AXIS BANK

DISCLOSURES UNDER THE NEW CAPITAL ADEQUACY FRAMEWORK (BASEL II GUIDELINES)FOR THE YEAR ENDED 31ST MARCH 2013

I. SCOPE OF APPLICATION

Axis Bank Limited (the 'Bank') is a commercial bank, which was incorporated on the 3rd December 1993. The Bank is the controlling entity for all group entities.

The consolidated financial statements of the Bank comprise the financial statements of Axis Bank Limited and its subsidiaries (including step-down subsidiaries) that together constitute the 'Group'. The Bank consolidates its subsidiaries in accordance with Accounting Standard 21 (AS-21) 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India on a line-by-line basis by adding together the like items of assets, liabilities, income and expenditure. While computing the Bank's Capital to Risk-weighted Assets Ratio (CRAR), the Bank's investment in the equity capital of the wholly-owned subsidiaries is deducted, 50% from Tier 1 Capital and 50% from Tier 2 Capital. The table below lists Axis Bank's Subsidiaries (including step-down Subsidiaries)/Associates/Joint ventures consolidated for accounting and their treatment for capital adequacy purpose.

Sr. No	Name of the entity	Nature of Business	Holding	Basis of Consolidation
1.	Axis Capital Ltd. (Erstwhile Axis Securities and Sales Ltd.)	Investment banking, institutional broking, retail broking and marketing of retail asset products, credit cards and other products of the Bank	100%	Fully consolidated
2.	Axis Private Equity Ltd.	Managing investments, venture capital funds and off-shore funds	100%	Fully consolidated
3.	Axis Trustee Services Ltd.	Trusteeship services	100%	Fully consolidated
4.	Axis Asset Management Company Ltd.	Asset management for Axis Mutual Fund	75%	Fully consolidated
5.	Axis Mutual Fund Trustee Ltd.	Trustee company for Axis Mutual Fund	75%	Fully consolidated
6.	Axis Finance Pvt. Ltd. (Erstwhile Enam Finance Pvt. Ltd.)	Non-banking finance company	100%	Fully consolidated
7.	Axis U.K. Ltd. (1)	Banking company	100%	Fully consolidated
8.	Axis Securities Ltd.(2)	Retail broking	-	Fully consolidated
9.	Enam Securities Europe Ltd.(2)	To advise and arranging deals in investments	-	Fully consolidated
10.	Bussan Auto Finance India Pvt. Ltd.(3)	Non-banking finance company	26%	Treated as an associate
11.	Enam International Ltd.(2) (4)	Arranging credit or deals in investments and advising on financial products	-	Not consolidated

[1] Axis U.K. Ltd. had filed an application with the Financial Services Authority (FSA), UK for a banking license and to create the necessary infrastructure for banking business. Till the 31st March 2013, pending receipt of the approval, it did not commence operations. Approval

has been received from the FSA on the 19th April, 2013 to commence banking operations and subsequently, the name of the Company has been changed to Axis Bank UK Ltd.

[2] Step-down subsidiary. 100% of its share capital is owned by Axis Capital Ltd., a wholly owned subsidiary of the Bank.

[3] The investment in Bussan Auto Finance India Private Ltd. is not deducted from the capital funds of the Bank but is assigned risk-weights as an investment.

[4] The company has given notice of its voluntarily dissolution with effect from 17th January 2013. Therefore, its financial results are not consolidated.

There is no deficiency in capital of any of the subsidiaries of the Bank as on 31st March 2013. The Bank actively monitors all its subsidiaries through their respective Boards and provides regular updates to its Board of Directors.

As on 31st March 2013, the Bank has an investment of ₹57.45 crores in Max Life Insurance Company Limited which is not deducted from the capital funds of the Bank, but is assigned risk weights as an investment for the purpose of Basel II, the details of which are given below.

Country of Incorporation : India
Ownership Interest : less than 3%

The quantitative impact on regulatory capital of using risk weighted investments method versus using the deduction method at 31st March 2013 is set out in the following table.

(₹ in crores)

Method	Quantitative impact
Deduction method	57.45
Capital @ 9% of risk weighted assets	10.09

II. CAPITAL STRUCTURE

Summary

As per RBI's capital adequacy norms capital funds are classified into Tier-1 and Tier-2 capital. Tier-1 capital of the Bank consists of equity capital, statutory reserves, other disclosed free reserves, capital reserves and innovative perpetual debt instruments eligible for inclusion in Tier-1 capital that complies with the requirement specified by RBI. The Tier-2 capital consists of general provision and loss reserves, upper Tier-2 instruments and subordinate debt instruments eligible for inclusion in Tier-2 capital. The Bank has issued debt instruments that form a part of Tier-1 and Tier-2 capital. The terms and conditions that are applicable for these instruments comply with the stipulated regulatory requirements.

Tier-1 bonds are non-cumulative and perpetual in nature with a call option after 10 years. Interest on Tier-1 bonds is payable either annually or semi-annually. Some of the Tier-1 bonds have a step-up clause on interest payment ranging up to 100 bps. The Upper Tier-2 bonds have an original maturity of 15 years with a call option after 10 years. The interest on Upper Tier-2 bonds is payable either annually or semi-annually. Some of the Upper Tier-2 debt instruments have a step-up clause on interest payment ranging up to 100 bps. The Lower Tier-2 bonds have an original maturity between 5 to 10 years. The interest on lower Tier-2 capital instruments is payable either semi-annually or annually.

RBI through its circular dated 20th January 2011 stipulated that henceforth capital instruments issued with step-up option will not be eligible for inclusion in the capital funds. Capital issuances with step-up option prior to the release of the above-mentioned circular would continue to remain eligible for inclusion in regulatory capital. The Bank is in compliance with this stipulation and the existing Tier-1 and Tier-2 capital instruments with step-up option have been issued prior to 20th January 2011.

Equity Capital

The Bank has authorised share capital of ₹850.00 crores comprising 850,000,000 equity shares of ₹10/- each. As on 31st March 2013 the Bank has issued, subscribed and paid-up equity capital of ₹467.95 crores, constituting 467,954,468 number of shares of ₹10/- each. The Bank's shares are listed on the National Stock Exchange and the Bombay Stock Exchange. The GDRs issued by the Bank are listed on the London Stock Exchange (LSE).

During the year under review, the Bank raised capital in the form of equity and debt to support future growth. It raised Tier-1 capital in the form of equity capital through a Qualified Institutional Placement (QIP) and a preferential allotment of equity shares to the promoters of the Bank. The Bank mobilised an aggregate of ₹5,537.47 crores through these offerings, by issuing 34,000,000 equity shares through the QIP and 5,837,945 shares to promoters (Life Insurance Corporation of India, General Insurance Corporation of India, New India Assurance Company Limited, National Insurance Company Limited and United India Insurance Company Limited) to maintain their percentage shareholding of the Bank's promoters at the pre-QIP offering levels. The equity shares offered under the QIP and preferential allotment were both priced at ₹1,390 per share.

During the year, the Bank has also allotted equity shares to employees under its Employee Stock Option Plan.

The provisions of the Companies Act, 1956 and other applicable laws and regulations govern the rights and obligations of the equity share capital of the Bank.

Debt Capital Instruments

The Bank has raised capital through Innovative Perpetual Debt Instrument (IPDI) eligible as Tier-1 Capital and Tier-2 Capital in the form of Upper Tier-2 and Subordinated bonds (unsecured redeemable non-convertible debentures), details of which are given below:

Perpetual Debt Instrument

The Bank has raised Perpetual Debt Instruments eligible as Tier-1 Capital, the aggregate value of which as on 31st March 2013 was ₹463.71crores as stated below:

Date of Allotment	Rate of Interest	Period	Amount
30th September 2006	10.05%	Perpetual	₹ 214.00 crores
15th November 2006	7.167%	Perpetual	USD 46 million* (₹249.71crores)
Total Perpetual Debt			**₹463.71crores**

*Converted to INR @ ₹54.285 to a US Dollar (prevailing exchange rate as on 28th March 2013)

Upper Tier 2 Capital

The Bank has also raised Upper Tier-2 Capital, the aggregate value of which as on 31st March 2013 was ₹1,446.53 crores as per the table below:

Date of Allotment	Date of Redemption	Rate of Interest	Amount
11th August 2006	12th August 2021	7.25%	USD 149.91million* (₹813.79 crores)
24th November 2006	24th November 2021	9.35%	₹ 200.00 crores

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6th February 2007	6th February 2022	9.50%	₹ 107.50 crores
28th June 2007	28th June 2022	7.125%	USD 59.91 million* (₹325.24 crores)
Total Upper Tier 2 Capital			**₹1,446.53 crores**

*Converted to INR @ ₹54.285 to a US Dollar (prevailing exchange rate as on 28th March 2013)

Subordinated Debt

As on 31st March 2013, the Bank had an outstanding Subordinated debt (unsecured redeemable non-convertible debentures) aggregating ₹10,629.30 crores. Of this, ₹10,036.66 crores qualified as Lower Tier 2 capital, the details of which are stated below:

(₹ in crores)

Date of Allotment	Date of Redemption	Rate of Interest	Amount
26th July 2003	26th April 2013	7.00%	65.00
15th January 2004	15th October 2013	6.50%	50.00
22nd March 2006	22nd June 2013	8.50%	125.00
22nd March 2006	22nd June 2013	8.32%	5.00
22nd March 2006	22nd March 2016	8.75%	360.00
22nd March 2006	22nd March 2016	8.56%	10.00
28th June 2006	28th September 2013	8.95%	33.50
28th June 2006	28th June 2016	9.10%	104.90
30th March 2007	30th March 2017	10.10%	250.90
7th November 2008	7th November 2018	11.75%	1,500.00
28th March 2009	28th March 2019	9.95%	200.00
16th June 2009	16th June 2019	9.15%	2,000.00
1st December 2011	1st December 2021	9.73%	1,500.00
20th March 2012	20th March 2022	9.30%	1,925.00
31st December 2012	31st December 2022	9.15%	2,500.00
Total			**10,629.30**

During the year, subordinated debts (unsecured redeemable non-convertible subordinated debentures) of ₹2,500 crores were raised.

Capital Funds

(₹ in crores)

	Position as on 31st March 2013	Amount
A	**Tier 1 Capital**	**31,596.80**
	Of which	
	- Paid-up Share Capital	467.95
	- Reserves and surplus (Excluding Foreign Currency Translation Reserve and Investment Reserve)	32,231.13
	- Innovative Perpetual Debt Instruments	463.71
	- Amount deducted from Tier-1 capital	
	- Investments in subsidiaries	(191.22)
	- Deferred Tax Assets	(1,374.77)
B	**Tier 2 Capital (net of deductions) (B.1+B.2+B.3-B.4)**	**12,334.32**
	Out of above	
B.1	Debt Capital Instruments eligible for inclusion as Upper Tier-2 Capital	

	- Total amount outstanding	1,446.53
	- Of which amount raised during the current year	-
	- Amount eligible as capital funds	1,446.53
B.2	Subordinated debt eligible for inclusion in Lower Tier-2 Capital	
	- Total amount outstanding	10,629.30
	- Of which amount raised during the current year	2,500.00
	- Amount eligible as capital funds	10,036.66
B.3	Other Tier-2 Capital - General provisions and loss reserves	1,042.35
B.4	Deductions from Tier-2 Capital	
	- Investments in Subsidiaries	(191.22)
C	**Total Eligible Capital**	**43,931.12**

III. CAPITAL ADEQUACY

The Bank is subject to the capital adequacy guidelines stipulated by RBI, which are based on the framework of the Basel Committee on Banking Supervision. As per the capital adequacy guidelines under Basel I, the Bank is required to maintain a minimum ratio of total capital to risk weighted assets (CRAR) of 9.0%, at least half of which is required to be Tier-1 Capital. As per Basel II guidelines, the Bank is required to maintain a minimum CRAR of 9.0%, with minimum Tier-1 Capital ratio of 6.0%. In terms of RBI guidelines for implementation of Basel II, capital charge for credit and market risk for the financial year ended 31st March 2013 will be required to be maintained at the higher levels implied by Basel II or 80% of the minimum capital requirement computed as per the Basel I framework. For the year ended 31st March 2013, the minimum capital required to be maintained by the Bank as per Basel II guidelines is higher than that required at 80% of the capital requirements under Basel I guidelines.

During the year, the Reserve Bank of India had issued guidelines on implementation of Basel III capital regulation in India. These guidelines are to be implemented beginning 1st April 2013 in a phased manner and are to be fully implemented as on 31st March 2018. These guidelines cover the new capital regulations and liquidity risk management framework. The Bank has taken appropriate steps to ensure adoption of these guidelines within the timeframe stipulated by RBI. An assessment of capital requirements under Basel III has been conducted. The liquidity guidelines have been integrated into the asset liability management framework of the Bank through suitable amendments in order to ensure adherence to RBI guidelines on monitoring and management of liquidity including liquidity ratios.

An assessment of the capital requirement of the Bank is carried out through a comprehensive projection of future businesses that takes cognizance of the strategic intent of the Bank, profitability of particular businesses and opportunities for growth. The proper mapping of credit, operational and market risks to this projected business growth enables assignment of capital that not only adequately covers the minimum regulatory capital requirement but also provides headroom for growth. The calibration of risk to business is enabled by a strong risk culture in the Bank aided by appropriate, technology-based risk management systems. As part of the Internal Capital Adequacy Assessment Process (ICAAP), the Bank also assesses the adequacy of capital under stress. A summary of the Bank's capital requirement for credit, market and operational risk and the capital adequacy ratio as on 31st March 2013 is presented below:

(₹ in crores)

Capital Requirements for various Risks	**Amount**
CREDIT RISK	
Capital requirements for Credit Risk	
- Portfolios subject to standardised approach	19,785.25

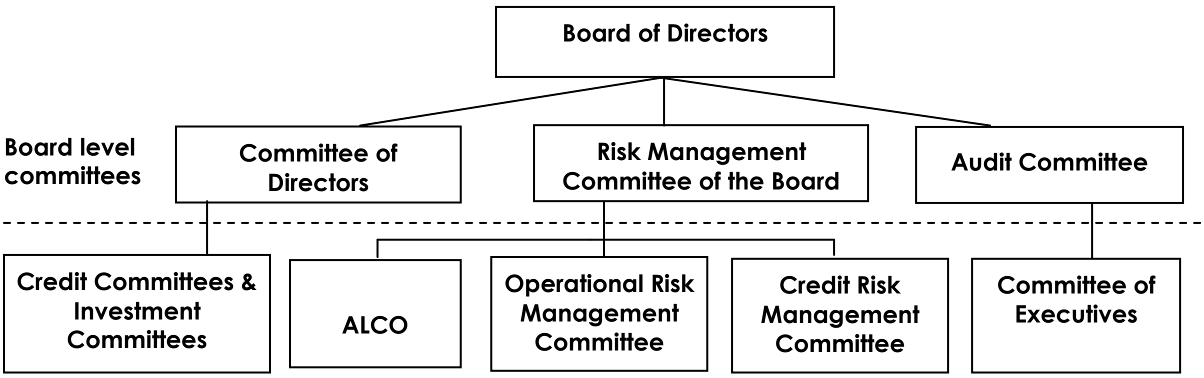
- Securitisation exposures	-
MARKET RISK	
Capital requirements for Market Risk	
- Standardised duration approach	1,841.51
- Interest rate risk	1,687.38
- Foreign exchange risk (including gold)	30.11
- Equity risk	124.02
OPERATIONAL RISK	
Capital requirements for Operational risk	1,625.23
- Basic indicator approach	
Capital Adequacy Ratio of the Bank (%)	**17.00%**
Tier-1 CRAR (%)	**12.23%**
Consolidated Capital Adequacy Ratio (%)	**17.15%**
Consolidated Tier-1 CRAR (%)	**12.31%**

IV. RISK MANAGEMENT: OBJECTIVES AND ORGANISATION STRUCTURE

The wide variety of businesses undertaken by the Bank requires it to identify, measure, control, monitor and report risks effectively. The key components of the Bank's risk management rely on the risk governance architecture, comprehensive processes and internal control mechanism. The Bank's risk governance architecture focuses attention on key areas of risk such as credit, market and operational risk and quantification of these risks wherever possible for effective and continuous monitoring.

Objectives and Policies

The Bank's risk management processes are guided by well-defined policies appropriate for various risk categories, independent risk oversight and periodic monitoring through the sub-committees of the Board of Directors. The Board sets the overall risk appetite and philosophy for the Bank. The Committee of Directors, the Risk Management Committee and the Audit Committee of the Board, which are sub-committees of the Board, review various aspects of risk arising from the businesses of the Bank. Various senior management committees operate within the broad policy framework as illustrated below:

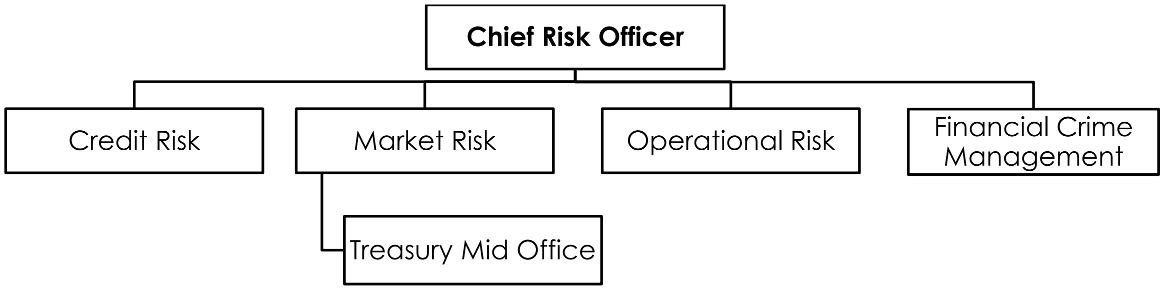


The Bank has put in place policies relating to management of credit risk, market risk, operational risk and asset-liability both for the domestic as well as overseas operations. The overseas policies are drawn based on the risk perceptions of these economies and the Bank's risk appetite.

The Bank has formulated a comprehensive Stress Testing policy to measure impact of adverse stress scenarios on the adequacy of capital.

Structure and Organisation

The Risk Department reports to the Executive Director and Head (Corporate Centre)and the Risk Management Committee of the Board oversees the functioning of the Department. The Department has four separate teams for Credit Risk, Market Risk, Operational Risk and Financial Crime Management Unit (FCMU) and the head of each team reports to the Chief Risk Officer.



V. CREDIT RISK

Credit risk refers to the deterioration in the credit quality of the borrower or the counter-party adversely impacting the financial performance of the Bank. The losses incurred by the Bank in a credit transaction could be due to inability or wilful default of the borrower in honouring the financial commitments to the Bank. The Bank is exposed to credit risk through lending and capital market activities.

Credit Risk Management Policy

The Board of Directors establishes parameters for risk appetite which are defined through strategic businesses plan as well as the Corporate Credit Policy. Credit Risk Management Policy lays down the roles and responsibilities, risk appetite, key processes and reporting framework. Corporate credit is managed through rating of borrowers and the transaction and thorough risk vetting of individual exposures at origination and thorough periodic review after sanctioning. Retail credit to individuals and small business is managed through definition of product criteria, appropriate credit filters and subsequent portfolio monitoring.

Credit Rating System

The foundation of credit risk management rests on the internal rating system. Rating linked single borrower exposure norms, delegation of powers, review frequency have been adopted by the Bank. The Bank has developed rating tools specific to market segments such as large and mid-corporates, SME, financial companies, microfinance companies and project finance to objectively assess underlying risk associated with such exposures.

The credit rating model uses a combination of quantitative inputs and qualitative inputs to arrive at a 'point-in-time' view of the risk profile of counterparty. Each internal rating grade corresponds to a distinct probability of default over one year. Expert scorecards are used for various SME schematic products and retail agriculture schemes. Statistical application and behavioural scorecards have been developed for all major retail portfolios.

The Bank recognises cash margin, central/state government, bank and corporate guarantees, exclusive mortgage of properties and lease rental securitisation for the purpose of credit enhancement to arrive at a facility rating.

Model validation is carried out annually by objectively assessing the discriminatory power, calibration accuracy and stability of ratings. The Bank has completed the estimation and validation of PD, LGD and CCF models for corporate and retail portfolios.

Credit Sanction and Related Processes

The guiding principles behind the credit sanction process are as under:

- 'Know your Customer' is a leading principle for all activities.
- The acceptability of credit exposure is primarily based on the sustainability and adequacy of borrower's normal business operations and not based solely on the availability of security.

Delegation of sanctioning powers is based on the size and rating of the exposures. The Bank has put in place the following hierarchical committee structure for credit sanction and review:

- Retail Agriculture Credit Committee (RACC)
- Central Agriculture Business Credit Committee (CABCC)
- Regional Credit Committee (RCC)
- Central Office Credit Committee (COCC)
- Committee of Executives (COE)
- Senior Management Committee (SMC)
- Committee of Directors (COD), a sub-committee of the Board.

All management level sanctioning committees require mandatory presence of a representative from Risk Department for quorum.

Review and Monitoring

- All credit exposures, once approved, are monitored and reviewed periodically against the approved limits. Borrowers with lower credit rating are subject to more frequent reviews.
- Credit audit involves independent review of credit risk assessment, compliance with internal policies of the Bank and with the regulatory framework, compliance of sanction terms and conditions and effectiveness of loan administration.
- Customers with emerging credit problems are identified early and classified accordingly. Remedial action is initiated promptly to minimize the potential loss to the Bank.

Concentration Risk

The Bank manages concentration risk by means of appropriate structural limits and borrower-wise limits based on credit-worthiness. Credit concentration in the Bank's portfolios is monitored for the following:

- Large exposures to the individual clients or group: The Bank has individual borrower-wise exposure ceilings based on the internal rating of the borrower as well as group-wise borrowing limits which are continuously tracked and monitored.
- Geographic concentration for real estate exposures.
- Concentration of unsecured loans to total loans and advances.
- Concentration by Industry: Industry analysis plays an important part in assessing the concentration risk within the loan portfolio. Industries are classified into various categories based on factors such as demand-supply, input related risks, government policy stance towards the sector and financial strength of the sector in general. Such categorisation is used in determining the expansion strategy for the particular industry.

Portfolio Management

Portfolio level risk analytics and reporting to senior management examines optimal spread of risk across various rating classes, undue risk concentration across any particular industry segments and delinquencies. The Bank periodically monitors its portfolios for any lead indicators of stress which includes potential delinquencies, external rating downgrades and credit concentration. Borrowers or portfolios are marked for early warning when signs of weakness or financial deterioration are envisaged in order that timely remedial actions may be initiated. In-depth sector specific studies are undertaken on portfolios vulnerable to extraneous shocks and the results are shared with the business departments. The Bank has a well-defined stress testing policy in place and at least on a quarterly basis, stress testing is undertaken on various portfolios to gauge the impact of stress situations on the health of portfolio, profitability and capital adequacy.

As regards retail lending, the focus has been on increasing lending to secured portfolios (mortgage, auto), while maintaining a cautious approach to unsecured lending (personal loans and credit card business). The Bank is continuously endeavoring to improve the quality of incremental origination through better credit underwriting standards using improved scorecards. Portfolio delinquency trends are monitored periodically.

Definitions of Non-Performing Assets

Advances are classified into performing and non-performing asset (NPAs) as per RBI guidelines.

A non performing asset (NPA) is a loan or an advance where;

1. interest and/or instalment of principal remains overdue for a period of more than 90 days in respect of a term loan,
2. the account remains "out-of-order" for a period of more than 90 days in respect of an Overdraft or Cash Credit (OD/CC),
3. the bill remains overdue for a period of more than 90 days in case of bills purchased and discounted,
4. a loan granted for short duration crops will be treated as NPA if the installments of principal or interest thereon remain overdue for two crop seasons, and
5. a loan granted for long duration crops will be treated as NPA if the installments of principal or interest thereon remain overdue for one crop season.
6. in respect of derivative transactions, the overdue receivables representing positive mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment.
7. the amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitisation transaction undertaken in terms of guidelines on securitisation dated February 1, 2006.

NPAs are further classified into sub-standard, doubtful and loss assets based on the criteria stipulated by RBI. A sub-standard asset is one, which has remained a NPA for a period less than or equal to 12 months. An asset is classified as doubtful if it has remained in the sub-standard category for more than 12 months. A loss asset is one where loss has been identified by the Bank or internal or external auditors or during RBI inspection but the amount has not been written off fully.

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Definition of Impairment

At each balance sheet date, the Bank ascertains if there is any impairment in its assets. If such impairment is detected, the Bank estimates the recoverable amount of the asset. If the recoverable amount of the asset or the cash-generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the profit and loss account.

CREDIT RISK EXPOSURES

Total Gross Credit Risk Exposure Including Geographic Distribution of Exposure – Position as on 31st March 2013

(₹ in crores)

	Domestic (Outstanding)	Overseas (Outstanding)	Total
Fund Based	252,735.98	33,650.47	**286,386.45**
Non Fund Based *	76,112.37	10,743.51	**86,855.88**
Total	**328,848.35**	**44,393.98**	**373,242.33**

* Non-fund based exposures are bank guarantees issued on behalf of constituents and acceptances and endorsements.

Distribution of Credit Risk Exposure by Industry Sector – Position as on 31st March 2013

(₹ in crores)

Sr. No.	Industry Classification	Amount	
		Fund Based (Outstanding)	Non-Fund Based (Outstanding)
1.	Infrastructure (excluding Power)	16,770.08	11,870.95
	- of which Roads and ports	5,865.81	1,841.61
	- of which Telecommunications	2,458.51	1,395.08
2.	Power Generation & Distribution	9,737.06	15,659.43
3.	All Engineering	5,949.04	9,319.28
	- of which Electronics	603.62	65.47
4.	Trade	9,575.21	4,627.38
5.	Chemicals and chemical products	7,477.29	4,419.40
	- of which Petro Chemicals	802.81	641.28
	- of which Drugs and Pharmaceuticals	3,498.47	578.23
6.	Iron and Steel	6,300.86	4,946.91
7.	Food Processing	6,538.04	138.95
8.	NBFCs	5,072.99	1,339.61
9.	Petroleum coal products and Nuclear fuels	2,479.42	2,542.48
10.	Computer Software	2,805.04	1,640.01
11.	Edible Oils and Vanaspati	1,079.61	3,082.23
12.	Other metal and metal products	2,633.90	1,280.39
13.	Vehicles,vehicle parts and transport equipments	3,106.13	551.68
14.	Cotton Textiles	2,962.18	498.70
15.	Gems and Jewellery	2,386.19	639.44
16.	Cement and Cement Products	1,807.03	989.37
17.	Construction	1,159.65	1,328.30
18.	Other Textiles	1,568.84	466.69
19.	Paper and Paper Products	1,089.32	262.42
20.	Mining and quarrying (incl. Coal)	1,073.05	249.96
21.	Rubber Plastic and their products	801.45	106.10
22.	Sugar	498.74	385.61
23.	Glass and Glass ware	533.19	225.53
24.	Wood and wood products	485.73	237.85

Sr. No.	Industry Classification	Amount	
		Fund Based (Outstanding)	Non-Fund Based (Outstanding)
25.	Beverage and Tobacco	620.82	31.74
26.	Tea	191.01	65.35
27.	Leather and Leather Products	118.48	14.56
28.	Jute Textiles	33.96	3.32
29.	Other Industries	47,129.18	18,043.11
	- of which Banking and Finance	17,616.25	6,326.46
	- of which Commercial real estate	6,752.16	1,125.55
	- of which Shipping, Transportation & Logistics	3,236.86	1,675.72
	- of which Professional services	4,508.53	1,096.34
	- of which Entertainment & Media	1,620.52	1,472.47
30.	Residual exposures to balance the total exposure	144,402.96	1,889.13
	Total	**286,386.45**	**86,855.88**

As on 31st March 2013, the Bank's exposure to the industries stated below was more than 5% of the total gross credit exposure:

Sr. No.	Industry Classification	Percentage of the total gross credit exposure
1.	Infrastructure	8%
2.	Power Generation & Distribution	7%
3.	Banking & Finance	6%

Residual Contractual Maturity breakdown of Assets – Position as on 31st March 2013

(₹ in crores)

Maturity Bucket	Cash, balances with RBI	Balances with other banks*	Investments	Advances	Fixed Assets	Other assets
1day	7,797.24	1,621.45	6,816.23	2,317.44	-	199.39
2 to 7 days	74.53	1,978.81	9,369.90	1,959.35	-	914.47
8 to 14 days	277.17	156.66	2,850.59	1,777.23	-	903.94
15 to 28 days	218.10	285.80	2,496.50	2,438.04	-	1,805.60
29 days to 3 months	651.57	489.57	8,249.24	10,197.27	-	23.87
Over 3 months and upto 6 months	745.30	309.50	9,327.98	11,220.30	-	371.26
Over 6 months and upto 12 months	884.40	494.74	11,780.01	12,348.87	-	429.99
Over 1 year and upto 3 years	1,028.34	0.25	20,263.99	45,312.01	-	128.46
Over 3 years and upto 5 years	617.24	270.22	9,049.77	26,146.22	-	-
Over 5 years	2,498.20	35.87	33,533.33	83,249.23	2,355.64	2,289.58
Total	**14,792.09**	**5,642.87**	**113,737.54**	**196,965.96**	**2,355.64**	**7,066.56**

* including money at call and short notice

Movement of NPAs and Provision for NPAs (including NPIs) – Position as on 31st March 2013

(₹ in crores)

		Amount
A.	**Amount of NPAs (Gross)***	2,393.42
	- Substandard	694.31
	- Doubtful 1	454.47

		Amount
	- Doubtful 2	106.01
	- Doubtful 3	67.69
	- Loss	1,070.94
B.	**Net NPAs**	704.13
C.	**NPA Ratios**	
	- Gross NPAs (including NPIs) to gross advances (%)	1.20%
	- Net NPAs (including NPIs) to net advances (%)	0.36%
D.	**Movement of NPAs (Gross)**	
	- Opening balance as on 1st April 2012	1,806.30
	- Additions	2,023.36
	- Reductions	(1,436.24)
	- Closing balance as on 31st March 2013	2,393.42
E.	**Movement of Provision for NPAs**	
	- Opening balance as on 1stApril 2012	1,323.92
	- Provision made in 2012-13	1,192.20
	- Transfer of restructuring provision	13.89
	- Write–offs / Write–back of excess provision	(873.99)
	- Closing balance as on 31st March 2013	1,656.02

* includes ₹11.72 crores outstanding under application money classified as non-performing asset.

NPIs and Movement of Provision for Depreciation on NPIs – Position as on 31st March 2013

(₹ in crores)

		Amount
A.	Amount of Non-Performing Investments	10.29
	Amount of Non-Performing Investments- Others*	11.72
B.	Amount of Provision held for Non- performing investments	7.22
	Amount of Provision held for Non- performing investments- Others*	11.72
C.	Movement of provision for depreciation on investments	
	- Opening balance as on 1st April 2012	327.55
	- Provision made in 2012-13	-
	- Write – offs	-
	- Write – back of excess provision	(103.94)
	- Closing balance as on 31st March 2013	223.61

* represents amount outstanding under application money classified as non-performing asset.

Credit Risk: Use of Rating Agency under the Standardised Approach

The RBI guidelines on Basel II require banks to use ratings assigned by specified External Credit Assessment Agencies (ECAIs) namely Brickworks, CARE, CRISIL, ICRA, India Ratings and SMERA or domestic counterparties and Standard & Poor's, Moody's and Fitch for foreign counterparties.

The Bank is using issuer ratings and short-term and long-term instrument/bank facilities' ratings which are assigned by the accredited rating agencies viz. Brickworks, CARE, CRISIL, ICRA, India Ratings and SMERA and published in the public domain to assign risk-weights in terms of RBI guidelines. In respect of claims on non-resident corporates and foreign banks, ratings assigned by international rating agencies i.e. Standard & Poor's, Moody's and Fitch is used. For exposures with contractual maturity of less than one year, a short-term rating is used. For cash credit facilities and exposures with contractual maturity of more than one year, long-term rating is used.

Issue ratings would be used if the Bank has an exposure in the rated issue and this would include fund-based and non-fund based working capital facilities as well as loans and investments. In case the Bank does not have exposure in a rated issue, the Bank would use the issue rating for its comparable unrated exposures to the same borrower, provided that the Bank's exposures are pari-passu or senior and of similar or lesser maturity as compared to the rated issue. Structured Obligation (SO) ratings are not used unless the Bank has a direct exposure in the 'SO' rated issue. If an issuer has a long-term or short-term exposure with an external rating that warrants a risk weight of 150%, all unrated claims on the same counterparty, whether short-term or long-term, also receive 150% risk weight, unless the Bank uses recognised credit risk mitigation techniques for such claims.

Issuer ratings provide an opinion on the general credit worthiness of the rated entities in relation to their senior unsecured obligations. Therefore, issuer ratings would be directly used to assign risk-weight to unrated exposures of the same borrower.

Details of Gross Credit Risk Exposure (Fund based and Non-fund based) based on Risk-Weight – Position as on 31st March 2013

(₹ in crores)

	Amount
Below 100% risk weight	207,630.76
100% risk weight	130,204.73
More than 100% risk weight	35,406.84
Deduction from capital funds	
- Investments in subsidiaries	382.44

VI. CREDIT RISK MITIGATION

The Bank uses various collaterals both financial as well as non-financial, guarantees and credit insurance as credit risk mitigants. The main financial collaterals include bank deposits, NSC/KVP/LIP and gold, while main non-financial collaterals include land and building, plant and machinery, residential and commercial mortgages. The guarantees include guarantees given by corporate, bank and personal guarantees. This also includes loan and advances guaranteed by Export Credit & Guarantee Corporation Limited (ECGC), Credit Guarantee Fund Trust for Small Industries (CGTSI), Central Government and State Government.

The Bank has in place a collateral management policy, which underlines the eligibility requirements for credit risk mitigants (CRM) for capital computation as per Basel II guidelines. The Bank reduces its credit exposure to counterparty with the value of eligible financial collateral to take account of the risk mitigating effect of the collateral. To account for the volatility in the value of collateral, haircut is applied based on the type, issuer, maturity, rating and re-margining/revaluation frequency of the collateral. The Bank revalues various financial collaterals at varied frequency depending on the type of collateral. The Bank has a valuation policy that covers processes for collateral valuation and empanelment of valuers.

Details of Total Credit Exposure (after on or off Balance Sheet Netting) as on 31st March 2013

(₹ in crores)

	Amount
Covered by :	
- Eligible financial collaterals after application of haircuts	16,244.47
- Guarantees/credit derivatives	9,000.15

VII. SECURITISATION

The primary objectives for undertaking securitisation activity by the Bank are enhancing liquidity, optimisation of usage of capital and churning of the assets as part of risk management strategy.

The securitisation of assets generally being undertaken by the Bank is on the basis of 'True Sale', which provides 100% protection to the Bank from default. All risks in the securitised portfolio are transferred to a Special Purpose Vehicle (SPV), except where the Bank provides sub-ordination of cash flows to Senior Pass-Through Certificate (PTC) holders by retaining the junior tranche of the securitised pool. The Bank has not sponsored any special purpose vehicle which is required to be consolidated in the consolidated financial statements as per accounting norms.

The Bank may also invest in securitised instruments which offer attractive risk adjusted returns. The Bank enters into purchase/sale of corporate and retail loans through direct assignment/SPV. In most cases, post securitisation, the Bank continues to service the loans transferred to the assignee/SPV. The Bank however does not follow the originate to distribute model and pipeline and warehousing risk is not material to the Bank.

Valuation of securitised exposures is carried out in accordance with FIMMDA/RBI guidelines. Gain on securitisation is recognised over the period of the underlying securities issued by the SPV. Loss on securitisation is immediately debited to profit and loss account. In respect of credit enhancements provided or recourse obligations (projected delinquencies, future servicing etc.) accepted by the Bank, appropriate provision/disclosure is made at the time of sale in accordance with AS 29 'Provisions, contingent liabilities and contingent assets'.

The Bank follows the standardized approach prescribed by the RBI for the securitisation activities. The Bank uses the ratings assigned by various external credit rating agencies viz. Brickworks, CARE, CRISIL, ICRA, India Ratings and SMERA for its securitisation exposures.

All transfers of assets under securitisation were effected on true sale basis. However, in the financial year ended 31st March 2013, the Bank has not securitised any asset.

A. Banking Book

Details of Exposure Securitised by the Bank and subject to Securitisation Framework

(₹ in crores)

Sr. No.	Type of Securitisation	Amount
1.	Total amount of exposures securitized	-
2.	Losses recognized by the Bank during the current period	-
3.	Amount of assets intended to be securitised within a year	-
	Of which	
	- Amount of assets originated within a year before securitisation	NA
4.	Amount of exposures securitised	-
	- Corporate Loans	
5.	Unrecognised gain or losses on sale	-
	- Corporate Loans	

Aggregate amount of Securitisation Exposures Retained or Purchased as on 31st March 2013 is given below

(₹ in crores)

Sr. No.	Type of Securitisation	On Balance Sheet (Amount)	Off Balance Sheet (Amount)
1.	Retained	-	-
2.	Securities purchased	-	-

3.	Liquidity facility	-	-
4.	Credit enhancement (cash collateral)	-	-
5.	Other commitments	-	-

Risk-weight wise Bucket Details of the Securitisation Exposures on the Basis of Book-Value

(₹ in crores)

	Amount	Capital charge
Below 100% risk weight	-	-
100% risk weight	-	-
More than 100% risk weight	-	-
Deductions		
- Entirely from Tier I capital	-	-
- Credit enhancing I/Os deducted from Total Capital	-	-
- Credit enhancement (cash collateral)	-	-

B. Trading Book-

Details of Exposure Securitised by the Bank and subject to Securitisation Framework

(₹ in crores)

Sr. No.	Type of Securitisation	Amount
1.	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	-

Aggregate amount of Securitisation Exposures Retained or Purchased as on 31st March 2013 is given below

(₹ in crores)

Sr. No.	Type of Securitisation	On Balance Sheet (Amount)*	Off Balance Sheet (Amount)
1.	Retained	-	-
2.	Securities purchased		
	- Corporate Loans	8.93	-
	- Lease Rental	197.91	-
	- Priority Sector (auto pool & micro finance)	1,264.18	
3.	Liquidity facility	-	-
4.	Credit enhancement (cash collateral)	-	-
5.	Other commitments	-	-

* includes outstanding balance of PTCs purchased in earlier years also

Risk-weight wise Bucket Details of the Securitisation Exposures on the Basis of Book-Value

(₹ in crores)

		Amount	Capital charge
1.	Exposures subject to Comprehensive Risk Measure for specific risk		
	- Retained	-	-
	- Securities purchased	-	-

		Amount	Capital charge
2.	Exposures subject to the securitisation framework for specific risk		
	Below 100% risk weight	1,471.02	59.60
	100% risk weight	-	-
	More than 100% risk weight	-	-
3.	Deductions		
	- Entirely from Tier I capital	-	-
	- Credit enhancing I/Os deducted from Total Capital	-	-
	- Credit enhancement (cash collateral)	-	-

VIII. MARKET RISK IN TRADING BOOK

Market risk is the risk of loss to the Bank's earnings and capital due to changes in the market level of interest rates, price of securities, foreign exchange rates and equities, as well as the volatilities of those changes. The Bank is exposed to market risk through its investment activities and also trading activities, which are undertaken for customers as well as on a proprietary basis. The Bank adopts a comprehensive approach to market risk management for its trading, investment and asset/liability portfolios. For market risk management, the Bank has:

- Board approved market risk policies and guidelines which are aligned to the regulatory norms and based on experiences gained over the years. The policies are reviewed periodically keeping in view regulatory changes, business requirements and market developments.
- Process manual which are updated regularly to incorporate best practices.
- Market risk identification through elaborate mapping of the Bank's main businesses for various market risks.
- Statistical measures like Value at Risk (VaR), supplemented by stress tests, back tests and scenario analysis.
- Non-statistical measures like position limits, marked-to-market (MTM), gaps and sensitivities (mark-to-market, position limits, duration, PVBP, option Greeks).
- Management Information System (MIS) for timely market risk reporting to senior management functionaries.

Risk limits such as position limits, stop-loss limits, alarm limits, gaps and sensitivities (duration, PVBP, option greeks) are set up and reviewed periodically, based on a number of criteria including regulatory guidelines, relevant market analysis, business strategy, management experience and the Bank's risk appetite. These limits are monitored on a daily basis by the Treasury Mid-office and the exceptions are put up to ALCO and Risk Management Committee of the Board.

The Bank uses Historical Simulation and its variants for computing VaR for its trading portfolio. VaR is calculated and reported on a daily basis for the trading portfolios at a 99% confidence level for a one-day holding period, using 250 days of historical data or one year of relative changes in historical rates and prices. The model assumes that the risk factor changes observed in the past are a good estimate of those likely to occur in the future and is, therefore, limited by the relevance of the historical data used. The method, however, does not make any assumption about the nature or type of the loss distribution. The VaR models for different portfolios are back-tested at regular intervals and the results are used to maintain and improve the efficacy of the model.

The VaR measure is supplemented by a series of stress tests and sensitivity analysis that estimates the likely behaviour of a portfolio under extreme but plausible conditions and its impact on earnings and capital. The Bank undertakes stress tests for market risks for its trading book, IRS, forex open position and forex gaps on a monthly basis as well as for liquidity risk at the end of each quarter. The Bank is in the final stages of building its capabilities to migrate to advanced approach i.e. Internal Models Approach for assessment of market risk capital.

Concentration Risk

The Bank has allocated the internal risk limits in order to avoid concentrations, wherever relevant. For example, the Aggregate Gap Limit is allocated to various currencies and maturities as Individual Gap Limits to monitor concentrations. Similarly, stop-loss limits and duration limits have been set up for different categories within a portfolio. Within the overall PV01 limit, a sub limit is set up which is not expected to be breached by trades linked to any individual benchmark.

Liquidity Risk

Liquidity Risk is the current and prospective risk to earnings or capital arising from a bank's inability to meet its current or future obligations on the due date. Liquidity risk is two-dimensional viz., risk of being unable to fund portfolio of assets at appropriate maturity and rates (liability dimension) and the risk of being unable to liquidate an asset in a timely manner at a reasonable price (asset dimension).

The goal of Liquidity Risk Management is to meet all commitments on the due date and also be able to fund new investment opportunities by raising sufficient funds in the form of increasing fresh liabilities or by expeditious asset sell-off without incurring unacceptable losses, both under normal and adverse conditions. These objectives are ensured by setting up policies, operational level committees, measurement tools and monitoring and reporting mechanism using effective use of IT systems for availability of quality data.

The Bank manages its liquidity on a static as well as dynamic basis using various tools such as gap analysis, ratio analysis, dynamic liquidity statements and scenario analysis. The Bank's ALM policy defines the tolerance limits for its structural liquidity position. The Liquidity Policy for the domestic operations as well as for the overseas branches lay down the operational framework for prudent risk management in the Bank. The liquidity profile of the Bank is analysed on a static basis by tracking all cash inflows and outflows in the maturity ladder based on the actual maturity and expected occurrence (for non-maturity items) of cash flows. The liquidity profile of the Bank is also estimated on a dynamic basis by considering the growth in deposits and loans, investment obligations, etc. for a short-term period of three months. The Bank undertakes behavioral analysis of the non-maturity products viz. savings and current deposits and cash credit/overdraft accounts on a periodic basis, to ascertain the volatility of residual balances in those accounts. The renewal pattern and premature withdrawals of term deposits and drawdown of unavailed credit limits are also captured through behavioral studies. The concentration of large deposits is monitored on a periodic basis.

The Bank's ability to meet its obligations and fund itself in a crisis scenario is critical and accordingly, liquidity stress tests are conducted under different scenarios at periodical intervals to assess the impact on liquidity to withstand stressed conditions. The liquidity positions of overseas branches are managed in line with the Bank's internal policies and host country regulations. Such positions are also reviewed centrally by the Bank's ALCO along with domestic positions.

Counterparty Risk

The Bank has a Counterparty Risk Management Policy incorporating well laid-down guidelines, processes and measures for counterparty risk management. The policy includes separate counterparty rating models for commercial banks, foreign banks and co-operative banks for determining maximum permissible limits for counterparties. Counterparty limits are monitored daily and internal triggers are put in place to guard against breach in limits. Credit exposures to issuer of bonds, advances, etc. are monitored separately under the prudential norms for exposure to a single borrower as per the Bank's Corporate Credit Risk Policy or Investment Policy, as applicable. The counterparty exposure limits are reviewed at periodic intervals based on financials of the counterparties, business need, past transaction experiences and market conditions. The Bank has also put in place the 'Suitability & Appropriateness Policy' and Loan Equivalent Risk (LER) Policy to evaluate counterparty risk arising out of all customer derivatives contracts.

Country Risk

The Bank has a country risk management policy containing the guidelines, systems and processes to effectively identify, assess, monitor and control its country risk exposures. Based on the risk profiling, countries are classified under seven-categories i.e. insignificant, low, moderate, high, very high, restricted and off-credit. Risk profiling is based on the ratings provided by Export Credit Guarantee Corporation of India Ltd. (ECGC), Dun & Bradstreet, inputs received from overseas branches/business departments, reports published by various agencies viz. Moody's, Standard & Poor's, Fitch and other publications of repute. The categorisation of countries is reviewed at quarterly intervals or at more frequent intervals if situations so warrant. An exposure to a country comprises all assets, both funded and non-funded, that represents claims on residents of another country. The Bank has in place both category wise and country wise exposure limits. The Bank monitors country risk exposures through a process of trigger limits as well as prior approval system for select categories viz. high, very high, restricted and off-credit to ensure effective monitoring of exposures. As a proactive measure of country risk management, Risk department issues 'Rating Watch' from time to time. Further, based on country-specific developments, the concerned business departments are provided updates on countries which have high probability of a rating downgrade.

Risk Management Framework for Overseas Operations

The Bank has put in place separate risk management policies for its overseas branches in Singapore, Hong Kong, Dubai and Colombo. These country-specific risk policies are based on the host country regulators' guidelines and in line with the practices followed for the Indian operations. The Asset Liability Management and all the risk exposures for the overseas operations are monitored centrally at the Central Office.

Capital Requirement for Market Risk – Position as on 31st March 2013

(₹ in crores)

	Amount of Capital Required
- Interest rate risk	1,687.38
- Equity position risk	124.02
- Foreign exchange risk (including gold)	30.11

IX. OPERATIONAL RISK

Strategies and Processes

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. The operational risk management policy documents the Bank's approach towards management of operational risk and defines the roles and responsibilities of the various stakeholders within the Bank. The policy also comprises the detailed framework for operational risk loss data collection, risk and control self-assessment and key risk indicator framework.

Based on the above policy the Bank has initiated several measures to manage operational risk. The Bank has put in place a hierarchical structure to effectively manage operational risk through the formation of several internal committees viz., Operational Risk Management Committee, Product Management Committee, Change Management Committee, Outsourcing Committee, Software Evaluation Committee and IT Security Committee. The functioning of these committees has stabilised.

Structure and Organisation

The Risk Management Committee (RMC) of the Board at the apex level is the policy making body. The RMC is supported by the Operational Risk Management Committee (ORMC), consisting of Senior Management personnel, which is responsible for implementation of the Operational Risk policies of the Bank. This internal committee oversees the implementation of the OR framework and oversees the management of operational risks across the Bank. A sub-committee of ORMC (Sub-ORMC) has been constituted to assist the ORMC in discharging its functions by deliberating the operational risk issues in detail and escalating the critical issues to ORMC. The Operational Risk function, a distinct unit reporting to the Chief Risk officer of the Bank, ensures implementation of the procedures for management of operational risk.

A representative of the Risk department is also a permanent member of control committees on product management covering approval of new products, change management of processes, outsourcing, software evaluation and IT Security.

Scope and Nature of Operational Risk Reporting and Measurement Systems

A systematic process for reporting risks, losses and non-compliance issues relating to operational risks has been developed and implemented. The information gathered is being used to develop triggers to initiate corrective actions to improve controls. All critical risks and potential loss events are reported to the Senior Management/ORMC.

The Bank has further enhanced its capability for effective management of operational risk with the implementation of an Enterprise Risk Governance and Compliance platform (SAS EGRC). The IT platform would act as the single repository of processes and operational, compliance and financial reporting risks. It facilitates capturing of individual risks and the effectiveness of their controls, tagging of identified risks to processes and products, originates action plans and acts as a repository of all operational risk events. A management dashboard template is also being designed as an output. The Bank has captured 5,127 processes in the EGRC system and their related risks and controls. In the initial phase, 66 KRIs have been identified and thresholds have been fixed for the various units of the Bank. These are being monitored through the system on an ongoing basis. The roll-out of the system has commenced in a phased manner and is stated to be completed by September 2013.

Policies for Hedging and Mitigating Operational risk

An Operational Risk Management Policy approved by the Risk Management Committee of the Board details the framework for managing and monitoring operational risk in the Bank. Business units put in place basic internal controls as approved by the Product Management Committee to ensure appropriate controls in the operating environment throughout the Bank. As per the policy, all new products are being vetted by the Product Management Committee to identify and assess potential operational risks involved and suggest control measures to mitigate the risks. Each new product or service introduced is subject to a risk review and signoff process. Similarly, any changes to the existing products/processes are being vetted by the Change Management Committee.

The Bank has adopted specific policies on Business Continuity Management and IT Disaster Recovery. The Bank has framed processes for identification of non-IT BCP teams, conducting training and awareness sessions, handling loss or inaccessibility of staff, identifying backup personnel for critical positions, identifying alternative premises, and coordination of contingency plans at the Bank level.

Approach for Operational Risk Capital Assessment

As per the RBI guidelines, the Bank has followed the Basic Indicator Approach for computing the capital for operational risk for the year ending 31st March 2013. Based on the measures outlined above, the Bank is preparing itself for migration to the Advanced Measurement Approach of capital computation for operational risk under Basel II.

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

The IRRBB is managed according to the guidelines of the Bank's ALM Policy. The Bank assesses its exposure to interest rate risk in the banking book at the end of each quarter considering a drop in the market value of investments due to 50 bps change in interest rates. Calculation of interest rate risk in the banking book (IRRBB) is based on a present value perspective with cash flows discounted at zero coupon yields published by National Stock Exchange (NSE) for domestic balance sheet and USD LIBOR for overseas balance sheet. Other currencies are taken in equivalent base currencies (INR for domestic books and USD for overseas branches) as the Bank does not have material exposures to other currencies as a percentage of the balance sheet. Cash flows are assumed to occur at the middle of the regulatory buckets. Non-interest sensitive products like cash, current account, capital, volatile portion of savings bank deposits, etc. are excluded from the computation. The Bank does not run a position on interest rate options that might result in non-linear pay-off. Future interest cash flows from outstanding balances are included in the analysis.

The Bank employs Earnings at Risk (EaR) measures to assess the sensitivity of its net interest income to parallel movement in interest rates on the entire balance sheet. The results of EaR measures as against the limits are reported to the senior management on a weekly basis.

The Bank measures the level of its exposure to interest rate risk in terms of sensitivity of Market Value of its Equity (MVE) to interest rate movements as stipulated in the relevant RBI guidelines. The Duration Gap Analysis (DGA) involves bucketing of all on and off- balance sheet Risk Sensitive Assets (RSA) and Risk Sensitive Liabilities (RSL) as per their residual maturity/re-pricing dates in various time bands and computing the Modified Duration Gap (MDG). MDG is used to evaluate the impact on the MVE of the Bank under different interest rate scenarios. The Bank applies a standardised 200 bps parallel rate shock by applying sensitivity weights to each time band (based on estimates of duration of the assets and liabilities that fall into each time band) to measure the economic impact of the shock. The shock of 200 basis points is applied to the entire balance sheet including the trading book as per RBI guidelines.

The findings of the various IRRBB measures are submitted to the ALCO, which is the apex committee for providing strategic guidance and direction for the ALM measures.

Details of increase/(decrease) in earnings and economic value for upward and downward rate shocks based on balance sheet as on 31st March 2013 are given below:

Earnings Perspective

(₹ in crores)

Currency	**Interest Rate Shock**	
	+200 bps	**-200 bps**
INR	(521.10)	521.10
USD	39.58	(39.58)
Residual	11.99	(11.99)
Total	**(469.53)**	**469.53**

Economic Value Perspective

(₹ in crores)

Currency	**Interest Rate Shock**	
	+200 bps	**-200 bps**
INR	3,267.92	(3,267.92)
USD	146.04	(146.04)
Residual	41.83	(41.83)
Total	**3,455.79**	**(3,455.79)**