APPENDIX

QUESTIONNAIRE ON ANALYSING THE FACTORS AFFECTING THE ICAAP UNDER BASEL II

Name of the bank:

Details of the person filling the questionnaire

Name: ________________________________

Designation: __________________________

Department: __________________________

I) Analysis of Tier I and Tier II capital

1.1 A) What is the composition of Tier I capital of your bank? (For Indian banks only)
   - Equity share capital
   - Perpetual Non-Cumulative Preference Shares
   - Innovative Perpetual Debt Instruments
   - Capital Reserves representing surplus out of sale of assets
   - Statutory reserves
   - Disclosed Free Reserves
   - Other Instruments as permitted by RBI or the Board

1.1 B) What is the composition of Tier I capital of your bank? (For Foreign Banks only)
   - Interest free funds from Head office kept in a separate account for meeting capital adequacy
   - Statutory reserves kept in Indian books
   - Remittable surplus retained in Indian books
   - Capital reserves arising out of sale of assets
   - Interest free funds remitted from abroad for the purpose of acquisition of property
   - Borrowings from head office in foreign currency
   - Other instruments approved by RBI
1.2) What is the frequency of assessment of adequacy of capital under Tier I?
   - Quarterly
   - Half yearly
   - Annually
   - Not required as per the mandate

1.3) What is the composition of Tier II capital of your bank?
   - Revaluation Reserves
   - General Provisions on standard assets
   - Floating Provisions
   - Provisions held for country exposures
   - Investment Reserve
   - Excess Provisions which arise on account of sale of NPAs
   - Hybrid Debt Capital Instruments
   - Perpetual Cumulative Preference Shares
   - Redeemable Non–Cumulative Preference Shares
   - Redeemable Cumulative Preference Shares
   - Subordinated Debt
   - Perpetual Non-Cumulative Preference Shares (in excess of the limit prescribed under Tier I)
   - Innovative Perpetual Debt Instruments (in excess of the limit prescribed under Tier I)
   - Other instruments approved by RBI

1.4) Percentage of Tier I capital to the total capital employed (Tier I + Tier II)
   - 100%
   - More than 90%
   - 75% - 90%
   - 50% - 75%
   - Less than 50%

II) Pillar I Risks

2.1 Credit Risk
2.1.1) Which approach / approaches is your bank using for measuring credit risk?

- Simplified Standardized Approach
- Standardized Approach
- Foundation Internal – Ratings Based Approach
- Advanced Internal – Ratings Based Approach
- None

2.1.2) Have you developed methodology for identifying and measuring credit risk for your internal needs?

- Yes
- No

If yes, then:

- Using Methods prescribed by RBI as per Basel II Guidelines
- Using Economic capital models developed internally/adopted from Head Office by the banks

2.1.3) Has the bank identified any additional credit risk in the banks’ credit portfolio such as Credit Concentration Risk?

- Yes
- No

If yes, then in which area of credit portfolio is the credit risk concentrated?

________________________________________________________________________

2.1.4) Does the bank think that its credit portfolio is well diversified?

- Yes
- No

2.1.5) Which components of the credit portfolio are covered under the internal rating system?

________________________________________________________________________

2.1.6) Percentage of credit portfolio covered under the banks internal rating system

______
2.1.7) What is the percentage of credit risk to the total risk weighted assets (RWA) _______

2.1.8) What strategies are followed by the bank for mitigating credit risk? ____________________________________________

2.2) Market Risk

2.2.1) Which approach/approaches is your bank using for measuring market risk?
  
  o Standardized Measurement Method
  o Internals Models Method
  o None

2.2.2) Does the bank supplement the Value at Risk (VaR) measure with stress tests wherever it is used?
  
  o Yes
  o No

  If yes, then indicate the areas subjected to stress testing during the last quarter
  ____________________________________________

2.2.3) Is there a system of independent validation or stress testing exercise?
  
  o Yes
  o No

2.2.4) Which type of stress testing exercise is applied for measuring market risk?
  ____________________________________________

2.2.5) Who carries out this stress testing exercise or independent validation?
  ____________________________________________

2.2.6) What are the criterions for selecting the committee or the person to carry out this exercise or validation process?
  ____________________________________________
2.2.7) What is the percentage of market risk to the total risk weighted assets (RWA)

2.2.8) What strategies are followed by the bank for mitigating market risk?

2.3) Operational Risk

2.3.1) Which approach / approaches is your bank using for measuring operational risk?
   - Basic Indicator Approach (BIA)
     If BIA is implemented, does the bank feel it has maintained adequate capital for its exposure to operational risk?
     - Yes
     - No
     - Comment _____________________________
   - Standardized Approach
   - Alternative Standardized Approach
   - Advanced Measurement Approach
   - None

2.3.2) Has the bank devised any strategy to transfer the operational risk outside the bank?
   - Yes
   - No

2.3.3) Enlist the means through which operational risk is transferred outside the bank.

2.3.4) Name the main sources of operational risks considered most significant for the bank at present, given its business mix and operational strategy?

2.3.5) What is the percentage of operational risk to the total risk weighted assets (RWA)

2.3.6) What strategies are followed by the bank for mitigating operational risk?

2.4) Capital to Risk Weighted Assets Ratio (CRAR)

Specify the CRAR percentage for the past four years
• As on 31.03.2008 – tier I % & total - %
• As on 31.03.2009 – tier I % & total – %
• As on 31.03.2010 – tier I % & total – %
• As on 31.03.2011 – tier I % & total – %
• As on 31.03.2012 – tier I % & total – %

III) ICAAP
3.1) Whether the bank has formulated the ICAAP with the approval of board?
   o Yes
   o No
   If yes, then what are the main components and the risks covered

3.2) Whether the outcomes of the ICAAP are periodically submitted to the Board and RBI?
   o Yes
   o No

3.3) At what periodicity the outcomes of the ICAAP are reviewed by the board and Senior Management?
   o Quarterly
   o Half - yearly
   o Annually

3.4) What benefits are reaped by the bank from the implementation of Basel II?

3.5) How do you evaluate RBI provisions in accordance with these international standards?
   o Adequate ____ ____ ____ ____ Inadequate
     Comment ________________________________________________________________
   o Liberal ____ ____ ____ ____ Restricted
     Comment ________________________________________________________________
   o Very stringent ____ ____ ____ ____ Stringent
     Comment ________________________________________________________________

IV) Pillar II Risks
4.1) What elements of the following Pillar II risks pose a threat to your bank? Or How does the bank assess the nature of the following Pillar II risks?

1. Liquidity risk
2. Settlement risk
3. Reputational risk
4. Strategic risk
5. Risk for underestimation of Credit risk
6. Model risk
7. Risk on weakness in credit mitigants
8. Interest rate risk in banking book

4.2) What strategy does the bank follow to mitigate the following Pillar II risks?

1. Liquidity risk
2. Settlement risk
3. Reputational risk
4. Strategic risk
5. Risk for underestimation of Credit risk
6. Model risk
7. Risk on weakness in credit mitigants
8. Interest rate risk in banking book

V) Miscellaneous

5.1) Enlist the instruments / areas in which the bank has its investments? What is the tie-up period of these investments?

5.2) What percentage of credit advances are granted as -
   a) secured _______
   What criteria are taken into consideration for granting secured advances?

   b) unsecured _______
On what basis / parameters unsecured advances are provided?

5.3) How does your bank deal with off – balance sheet credit, market and interest rate risk sensitive exposures majorly into the following:
   a) Foreign exchange contracts
   b) Interest Rate Swaps
   c) Cross Currency Swaps
   d) Guarantees, Letter of Credit, Buyer’s Credit
   e) Options

5.4) Has the bank formulated any special committee internally / externally for the purpose of corporate governance under Basel norms?
   o Yes
   o No

5.5) What difficulties / challenges has the bank faced in compliance with prudential regulations existing in the host country? (For Foreign Banks only)