ADDITIONAL DISCLOSURES – BASEL II REQUIREMENTS

Table DF-1

Scope of application

Qualitative Disclosures	Applicability to our Bank
a. The name of the top bank in the group to which the framework applies	The Bank does not belonging to any 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 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

Table DF-2

Capital Structure

Qualitative Disclosures	Applicability to our Bank
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 1 or in Upper Tier 2	The Bank has not raised Tier 1 or Tier II capital from the market to meet the increase in capital requirements.
Quantitative Disclosures	
b. The amount of Tier 1 capital, with separate disclosure of:	
• Paid up share capital	0.28 crore
• Reserves	970.69 crores
• Surplus unallocated	0.08 crore
• Innovative instruments (Perpetual Debt Instrument as Tier 1 capital)	Nil
• Other capital instruments	Nil
• Amounts deducted from Tier 1 capital, including goodwill and investments	3.92 crores
c. The total amount of Tier 2 capital (net of deductions from Tier 2 capital)	45.22 crores
d. Debt capital instruments eligible for inclusion in Upper Tier 2 capital	
• Total amount outstanding	Nil

• Of which amount raised during the current year	Nil
• Amount eligible to be reckoned as capital funds	Nil
e. Subordinated debt eligible for inclusion in Lower Tier 2 Capital	
• Total amount outstanding	Nil
• Of which amount raised during the current year	Nil
• Amount eligible to be reckoned as capital funds	Nil
f. Other deductions from capital, if any	NIL
g. Total eligible capital	1012.35 crores

Table DF-3

CAPITAL ADEQUACY

Qualitative Disclosures:

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

In order to strengthen the capital base of banks in India, the Reserve Bank of India in April 1992 introduced capital adequacy framework (Basel I) issued by Basel Committee on Banking Supervision (BCBS). Initially, the framework addressed capital for credit risk, which has subsequently amended to include capital for market risk. In line with the guidelines issued by the RBI, the bank has been compliant with regard to maintenance of minimum capital for credit and market risk.

Subsequently, the BCBS has released the "International Convergence of Capital Measurement and Capital Standards: A Revised Framework" (popularly known as Basel II document) on June 26, 2004. A comprehensive version (The Revised Framework) was issued in June 2006. Based on these guidelines and keeping in view to have consistency and harmony with international standards, the Reserve Bank of India had issued Draft Guidelines in February 2005 and thereafter the final guidelines on 27th April 2007 for implementation of the New Capital Adequacy (Basel II) Framework. In addition, the RBI has issued clarifications on 31st March 2008 on certain issues relating to the subject.

With effect from June 2006, the Bank continued the parallel run of Basel II framework by continuously tracking the exposures and studies the impact on Banks' CRAR on quarterly basis with a view to ensuring smooth transition to revised framework. In line with the RBI guidelines, the Bank has migrated to the revised framework from 31.03.2009.

Basel II framework provides a range of options for determining the capital requirements for credit risk, market risk and operational risk. The framework allows banks and supervisors to select approaches that are most appropriate for their operations and financial markets. In accordance with the RBI's requirement, 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 2009. Additionally, the Bank continues to apply the Standardized Duration Approach (SDA) for computing capital requirement for market risks.

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. RBI also prescribes prudential floor (as 100% of minimum capital requirement computed under Basel I for credit risk and market risk as on 31.03.2009) for maintaining capital as per revised framework. The total Capital to Risk Weighted Assets Ratio (CRAR) as per Basel II guidelines works to **16.05** %. The CRAR, subject to prudential floor, stands at a healthy level of **14.48%** against regulatory requirement of **9%** . The Tier I CRAR stands at **15.33%** as against RBI's prescription of **6%**.

In computation of Capital for credit risk under Standardized Approach, the Bank has relied upon the Borrower wise data captured from each individual branch. For this purpose, the Information Technology Department has provided one report in Core Banking Solutions and branches are extracting the details from the report and submitting Asset Classification Statement after incorporating additional particulars. Necessary checks are done at H.O. Level to ensure the correctness. The various aspects of Basel II norms are imparted to field level staff regularly through circulars and letters.

The Bank has used the credit risk mitigation in computation of capital for credit risk, as prescribed in the RBI guidelines under Standardized Approach. The capital for credit risk on Loans and Advances, market risk and operational risk as per the prescribed approaches have been computed at the bank's Head Office and aggregated to arrive at the bank's above CRAR position. The bank has followed the RBI guidelines in force, to arrive at the eligible capital, risk weighted assets and CRAR.

As regards the adequacy of capital to support the future activities, the bank has drawn an assessment of capital requirement for three years with the approval of the Board. The surplus CRAR shall act as a buffer to support the future activities. Moreover, the headroom available for the bank for mobilizing Tier 1 and Tier 2 capital shall additionally support capital structure to meet the required CRAR against future activities.

Quantitative Disclosure

b) Capital Requirements for Credit Risk: Standardized Approach

(Rs.In crores)

Portfolios subject to Standardized Approach	446.09
Securitization Exposures	NIL
Total	446.09

c) Capital Requirements for Market Risk: Standardized Duration Approach

(In Crores)

Interest Rate Risk	38.93
Foreign Exchange Risk (Including Gold)	2.70
Equity Risk	24.77
Total	66.40

d) Capital Requirements for Operational Risk: Basic Indicator Approach

Operational Risk	55.33 crores

e) Total Capital Ratio for the Bank

Total CRAR	16.05%
Total CRAR (subject to application of Prudential Floor) 100% of the CRAR calculated through Basel I norms	14.48%
Tier 1 CRAR	15.33%

Table DF – 4

CREDIT RISK: GENERAL DISCLOSURES

Qualitative Disclosures:

a) Credit Risk

Credit risk is the possibility of losses associated with diminution in the credit quality of borrowers or counter-parties. In a Bank's portfolio, Credit Risk arises mostly from lending activities of the Bank, as a borrower is unable to meet his financial obligations to the lender. It emanates from potential changes in the credit quality / worthiness of the borrowers or counter-parties.

Credit Rating & Appraisal Process

The Bank has well structured internal credit rating framework and well-established standardized credit appraisal / approval processes. Credit Rating is a decision-enabling tool that helps the bank to take a view on acceptability or otherwise of any credit proposal. In order to widen the scope and coverage further and strengthen the credit risk management practices, the bank has developed additional risk sensitive rating models in-house during the year.

The internal rating factors quantitative and qualitative issues relating to management risk, business risk, industry risk, financial risk, credit discipline and also risk mitigation based on the collaterals available.

Credit rating, as a concept, has been well internalized within the Bank. The rating for eligible borrower is reviewed at least once every year. The Bank uses the credit ratings for deciding the interest rates on borrowal accounts. The advantage of credit rating is that it enables to rank different proposals and do meaningful comparison.

The bank follows a well-defined multi layered discretionary power structure for sanction of loans. Approval Grid has been constituted at H.O for considering in-principle approval for taking up fresh credit proposals above a specified cut-off.

Credit Risk Management Policies

The Bank has put in place a well-structured Credit Risk Management Policy duly approved by the Board. The Policy document defines organization structure, role and responsibilities and the processes whereby the Credit Risks carried by the Bank can be identified, quantified and managed within framework that the Bank considers consistent with its mandate and risk tolerance.

Credit Risk is monitored by the bank on a bank wide basis and compliance with the risk limits approved by Board/RMCB is ensured.

The Bank has taken earnest steps to put in place best credit risk management practices in the bank. In addition to Credit Risk Management Policy, the bank has also framed Board approved Loan Policy and Investment Policy etc which forms integral part in monitoring of Credit risk in the bank. Besides, the bank has implemented a policy on Collateral Management and Credit Risk Mitigation with the approval of the Board which lays down the details of securities (both Primary and Collateral) normally accepted by the Bank and administration of such securities to protect the interest of the Bank. These securities act as mitigation against the credit risk to which the bank is exposed.

Classifications of Non Performing Accounts

The Bank follows the prudential guidelines issued by the RBI on classification of non-performing assets as under:

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' if the outstanding balance remains continuously in excess of sanctioned limits / DP for more than 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) the installment of principal or interest thereon remains overdue for two crop seasons for short duration crop.
v) the installment of principal or interest thereon remains overdue for one crop season for long duration crops.

Where the interest charged during any quarter is not serviced fully within 90 days from the end of the quarter, the account is classified as non-performing. A non-performing asset ceases to generate income for the bank.

	(Rs.in crores)	
Quantitative Disclosures	**Applicability to our Bank**	
a. Total gross credit risk exposures, Fund based and Non-Fund based separately	FB NFB	6666.87 1398.93
b. Geographic distribution of exposures, Fund based and Non-Fund based separately	FB	NFB
• Domestic	6666.87	1398.93
• Overseas	-	-
c. Industry type distribution of exposures, fund based and non-fund based separately.	Annexed	
d. Residual contractual maturity breakdown of assets	Annexed	
e. Amount of NPAs (Gross)		
• Substandard	38.98	
• Doubtful	60.20	
• Loss	21.22	
f. Net NPAs	22.08	
g. NPA Ratios		
• Gross NPAs to gross advances	1.81	
• Net NPAs to net advances	0.34	

h. Movement of NPAs (Gross)	
• Opening Balance	122.18
• Additions	65.37
• Reductions	67.15
• Closing Balance	120.40
j. Movement of provisions for NPAs	
• Opening Balance	99.89
• Provisions made during the period	20.59
• Write off	25.59
• Write back of excess provisions / Transfers	
• Closing Balance	94.89
k. Amount of Non-Performing investments	-
l. Amount of provisions held for non-performing investments	-
m. Movement of provisions for depreciation on investments	-
• Opening Balance	23.19
• Provisions made during the period	-
• Write-off	-
• Write-back of excess provisions	5.43
• Closing Balance	17.76

Residual Contractual Maturity Breakdown of Loan assets

(Rs.in crores)

Day1	2-7D	8-14D	15-28D	29D-3M	3-6M	6M-1 Year	>1 to 3 Years	>3 to 5 Years	>5 Years
93.07	62.13	96.43	199.07	690.37	922.86	1359.16	2201.36	565.43	378.67

(as per RBI guidelines for ALM returns)

INDUSTRY WISE EXPOSURES

	(Rs.in crores)
Industry Name	Outstanding
Mining and Quarrying (incl. Coal)	10.87
Food Processing	29.63
Sugar	0.05
Edible Oils and Vanaspati	19.16
Tea	0.00
Others	10.42
Beverage & Tobacco	4.00
Textiles	708.88
Cotton Textiles	573.27
Jute Textiles	0.11
Man-Made Textiles	1.56
Other Textiles	133.94
Leather & Leather Products	2.95
Wood and Wood Products	36.39
Paper & Paper Products	21.04
Petroleum, Coal Products and Nuclear Fuels	8.17
Chemicals and Chemical Products	83.91
Fertiliser	9.28
Drugs & Pharmaceuticals	39.82
Petro Chemicals	0.90
Others	33.91

Rubber, Plastic & their Products	12.78
Glass and Glass Ware	0.42
Cement and Cement Products	117.37
Basic Metal and Metal Products	53.60
Iron and Steel	41.37
Other Metal and Metal Products	12.23
All Engineering	25.67
Electronics	7.99
Others	17.68
Vehicles, Vehicle Parts and Transport Equipments	2.80
Gems & Jewellery	3.63
Construction	2.79
Infrastructure	334.64
Power	266.57
Telecommunications	2.57
Roads & Ports	0.00
Other Infrastructure	65.50
Other Industries	335.86
Major Components of other industries	
(a) Printing Press & Allied Processing	77.06
INDUSTRY (Total of Small, Medium and Large Scale)	1795.40

Table DF – 5

CREDIT RISK: DISCLOSURES FOR PORTFOLIOS SUBJECT TO THE STANDARDISED APPROACH

Qualitative disclosures:

a) **General Principle:**

In accordance with RBI guidelines, the Bank had adopted Standardized Approach of the New Capital Adequacy Framework (NCAF) for computation of capital for Credit Risk with effect from 31.03.2009. In computation of capital, the bank has assigned risk weights to different asset classified as prescribed by the RBI.

External Credit Ratings:

Ratings of borrowers by External Credit Rating Agencies (ECRA) assumes importance in the light of guideline for implementation of the New Capital Adequacy Framework (Basel-II). Exposures on Corporate / PSEs / Primary Dealers are assigned with risk weights based on the external ratings. For this purpose, the Reserve Bank of India has permitted Banks to use the rating of the four domestic ECRAs namely (a) Credit Analysis and Research Ltd., (CARE), (b) CRISIL Ltd., (c) FITCH India Ltd., and (d) ICRA Ltd.,. In consideration of the above guidelines the bank has decided to accept the ratings assigned by all these ECRAs.

The bank has well-structured internal credit rating mechanism to evaluate the credit risk associated with a borrower and accordingly the systems are in place for taking credit decisions as regards to acceptability of proposals, and level of exposures and pricing.

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.

As regards the coverage of exposures by external ratings as relevant for capital computation under Standardised Approach, the process need to be popularized among the borrowers so as to take the benefit of capital relief available for better rating of its customers. This will take some time. At the same time, the Bank is well aware and prepared for the application of higher risk weight (100%) for the unrated exposures relating to all fresh sanctions or renewals in excess of the threshold limit prescribed by Reserve Bank of India.

Quantitative Disclosures

Classification	Exposure after Mitigation (EAM)	EAM covered under External Rating	EAM not covered under External Rating	Exposure not eligible for External Rating
Advances				
Below 100% risk weight	3361.31	513.17	-	2848.14
At 100% risk weight	1435.44	314.72	886.16	234.56
Above 100% risk weight	441.79	-	-	441.79
Deducted claims (LOD,JL and OD against deposits, OD/TL against LIC etc.)	1327.71	-	-	1327.71
Total	6566.25	827.89	886.16	4852.20
OTHER ASSETS / INVESTMENTS(*)				
Below 100% risk weight	2823.43	10.00	-	2813.43
At 100% risk weight	223.25	1.00	-	222.25
Above 100% risk weight	-	-	-	-
Deducted Items	-	-	-	-
Total	3046.68	11.00	-	3035.68

(*)Only the investments in HTM category are taken into account for computation of credit risk

Table DF – 6

CREDIT RISK MITIGATION: DISCLOSURE FOR STANDARDISED APPROACH

Qualitative disclosures:

Policy on Credit Risk Mitigation:

The main types of securities (both primary and collateral) accepted by the Bank includes Bank's own deposits, Gold / Ornaments, National Savings Certificate, Indira Vikas Patras, Kisan Vikas Patras, 10 year Social Security Certificates, Shares and debentures, Central and State Govt.securities, Life Insurance Policies, Mutual Fund units, Immovable properties, Plant and Machinery, Goods and Merchandise, Documents of Title to Goods, Book debts, Vehicles and other moveable assets.

Credit Risk Mitigation under Standardized Approach:

As advised by RBI, the Bank has adopted the comprehensive approach relating to credit risk mitigation under Standardized Approach, which allows fuller offset of securities (primary and collateral) against exposures, by effectively reducing the exposure amount by the value ascribed to the securities. Thus the eligible financial collaterals are fully made use of to

reduce the credit exposure in computation of credit risk capital. In doing so, the bank has recognized specific securities namely (a) bank deposits (b) Gold/Ornaments (c) Life Insurance Policies (d) Government Securities (e) Units of Mutual Funds, in line with the RBI guidelines on the matter.

Besides, other approved forms of credit risk mitigation are "On Balance Sheet netting" and availability of "Eligible Guarantees". On balance sheet nettings has been reckoned to the extent of the deposits available against the loans /advances of the borrower (to the extent of exposure) as per the RBI guidelines. Further, in computation of credit risk capital, the types of guarantees recognized for taking mitigation, in line with RBI guidelines are (a) Central Government Guarantee (0%) (b) State Government (20%) (c) CGTSI (0%) (d) ECGC (20%) (e) Bank Guarantee in the form of bills purchased / discounted under Letter of credit (20%). The Bank has ensured compliance of legal certainty as prescribed by the RBI in the matter of credit risk mitigation.

Concentration Risk in Credit Risk Mitigation:

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.

Quantitative Disclosures: (DF6)

(Rs.in crores)

Total Eligible Financial Collateral after application of haircuts (both for Fund based and Non fund Based limits)	1649.07 crores
Net amount of Financial collaterals used for risk mitigation	1578.40 crores

Table DF - 7

Securitisation: disclosure for standardized approach
Qualitative Disclosures

(a)	The general qualitative disclosure requirement with respect to securitization, including a discussion of: • the bank's objective in relation to securitization activity, including the extent to which these activities transfer credit risk of the underlying securitized exposures away from the bank to other entities; • the roles played by the bank in the securitization process and an indication of the extent of the bank's involvement in each of them; and • the regulatory capital approach that the bank follows in each of them; and securitization activities.
(b)	Summary of the bank's accounting policies for securitization activities including: • recognition of gain on sale; and • key assumptions for valuing retained interests, including any significant changes since the last reporting period and the impact of such changes;
(c)	Names of ECAIs used for securitizations and the types of securitizations exposure for which each agency is used.

Quantitative Disclosures

The bank does not have any securitization exposure

Table DF-8

MARKET RISK: DISCLOSURES RELATING TO MARKET RISK IN TRADING BOOK

Qualitative Disclosures:

a) **Market Risk:**
Market Risk is defined as the possibility of loss to a bank in on-balance sheet and off-balance sheet positions caused by the 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 domestic investments (interest related instruments and equities) in trading book (both AFS and HFT categories), the Foreign exchange positions (including open position in precious metals) and trading related derivatives. The objective of the market risk management is to minimize the impact of losses on earnings and equity capital arising from market risk.

Policies for management of Market Risk:

The bank has put in place Board approved Asset Liability Management (ALM) policy for effective management of market risk in the bank. The policy sets various risk limits for effective management of market risk and ensuring that the operations are in line with Bank's expectation of return to market risk through proper Asset Liability Management. The policy also deals with the reporting framework for effective monitoring of market risk.

The ALM policy specifically deals with liquidity risk management and interest rate risk management framework. As envisaged in the policy, Liquidity risk is managed through the GAP analysis, based on residual maturity / behavioral pattern of assets and liabilities, on a daily basis based on best available data coverage, as prescribed by the RBI. The bank has put in place mechanism of short-term dynamic liquidity management and contingent funding plan. Prudential (tolerance) limits are prescribed for different residual maturity time buckets for efficient asset liability management. Liquidity profile of the bank is evaluated through various liquidity ratios. The bank has also drawn various contingent measures to deal with any kind of stress on liquidity position. Bank ensures adequate liquidity managed on a real time basis by Domestic Treasury through systematic and stable funds planning.

Interest Rate Risk is managed through use of GAP analysis of rate sensitive assets and liabilities and monitored through prudential (tolerance) limits prescribed. The bank has also 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 (as prescribed in the Policy) for assessing the impact on Net Interest Income (NII) and Economic Value of Equity (EVE) with a view to optimize shareholder value.

The Asset-Liability Management Committee (ALCO) / Board monitors adherence of prudential limits fixed by the bank and determines the strategy in the light of the market condition (current and expected) as articulated in the ALM policy.

Quantitative Disclosures:

b) In line with the RBI's guidelines, the bank has computed capital for market risk as per Standardized Duration Approach (SDA) of Basel II framework for maintaining capital.

(Rs.in crores)

Type of Market Risk	Risk Weighted Asset (Notional)	Capital Requirement
Interest Rate Risk	432.50	38.92
Equity Position Risk	275.32	24.78
Foreign Exchange Risk	30.00	2.70
Total	737.82	66.40

-

Table DF – 9

OPERATIONAL RISK: GENERAL DISCLOSURES

Qualitative Disclosures:

a) **Operational Risk:**

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.

Policies on management of Operational Risk:

The Bank has framed Operational Risk Management Policy duly approved by the Board. Other policies adopted by the Board which deal with management of Operational risk are (a) Information Systems Security Policy, (b) Foreign Currency Risk Management Policy (c) Policy document on Know Your Customers (KYC) and Anti Money Laundering (AML) Procedures (d) IT Business Continuity and Disaster Recovery Plan (IT BC-DRP).

The Operational Risk Management Policy adopted by the Bank outlines organization structure and detail 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 risk 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.

Quantitative Disclosures:

b) In line with the final guidelines issued by RBI, our Bank has adopted the Basic Indicator Approach for computing capital for Operational Risk. As per the guidelines, the capital for Operational Risk is equal to the average over the previous three years of 15% of positive annual Gross Income as defined by RBI. As per such estimate, the capital requirement for operational risk as on 31.03.2009 is Rs.55.33 Crores.

Table DF – 10

INTEREST RATE RISK IN THE BANKING BOOK (IRRBB)

Qualitative Disclosures:

a) **Interest Rate Risk in the Banking Book:**

Interest Rate Risk is the risk where changes in the market interest rates might affect a bank's financial condition. Changes in interest rates affect both the current earnings (earnings perspective) as also the net worth of the Bank (economic value perspective). The risk from earnings perspective can be measured as impact in the Net Interest Income (NII) or Net Interest Margin (NIM). Similarly, the risk from economic value perspective can be measured as drop in the Economic value of Equity (EVE).

The Bank identifies the risks associated with the changing interest rates on its on-balance sheet and off-balance sheet exposures in the banking book from a short term (Earning perspective) and long term (Economic value perspective). The impact on income (Earning perspective) is measured through use of Gap Analysis by applying notional rate shock upto 100 bps as prescribed in Bank's ALM policy. Prudential limits have been prescribed for such impacts as a percentage to NII of the Bank and the same is monitored periodically on a fortnight basis. For the calculation of impact on earnings, the Traditional Gap is taken from the Rate Sensitivity Statement and based on the remaining period from the mid point of a particular bucket the impact for change in interest rates upto 100 bps is arrived at. The same is reported to ALCO and Board periodically along with the Rate Sensitivity statement ie. at every Reporting Friday. The limits are fixed based on the previous year's NII.

The Bank has adopted Traditional Gap Analysis combined with Duration Gap Analysis for assessing the impact (as a percentage) on the Economic value of Equity (Economic Value Perspective) by applying a notional interest rate shock of 200 bps. For this purpose, a limit of (+/-) 1.00% for the Modified Duration Gap on the balance sheet is prescribed in Bank's ALM policy and the position is monitored periodically on a Fortnightly basis. As per the Draft Guidelines on "improvements to Banks Asset Liability Framework" issued by RBI (DBOD.No.BP.7/21.04.098/2005-06 dated 17.04.2006), the Bank calculates Modified Duration Gap (DGAP) & the impact on the Economic Value of equity (EVE). Assets, excluding Investments and Liabilities are grouped as per Rate Sensitivity Statement & bucket wise Modified Duration is computed for these groups of Assets and Liabilities using common maturity, coupon and yield parameters. For investment portfolio, the Modified Duration of individual items are computed and taken. The DGAP is calculated by the Bank once in a Fortnight and is reported to ALCO and Board.

The Asset-Liability Management Committee (ALCO) / Board monitors adherence of prudential limits fixed by the bank and determines the strategy in the light of market condition (current and expected).

Quantitative Disclosures:

EaR based on Traditional Gap Analysis

(Rs.in cr)

Time Bucket	Impact on NII			
	0.25%	0.50%	0.75%	1%
1 to 28 days	0.48	0.95	1.43	1.91
>29 days to 3 months	-1.66	-3.31	-4.97	-6.63
>3 months to 6 months	-2.01	-4.01	-6.02	-8.03
>6 months to 1 Year	-0.11	-0.21	-0.32	-0.43
Total Impact on NII(in crores)	-3.30	-6.59	-9.89	-13.18

% of EaR to NII	**-0.99**	**-1.98**	**-2.96**	**-3.95**

Interest Rate Risk based on Duration Gap Analysis

The rate shock in resulting in change in Economic Value of Equity for 200 basis point increase / decrease has been estimated as follows.

Modified Duration Gap (DGAP)	1.06%
Modified Duration of Equity (MDE)	10.67%
For 200 bps rate shock, the drop in market value of equity value by	21.34%

***