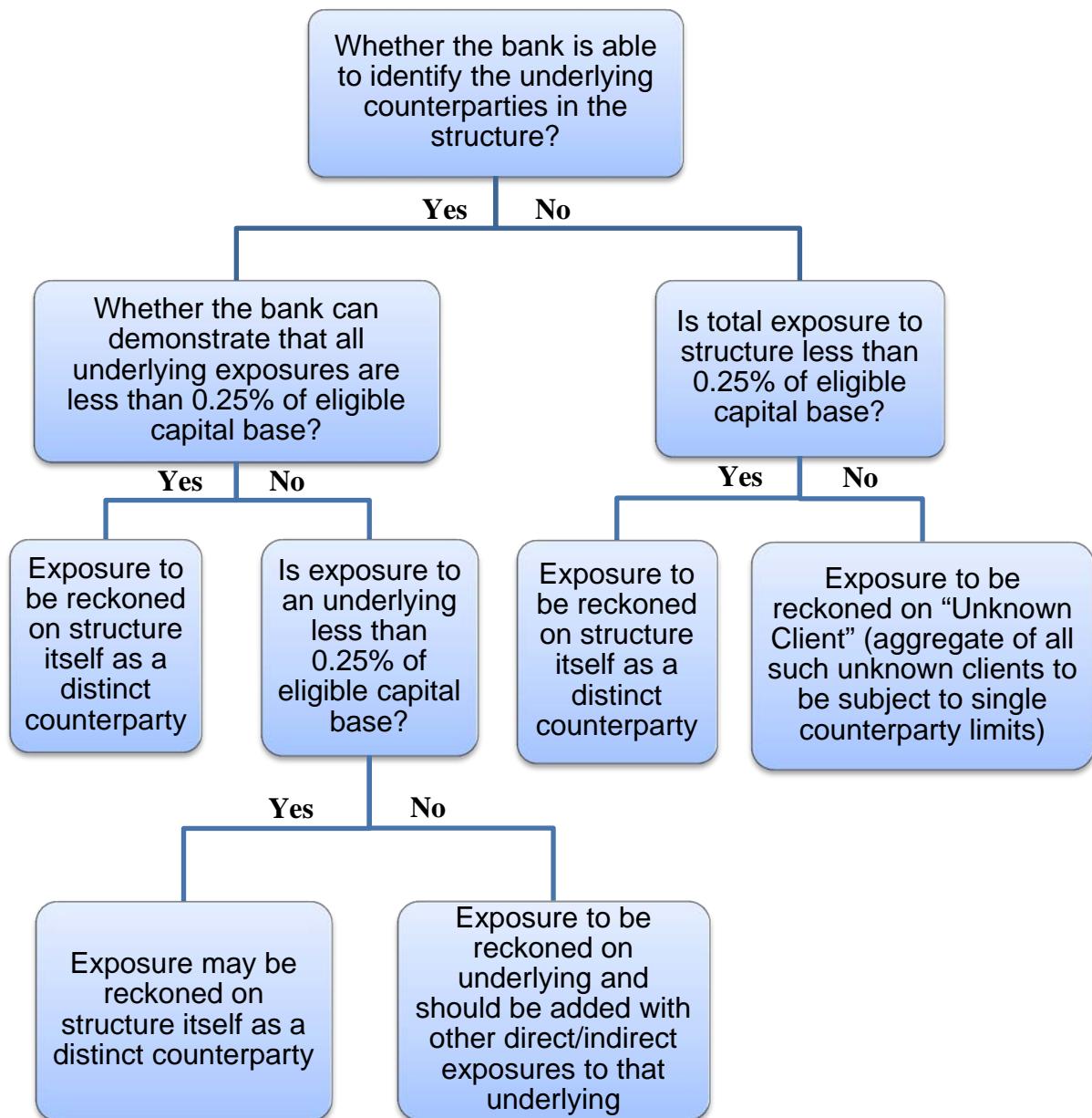


Appendix 4

Look-Through Approach - a flow chart



Look-Through Approach - An Illustrative example

Bank's eligible capital base: 1000

Corpus of structure: 500

Bank's investment in structure: 100 (which is 10% of eligible capital base i.e. more than 0.25% of eligible capital base)

Exposure values as per look-through approach:

	Investment of structure in that underlying		Bank's exposure to underlying through structure		Bank's other direct / indirect exposure to underlying		Total exposure to underlying	
	amount	as % of corpus	amount	as % of eligible capital base	amount	as % of eligible capital base	amount	as % of eligible capital base
Underlying 1	125	25.00%	25	2.50%	200	20.00%	225	22.50%
Underlying 2	100	20.00%	20	2.00%	150	15.00%	170	17.00%
Underlying 3	90	18.00%	18	1.80%	100	10.00%	118	11.80%
Underlying 4	75	15.00%	15	1.50%	80	8.00%	95	9.50%
Underlying 5	50	10.00%	10	1.00%	70	7.00%	80	8.00%
Underlying 6	30	6.00%	6	0.60%	50	5.00%	56	5.60%
Underlying 7	20	4.00%	4	0.40%	100	10.00%	104	10.40%
Underlying 8	10	2.00%	2	0.20%	150	15.00%	152	15.20%

Note:

1. Exposure to underlying 8 (which is less than 0.25% of eligible capital base) may be counted as exposure on structure itself. Consequently, for underlying 8 total exposure to underlying will be 15.00% or 15.20% at the option of the bank.
2. Had the bank been not able to identify underlying exposures, entire exposure to the structure (i.e. 100, which is greater than 0.25% of eligible capital base) would be exposure on 'unknown client'. All such unknown clients would be treated as a single counterparty and single counterparty limit would apply on aggregate exposure to all such unknown clients.