

## Glossary

Sl. No.	Term	Description
1.	<b>BASEL Committee on Banking Supervision</b>	The BASEL Committee is a committee of bank supervisors consisting of members from each of the G10 countries. The Committee is a forum for discussion on the handling of specific supervisory problems. It coordinates the sharing of supervisory responsibilities among national authorities in respect of banks' foreign establishments with the aim of ensuring effective supervision of banks' activities worldwide.
2.	<b>Capital Funds</b>	Equity contribution of owners. Capital is divided into different tiers according to the characteristics / qualities of each qualifying instrument. For supervisory purposes capital is split into two categories: Tier I and Tier II.
3.	<b>CASA Deposit</b>	Deposit in bank in current and Savings account.
4.	<b>Cost to Income Ratio (Efficiency Ratio)</b>	The cost to income ratio reflects the extent to which non-interest expenses of a bank make a charge on the net total income (total income - interest expense). The lower the ratio, the more efficient is the bank.
5.	<b>CRAR(Capital to Risk Weighted Assets Ratio)</b>	Capital to risk weighted assets ratio is arrived at by dividing the capital of the bank with aggregated risk weighted assets for credit risk, market risk and operational risk. The higher the CRAR of a bank the better capitalised it is.
6.	<b>Credit Risk</b>	The risk that a party to a contractual agreement or transaction will be unable to meet its obligations or will default on commitments.
7.	<b>Internal Capital Adequacy Assessment Process (ICAAP)</b>	In terms of the guidelines on BASEL II, the banks are required to have a board-approved policy on internal capital adequacy assessment process (ICAAP) to assess the capital requirement as per ICAAP at the solo as well as consolidated level. The ICAAP is required to form an integral part of the management and decision-making culture of a bank. ICAAP document is required to clearly demarcate the quantifiable and qualitatively assessed risks. The ICAAP is also required to include stress tests and scenario analyses, to be conducted periodically, particularly in respect of the bank's material risk exposures, in order to evaluate the potential vulnerability of the bank to some unlikely but plausible events or movements in the market conditions that could have an adverse impact on the bank's capital.
8.	<b>Market Risk</b>	Market risk is defined as the risk of loss arising from movements in market prices or rates away from the rates or prices set out in a transaction or agreement. The capital charge for market risk was introduced by the BASEL Committee on Banking Supervision through the Market Risk Amendment of January 1996 to the capital accord of 1988 (BASEL I Framework).
9.	<b>Non Performing Assets (NPA)</b>	An asset, including a leased asset, becomes non performing when it ceases to generate income for the bank.

10.	<b>Return on Assets (ROA)</b>	Return on Assets (ROA) is a profitability ratio which indicates the profit generated on total assets. It is computed by dividing net income by average total assets.
11.	<b>Return on Equity (ROE)</b>	Return on Equity (ROE) is a ratio relating net profit to shareholders' equity. Here the equity refers to share capital reserves and surplus of the bank.
12.	<b>Risk Weighted Asset</b>	The notional amount of the asset is multiplied by the risk weight assigned to the asset to arrive at the risk weighted asset number. Risk weight for different assets vary e.g. 0% on a Government Dated Security and 20% on a AAA rated foreign bank etc
13.	<b>Tier I Capital</b>	A term used to refer to one of the components of regulatory capital. It consists mainly of share capital and disclosed reserves (minus goodwill, if any). Tier I items are deemed to be of the highest quality because they are fully available to cover losses Hence it is also termed as core capital.
14.	<b>Tier II Capital</b>	Refers to one of the components of regulatory capital. Also known as supplementary capital, it consists of certain reserves and certain types of subordinated debt. Tier II items qualify as regulatory capital to the extent that they can be used to absorb losses arising from a bank's activities. Tier II's capital loss absorption capacity is lower than that of Tier I capital.