



Barclays Bank PLC – Indian Branches
(Incorporated in the United Kingdom with limited liability)

Basel II disclosures of Barclays Bank Plc - Indian Branches for the year ended 31 March 2011

1. BACKGROUND

Barclays Bank Plc – Indian Branches (the “Bank”) is a branch of Barclays Bank Plc, which is incorporated in the United Kingdom with limited liability. Barclays Bank Plc. (UK) (the “Group”) is regulated by its home regulator, viz. Financial Services Authority (FSA), in the United Kingdom (UK). The Bank has been operating in India since 1990 and has now 9 branches. The Bank operations are conducted in accordance with the banking license granted by the Reserve Bank of India (RBI) under the Banking Regulation Act 1949.

The financial statements have been prepared in accordance with generally accepted accounting principles on the historical cost basis and conform to the statutory provisions, guidelines issued by the Reserve Bank of India (“RBI”), Accounting Standards (“AS”) issued by the Institute of Chartered Accountants of India (“ICAI”) to the extent applicable and practices prevailing within the banking industry in India.

2. SCOPE OF BASEL II FRAMEWORK

2.1. Pillar 1

The Group and Bank recognise that Basel II is a driver for continuous improvement of risk management practices and believe that adoption of leading risk management practices are essential for achieving its strategic intent. Accordingly, the Group has adopted the Advanced Internal Ratings Based Approach (AIRB) and Value at Risk (VaR) model for the measurement of credit risk and market risk capital respectively and applies the standardised approach for determining its operational risk capital requirements. In compliance with the local regulations, the Bank has adopted standardised approaches for local regulatory Pillar 1 purposes.

RBI has stipulated that the minimum risk weighted assets (excluding operational risk) under Pillar 1 must not be less than 80% of the Basel I RWAs as at March 2011 and any extended period as may be prescribed by RBI.

2.2. Pillar 2

Pillar 2 requires banks to undertake a comprehensive assessment of their risks and to determine the appropriate amounts of capital to be held against these risks where other suitable mitigants are not available. This risk and capital assessment is commonly referred to as Internal Capital Adequacy Assessment Process (ICAAP). The range of risks that need to be covered by the ICAAP is much broader than Pillar 1 which covers only credit risk, market risk and operational risk.



Barclays Bank PLC – Indian Branches

(Incorporated in the United Kingdom with limited liability)

The Group has developed an ICAAP framework which closely integrates the risk and capital assessment processes and ensures that adequate levels of capital are maintained to support the Group's current and projected demand for capital under expected and stressed conditions. The Bank has developed its ICAAP in line with the RBI's guidelines and aligned the same to the Group's ICAAP framework.

2.3. Pillar 3

The Bank has implemented a Pillar 3 framework to address the requirements laid down for Pillar 3 disclosures.

The risk related disclosures and analysis provided herein below, are primarily in the context of the disclosures required under the RBI's Pillar 3 – Market Discipline of the New Capital Adequacy Framework (commonly referred to as NCAF) and are in respect of Bank's operations.

3. CAPITAL STRUCTURE

Capital Structure / Instruments of the Bank

Tier 1 capital mainly comprises of:

- i. Capital funds injected by Head Office.
- ii. Percentage of net profits of each year retained as per statutory norms (currently 25%).
- iii. Remittable net profits retained in India for meeting minimum regulatory capital requirements.
- iv. Capital reserves created out of profits on account of sale of immovable properties / held to maturity investments.

Tier 2 capital mainly comprises of:

- i. General provisions and Loss Reserves created in line with RBI regulations.
- ii. Revaluation reserves created due to revaluation of immovable properties in accordance of Indian GAAP, discounted by 55%.
- iii. Subordinated debts in both local currency and foreign currency instruments.

As per RBI regulations, Tier 2 capital cannot exceed 100% of Tier 1, subordinated debts cannot exceed 50% of Tier 1 and general provisions qualifying as Tier 2 are restricted to 1.25% of RWAs.



Barclays Bank PLC – Indian Branches

(Incorporated in the United Kingdom with limited liability)

As on March 31, 2011 capital base (Tier 1+Tier 2) of the Bank stood at Rs. 44, 716, 479 ('000s)

		Rs in 000's
A	Tier 1 Capital	43,116,358
	of which	
	-Paid-up Share Capital	52,495,224
	-Reserves and surplus	(1,634,423)
	Less: Deductions from Tier 1 Capital	
	-Amount deducted from Tier1 capital (Deferred Tax Asset & other Intangibles)	(5,744,684)
	-Debit balance in HO / Unearned Credit Spreads	(1,999,758)
B	Tier 2 Capital	1,600,121
	of which	
B.1	Other Tier 2 Capital:	
	- Provision for Standard Assets	1,278,070
	- Provision for Country Risk	1,051
	- Excess Provision on sale of NPA's	321,000
C	Total Eligible Capital	44,716,479

4. CAPITAL ADEQUACY

Capital management

The Group actively manages its capital to meet regulatory norms, current and future business needs considering the risks in its businesses, expectation of rating agencies, shareholders, investors, and assess any available option of raising capital at optimal costs.

Group operates a centralised capital management model, considering both regulatory and economic capital. Decisions on the allocation of capital resources conducted as part of the strategic planning review are based on a number of factors including optimising returns on economic and regulatory capital

The capital plan of the Bank takes the following into account:

- Regulatory capital requirements.
- Increases in demand for capital due to business growth, market shocks or stresses.
- Internal controls and governance for managing the Bank's risk, performance and capital.

The risk assessment is closely integrated with the Bank's strategy, business planning and capital assessment processes, and is used by the senior management's in their assessment of the level of capital required to support the Bank's business activities.



Barclays Bank PLC – Indian Branches

(Incorporated in the United Kingdom with limited liability)

The Bank's capital management framework includes a comprehensive internal capital adequacy assessment process (ICAAP) conducted annually and which determines the adequate level of capitalisation for the Bank to meet regulatory norms, current and future business needs, including those under stress scenarios. The ICAAP encompasses capital planning for a three year time horizon, identification and measurement of material risks and the relationship between risk and capital.

Stress testing which is a key aspect of the ICAAP and the risk management framework provides an insight on the impact of extreme but plausible scenarios on the Bank's risk profile and capital position. Based on the ALCO-approved stress testing framework, the Bank conducts stress tests on its various portfolios and assesses the impact on its capital ratios and the adequacy of capital buffers for current and future periods.

Basel III

In order to strengthen the resilience of the banking sector to potential future shocks, together with ensuring adequate liquidity in the banking system, the Basel Committee on Banking Supervision (BCBS) issued the Basel III proposals on December 17, 2009. Following a consultation phase on these proposals, the final set of Basel III rules were issued on December 16, 2010. The Basel III rules on capital consist of measures on improving the quality, consistency and transparency of capital, enhancing risk coverage, introducing a supplementary leverage ratio, reducing procyclicality and promoting countercyclical buffers, and addressing systemic risk and interconnectedness. The Basel III rules on liquidity consist of a measure of short-term liquidity coverage ratio aimed at building liquidity buffers to meet stress situations and a measure of long-term net stable funding ratio aimed at promoting longer term structural funding. BCBS has stipulated a phased implementation of the Basel III framework between January 1, 2013 and January 1, 2019. Guidelines on Basel III framework for the Indian banking system are awaited from RBI.

The Bank continues to monitor developments on the Basel III framework and believes that its current robust capital adequacy position and adequate flexibility in its balance sheet structure and business model will enable it to adapt to the Basel III framework, as and when it is implemented.

The capital that the Bank is required to hold by the RBI is determined by its balance sheet, off-balance sheet and risk positions, after netting eligible collateral and other mitigants.

A summary of the Bank's capital requirement for credit, market and operational risk and the capital adequacy ratio as on 31st March 2011 is presented below.



Barclays Bank PLC – Indian Branches

(Incorporated in the United Kingdom with limited liability)

		Rs in 000's
A	Capital Requirement for Credit Risk (Standardised Approach)	206,400,630
	I) On-balance sheet exposures excluding securitisation exposures	88,092,206
	II) Off- balance sheet exposures excluding securitisation exposures	115,681,340
	a) <i>Non-market related</i>	14,233,775
	b) <i>Market-related</i>	101,447,565
	III) On-balance sheet-securitisation exposures	1,192,195
	IV) Counterparty Risk as Borrower of funds	1,434,889
B	Capital Requirement for Market Risk (Standardised Duration Approach)	71,440,532
	Interest rate related instruments	67,017,124
	Equity	423,408
	Foreign Exchange and Gold	4,000,000
C	Operational-risk-weighted exposures (Basic Indicator Approach)	22,484,534
D	Capital Adequacy Ratio of the Bank	14.89%
E	Tier 1 CRAR (%)	14.36%

5. RISK MANAGEMENT: OBJECTIVES AND ORGANISATION STRUCTURE

The Group's Risk Appetite sets out the level of risk that the Bank is willing to take in pursuit of its business objectives, recognising a range of possible outcomes as business plans are implemented. The Group's framework combines a top-down view of its capacity to take risk with a bottom-up view of the business risk profile associated with each business area's medium term plans. The appetite is ultimately approved by the Board.

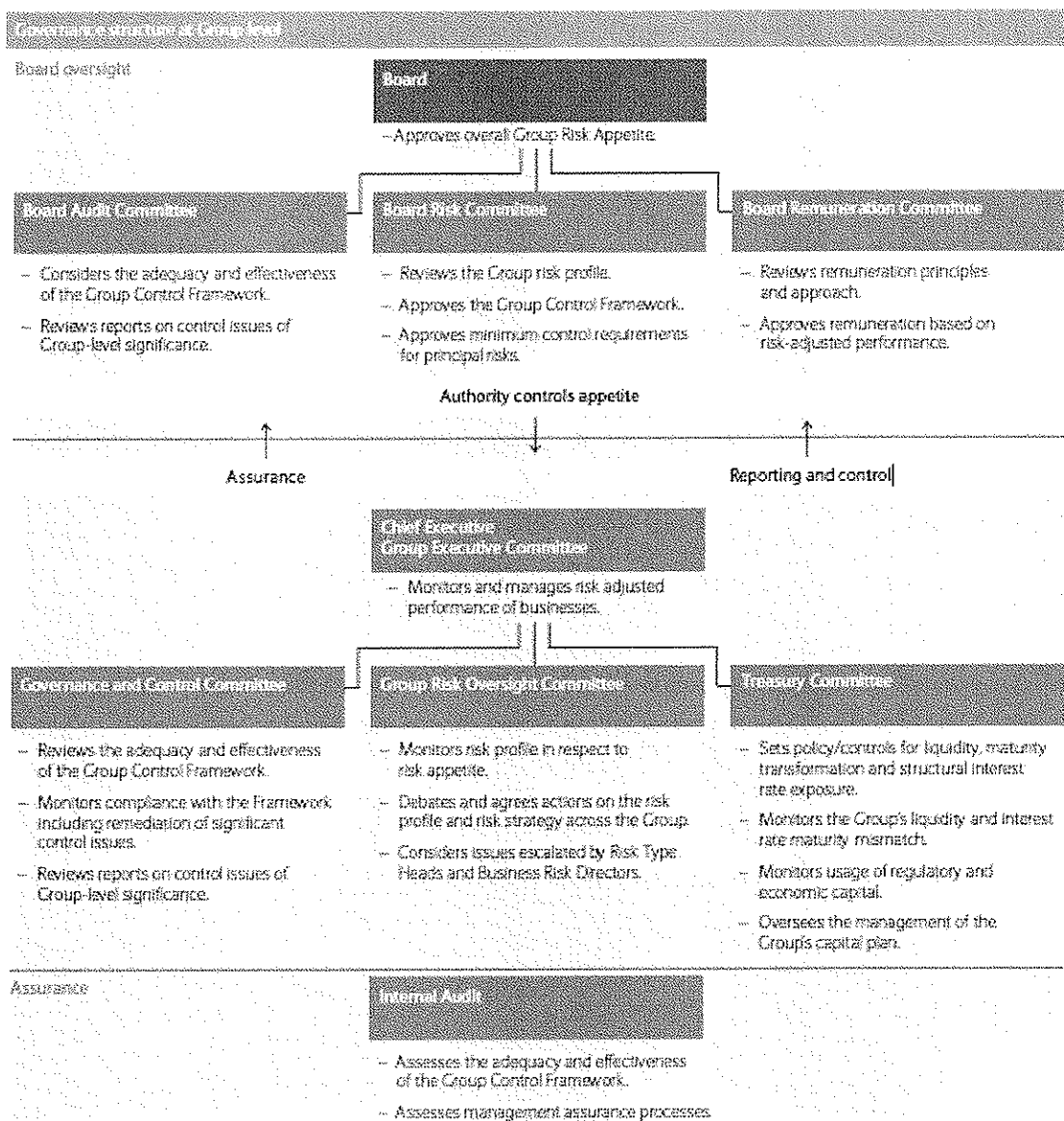
GOVERNANCE STRUCTURE AT GROUP LEVEL

The Committees of the Group shown below receive regular and comprehensive reports. The Board Audit Committee receives quarterly reports on control issues of significance and half-yearly impairment allowances and regulatory reports. The Board Audit Committee reviews and approves Internal Audit's plans and resources, and evaluates the effectiveness of Internal Audit.

In addition to the Committees shown in the chart, there is a Brand and Reputation Committee at a Group Level, reviewing emerging issues with potentially significant reputational impact.



Barclays Bank PLC – Indian Branches
(Incorporated in the United Kingdom with limited liability)



In addition, each business unit has an embedded risk management function, headed by a business risk director. Business risk directors and their teams are responsible for assisting business heads in the identification and management of their business risk profiles and for implementing appropriate controls. These teams also assist Group Risk in the formulation of Group policies and their implementation across the businesses.

At the Bank level, Global Financial Risk Management (GFRM) operating within the broad policy framework reviews and monitors various aspects of risk arising from the business. Independent Committee(s) have been constituted across the Bank to facilitate independent evaluation, monitoring and reporting of various risks.



Barclays Bank PLC – Indian Branches
(Incorporated in the United Kingdom with limited liability)

6. CREDIT RISK

Credit risk is the risk of suffering financial loss should any of the Group's customers, clients or market counterparties fail to fulfill their contractual obligations to the Group. The granting of credit is one of the Group's major sources of income and, as the most significant risk; the Group dedicates considerable resources to controlling it. The credit risk that the Group faces arises mainly from wholesale and retail loans and advances together with the counterparty credit risk arising from derivative contracts entered into with our clients. The Group is also exposed to other credit risks arising from its trading activities, including debt securities; settlement balances with market counterparties, available for sale assets and reverse repurchase loans.

In managing credit risk, the Group applies the five-step risk management process. Credit risk management objectives are:

- To establish a framework of controls to ensure credit risk-taking is based on sound credit risk management principles.
- To identify, assess and measure credit risk clearly and accurately across the Group and within each separate business, from the level of individual facilities up to the total portfolio.
- To control and plan credit risk-taking in line with external stakeholder expectations and avoiding undesirable concentrations.
- To monitor credit risk and adherence to agreed controls,
- To ensure that risk-reward objectives are met.

6.1 Organisation and structure

The Group has structured the responsibilities of credit risk management so that decisions are taken as close as possible to the business, whilst ensuring robust review and challenge of performance, risk infrastructure and strategic plans.

The credit risk management teams in each business are accountable to the business risk directors in those businesses who, in turn, report to the heads of their businesses and also to the Chief Risk Officer. The role of the Group Risk function is to provide Group-wide direction, oversight and challenge of credit risk-taking.

Group Risk sets the Credit Risk Control Framework, which provides a structure within which credit risk is managed together with supporting Group Credit Risk Policies. Group Credit Risk Policies currently in force include:

- Maximum exposure guidelines to limit the exposures to an individual customer or counterparty.
- Country risk policies to specify risk appetite by country and avoid excessive concentration of credit risk in individual countries.
- Aggregation policy to set out the circumstances in which counterparties should be grouped together for credit risk purposes.
- Expected loss policies to set out the Group approaches for the calculation of expected loss, i.e. Group measure of anticipated loss for exposures.



Barclays Bank PLC – Indian Branches

(Incorporated in the United Kingdom with limited liability)

- Impairment and provisioning policies to ensure that measurement of impairment accurately reflects incurred losses and that clear governance procedures are in place for the calculation and approval of impairment allowances.

The principal Committees that review credit risk management, approve overall Group credit policy and resolve all significant credit policy issues are the Board Risk Committee, the Group Risk Oversight Committee, the Wholesale Credit Risk Management Committee and the Retail Credit Risk Management Committee. Senior Group and business risk management are represented on the Group Risk Oversight Committee, the Wholesale Credit Risk Management Committee and the Retail Credit Risk Management Committee. On a semi-annual basis, the Credit Risk Impairment Committee (CRIC) / Credit Risk Technical Committee (CRTC) obtains assurance on behalf of the Group that all businesses are recognizing impairment in their portfolios accurately, promptly and in accordance with policy, accounting standards and established governance.

6.2 Measurement, Reporting and Internal Ratings

The principal objective of credit risk measurement is to produce the most accurate possible quantitative assessment of the credit risk to which the Group is exposed, from the level of individual facilities up to the total portfolio. Integral to this is the calculation of internal ratings, which are used in numerous aspects of credit risk management and in the calculation of regulatory and economic capital.

The key building blocks in this quantitative assessment are:

- Probability of default (PD)
- Exposure in the event of default (EAD)
- Loss given default (LGD)

The calculation of internal ratings differs between wholesale and retail customers. For wholesale portfolios, the rating system is constructed to ensure that a client receives the same rating regardless of the part of the business with which it is dealing. To achieve this, a model hierarchy is adopted which requires users to adopt a specific approach to rating each counterparty depending upon the nature of the business and its location. A range of methods are utilised for estimating wholesale counterparty PDs. These include bespoke grading models developed within the Group (internal models), vendor models such as MKMV Credit Edge and RiskCalc, and a conversion of external alphabet ratings from either S&P, Moody's or Fitch. Retail models, especially those used for capital purposes, are almost exclusively built internally using Barclays data. In many cases bureau data is used to complement internal data and in rare cases models developed by the credit bureau themselves are used in conjunction with internal models.

A key element of the Barclays wholesale framework is the PD Masterscale. This scale has been developed to distinguish meaningful differences in the probability of default risk throughout the risk range.



Barclays Bank PLC – Indian Branches
(Incorporated in the United Kingdom with limited liability)

Exposure at default (EAD) represents the expected level of usage of the credit facility should default occurs. At the point of default, the customer exposure can vary from the current position due to the combined effects of additional drawings, repayment of principal and interest and fees. EAD parameters are all derived from internal estimates and are determined from internal historical behaviour. The lower bound of EAD for regulatory capital purposes is the current balance at calculation of EAD.

Should a customer default, some part of the exposure is usually recovered. The part that is not recovered, the actual loss, together with the economic costs associated with the recovery process, comprise the loss given default (LGD), which is expressed as a percentage of EAD. The Group estimates an average LGD for each type of exposure using historical information. The level of LGD depends principally on: the type of collateral (if any); the seniority or subordination of the exposure; the industry in which the customer operates (if a business); the length of time taken for the recovery process and the timing of all associated cash flows; and the jurisdiction applicable and work-out expenses. The outcome is also dependent on economic conditions that may determine, for example, the prices that can be realised for assets, whether a business can readily be refinanced or the availability of a repayment source for personal customers

6.3 Credit risk concentration risk

A risk concentration is any single exposure or a group of exposures with the potential to produce losses large enough (relative to a bank's capital, total assets, or overall risk level) to threaten a bank's health or ability to maintain its core operations.

The Bank monitors the Exposure norms as prescribed by Reserve Bank of India vide its Master circular on Exposure norms DBOD.No.Dir.BC.11/13.03.00/ 2009-10 on a periodic basis. The exposure ceiling limits is 15 percent of capital funds in case of a single borrower and 40 percent of capital funds in the case of a borrower group. Credit exposure to a single borrower may exceed the exposure norm of 15 percent of the bank's capital funds by an additional 5 percent (i.e. up to 20 percent) provided the additional credit exposure is on account of extension of credit to infrastructure projects. Credit exposure to borrowers belonging to a group may exceed the exposure norm of 40 percent of the bank's capital funds by an additional 10 percent (i.e., up to 50 percent), provided the additional credit exposure is on account of extension of credit to infrastructure projects. In addition to the exposure permitted above, bank may, in exceptional circumstances, with the approval of its India Management Committee, consider enhancement of the exposure to a borrower up to a further 5 percent of capital funds.

The Bank controls and limits concentration risk of its commercial and retail businesses by:

- Maximum Hold caps for individual borrowers
- Percentage of unsecured loans to total loan and advances.
- Defining Industry / Sectoral caps as a percentage of total portfolio
- Caps/ Limits for certain sectors which are identified as higher risk.



Barclays Bank PLC – Indian Branches
(Incorporated in the United Kingdom with limited liability)

The Group also uses various forms of specialised legal agreements to reduce risk, including netting agreements which permit it to offset positive and negative balances with customers in certain circumstances to minimise the exposure at default, financial guarantees, and the use of covenants in commercial lending agreements.

Country concentrations are addressed through the country risk policy, which specifies Risk Appetite by country and avoids excessive concentrations of credits in individual countries. Country risk grades are assigned to all countries where the Group has, or is likely to have, exposure and are reviewed regularly to ensure they remain appropriate.

6.4 Definition of Non-Performing Assets

Advances are classified into performing and non-performing advances (NPAs) as per RBI guidelines. NPAs are further classified into sub-standard, doubtful and loss assets based on the criteria stipulated by RBI. An asset becomes non-performing when it ceases to generate income for the bank.

An NPA is a loan or an advance where:

- Interest and /or installment of principal remains overdue for a period of more than 90 days in respect of a term loan
- The account remains “out-of order” in respect of an Overdraft or Cash Credit (OD/CC)
- The bill remains overdue for a period of more than 90 days in case of bills purchased and discounted.
- Any amount to be received remains ‘overdue’ for a period of more than 90 days in respect of other accounts.
- A loan granted for short duration crops is treated as NPA, if the installment of principal or interest thereon remains overdue for two crop seasons and a loan granted for long duration crops is treated as NPA, if installment of principal or interest thereon remains overdue for one crop season.
- An account would be classified as NPA if the interest charged during any quarter is not serviced fully within 90 days from the end of the quarter.
- Any other loan or advances identified as non performing by management through periodic internal assessment.

‘Out of Order’ status

An account should be treated as ‘out of order’ if the outstanding balance remains continuously in excess of the sanctioned limit/drawing power.

In cases where the outstanding balance in the principal operating account is less than the sanctioned limit/drawing power, but there are no credits continuously for 90 days as on the date of Bank’s Balance Sheet, or where credits are not enough to cover the interest debited during the same period, such accounts are treated as ‘out of order’.



Barclays Bank PLC – Indian Branches
(Incorporated in the United Kingdom with limited liability)

'Overdue'

Any amount due to the Bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the Bank.

The overdue receivables representing positive mark-to-market value of a derivative contract will be treated as a non-performing asset, if these remain unpaid for 90 days or more. In that case all other funded facilities granted to the client shall also be classified as non-performing asset following the principle of borrower-wise classification as per the existing asset classification norms.

Any amount, representing positive mark-to-market value of the foreign exchange derivative contracts (other than forward contract and plain vanilla swaps and options) that were entered into during the period April 2009 to Mar 2011, which has already crystallised or might crystallise in future and is / becomes receivable from the client, should be parked in a separate account maintained in the name of the client / counterparty. This amount, even if overdue for a period of 90 days or more, will not make other funded facilities provided to the client, NPA on account of the principle of borrower-wise asset classification, though such receivable overdue for 90 days or more shall itself be classified as NPA, as per the extant IRAC norms

6.5 Definition of Impairment

At periodic intervals, the Bank ascertains if there is any impairment in its assets. If such an indication is detected, the Bank estimates the recoverable amount of the asset. If the recoverable amount of the asset or the cash generating unit, which the asset belongs to, 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 recognized in the profit and loss account. Credit risk management processes and policy are incorporated in the Bank's Loan Policy, which is reviewed periodically. The policy lays down the framework for credit risk assessment as well as post-sanction activities encompassing facility and security documentation, control & monitoring, portfolio management and problem resolution.

Specific provisions are made based on management's assessment of the degree of impairment of the advances, subject to minimum provisioning norms laid down by the RBI.

Impairment provisions on Derivatives are made to reflect the risk tendency of the portfolio. Also provisions (as applicable to the loan assets) in the 'Standard' category are made on the net marked to market credit exposures computed as per the current marked to market value of the contract, arising on account of the interest rate & foreign exchange derivative transactions at a counterparty level as prescribed by RBI. Specific provisions are made based on management's assessment of the degree of impairment with respect to derivative transactions subject to minimum provisioning norms laid down by RBI. As the overdue receivables represent unrealised income already booked by the Bank on a fair value basis, after 90 days of overdue period, the amount already taken to 'Profit and Loss a/c' is reversed.



BARCLAYS

Barclays Bank PLC – Indian Branches

(Incorporated in the United Kingdom with limited liability)

6.6 Restructured Assets

As per RBI guidelines, a fully secured standard loan can be restructured by rescheduling principal repayments and/or the interest element, but must be separately disclosed as a restructured loan in the year of restructuring. Similar guidelines apply to restructuring of substandard and doubtful loans.

A sub-standard asset, which has been restructured, will be upgraded to the standard category only after a satisfactory performance of the borrower over a period of time. The RBI has specified the period to be one year from date when the installment/ interest falls due as per the rescheduled scheme.

6.7 Credit Risk exposures

a) Total Gross Credit Risk Exposure Including Geographic Distribution of Exposure				
		Domestic	Overseas	Rs in 000's
				Total
A)	Fund Based #	83,112,969	-	83,112,969
B)	Non Fund Based *	20,059,161	-	20,059,161
	Total	103,172,130	-	103,172,130
# The above comprises of loans and advances as appearing in Schedule 9 of balance sheet				
* Non-fund based exposures are guarantees given on behalf of constituents, letters of credit and acceptances and endorsements and does not include exposures arising on the derivative contracts.				

b) Industry Classification of Loans and Advances			Rs in 000's
S.No.	Industry Classification	Fund Based	Non Fund Based (Non Derivatives)
1	Coal	-	-
2	Mining	200,000	-
3	Iron and Steel	1,713,203	1,248,800
4	Other Metal and Metal products	547,495	375,594
5	All Engineering	2,077,758	1,951,471
6	Electricity	491,968	1,419,510
7	Cotton Textiles	67,982	20,776
8	Jute Textiles	-	-
9	Other Textiles	394,731	99,824
10	Sugar	-	-
11	Tea	-	-
12	Food Processing	1,267,525	-



Barclays Bank PLC – Indian Branches
(Incorporated in the United Kingdom with limited liability)

b) Industry Classification of Loans and Advances			Rs in 000's
S.No.	Industry Classification	Fund Based	Non Fund Based (Non Derivatives)
13	Vegetable Oil and Vanaspati	1,278,334	860,904
14	Tobacco and Tobacco Products	-	-
15	Paper and Paper Products	192,940	47,412
16	Rubber and Rubber Products	610,249	187,526
17	Chemicals, Dyes, Paints etc.	1,200,772	749,985
18	Cement	-	-
19	Leather and Leather Products	150,000	60,348
20	Gems and Jewellery	188,946	13,500
21	Construction	3,253,969	63,566
22	Petroleum	5,103,400	181,088
23	Automobiles including trucks	566,470	15,668
24	Computer Software	1,116,465	239,772
25	Infrastructure	18,254,723	830,319
26	NBFCs & Trading	3,434,680	500,000
27	Other Industries	17,998,815	12,310,586
28	Banking Sector	-	-
29	Retail Loans	22,711,780	-
30	Residual exposures	290,764	32,320
	Total	83,112,969	21,208,969

c) Residual Contractual Maturity Breakdown of Advances		
S.No.	Maturity bucket	Rs in 000's
1	1 day	6,522,696
2	2 to 7 days	3,431,953
3	8 to 14 days	1,061,248
4	15 to 28 days	5,830,693
5	29 days to 3 months	12,422,754
6	3 to 6 months	19,145,903
7	6 to 12 months	12,674,966
8	1 to 3 years	8,070,483
9	3 to 5 years	8,170,221
10	Over 5 years	5,782,052
	Total	83,112,969



Barclays Bank PLC – Indian Branches
(Incorporated in the United Kingdom with limited liability)

d) Movement of NPAs and Provision for NPA (Loans and Advances Portfolio)		
		Rs in 000's
A	Amount of NPAs (Gross)	7,811,818
	- Substandard	2,292,782
	- Doubtful	3,403,386
	- Loss	2,115,650
B	Net NPAs	1,216,175
C	NPA Ratios	
	-Net NPAs to Net advances	1.46%
D	Movement of NPAs (Gross)	
	-Opening balance as on 1 April 2010	14,217,325
	-Additions	4,479,780
	-Reductions	10,885,287
	-Closing balance as at 31 March 2011	7,811,818
E	Movement of NPAs (Net)	
	-Opening balance as on 1 April 2010	3,893,223
	-Additions	1,542,200
	-Reductions	(4,219,248)
	-Closing balance as at 31 March 2011	1,216,175
F	Movement of Provision for NPAs	
	-Opening balance as on 1 April 2010	10,324,102
	-Provision made in FY 2010-11	3,772,312
	- Write –offs	(7,500,771)
	-Closing balance as at 31 March 2011	6,595,643

e) NPIs and movement of Provision for Depreciation on NPIs		
		Rs in 000's
A	Amount of Non-Performing Investments	-
B	Amount of provision held for non – performing investments	-
C	Movement of provisions for depreciation on investments	
	-Opening balance as on 1 April 2010	150,198
	- Provision made in FY 2010-11	236,501
	- Write –offs	
	- Write back of excess provisions	
	-Closing balance as at 31 March 2011	386,699



Barclays Bank PLC – Indian Branches
(Incorporated in the United Kingdom with limited liability)

7. CREDIT RISK: Disclosure of Portfolio subject to Standardised Approach

The Bank is using issuer ratings and short-term and long-term instrument ratings which are assigned by the accredited rating agencies viz. assigned by CRISIL, CARE, ICRA and Fitch 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 bank, ratings assigned by international rating agencies i.e. S&P, Moody's and Fitch are used for assigning the risk weights.

- Where the customer has availed a short term loan / working capital facilities with maturity equal to or less than one year, and where no short term rating is available from any of the recognized credit rating agency, the same shall be treated as **unrated** and risk weight corresponding to the unrated short term claim shall be applied.
- Where the customer has availed a short term loan / working capital facilities or entered into a derivative trade with residual maturity equal to or less than one year, and where a short term rating is available from the recognized credit rating agency, risk weight applicable would be one notch higher as would be applicable for the rated facility. However if the long term rating of the counterparty is BB or below, then all the claims including the short term claims would be risk weight of 150%.
- Cash Credit / Overdraft exposures shall be considered as long term exposures and treatment applicable to long term exposures shall be applied.
- Long term ratings shall be applied to long term exposures only. Where the customer has availed of a medium term loan facility or any funded facility with maturity of greater than one year, the same shall be treated as unrated or as warranted by higher risk weight (read BB and below) on all facilities (whether short term or long term) would apply and risk weight corresponding to the unrated long term claim shall be applied. However, if the long term issue of a customer is rated BB or below, a risk weight of 150% shall be applied for long term exposures on the company.

Details of Credit Risk Exposure based on Risk- Weight*	
	Rs in 000's
Amount of bank's outstanding (rated and unrated) in the following :	
-Below 100% risk weight	17,839,295
- 100% risk weight	43,255,245
-More than 100% risk weight	22,018,429
-Deductions	-
* The above comprises of loans and advances given to non bank counterparties only.	

8. CREDIT RISK MITIGATION

The Bank's credit risk mitigation techniques, apart from traditional practices of taking security of cash / other physical collaterals, include taking guarantees of high credit quality parties, avoidance of credit concentration in a single industry / counterparty, perfection of legal documentation and master netting agreements.



Barclays Bank PLC – Indian Branches
(Incorporated in the United Kingdom with limited liability)

The RBI guidelines on Basel II allow the following credit risk mitigants to be recognised for regulatory capital purposes under the comprehensive approach:

- **Eligible financial collateral** which include cash (deposited with the Bank), gold, securities issued by Central and State Governments, Kisan Vikas Patra, National Savings Certificates, life insurance policies with a declared surrender value issued by an insurance company which is regulated by the insurance sector regulator, certain debt securities rated by a recognised credit rating agency, mutual fund units where daily net asset value is available in public domain and the mutual fund is limited to investing in the instruments listed above.
- **On-balance sheet netting**, which is confined to loans/advances and deposits, where banks have legally enforceable netting arrangements, involving specific lien with proof of documentation.
- **Guarantees**, where these are direct, explicit, irrevocable and unconditional. Further, the eligible guarantors would comprise:
 - Sovereigns, sovereign entities stipulated in the RBI guidelines on Basel II, bank and primary dealers with a lower risk weight than the counterparty;
 - Other entities, which are rated AA(-) or better.

The above collateral types are applicable to all customer segments including corporates and financial institutions, though exposures to banks are generally non collateralised. There are well laid down policies and processes for valuation / revaluation of collaterals covering source of valuation, independent professional valuations, haircuts / margins on collateral market values, re-margining requirements and reassessment of credit limits. The frequency of collateral valuation is driven by the volatility in each class of collateral.

For retail loans portfolio, risk mitigation is done through regular analysis of the portfolio performance & weeding out the non performing segments. Strong policy norms supported by able underwriting & efficient systems also help in risk mitigation. Additionally, the Bank has set triggers which are tracked on a monthly basis to assess if the performance of the portfolio is satisfactory

Exposure covered by eligible financial collateral after applicable haircut is Rs. 44,384 (000's)

9. SECURITISATION

Securitisation transactions are undertaken generally with the objective of credit risk transfer, liquidity management, meeting regulatory requirements, such as, capital adequacy and asset portfolio management. The Bank generally participates in both traditional securitisation, as well as, synthetic securitizations. The primary objective of securitization activities is to increase the efficiency of capital and enhance the returns on capital employed by diversifying the source and application of funding.



Barclays Bank PLC – Indian Branches
(Incorporated in the United Kingdom with limited liability)

In securitisation transactions backed by assets either originated by the Bank or third parties, the Bank may play the following major roles:

- **Underwriter:** allowing un-subscribed portions of securitised debt issuances, if any to devolve on the Bank, with the intent of selling at a later stage.
- **Investor/trader/market-maker:** acquiring investment grade securitised debt instruments backed by financial assets originated by third parties for purposes of investment / trading / market-making with the aim of developing an active secondary market in securitised debt.
- **Structurer:** structuring appropriately in a form and manner suitably tailored to meet investor requirements while being compliant with extant regulations.
- **Provider of liquidity facilities:** addressing temporary mismatches on account of the timing differences between the receipt of cash flows from the underlying performing assets and the fulfillment of obligations to the beneficiaries.
- **Provider of credit enhancement facilities:** addressing delinquencies associated with the underlying assets, i.e. bridging the gaps arising out of credit considerations between cash flows received/collected from the underlying assets and the fulfillment of repayment obligations to the beneficiaries.
- **Provider of collection and processing services:** collecting and/or managing receivables from underlying obligors, contribution from the investors to securitisation transactions, making payments to counterparties/ appropriate beneficiaries, reporting the collection efficiency and other performance parameters and providing other services relating to collections and payments as may be required for the purpose of the transactions.

9.1 Risks in securitization

The major risks inherent in the securitised transactions are:

- **Credit risk:** Risk arising on account of payment delinquencies from underlying obligors/borrowers in the assigned pool.
- **Market risk:**
 - i. **Liquidity risk:** Risk arising on account of lack of secondary market to provide ready exit options to the investors / participants.
 - ii. **Interest rate/currency risk:** Mark to market risks arising on account of interest rate/currency fluctuations.
- **Operational risk:**
 - i. **Co-mingling risk:** Risk arising on account of co-mingling of funds belonging to investor(s) with that of the originator and/or collection and processing servicer when there exist a time lag between collecting amounts due from the obligors and payment made to the investors.
 - ii. **Performance risk:** Risk arising on account of the inability of a collection and processing agent to collect monies from the underlying obligors as well as operational difficulties in processing the payments.



Barclays Bank PLC – Indian Branches

(Incorporated in the United Kingdom with limited liability)

- iii. Regulatory and legal risk: Risk arising on account of
 - non-compliance of the transaction structures with the extant applicable laws which may result in the transaction(s) being rendered invalid.
 - conflict between the provisions of the transaction documents with those of the underlying financial.
 - non enforceability of security/claims due to imperfection in execution of the underlying facility agreements with the borrower(s).
- Reputation risk: Risk arising on account of
 - i. Rating downgrade of a securitised instrument due to unsatisfactory performance of the underlying asset pool; and
 - ii. Inappropriate/imprudent practices followed by the collection & processing agent.

In addition to the above, securitised assets are exposed to prepayment risk. Prepayment risk arises on account of prepayment of dues by obligors/borrowers in the assigned pool either in part or full. There are no pipeline and warehousing risks with regards to securitisation exposures.

9.2 Summary of the bank's accounting policies for securitisation activities

In accordance with the RBI guidelines for securitisation of standard assets, with effect from February 1, 2006, the Bank accounts for any loss arising from securitisation immediately at the time of sale and the profit / premium arising from securitisation is amortised over the life of the securities issued or to be issued by the special purpose vehicle to which the assets are sold.

The valuation of the retained interests or purchased portfolio in the form of pass-through certificates (PTCs) is derived by applying the Yield-to-Maturity ("YTM") method and by adding the appropriate mark-up (reflecting associated credit risk) over the YTM rates for government securities published by FIMMDA.

9.3 Rating of securitisation exposures

Bank has used the ratings obtained by the external credit rating agencies in order to compute the Risk weight assets on the securitisation exposures.

9.4 Details of securitisation exposures in the banking and trading book

Trading Book

9.4.1 Securitisation exposure retained / purchased *

Rs in 000's		
Nature	Exposure Type	Exposure
On Balance Sheet	Vehicle/ Auto Loan	5,960,973
Off Balance Sheet	-	-
TOTAL		5,960,973

* Securitisation exposures represent PTC's purchased in case of third party originated securitisation transactions.



Barclays Bank PLC – Indian Branches
(Incorporated in the United Kingdom with limited liability)

9.4.2 Risk weight bands break-up of securitisation exposures retained or purchased and the related capital charge

Rs in 000's			
Risk Bands	Exposure	Risk weighted assets	Capital Requirement
< 100% risk weight	5,960,973	1,192,195	107,298
=100% risk weight	-	-	-
> 100% risk weight	-	-	-
TOTAL	5,960,973	1,192,195	107,298

There is no sponsorship of off-balance sheet vehicles by the Bank.

10. MARKET RISK

MARKET RISK IN TRADING BOOK

Market risk is the risk that Bank earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates, credit spreads, commodity prices, equity prices and foreign exchange rates.

Barclays market risk objectives are to:

- Understand and control market risk by robust measurement and the setting of position limits.
- Facilitate business growth within a controlled and transparent risk management framework.
- Minimize non-traded market risk.

The measurement techniques used to measure and control traded market risk include Daily Value at Risk and Stress Testing.

Daily Value at Risk (DVaR) on trading book is an estimate of the potential loss which might arise from unfavourable market movements, if the current positions were to be held unchanged for one business day, measured to a confidence level of 98%. DVaR uses the historical simulation method with a historic sample of two years. The credit spread calculation takes into account specific risks associated with different business names.

DVaR is an important market risk measurement and control tool and consequently the model is regularly assessed. The main approach employed is the technique known as back-testing which counts the number of days when trading losses exceed the corresponding DVaR estimate. To complement DVaR, stress testing is performed. Stress testing provides an indication of the potential size of losses that could arise in extreme conditions.



Barclays Bank PLC – Indian Branches
(Incorporated in the United Kingdom with limited liability)

Capital requirement for Market Risk	
Capital Required	Rs in 000's
- Interest Rate Risk	6,031,541
- Equity Position Risk	38,107
- Foreign Exchange Risk	360,000

11. LIQUIDITY RISK

Liquidity risk arises in any bank's general funding of its activities. As part of the liquidity management contingency planning, the bank assesses potential trends, demands, events and uncertainties that could reasonably result in adverse liquidity condition. The Bank's ALM policy defines the gap limits for the structural liquidity and the liquidity profile of the Bank. This is analyzed on a static basis as well as on a dynamic basis. Also, as part of Global practices, the Wholesale Borrowing (WBG) limits have been stipulated by Group Treasury. The WBG addresses the local currency and FX liquidity positions. 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 bank's ability to meet its obligations and fund itself in a crisis scenario is critical and accordingly, daily liquidity projection is performed to access the impact on liquidity. Bank also prepare structural liquidity statements, dynamic liquidity statement and other liquidity reports to manage the liquidity position.

12. OPERATIONAL RISK

Operational risk is the risk of direct or indirect losses resulting from human factors, external events, and inadequate or failed internal processes and systems. Operational risks are inherent in the Group's operations and are typical of any large enterprise. Major sources of operational risk include: operational process reliability, IT security, outsourcing of operations, dependence on key suppliers, implementation of strategic change, integration of acquisitions, fraud, human error, customer service quality, regulatory compliance, recruitment, training and retention of staff, and social and environmental impacts

Group is committed to the advanced measurement and management of operational risks. In particular, it has implemented improved management and measurement approaches for operational risk to strengthen control, improve customer service and minimise operating losses. However the Bank uses Basic Indicator Approach under Pillar 1 for computation of local regulatory capital requirement for operational risk and intends to apply to the RBI to migrate to advanced approaches whenever permitted.

The Group's operational risk management framework aims to:

- Understand and report the operational risks being taken by the Group.
- Capture and report operational errors made.
- Understand and minimise the frequency and impact, on a cost benefit basis, of operational risk events.
- Manage residual exposures using insurance



Barclays Bank PLC – Indian Branches
(Incorporated in the United Kingdom with limited liability)

Organisation and structure

Barclays works to benchmark our internal operation risk practices with peer banks and to drive the development of advanced operational risk techniques across the industry. It is not cost effective to attempt to eliminate all operational risks and in any event it would not be possible to do so. Events of small significance are expected to occur and are accepted as part of the normal course of business; events of material significance are rare and the Group seeks to reduce the risk from these in accordance with its agreed Risk Appetite.

Barclays has a Group Operational Risk Framework, which is consistent with and part of the Group Internal Control and Assurance Framework. Minimum control requirements have been established for all key areas of identified risk by 'Principal Risk' owners. The risk categories relevant to operational risks are Financial Crime, Financial Reporting, Taxation, Legal, Operations, People, Regulatory and Technology. In addition, the following risk categories are used for business risk: Brand Management, Corporate Responsibility, Strategic and Major Change. Responsibility for implementing and overseeing these policies is positioned with Group Principal Risk Owners.

The prime responsibility for the management of operational risk and the compliance with control requirements rests with the business and functional units where the risk arises. Front line risk managers are widely distributed throughout the Group in business units. They service and support these areas, assisting line managers in managing these risks. Business Risk Directors in each business are responsible for overseeing the implementation of and compliance with Group policies. Governance and Control Committees in each business monitor control effectiveness. The Group Governance and Control Committee receives reports from the committees in the businesses and considers Group-significant control issues and their remediation.

In the Group Centre, each Principal Risk is owned by a senior individual who liaises with Principal Risk owners within the businesses. In addition, the Operational Risk Director oversees the range of operational risks across the Group in accordance with the Group Operational Risk Framework.

A standard process is used Group-wide for the recognition, capture, assessment, analysis and reporting of risk events. This process is used to help identify where process and control requirements are needed to reduce the recurrence of risk events. Risk events are captured in a central database and reported monthly to the Group Operational Risk Executive Committee.

Bank's Approach for Operational Risk Capital Assessment

As per the RBI guidelines, Bank has followed the Basic Indicator Approach prescribed under Pillar 1 of Basel II framework for the year ending 31st March 2011.

13. INTEREST RATE RISK IN THE BANKING BOOK

Interest rate risk in the banking book is primarily the change in the net interest income and the value of the banks assets and liabilities, due to changes in interest rates.



Barclays Bank PLC – Indian Branches
(Incorporated in the United Kingdom with limited liability)

Interest rate risk arises on account of banking products (non trading nature) offered to retail and corporate customers

The Bank's approach is to transfer risk from the businesses to Treasury using an internal transfer price. Internal Limits exist to ensure there is no material risk retained within any business or product area.

Interest rate risk exposure of the banking book is primarily measured with Interest Rate Gap analysis and Value at Risk, as per the group norms. .

i. Earnings perspective

From an EaR perspective, the gap reports indicate whether the Bank is in a position to benefit from rising interest rates by having a positive gap or whether it is in a position to benefit from declining interest rates by a negative gap. The Bank monitors the EaR with respect to net interest income (NII) based on a 200 basis points parallel shift in interest rate, over a horizon of one year

Rs in 000's

Currency	Interest rate shocks	
	2% increase	2% decrease
Rupees and other currency	396,674	(396,674)
US Dollar	(79,386)	79,386

ii. Economic value perspective

The Bank uses Value at Risk (VaR) methodology to measure the interest rate risk on the banking book. The VaR model, developed by Group market risk, is based on variance co-variance method. The model is updated with

1. The risk position (i.e. the cash flow profile)
2. Historical volatilities and
3. Correlations

Thereafter, it calculates the sensitivities (present value of a basis point) to compute the VAR at a 95% confidence level with one day horizon.

Rs in 000's

Currency	Value at risk
Rupees and other currency	30,134
US Dollar	1,856