI approved ECAI (External Credit Assessment Institution) namely CARE, CRISIL, Fitch (India), Brickwork, SMERA 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:

Amt in Rs. Crores

CATEGORY OF RISK WEIGHT	AMOUNT
Below 100% risk weight	184786.72
100% risk weight	122389.54
More than 100 % risk weight	20699.05
CRM DEDUCTED	25060.17
Total Exposure (FB+NFB)	352935.48

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 same is considered to the extent of guarantee available as per guidelines. 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 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/PSEs
- ▶ 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, CGTSE, 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	Total Financial Collateral (Post haircut)
Domestic Sovereign	12.14
Foreign Sovereign	0.00
Public Sector Entities	467.57
Claims on Banks	112.63
Primary Dealers	0.00
Corporates	16074.45
Reg Retail Portfolio	8067.63
Residential Property	58.49
Commercial Real Estate	17.20
Specified Categories	225.79
Other Assets	24.27
TOTAL	25060.17

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

(Amt. in crs.)

Nature	Claim on DICGC	Claim on ECGC	Claim on CGTMSE	Guarantor rated A & AA	Guarantee by State Government	Guarantee by Central Government	Guarantee by Banks
Domestic Sovereigns	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Public Sector Entity	0.00	0.00	0.00	33.27	8216.41	49.53	10.99
Claims on Banks	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Corporates	0.00	3962.32	0.00	12.66	0.00	0.00	784.75
Regulatory Retail Portfolio	0.68	256.12	954.97	0.00	0.00	0.00	95.82
Residential Property	0.00	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	0.00
Specified Categories	0.00	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	0.00
TOTAL	0.68	4218.44	954.97	45.93	8216.41	49.53	891.56

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, and 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, 2012.

b. 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	32.50	32.50	100	32.50
Total	32.50	32.50	100	32.50

c. The bank does not presently plan to securitise any of its standard assets during the year 2012-13.

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 managed under Market Risk in trading book:

- 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 aggregate Risk Weighted Assets for credit risk, market risk and operational risk are taken into 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,2012 are as under:-

Amt in Rs. Crs.

	RWAs	Minimum Capital Charge at 9%
Interest Rate Risk	7633.24	686.99
Equity Position Risk	10706.26	963.57
Foreign Exchange Risk	225.00	20.25
Total Capital Charge	18564.50	1670.81

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 Assets.

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)

Modified duration of assets and liabilities is computed separately 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 required 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 change in interest rates is Rs 236.61 Crore in the Domestic Operations (Rupee resources and deployment) and Rs. 107.50 Crore in International Operations.