



Barclays Bank PLC – Indian Branches

(Incorporated in the United Kingdom with limited liability)

Basel III - Pillar 3 disclosures of Barclays Bank Plc - Indian Branches for the period ended 31 March 2016

BACKGROUND

The BASEL III – Pillar 3 disclosures contained herein relate to Barclays Bank Plc, India Branches (herein also referred to as the 'Bank') for the year ended March 31, 2016. 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. Prudential Regulatory Authority (PRA), in the United Kingdom (UK). The Bank has been operating in India since 1990 and has now 6 branches (excluding 1 service branch). 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.

These disclosures are compiled in accordance with Reserve Bank of India (the 'RBI') regulations on Pillar 3 as given in 'Master Circular – Basel III Capital Regulations dated July 1, 2015'.

The Basel III framework implemented in the Bank is made up of three pillars.

- Pillar 1 : Minimum Capital Requirements - This Pillar includes the calculation of RWAs for credit risk, counterparty credit risk, market risk and operational risk.
- Pillar 2 : Supervisory Review and Evaluation Process (SREP) – This Pillar 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.
- Pillar 3 : Market Discipline – This Pillar covers external communication of risk and capital information by banks as specified in the Basel rules to promote transparency and good risk management.



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1. SCOPE OF APPLICATION FOR CONSOLIDATION (Table DF-1)

No entities are required to be consolidated with Barclays Bank Plc, India Branches for the purpose of accounting requirements.

However, consolidation for regulatory purposes as per the Pillar 3 guidelines is as below:

A - List of group entities considered for consolidation

| Name of the entity / country of incorporation | Whether the entity is included under accounting scope of consolidation | Explain the method of consolidation | Whether the entity is included under regulatory scope of consolidation | Explain the method of consolidation | Explain the reasons if consolidated under only one of the scopes of consolidation |
|--|--|-------------------------------------|--|---|--|
| | (yes / no) | | (yes / no) | | |
| Barclays Investments and Loans (India) Limited | No | NA | Yes | The RBI guidelines on Financial Regulation of Systemically Important NBFCs and Banks' Relationship vide circular ref. DBOD. No. FSD. BC.46 / 24.01.028/ 2006-07 December 12, 2006 read with 'Guidelines for consolidated accounting and other quantitative methods to facilitate consolidated supervision' vide circular ref. DBOD.No.BP.BC.72/ 21.04.018/2001-02 dated February 25, 2003 mandate coverage of the 'Consolidated Bank' (herein also referred to as 'Barclays Bank'). | The bank has adopted consolidation approach for limited regulatory reporting i.e. only for Consolidated Prudential Return (CPR-2). |

Note: The bank does not hold any stake in the total equity of the above entity



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B - List of group entities not considered for consolidation both under the accounting and regulatory scope of consolidation

| Name of the entity / country of incorporation | Principle activity of the entity | Total balance sheet equity * | % of bank's holding in the total equity | Regulatory treatment of bank's investments in the capital instruments of the entity | Amt in Rs. '000 |
|--|--|------------------------------|---|---|------------------------------|
| | | | | | Total balance sheet assets * |
| Barclays Securities (India) Private Limited | Registered as Stock Broker & Underwriter | 2,585,866 | - | NA | 15,053,090 |
| Barclays Wealth Trustees (India) Private Limited | Trust Advisory | 91,921 | - | NA | 101,201 |

*as stated in the audited balance sheet of the legal entity as on March 31, 2015

C - List of group entities considered for consolidation

| Name of the entity / country of incorporation | Principle activity of the entity | Total balance sheet equity * | Amt in Rs. '000 |
|--|----------------------------------|------------------------------|------------------------------|
| | | | Total balance sheet assets * |
| Barclays Investments and Loans (India) Limited | NBFC | 5,801,080 | 13,093,290 |

*as stated in the audited balance sheet of the legal entity as on March 31, 2016

D - The aggregate amount of capital deficiencies in all subsidiaries which are not included in the regulatory scope of consolidation i.e. that are deducted

| Name of the subsidiaries / country of incorporation | Principle activity of the entity | Total balance sheet equity * | % of bank's holding in the total equity | Amt in Rs. '000 |
|---|----------------------------------|------------------------------|---|----------------------|
| | | | | Capital deficiencies |
| N.A. | N.A. | N.A. | N.A. | N.A. |

*as stated in the audited balance sheet of the legal entity



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E - The aggregate amounts (e.g. current book value) of the bank's total interests in insurance entities, which are risk-weighted

| Name of the insurance entities / country of incorporation | Principle activity of the entity | Total balance sheet equity * | % of bank's holding in the total equity / proportion of voting power | Quantitative impact on regulatory capital of using risk weighting method versus using the full deduction method |
|---|----------------------------------|------------------------------|--|---|
| N.A. | N.A. | N.A. | N.A. | N.A. |

*as stated in the audited balance sheet of the legal entity

F - Any restrictions or impediments on transfer of funds or regulatory capital within the banking group – Not Applicable

2. CAPITAL ADEQUACY (Table DF-2)

2.1 Capital Management

Objective

The Bank's objectives are to:

- Meet minimum regulatory requirements in jurisdictions . The Bank's authority to operate as a bank is dependent on the maintenance of adequate capital resources at each level where prudential capital requirements are applied
- Supports its growth and strategic options;
- Support its credit rating. A weaker credit rating would increase the Bank's cost of funds

Governance structure

Responsibility for risk management resides at all levels within the Group, from the Board and the Executive Committee down through the organisation to each business manager and risk specialist. Barclays distributes these responsibilities so that risk/return decisions are taken at the most appropriate level; as close as possible to the business, and subject to robust and effective review and challenge. The responsibilities for effective review and challenges reside with senior managers, risk oversight committees, Barclays Internal Audit, the Independent Group Risk function, the Board Risk Committee and, ultimately, the Board.

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, Enterprise Risk Management Framework (ERMF) operating within the broad policy framework reviews and monitors various aspects of risk arising from the business. Independent Committee(s) like Executive Committee (ExCO), Operations Committee (OPCO), Risk and Control Committee (R&CC), Assets and Liabilities Management Committee (ALCO) have been constituted across the Bank to facilitate independent evaluation, monitoring and reporting of various risks

Regulatory capital

As at March 31, 2016, RBI guidelines on Basel III require the Bank to maintain a minimum ratio of total capital to risk weighted assets of 9.63%, with a minimum Tier-1 capital adequacy ratio of 7.63%. The total capital adequacy ratio of the Bank at March 31, 2016 is 18.82% with a Tier-1 capital adequacy ratio of 18.24 %.

Additionally, the RBI has also introduced the the D-SIB Framework, wherein a foreign bank having branch presence in India that is also a Global Systemically Important Bank (G-SIB), has to maintain additional CET1 capital surcharge in India as applicable to it as a G-SIB, proportionate to its Risk Weighted Assets (RWAs) in India. The higher capital requirements applicable to D-SIBs will be applicable from April 1, 2016 in a phased manner and would become fully effective from April 1, 2019.

Internal assessment of capital

The Bank has a process for assessing its overall capital adequacy in relation to the Bank's risk profile and a strategy for maintaining its capital levels. Capital planning is set in consideration of minimum regulatory requirements.

Capital held to support the level of risk identified is set in consideration of minimum ratio requirements and internal buffers. The process provides an assurance that the Bank has adequate capital to support all risks in its business and an appropriate capital buffer based on its business profile.

The Bank's capital management framework includes a comprehensive internal capital adequacy assessment process (ICAAP) conducted annually and which determines the adequate level of capitalization 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. These plans are reviewed to assess any capital requirements.

Capital monitoring

The Bank monitors its capital adequacy ratio on a regular basis. The Bank has a process of submitting a Capital Monitoring dashboard where the regulatory CRAR is put up to Treasury. Local management ensures compliance with an entity's minimum regulatory capital requirements by reporting to local Asset and Liability Committees with oversight by Group Treasury as required.

2.2 Capital Requirement for Pillar 1 Risks

| (Rs. in '000s) | | | |
|----------------|---|-------------------|-------------------|
| No. | Description | March 31,2016 | March 31,2015 |
| A | Capital Requirement for Credit Risk | 18,975,226 | 19,238,094 |
| | (Standardised Approach) | | |
| | - On-balance sheet exposures excluding securitisation exposures | 7,534,114 | 6,901,975 |
| | - Off- balance sheet exposures excluding securitisation exposures | 11,429,675 | 12,329,489 |
| | a) Non-market related | 1,378,098 | 1,531,462 |
| | b) Market-related | 10,051,577 | 10,798,027 |
| | - On-balance sheet-securitisation exposures | - | - |
| | - Counterparty Risk as Borrower of funds | 11,437 | 6,630 |
| B | Capital Requirement for Market Risk | 4,934,083 | 5,902,196 |
| | (Standardised Duration Approach) | | |
| | - Interest rate related instruments | 4,103,598 | 4,967,900 |
| | - Equity | 30,485 | 34,296 |
| | - Foreign Exchange and Gold | 800,000 | 900,000 |
| C | Operational-risk-weighted exposures | 1,937,504 | 1,672,230 |
| | (Basic Indicator Approach) | | |
| D | Capital Adequacy Ratio of the Bank | 18.82% | 18.15% |

2.3 Capital Structure / Instruments of the Bank

Tier 1 capital comprises of:

- Capital funds (Interest free funds) injected by Head Office for capital adequacy
- Statutory reserves percentage of net profits retained (currently 25%)
- Remittable surplus in India specifically for capital adequacy purposes
- Capital reserves not eligible for repatriation so long the Bank operates in India.

Tier 2 capital comprises of:

- General provisions created in line with RBI regulations like provision on standard assets, provision on unhedged foreign currency exposure, etc.

As on March 31, 2016 total capital base (Tier1 + Tier2) of the Bank stood at Rs. 55,830,274 ('000s)

| (Rs. in '000s) | | | |
|----------------|--|---------------|---------------|
| No | Description | March 31,2016 | March 31,2015 |
| A.1 | Tier 1 Capital | 54,136,927 | 52,383,690 |
| | Common equity tier 1 capital | 54,136,927 | 52,383,690 |
| | of which | | |
| | -Paid-up share capital | 52,495,224 | 52,495,224 |
| | -Reserves and surplus | 6,078,799 | 3,647,154 |
| | Less: Deductions from tier 1 capital | | |
| | -Amount deducted from tier1 capital (deferred tax asset & other intangibles) | (4,339,370) | (3,556,955) |
| | -Debit balance in HO / unearned credit spreads/ illiquidity premia | (97,726) | (201,733) |
| A.2 | Additional Tier 1 Capital | - | - |
| B | Tier 2 Capital | 1,693,347 | 1,677,831 |
| | of which | | |
| | - Investment reserve | 281,587 | 267,107 |
| | - Provision for standard assets | 1,278,070 | 1,278,070 |
| | - Provision for Unhedged Foreign Currency Exposure | 133,691 | 90,643 |
| | - Provision for country risk | - | 42,011 |
| | - Excess provision on sale of NPA's | - | - |
| C | Total Eligible Capital (A+B) | 55,830,274 | 54,061,521 |

The capital ratios of the Bank are as follows:

| Capital ratios | March 31,2016 | March 31,2015 |
|------------------------|---------------|---------------|
| CET1 capital ratio | 18.24% | 17.59% |
| Tier - 1 capital ratio | 18.24% | 17.59% |
| Total capital ratio | 18.82% | 18.15% |

3. RISK EXPOSURE AND ASSESSMENT

As a bank, Barclays is exposed to various risks vis-à-vis credit risk, market risk, liquidity risk, reputational risk and conduct risk.. To combat these risks, Barclays has clear risk management objectives and a well established strategy to deliver them through core risk management processes.

At a strategic level, our risk management objectives are to:

- Identify the significant risks;
- Ensure that business profile and plans are consistent with the defined risk appetite
- Optimize risk/return decisions by taking them as closely as possible to the business, while establishing strong and independent review and challenge structures;
- Ensure that business growth plans are properly supported by effective risk infrastructure;
- Manage risk profile to ensure that specific financial deliverables remain possible under a range of adverse business conditions; and
- Help executives improve the control and co-ordination of risk taking across the business.

Risk Appetite

Risk appetite is defined as the level of risk Barclays is prepared to accept whilst pursuing its business strategy, recognising a range of possible outcomes as business plans are implemented. Risk appetite sets the 'tone from the top' and provides a basis for on-going dialogue between management and Board with respect to Barclays current and evolving risk profile, allowing strategic and financial decisions to be made on an informed basis.

Barclays risk appetite framework consists of two parts: 'Financial Volatility', which is the level of potential deviation from expected financial performance Barclays is prepared to sustain, and 'Mandate and Scale', which ensures the Group stays within appetite. The strategy and business activities are reflected in key performance metrics, which are dependent in large part on risk performance.

Financial Volatility

Financial volatility is defined as the level of potential deviation from expected financial performance that Bank is prepared to sustain at relevant points on the risk profile. To assess Financial Volatility, the risk profile is examined at following points:

- Expected loss ("through-the-cycle")
- Worst case/stress loss, as laid out under the stress testing framework i.e.
 - in 7 (moderate) loss: the worst level of losses out of a random sample of 7 years; and

- 1 in 25 (severe) loss: the worst level of losses out of a random sample of 25 years.

Mandate & Scale

The second element to the setting of risk appetite in Barclays is an extensive system of Mandate & Scale limits, which is a risk management approach that seeks to formally review and control business activities to ensure that they are within Barclays mandate and are of an appropriate scale (relative to the risk and reward of the underlying activities).

This is achieved by using limits and triggers to avoid concentrations which would be out of line with external expectations, and which may lead to unexpected losses of a scale that would be detrimental to the stability of the relevant business line or of the Bank. These limits are set by independent risk functions and will include any prudential limits set forth by Reserve Bank of India for any risk.

Bank uses the Mandate and Scale framework to:

- Limit concentration risk;
- Keep business activities within Bank's business mandate;
- Ensure activities remain of an appropriate scale relative to the underlying risk and reward;
- Ensure risk-taking is supported by appropriate expertise and capabilities.

The overall market risk appetite for the bank is defined as the 95% DVaR limit, since it is good representative of the bounds of P&L movements that occur under normal market conditions. The DVaR limit is currently set at £5m and a granular level market risk limit structure is formulated around it. The detailed limits are set out in the risk appetite statement of the Bank.

Stress testing

Stress Testing is performed by the Bank and helps to ensure that our medium term plan has sufficient flexibility to remain appropriate during times of stress. Stress testing allows us to analyse a potential economic scenario or event using defined macro and market based parameters.

Bank runs detailed analysis to assess the impact of the stress on their P&L, balance sheet and RWAs for the Bank. As part of the stress test process, Bank also identifies possible management actions to mitigate the impact of stress. The bottom-up approach ensures all levels of management are informed of the impact of the stress scenarios and are aware of appropriate management actions to be taken when a stress event occurs.

The stress results are reviewed and challenged by their local risk managers and senior management and by Local Risk Committee as part of detailed review meetings. The results are agreed with senior management in Barclays Risk and Barclays Treasury, and then reviewed and agreed by ALCO and ExCO.

4. CREDIT RISK : General disclosures for all the Banks (Table DF- 3)

Credit risk is the risk of suffering financial loss should any of the customers, clients or market counterparties fail to fulfill their contractual obligations.

4.1 Credit Risk Management Objectives and Policies:

The Group has clear risk management objectives and a well established strategy to deliver them through core risk management processes. At a strategic level, the Group's risk management objectives are to:

- Identify significant risks
- Formulate the risk appetite and ensure that business profile and plans are consistent with it
- Optimize risk/return decisions by taking them as closely as possible to the business, while establishing strong and independent review and challenge structures
- Ensure that business growth plans are properly supported by effective risk infrastructure
- Manage risk profile to ensure that specific financial deliverables remain possible under a range of adverse business conditions, and
- Help executives improve the control and co-ordination of risk taking across the business.

A key element in the setting of clear management objectives is the Enterprise Risk Management Framework (ERMF) which sets out key activities, tools, techniques and organizational arrangements so that material risks facing the Group are identified and understood, and that appropriate responses are in place to protect the Bank and prevent detriment to its customers, employees or community.

The aim of the risk management process is to provide a structured, practical and easily understood set of three steps, Evaluate, Respond and Monitor (the E-R-M process), that enables management to identify and assess risks, determine the appropriate risk response and then monitor the effectiveness of the risk response and changes to the risk profile.

The granting of credit is one the Bank's major sources of income and, as a Principal Risk, considerable resources are dedicated to its control. The credit risk that the Bank faces arises mainly from wholesale and other small-ticket loans together with the counterparty credit risk arising from derivative contracts with clients. Other sources of credit risk arise from trading activities, including debt securities; settlement balances with market counterparties, available for sale assets and reverse repurchase loans.

Credit risk management objectives are to:

- 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, 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 the risk reward benefits are met

4.2 Structure and Organization

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 relevant Business Chief Risk Officer who in turn reports to the CRO.

Credit risk approval is undertaken by experienced credit risk professionals operating within a clearly defined delegated authority framework, with only the most senior credit officers entrusted with the higher levels of delegated authority. The largest credit exposures which are outside of individual delegated authorities or relevant credit approval committees require the support of the Group Senior Credit Officer (GSCO), the Group's most senior credit risk sanctioner. For exposure in excess of the GSCO authority, approval by Group CRO is required. Credit risk managers are generally organized in sanctioning team by geography, industry and / or product.

The role of the Central Risk function is to provide Group-wide direction, oversight and challenge of credit-risk taking. Central Risk sets the Credit Risk Control Framework, which provides the structure within which credit risk is managed, together with supporting credit risk policies.

4.3 Credit risk monitoring

For effective monitoring of credit facilities, the relevant Risk Control Unit / Transaction Management Group verifies adherence to the terms of approval prior to commitment and disbursement of credit facilities.

4.4 Reporting, assessment and measurement

Risk management policies and processes are designed to identify and analyze risk, to set appropriate risk appetite, limits and controls, and to monitor the risks and adherence to limits by means of reliable and timely data. This process can be summarised in five broad stages:

- Measuring exposures and concentrations
- Monitoring performance and asset quality
- Monitoring weaknesses in portfolios
- Raising allowances for impairment and other credit provisions; and
- Returning assets to a performing status or writing off assets when the whole or part of a debt is considered irrecoverable.

The principal objective of credit risk measurement is to produce the most accurate possible quantitative assessment of the credit risk to which the Bank is exposed, from the level of individual facilities up to the total portfolio. Integral to this is the assignment of obligor 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 at default (EAD)
- Loss given default (LGD)

4.5 Credit 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.12/13.03.00/2015-16 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 EXCO Executive Committee, consider enhancement of the exposure to a borrower up to a further 5 percent of capital funds.

In addition to the above, the Bank controls and limits concentration of risk via the application of sectoral caps and identifying high-risk sectors.

4.6 Definition of Non-Performing Assets

Assets (Loans and credit substitutes in the nature of advances) are identified as performing or non-performing assets (NPAs) based on the management's periodic internal assessment or in accordance with RBI guidelines, whichever is earlier. An asset becomes non-performing when it ceases to generate income for the bank. A payment obligation (principal/interest) which remains unpaid for more than 90 days past due is classified as NPA.

An overdraft /cash credit facility is classified as NPA when the account remains "out of order". An account is treated as 'out of order' if:

- the outstanding balance remains continuously in excess of the sanctioned limit/drawing power for 90 days; or
- 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 the balance sheet; or
- credits in the account are not enough to cover the interest debited during the accounting period; or
- drawings have been permitted in the account for a continuous period of 90 days based on drawing power computed on the basis of stock statements that are more than three months old even though the unit may be working or the borrower's financial position is satisfactory; or
- the regular/ad hoc credit limits have not been reviewed/ renewed within 180 days from the due date/date of adhoc sanction.

A bill purchased / discounted by the Bank remaining overdue for a period of more than 90 days will be classified as an NPA.

NPA in respect of derivative transactions, are when the overdue receivables representing positive mark-to-market value of a derivative contract, remain unpaid for a period of 90 days from the specified due date for payment.

NPAs are further classified into sub-standard, doubtful and loss assets based on the days past due criteria stipulated by RBI.

4.7 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.

Provisions are made to reflect the risk tendency of the portfolio. Specific provisions are made based on management's assessment of the degree of impairment of the advances/derivative transactions subject to minimum prevailing provisioning norms laid down by RBI

4.8 Restructured Assets

As per RBI guidelines, a viable account facing financial difficulty due to economic/legal reasons can be restructured by grant of concessions including rescheduling and/or resetting principal repayments and/or the interest element, etc. Such restructuring must be separately disclosed as a restructured loan in the year of restructuring and the restructured asset would be subject to the applicable asset classification and provisioning criteria as prescribed by RBI from time to time. A non performing asset, which has been restructured, will become eligible for upgrading to standard category only after satisfactory performance of the terms of restructuring over a specified period of time of minimum one year from the commencement of the first payment of interest or principal installment whichever is later.

4.9 Credit Risk exposures

Total gross credit risk exposure including geographic distribution of exposure

(Rs. In 000's)

| | | March 31, 2016 | | | March 31, 2015 | | |
|----|--------------------------------------|--------------------|-----------------------|--------------------|--------------------|-----------------------|--------------------|
| | | Domestic | Overseas ² | Total | Domestic | Overseas ² | Total |
| A) | Fund based exposure | 168,608,023 | - | 168,608,023 | 136,459,698 | - | 136,459,698 |
| B) | Non fund based exposure ¹ | 36,091,060 | - | 36,091,060 | 27,125,837 | - | 27,125,837 |
| | Total³ | 204,699,083 | - | 204,699,083 | 163,585,535 | - | 163,585,535 |

1. 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.

2. Advances/ bills discounted in India against letters of credit issued by banks outside India are considered under domestic exposure.

3. Exposures do not include undrawn limits.

Industry classification of gross loans and advances

| Industry classification | March 31, 2016 (Rs. In 000's) | |
|--------------------------------|-------------------------------|----------------------------------|
| | Fund based | Non fund based (non derivatives) |
| Mining | 680,000 | - |
| Iron and Steel | 250,000 | - |
| Other Metal and Metal products | 1,410,516 | 6,737 |
| All Engineering | 976,551 | 1,832,114 |
| Cotton Textiles | - | - |
| Other Textiles | 14,962 | - |
| Tea | 217,835 | 451,197 |
| Food Processing | 223,033 | - |
| Vegetable Oil and Vanaspati | 15,401 | - |

| Industry classification | March 31, 2016 (Rs. In 000's) | |
|------------------------------|-------------------------------|----------------------------------|
| | Fund based | Non fund based (non derivatives) |
| Tobacco and Tobacco Products | 90,000 | - |
| Paper and Paper Products | 970,908 | - |
| Rubber and Rubber Products | 1,508,324 | 184,719 |
| Chemicals, Dyes, Paints etc. | 10,908,400 | 1,563,424 |
| Leather and Leather Products | 26,741 | - |
| Gems and Jewellery | - | - |
| Construction | 6,692,058 | 327,962 |
| Petroleum | 4,495,327 | - |
| Automobiles including trucks | 50,000 | 8,635 |
| Computer Software | 6,127,144 | 40,666 |
| Infrastructure | 29,330,192 | 5,049,709 |
| NBFCs & Trading | 12,185,500 | - |
| Aviation | 6,294,225 | - |
| Other Industries | 871,000 | - |
| Banking Sector | 80,678,527 | 25,846,839 |
| Retail Loans | 7,628 | - |
| Residual exposures | 4,583,749 | 779,058 |
| Total | 168,608,023 | 36,091,060 |

| Industry Classification | March 31, 2015 (Rs. In 000's) | |
|--------------------------------|-------------------------------|----------------------------------|
| | Fund Based | Non Fund Based (Non Derivatives) |
| Mining | 680,000 | - |
| Iron and Steel | 354,329 | - |
| Other Metal and Metal products | 2,023,217 | 74,118 |
| All Engineering | 1,157,703 | 542,449 |
| Cotton Textiles | 14,114 | - |
| Tea | 18,702 | 463,125 |
| Food Processing | 22,209 | - |
| Tobacco and Tobacco Products | 90,000 | - |
| Paper and Paper Products | 22,713 | - |
| Rubber and Rubber Products | 3,244,869 | 386,692 |
| Chemicals, Dyes, Paints etc. | 7,656,065 | 1,320,313 |
| Leather and Leather Products | 31,250 | - |
| Gems and Jewellery | 201,250 | - |
| Construction | 6,573,964 | 309,375 |
| Automobiles including trucks | 585,445 | 4,395 |
| Computer Software | 4,566,883 | 292,768 |
| Infrastructure | 29,361,519 | 19,100,667 |
| NBFCs & Trading | 10,931,278 | 6,547 |
| Other Industries | 1,323,103 | 1,551,932 |
| Banking Sector | 63,279,677 | 2,877,578 |
| Retail Loans | 14,180 | - |
| Residual exposures | 4,307,227 | 195,878 |
| Total | 136,459,698 | 27,125,837 |

Exposure to industries in excess of 5% of the total exposure

| Industry Classification | March 31, 2016 (Rs. In 000's) | |
|------------------------------|-------------------------------|----------------------------------|
| | Fund Based | Non Fund Based (Non Derivatives) |
| Banking Sector | 80,678,527 | 25,846,839 |
| Infrastructure | 29,330,192 | 5,049,709 |
| NBFCs & Trading | 12,185,500 | - |
| Chemicals, Dyes, Paints etc. | 10,908,400 | 1,563,424 |

| Industry Classification | March 31, 2015 (Rs. In 000's) | |
|------------------------------|-------------------------------|----------------------------------|
| | Fund Based | Non Fund Based (Non Derivatives) |
| Banking Sector | 63,279,677 | 2,877,578 |
| Infrastructure | 29,361,519 | 19,100,667 |
| NBFCs & Trading | 10,931,278 | 6,547 |
| Chemicals, Dyes, Paints etc. | 7,656,065 | 1,320,313 |

Residual contractual maturity breakdown of assets as at March 31, 2016

(Rs. In 000's)

| Maturity buckets | Cash and Balances with Reserve Bank of India | Balances with Banks and Money at Call and Short Notice | Investments | Advances | Fixed Assets | Other Assets | Total |
|---------------------|--|--|-------------------|--------------------|----------------|-------------------|--------------------|
| 1 day | 1,095,063 | 1,460,830 | 24,728,063 | 114,387 | - | 1,324,830 | 28,723,173 |
| 2 to 7 days | - | 1,125,251 | 44,718,727 | 2,248,972 | - | 29,307 | 48,122,257 |
| 8 to 14 days | - | - | 13,777,465 | 7,570,329 | - | 2,676 | 21,350,470 |
| 15 to 30 days | 1,016,630 | 107,000 | 2,859,002 | 14,729,421 | - | 1,732 | 18,713,786 |
| 31 days to 3 months | 1,190,454 | - | 3,347,835 | 13,524,490 | - | 3,583,534 | 21,646,312 |
| 3 to 6 months | 441,367 | - | 1,241,228 | 47,569,457 | - | - | 49,252,052 |
| 6 to 12 months | 510,009 | - | 1,434,264 | 59,015,056 | - | 22,203 | 60,981,532 |
| 1 to 3 years | 220,154 | 123 | 619,125 | 13,679,241 | - | 2,593,678 | 17,112,321 |
| 3 to 5 years | 161,027 | - | 452,845 | 3,736,007 | - | 437,297 | 4,787,176 |
| Over 5 years | 131,260 | - | 538,498 | 4,571,234 | 333,115 | 49,059,113 | 54,633,220 |
| Total | 4,765,964 | 2,693,204 | 93,717,052 | 166,758,594 | 333,115 | 57,054,370 | 325,322,299 |

Movement of NPAs and provision for NPA (loans and advances portfolio)

(Rs. In 000's)

| Particulars | March 31, 2016 | March 31, 2015 |
|---|------------------|------------------|
| Amount of NPAs (Gross) | 1,855,148 | 3,110,591 |
| - Substandard | - | 34,847 |
| -Doubtful | 1,808,955 | 3,074,185 |
| - Doubtful 1 | 7,625 | 1,281,568 |
| - Doubtful 2 | 1,763,853 | 1,792,617 |
| - Doubtful 3 | 37,477 | - |
| - Loss | 46,193 | 1,559 |
| Net NPAs | 5,719 | 31,574 |
| NPA Ratios | | |
| - Gross NPAs to gross advances | 1.10% | 2.28% |
| -Net NPAs to Net advances | 0.00% | 0.02% |
| Movement of NPAs (Gross) | | |
| -Opening balance | 3,110,591 | 4,638,547 |
| -Additions | 34,788 | 91,639 |
| -Reductions | (1,290,232) | (1,619,595) |
| -Closing balance | 1,855,148 | 3,110,591 |
| Movement of provision for NPAs | | |
| -Opening balance | 3,079,017 | 3,751,328 |
| -Provision made during the year | 58,116 | 886,047 |
| -Write-offs / write back of excess provisions | (1,287,704) | (1,558,358) |
| -Closing balance | 1,849,429 | 3,079,017 |

Movement in provision as of March 31, 2016

(Rs. In 000's)

| | General Provision* | Specific Provision |
|---|--------------------|--------------------|
| -Opening balance | 1,368,713 | 3,079,017 |
| -Provision made during the period | 43,048 | 58,116 |
| -Write-offs / write back of excess provisions | - | (1,287,704) |
| -Closing balance | 1,411,761 | 1,849,429 |

*Movement in General Provision is only on account of provision on unhedged foreign currency exposure.

Details of write-offs and recoveries as of March 31, 2016

(Rs. In 000's)

| | |
|---|--------------|
| Write-off that have been booked directly to the income statement | NIL |
| Recoveries that have been booked directly to the income statement | 7,892 |

Major Industry-wise NPAs, provisions and write-off as of March 31, 2016

| Industry Classification | (Rs. In 000's) | | |
|--------------------------------|------------------|------------------|------------------|
| | NPA | Provisions | Write-off |
| Chemicals Dyes & Paints | 604,495 | 604,495 | - |
| Infrastructure | 390,970 | 390,970 | 368,335 |
| Computer Software | 197,612 | 197,612 | 332,023 |
| Rubber & Rubber Products | 116,969 | 116,969 | - |
| NBFC & Trading | 37,477 | 37,477 | 432,805 |
| Retail Sector | 7,625 | 1,906 | - |
| Paper & Paper Products | - | - | 22,713 |
| Other Metal and Metal products | - | - | 47,616 |
| Other Industries | 500,000 | 500,000 | - |
| TOTAL | 1,855,148 | 1,849,429 | 1,203,492 |

NPIs and movement of provision for depreciation on investments

| | (Rs. In 000's) | |
|---|----------------|----------------|
| | March 31, 2016 | March 31, 2015 |
| Amount of non-performing investments | - | - |
| Amount of provision held for non – performing investments | - | - |
| Movement of provisions for depreciation on investments | | |
| -Opening balance | 34,026 | 95,924 |
| -Provision made from during the year | - | - |
| -Write –offs | - | - |
| -Write back of excess provisions | (34,026) | (61,898) |
| -Closing balance | - | 34,026 |

5. CREDIT RISK: Disclosure of portfolio subject to standardised approach (Table DF-4)

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, Fitch and Brickworks and published in the public domain to assign risk-weights in terms of RBI guidelines. In respect of claims on non-resident corporate and foreign bank, ratings assigned by international rating agencies i.e. S&P, Moody's and Fitch are used for assigning the risk weights.

- With respect to short term exposures, short term ratings are assigned wherever available for the facilities extended by the Bank.
- In case, ratings are not available for the facilities extended, ratings as applicable for the other facilities of the counterparty are assigned. The applicable risk weight would be one notch higher. However, mingling of fund based and non-fund based facilities is not permitted.
- Similarly for derivative trades with original maturity equal to or less than one year, and where issue-specific short term rating is not available, the applicable risk weight would be one notch higher as would be applicable for issue-specific short term rated facility.

- In case of long term exposures, ratings of the facilities, if available is assigned, else the rating of other facilities of the same counterparty is applied. Further, if facilities ratings are not available, then counterparty rating is applied.
- Cash Credit / Overdraft/ Short Term Loan exposures shall be considered as long term exposures and treatment applicable to long term exposures shall be applied. Since short term loans typically get rolled over on a conservative basis the same would be assigned long term ratings even though their original maturity is less than one year.
- The claims on banks incorporated in India and foreign bank branches in India is risk weighted based on the Common Equity Tier 1 capital of that bank, as per the RBI guidelines. In respect of claims on non-resident corporate and foreign bank, ratings assigned by international rating agencies i.e. S&P, Moody's and Fitch are used for assigning the risk weights.

Details of credit risk exposure based on risk- weight

(Rs. In 000's)

| Description | March 31, 2016 | March 31, 2015 |
|--|--------------------|--------------------|
| Outstanding net loans and advances (rated and unrated) : | 166,758,594 | 133,376,269 |
| -Below 100% risk weight | 105,540,162 | 88,850,997 |
| -100% risk weight | 56,897,028 | 40,102,240 |
| -More than 100% risk weight | 4,321,405 | 4,423,032 |
| -Deductions | NIL | NIL |
| * The above comprises of Net loans and advances as reported to RBI in regulatory filings | | |

6. CREDIT RISK MITIGATION: Disclosure for standardised approach (Table DF-5)

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.

The RBI guidelines on Basel III 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

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.

Details of gross credit risk exposure

| Particulars | (Rs In 000's) | |
|--|----------------|----------------|
| | March 31, 2016 | March 31, 2015 |
| Total exposure covered by eligible financial collateral | - | - |
| Total exposure covered by guarantees #/ credit derivatives | 7,078,412 | 559,240 |

Issued by Bank/ Government.

The above gross credit exposures are secured by bank guarantees.

The Bank has entered into the Credit Support Annex (CSA) agreements with some of the major counterparties. The Bank has received INR 8,300 (000's) (Previous year INR 1,835,500 (000's)) and placed INR 136,000 (000's) (Previous year INR 625,570 (000's)) as deposits under Credit Support Arrangement (CSA).

7. SECURITISATION EXPOSURES : Disclosure for standardised approach (Table DF-6)

The Bank does not have any securitization exposure.

8. MARKET RISK IN TRADING BOOK (Table DF-7)

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.

Market risk management objective and policies:

Barclays market risk objectives are to:

- Understand and control market risk by robust measurement, limit setting, reporting and oversight
- Facilitate business growth within a controlled and transparent risk management framework
- Ensure that traded market risk in the businesses resides primarily in the trading book; and

Barclays Bank manages the market risk of underlying positions as part of its day-to-day trading operations within the VaR and position limits set by Risk. The limit structure is guided by the market risk policies and governance framework.

Positions across the trading books are reported to the top management including business heads, finance head, compliance head and market risk. On periodic basis, market risk exposure is presented to Executive Committee, which include members from senior management of the Bank, to assist them in their respective oversight roles.

Market Risk monitoring

The market risk is monitored through a granular risk limit structure using above risk indicators and reported to the relevant stakeholders on daily basis.

Reporting and measurement

Barclays uses VaR based (DvaR) and non-VaR Based (IR01, CS01, FX Delta) risk measurements to monitor the market risk. These measurements are further complemented by stress testing and scenario analysis. Details of the same are as following:

- **Market risk on interest rate products:** The bank calculates its interest rate risk on its trading portfolio using the duration method. It also calculates CS01 (risk measurement for 1 bps change in credit spread) on the corporate bonds portfolio.
- **Foreign Exchange (Forex) Risk:** The Forex Risk is monitored through linear measures (Delta) and higher order Greek limits along with other regulatory limits (NOP, AGL) on daily basis.
- **Equities Risk:** The bank doesn't trade into equity products.

Risk Aggregation Techniques

- **DvaR:** The aggregated risk is monitored through daily management Var, which is an estimate of the potential loss arising from unfavorable market movements, if the current positions were to be held unchanged for one business day. The bank uses the historical simulation methodology with a two-year equally weighted historical period, at the 95% confidence level. DvaR model is regularly assessed and reviewed using back-testing which counts the number of days when trading losses exceed the corresponding DvaR estimate and subject to independent model validation at least annually.
- **Stress Test:** On periodic basis, the bank performs stress testing which provides an estimate of potential significant future losses that might arise from extreme market moves. Stress tests apply stress moves to key liquid risk factors for each of the major trading asset classes including interest rate, credit, commodity, equity and foreign exchange.

Market Risk in Trading Book

(Rs. In 000's)

| Capital required | March 31, 2016 | March 31, 2015 |
|-------------------------|----------------|----------------|
| - Interest rate risk | 4,103,598 | 4,967,900 |
| - Equity position risk | 30,485 | 34,296 |
| - Foreign exchange risk | 800,000 | 900,000 |

9. OPERATIONAL RISK (Table DF-8)

Operational risk is the risk of direct or indirect losses resulting from human factors, external events, and inadequate or failed internal processes and systems or external events.

Operational risks are inherent in the Bank's business activities and are typical of any large enterprise. It is not cost effective to attempt to eliminate all operational risks and in any event it would not be possible to do so. Losses from operational risks of small significance are expected to occur and are accepted as part of the normal course of business. Those of material significance are rare and the Bank seeks to reduce the likelihood of these in accordance with its risk appetite.

Operational risk management objective and policies:

The management of operational risk has two key objectives:

- To minimize the impact of losses suffered in the normal course of business (expected losses) and to avoid or reduce the likelihood of suffering an extreme (or unexpected) loss; and
- To improve the effective management of the Barclays Group and strengthen its brand and external reputation.

Barclays is committed to the management and measurement of operational risk. In particular, it has implemented improved management and measurement approaches for operational risk to strengthen control, improve customer service and minimize operating losses.

Organization and Structure

Operational risk is one of six principal risks in the Barclays Principal Risks Policy and comprises a number of specific key risks defined as follows:

- Cyber security: Risk of loss or detriment to Barclays business and customers as a result of actions committed or facilitated through the use of networked information systems;
- External supplier: Inadequate selection and ongoing management of external suppliers;
- Financial reporting: Reporting mis-statement or omission within external financial or regulatory reporting;
- Fraud: Dishonest behaviour with the intent to make a gain or cause a loss to others;
- Information: Inadequate protection of Barclays information in accordance with its value and sensitivity;
- Legal: Failure to identify and manage legal risks;
- Payment process: Failure in operation of payments processes;
- People: Inadequate people capabilities, and/or performance/reward structures, and/or inappropriate behaviours;
- Premises & security: Unavailability of premises (to meet business demand) and/or safe working environments, and inadequate protection of physical assets, employees and customers against external threats;
- Taxation: Failure to comply with tax laws and practice which could lead to financial penalties, additional tax charges or reputational damage;
- Technology: Failure to develop and deploy secure, stable and reliable technology solutions; and
- Transaction operations: Failure in the management of critical transaction processes.

These risks may result in financial and/or non-financial impacts including legal/regulatory breaches or reputational damage.

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. Operational risk managers are widely distributed throughout the Bank and support these areas, assisting line managers in understanding and managing their risks.

The Risk Committee is the senior executive body responsible for the oversight and challenge of operational risk in Barclays.

Businesses are required to report their operational risks on both a regular and an event-driven basis. The reports include a profile of the material risks to their business objectives and the effectiveness of key controls, control issues of Group-level significance, operational risk events and a review of scenarios and capital.

Operational risk management framework

The Barclays Operational risk framework has been designed to meet a number of external governance requirements including Basel. The Operational risk framework includes the following elements:

- **Risk Appetite**
Barclays approach to determining appetite for Operational risk combines both quantitative measures and qualitative judgment, in order to best reflect the nature of non-financial risks. The monitoring and tracking of Operational risk measures is supplemented with qualitative review and discussion at senior management executive committees on the action being taken to improve controls and reduce risk to an acceptable level. Operational risk appetite is aligned to the Bank's Risk Appetite Framework.
- **Risk Assessments**
Barclays identifies and assesses all material risks within each business and evaluates the key controls in place to mitigate those risks. Managers in the businesses use self-assessment techniques to identify risks, evaluate the effectiveness of key controls in place and assess whether the risks are effectively managed within business risk appetite. The businesses are then able to make decisions on what, if any, action is required to reduce the level of risk to Barclays. These risk assessments are monitored on a regular basis to ensure that each business continually understands the risks it faces.
- **Risk Events**
An operational risk event is any circumstance where through the lack or failure of a control, Barclays has actually or could have made a loss. The definition includes situations in which Barclays could have made a loss but in fact made a gain, as well as incidents resulting in reputational damage or regulatory impact only. As part of our analysis we seek to identify where improvements are needed to processes or controls, to reduce the recurrence and/or magnitude of risk events.
- **Key Indicators**
Key Indicators (KIs) are metrics which allow Barclays to monitor its operational risk profile. KIs include measurable thresholds that reflect the risk appetite of the business. KIs are monitored to alert management when risk levels exceed acceptable ranges or risk appetite levels and drive timely decision making and actions.
- **Insurance**
As part of its risk management approach, Barclays also uses insurance to mitigate the impact of some operational risks.
- **Reporting and capital assessment**
The ongoing monitoring and reporting of Operational risk is a key component of an effective Operational risk Framework. Reports are used by the Operational risk function and by business management to understand, monitor, manage and control operational risks and losses.
As per the RBI guidelines, Bank has followed the Basic Indicator Approach prescribed under Pillar 3 of Basel III framework for the year ending March 31, 2016.

10. INTEREST RATE RISK IN THE BANKING BOOK (IRRBB) (Table DF-9)

Interest rate risk in the banking book (IRRBB) refers to the potential adverse financial impact on the Bank's banking book from changes in interest rates.

The banking book, prone to interest rate risk, predominantly comprises of the commercial loans, commercial and retail deposits, in addition to the non-maturity transactions such as current and saving account balances, and other assets and liabilities.

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.

Risk assessment technique:

- The assessment should take into account both the earnings perspective (Traditional Gap Analysis) and economic value perspective (Duration Gap Analysis) of interest rate risk.
- The impact on the market value of equity should be calculated by applying an interest rate shock defined on time to time basis.
- Interest rate risk shall be measured with respect to Earnings & economic value perspective

Methods for measurement of the IRRBB:

- The Bank measures the level of its exposures of the present value of all assets and liabilities in the banking book 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 Bank measures Earning at Risk (EaR) to assess the sensitivity of its net interest income to parallel movement in interest rates over the one year horizon.
- The Bank performs gap analysis with the assumed change in yield over one year

Economic value perspective

The Bank uses Duration gap analysis (DGA), as prescribed by RBI in its circular on interest rate risk, methodology to measure the interest rate risk on the banking book. Duration gap approach measures the impact of interest rate shocks on bank's economic value of capital from long term perspective. The bank measures, monitors and reports the DGaP to the local regulator as part of the monthly return.

Change in market value of equity (MVE) with 1 bps change in yield (value in absolute terms)

(Rs. In 000's)

| Currency | March 31, 2016 | March 31, 2015 |
|---------------------------|----------------|----------------|
| Rupees and other currency | 4,404 | 6,949 |
| US Dollar | 671 | 949 |

Earnings perspective

Earnings Perspective measures the sensitivity of net interest income to changes in interest rate over the next 12 months. It involves bucketing of rate sensitive assets, liabilities and off-balance sheet items as per residual maturity/ repricing date in various time bands and computing change of income under 200 basis points upward and downward rate shocks over a one year horizon.

11. COUNTERPARTY CREDIT RISK: General disclosure for Exposure Related to Counterparty Credit Risk (Table DF-10)

Barclays participates in derivative transactions, and is therefore exposed to counterparty credit risk (or 'counterparty risk') Counterparty credit exposure arises from the risk that parties are unable to meet their payment obligations under certain financial contracts such as derivatives or securities financing transactions. Credit limits for CCR are assessed and allocated using the PFE measure. A number of factors are taken into account when settling credit limits for individual counterparties, including but not limited to the credit quality and nature of the counterparty the rationale for the trading activity entered into and any wrong-way risk considerations. The expected exposures generated through internal systems are also used as an input into both internal and regulatory calculations covering CCR. The counterparty risk arising under derivative transactions is taken into account when reporting the fair value of derivative positions. The adjustment to the value is known as Credit Value Adjustment (CVA). It is the difference between the value of a derivative contract with a risk free counterparty and that of a contract with the actual counterparty.

Also, the Bank has entered into the Credit Support Annex (CSA) agreements with some of the counterparties. CSA defines the terms or rules under which collateral is posted or transferred between derivative counterparties to mitigate the credit risk arising from the derivative contracts.

Further, the Bank participates in the guaranteed settled mechanism with the central clearing counterparty (offered by CCIL), which attracts risk weights which are comparatively lower than other counterparties

The derivative exposure is calculated using Current Exposure Method (CEM). The balance outstanding as on March 31, 2016 is given below.

| <u>Description</u> | (Rs. In 000's) | |
|--|----------------|----------------|
| | March 31, 2016 | March 31, 2015 |
| Gross positive fair value of contracts | 44,061,161 | 55,056,627 |
| Netting benefits | - | - |
| Netted current credit exposure | 44,061,161 | 55,056,627 |
| Collateral held (including type, e.g. cash, government securities, etc.) | 8,300 | 1,835,500 |
| Net derivative credit exposure | 44,052,861 | 53,221,127 |
| Measures for exposure at default | | |
| Exposure amount, under CEM | 156,959,800 | 179,779,884 |
| Notional value of credit derivative hedges | - | - |
| Distribution of current credit exposure by types of credit exposure | | |
| - Current credit exposure - Interest rate | 33,348,187 | 35,307,785 |
| - Current credit exposure – Currency Derivatives | 123,611,613 | 144,472,099 |
| Credit derivative transactions that create exposures to CCR (notional value) | - | - |
| of which :- | | |
| - use for the institution's own credit portfolio | - | - |
| - intermediation activities, including the distribution of the credit derivatives products | - | - |
| a) Protection bought | - | - |
| b) Protection sold | - | - |

12. FUNDING RISK

The ability of the Bank to achieve its business plans may be adversely impacted if it does not effectively manage its capital (including leverage) and liquidity ratios.

Funding Risk is the risk due to which the Group is unable to achieve its business plans, this includes:

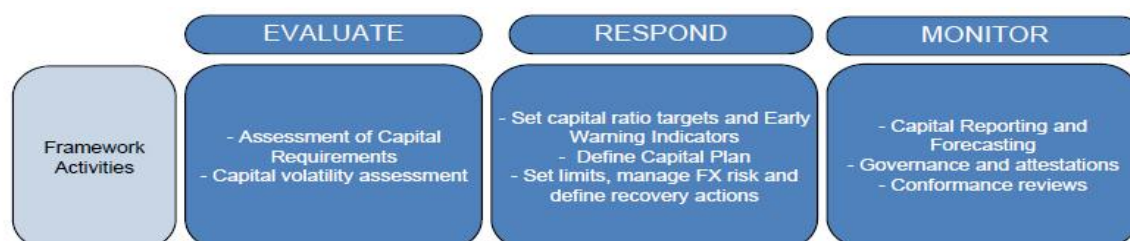
- **Capital Risk**
- **Liquidity Risk**

12.1 Capital Risk

Capital risk is the risk that the Group has insufficient capital resources:

- Meet minimum regulatory requirements in jurisdictions; The Bank's authority to operate as a bank is dependent on the maintenance of adequate capital resources at each level where prudential capital requirements are applied
- Supports its growth and strategic options;
- Support its credit ratings. A weaker credit rating would increase the Bank's cost of funds

The Capital Risk Management approach can be summarized as follows:



- Evaluate the capital requirements from different stakeholders (regulators, external and internal stakeholders) and potential sources of capital volatility
- Respond to the results of this evaluation through a range of actions, including setting appropriate capital ratio targets, Early Warning Indicators, establishing a capital plan to meet the targets and setting business limits
- Monitor the progress of Capital risk towards the objectives on an ongoing basis through forecasting and reporting, attestations and conformance reviews. This then feeds back into Evaluate and Respond

The requirements should be assessed through the lens of 3 key groups, i.e. regulators, external and internal stakeholders on a forward looking basis and take the following into account:

Regulators:

- Current and known future regulatory capital requirements, guidance and/or expectations
- Regulatory capital buffer requirements (e.g. capital conservation buffers)
- Regulatory capital distribution restrictions
- Regulatory requirements for capital remediation plans

External stakeholders:

- Rating agency expectations
- Shareholders expectations

- Market expectations
- Results from peer analysis

Internal Requirements:

- Business plans and business growth, including material divestments and acquisitions/divestments
- Capital and leverage ratio volatility such as those arising from FX movements
- Economic Capital requirements
- The impact of stress informed by internal stress tests
- Target credit ratings

Capital Planning

Capital forecasts are managed on a top-down and bottom-up analysis through both short term and medium term financial planning cycles. The Group capital plan is developed with the objective of maintaining capital that is adequate in quantity and quality to support our risk profile and business needs. The Capital Plan ensures that Barclays continues to meet its capital ratio targets. The Capital plan must take into account the Bank's strategic and performance objectives and the interest of its key stakeholders.

Local management ensures compliance with an entity's minimum regulatory capital requirements by reporting to India Executive Committee (ExCo) with oversight by the Treasury, as required.

Economic Capital

Economic capital is an internal measure of the risk profile of the bank expressed as the estimated stress loss at a given confidence level. Barclays assesses capital requirements by measuring the Group's risk profile using both internally and externally developed models. The Group assigns economic capital primarily within the following risk categories: credit risk, market risk, operational risk, fixed asset risk (property and equipment) and pension risk.

Capital risk management framework

The Bank's capital management framework includes a comprehensive internal capital adequacy assessment process (ICAAP) and recommendation of the minimum level of capital which needs to be held conducted annually. The ICAAP assesses the capital adequacy of Barclays Bank PLC India given the current financial projections, the material risks to which it is exposed to and the strategy that the Bank employs for managing its risk profile and takes into account all relevant regulations. The capital assessment in the ICAAP uses the assessments based on the Group's Economic Capital (EC) modeling and stress testing as well as regulatory requirements which are combined to give an overall assessment of the Bank's capital adequacy.

12.2 Liquidity Risk

Liquidity risk is the risk that the bank, although solvent, either does not have sufficient financial resources available to enable it to meet its obligations as they fall due, or can secure such resources only at excessive cost. This also results in the bank's inability to meet regulatory liquidity requirements. This risk is inherent in all financial operations and can be affected by a range of Group-specific and market-wide events.

Liquidity risk management framework

The Key Risk Control Framework requires that a liquidity policy is established which defines the requirements for short/medium/long-term management via an established process for assessing risk and defining minimum requirements for managing the liquidity risk. The bank has established the Liquidity Risk Appetite (LRA) as the level

of liquidity the group chooses to take in pursuit of its business objectives and in meeting its regulatory obligations. The LRA is defined as an ability to remain liquid under a defined period of stress for each of the approved stressed scenarios against which it is assessed.

The firm's ability to meet its obligations and fund itself under a stress is critical and a buffer of liquid assets should be maintained in order to meet outflows as defined under both the Liquidity Coverage Ratio (LCR) and the LRA stress scenarios. The bank has implemented the LCR in accordance with the requirements set out by the Reserve Bank of India (RBI) to measure the level stock of High Quality Liquid Assets (HQLA) held against outflows in a prescribed stress scenario lasting for a period of 30 days.

The liquidity framework also provides for other management actions including the generation of liquidity from other assets and steps to preserve the pool of liquidity in the event of a stress. This is managed in conjunction with various standards which outline the limits structure, stress testing guidelines, contingency funding plans as well as early warning indicators.

13. CONDUCT AND REPUTATIONAL RISK

Conduct Risk

Conduct risk is the risk that detriment is caused to customers, clients, counterparties or the Bank because of inappropriate judgment in the execution of the Bank's business activities.

The Bank defines, manages and mitigates conduct risk with the goal of providing good customer outcomes and protecting market integrity.

Barclays has defined seven Key Risks that are the main sub-risk types to Conduct Risk:

- our products or services do not meet customers' needs or have the potential to cause customer detriment
- the way we design and undertake transaction services has the potential to cause customer detriment
- the way we design or undertake customer servicing has the potential to cause customer detriment
- our strategy or business model has the potential to cause customer detriment
- our governance arrangements or culture has the potential to cause customer detriment
- we fail to obtain and maintain relevant regulatory authorisations, permissions and licence requirements
- damage to Barclays reputation is caused during the conduct of our business

Conduct risk management framework

The Conduct Risk Principal Risk Framework (PRF) comprises a number of elements that allows the Bank to manage and measure its conduct risk profile.

- Vertically, through an organisational structure that requires all businesses to implement and operate their own conduct risk framework that meets the requirements detailed within the Enterprise Risk Management Framework ;and
- Horizontally, with Key Risk Officers (KROs) required to monitor information relevant to their Key Risk from each element of the Conduct Risk PRF.

Reporting

Accountable executives must produce a quarterly Conduct Risk Report which documents their businesses' approach to understand, monitor, manage and control conduct risk.

Reputational Risk

Reputation risk is the risk of damage to the Barclays brand arising from association, action or inaction which is perceived by stakeholders to be inappropriate or unethical. Given its significance, Barclays has designated reputation risk as a principal risk within conduct risk

Reputation risk may arise in many different ways, like:

- failure to act in good faith and in accordance with the Group's values and code of conduct
- failure (real or perceived) to comply with the law or regulation, or association (real or implied) with illegal activity
- failures in corporate governance, management or technical systems
- failure to comply with internal standards and policies
- association with controversial sectors or clients
- association with controversial transactions, projects, countries or governments
- association with controversial business decisions, including but not restricted to, decisions relating to: products (in particular new products), delivery channels, promotions/advertising, acquisitions, branch representation, sourcing/supply chain relationships, staff locations, treatment of financial transactions
- association with poor employment practices.

In each case, the risk may arise from failure to comply with either stated norms, which are likely to change over time, so an assessment of reputation risk cannot be static.

As a part of reputational risk management, the Bank also reviews and monitors the effectiveness of its Citizenship (CSR) strategy, including the management of Barclays' economic, social and environmental contribution.

Reputational risk management framework

The Framework is designed explicitly in the light of that subjectivity and, together with supporting tools, policies and procedures, provides an holistic view of how Barclays manages Reputation Risk. This Framework supports, and should be applied in the context of, The Barclays Way code of conduct which articulates the purpose, values and behaviours to which all employees must adhere and which are relevant to all our business processes, practices and decisions. The Framework also complements other Barclays risk frameworks as Reputation Risk may arise as a result of issues and incidents relevant to other Principal and Key Risks, in particular other non-financial risks e.g.: Conduct or Operational Risk.

The Evaluate, Respond and Monitor (E-R-M) process is used to enable Barclays to identify and assess potential risks and issues, determine the appropriate risk response, monitor the risk profile, and ensure the effectiveness of the risk response. Reputation Risk, like other Barclays risks, uses a three lines of defence model which differentiates between those who own and take risk and implement controls (first line); those who oversee and challenge the first line and provide risk management controls, support and associated activity (second line); and those that provide independent assurance that the E-R-M process is fit for purpose and is being carried out as intended (third line).

The table below outlines how the E-R-M process applies to the first and second lines of defence.

| E-R-M | | 1st Line of Defence must | 2nd Line of Defence must* |
|-----------------|-------------------------------------|--|--|
| Evaluate | Identify and Assess | <ul style="list-style-type: none"> Identify and assess Reputation Risks and issues Establish business/function Reputation Risk profile, identifying key reputation risks and controls | <ul style="list-style-type: none"> Define Reputation Risk identification and assessment requirements Check and challenge the effectiveness and veracity of business/function Reputation Risk identification/assessment |
| Respond | Mandate and Control | <ul style="list-style-type: none"> Implement the requirements of this Framework and related policies Mitigate the likelihood of Reputation Risks occurring Review Reputation Risks and issues outside of risk appetite and escalate to the relevant business Reputation/ Governance Risk and Control Committee in the first instance Escalate Reputation Risks and issues that cannot be resolved at business level to the Conduct and Reputation Risk Committee via the Group Reputation Risk Management team | <ul style="list-style-type: none"> Ensure the requirements of this Framework, including risk appetite and related policies, are effectively implemented Review Reputation Risks and issues escalated and refer to the Conduct and Reputation Risk Committee as appropriate |
| Monitor | Report and Manage/ Challenge | <ul style="list-style-type: none"> Analyse and report Reputation Risks and issues e.g.: via quarterly Reputation Risk reporting Understand and react to changes in the internal and external environment (including emerging risks) that are relevant to the management of Reputation Risk in businesses/functions Ensure the timely and fulsome completion of management actions associated with Reputation Risks and issues Undertake conformance testing of the E-R-M process for Reputation Risk. | <ul style="list-style-type: none"> Provide independent review and commentary of/on Management Information reported Prepare aggregated KRI reports for the Conduct and Reputation Risk Committee and Board Reputation Committee. Undertake reviews of the conformance testing undertaken in the first line of defence Implement an effective process for 1st line of defence to attest to implementation of this Framework. |

14. COMPOSITION OF CAPITAL (Table DF-11)

Composition of capital (Barclays Bank PLC, India branch)

| | | (Rs. in million) | |
|--|---|---|---------|
| Particulars | | Amounts Subject to Pre-Basel III Treatment | Ref No. |
| Common Equity Tier 1 capital : instruments and reserves | | | |
| 1 | Directly issued qualifying common share capital plus related stock surplus (share premium) | 52,495.22 | |
| 2 | Retained earnings | 6,078.80 | |
| 3 | Accumulated other comprehensive income (and other reserves) * | 0.00 | |
| 4 | Directly issue capital Subject to phase out from CET1(only applicable to non-joint stock companies1) | - | |
| 5 | Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1) | - | |
| 6 | Common Equity Tier 1 capital before regulatory adjustments | 58,574.02 | |
| Common Equity Tier 1 capital : regulatory adjustments | | | |
| 7 | Prudential valuation adjustments | - | |
| 8 | Goodwill (net of related tax liability) | - | |
| 9 | Intangibles (net of related tax liability) | - | |
| 10 | Deferred tax assets | 4,293.24 | |
| 11 | Cash-flow hedge reserve | - | |
| 12 | Shortfall of provisions to expected losses | - | |
| 13 | Securitisation gain on sale | - | |
| 14 | Gains and losses due to changes in own credit risk on fair valued liabilities | - | |
| 15 | Defined-benefit pension fund net assets | - | |
| 16 | Investments in own shares (if not already netted off paid-in capital on reported balance sheet) | - | |
| 17 | Reciprocal cross-holdings in common equity | - | |
| 18 | Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) | - | |
| 19 | Significant investments in common stock of banking, financial and insurance entities that are outside the scope of regulatory consideration, net of eligible short positions (amount above 10% threshold3) | - | |
| 20 | Mortgage servicing rights4 (amount above 10% threshold) | - | |
| 21 | Deferred tax assets arising from temporary differences | - | |
| | (amount above 10% threshold, net of related tax liability) | - | |
| 22 | Amount exceeding the 15% threshold | - | |
| 23 | of which: significant investments in the common stock of financial entities | - | |

| (Rs. in million) | | | |
|---|---|--|---------|
| Particulars | | Amounts Subject to Pre-Basel III Treatment | Ref No. |
| 24 | of which: mortgage servicing rights | - | |
| 25 | of which: deferred tax assets arising from temporary differences | - | |
| 26 | National specific regulatory adjustments (26a+26b+26c+26d) | - | |
| a | of which : Investments in the equity capital of the unconsolidated insurance subsidiaries | - | |
| b | of which : Investments in the equity capital of unconsolidated non-financial subsidiaries ⁸ | - | |
| c | of which : Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank | - | |
| d | of which : Unamortised pension funds expenditures | - | |
| | Regulatory Adjustments Applied to Common Equity Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment | 143.87 | |
| | of which : [INSERT TYPE OF ADJUSTMENT] For example : filtering out of unrealised losses on AFS debt securities (not relevant in Indian context) | - | |
| | of which : [INSERT TYPE OF ADJUSTMENT] | - | |
| | of which : [INSERT TYPE OF ADJUSTMENT] | - | |
| 27 | Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions | - | |
| 28 | Total regulatory adjustments to Common equity Tier 1 | 4,437.11 | |
| 29 | Common Equity Tier 1 capital (CET1) | 54,136.92 | |
| Additional Tier 1 capital : instruments | | | |
| 30 | Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (31+32) | - | |
| 31 | of which : classified as equity under applicable accounting standards (Perpetual Non-Cumulative Preference Shares) | - | |
| 32 | of which : classified as liabilities under applicable accounting standards (Perpetual debt Instruments) | - | |
| 33 | Directly issued capital instruments subject to phase out from Additional Tier 1 | - | |
| 34 | Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1) | - | |
| 35 | of which: instruments issued by subsidiaries subject to phase out | - | |
| 36 | Additional Tier 1 capital before regulatory adjustments | - | |
| Additional Tier 1 capital : regulatory adjustments | | | |

| | | | (Rs. in million) | | |
|--|--|--|------------------|--|--|
| Particulars | | Amounts Subject to Pre-Basel III Treatment | Ref No. | | |
| 37 | Investments in own Additional Tier 1 instruments | - | | | |
| 38 | Reciprocal cross-holdings in Additional Tier 1 instruments | - | | | |
| 39 | Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold) | - | | | |
| 40 | Significant investments in the capital of banking, financial and insurance entities | - | | | |
| | that are outside the scope of regulatory consolidation(net of eligible short position)10 | - | | | |
| 41 | National specific regulatory adjustments (41a+41b) | | | | |
| a | Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries | - | | | |
| b | Shortfall in the Additional Tier 1 capital of majority owned financial entities which have not been consolidated with the bank | - | | | |
| | Regulatory Adjustments Applied to Additional Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment | - | | | |
| | of which : [INSERT TYPE OF ADJUSTMENT e.g. DTAs] | - | | | |
| | of which : [INSERT TYPE OF ADJUSTMENT e.g. existing adjustments which are deducted from Tier 1 at 50%] | - | | | |
| | of which : [INSERT TYPE OF ADJUSTMENT] | - | | | |
| 42 | Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions | - | | | |
| 43 | Total regulatory adjustments to Additional Tier 1 capital | - | | | |
| 44 | Additional Tier 1 capital (AT1) | - | | | |
| a | Additional Tier 1 capital reckoned for capital adequacy11 | - | | | |
| 45 | Tier 1 capital (T1 = CET1 + AT1) (29 + 44a) | 54,136.92 | | | |
| Tier 2 capital : instruments and provisions | | | | | |
| 46 | Directly issued qualifying Tier 2 instruments plus related stock surplus | - | | | |
| 47 | Directly issued capital instruments subject to phase out from Tier 2 | - | | | |
| 48 | Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2) | - | | | |
| 49 | of which: instruments issued by subsidiaries subject to phase out | - | | | |
| 50 | Provisions | 1,693.35 | | | |
| 51 | Tier 2 capital before regulatory adjustments | 1,693.35 | | | |
| Tier 2 capital : regulatory adjustments | | | | | |
| 52 | Investments in own Tier 2 instruments | - | | | |
| 53 | Reciprocal cross-holdings in Tier 2 instruments | - | | | |

| | | | (Rs. in million) | | |
|-----------------------|--|--|------------------|--|--|
| Particulars | | Amounts Subject to Pre-Basel III Treatment | Ref No. | | |
| 54 | Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) | - | | | |
| 55 | Significant investments ¹³ in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions) | - | | | |
| 56 | National specific regulatory adjustments (56a+56b) | | | | |
| a | of which : Investments in the Tier 2 capital of unconsolidated subsidiaries | - | | | |
| b | of which : Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the bank | - | | | |
| | Regulatory Adjustments Applied To Tier 2 in respect of Amounts Subject to Pre-Basel III Treatment | - | | | |
| | of which : [INSERT TYPE OF ADJUSTMENT e.g. existing adjustments which are deducted from Tier 2 at 50%] | - | | | |
| | of which : [INSERT TYPE OF ADJUSTMENT] | - | | | |
| 57 | Total regulatory adjustments to Tier 2 capital | | | | |
| 58 | Tier 2 capital (T2) | | | | |
| a | Tier 2 capital reckoned for capital adequacy¹⁴ | 1,693.35 | | | |
| b | Excess Additional Tier 1 capital reckoned as Tier 2 capital | - | | | |
| c | Total Tier 2 capital admissible for capital adequacy (58a + 58b) | 1,693.35 | | | |
| 59 | Total capital (TC = T1 + T2) (45 + 58c) | 55,830.27 | | | |
| | Risk Weighted Assets in respect of Amounts Subject to Pre-Basel III Treatment | | | | |
| | of which : [INSERT TYPE OF ADJUSTMENT] | - | | | |
| | of which : ... | - | | | |
| | of which : ... | - | | | |
| 60 | Total risk weighted assets (60a + 60b + 60c) | 296,730.68 | | | |
| a | of which: total credit risk weighted assets | 210,835.84 | | | |
| b | of which: total market risk weighted assets | 61,676.04 | | | |
| c | of which: total operational risk weighted assets | 24,218.80 | | | |
| Capital ratios | | | | | |
| 61 | Common Equity Tier 1 (as a percentage of risk weighted assets) | 18.24% | | | |
| 62 | Tier 1 (as a percentage of risk weighted assets) | 18.24% | | | |
| 63 | Total capital (as a percentage of risk weighted assets) | 18.82% | | | |
| 64 | Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets) | - | | | |
| 65 | of which: capital conservation buffer requirement | - | | | |

| | | | (Rs. in million) | | |
|--|--|--|------------------|--|--|
| Particulars | | Amounts Subject to Pre-Base III Treatment | Ref No. | | |
| 66 | of which: bank specific countercyclical buffer requirement | - | | | |
| 67 | of which: G-SIB buffer requirement | - | | | |
| 68 | Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets) | - | | | |
| National minima (if different from Basel III) | | | | | |
| 69 | National Common Equity Tier 1 minimum ratio (if different from Basel III minimum) | - | | | |
| 70 | National Tier 1 minimum ratio (if different from Basel III minimum) | - | | | |
| 71 | National total capital minimum ratio (if different from Basel III minimum) | - | | | |
| Amounts below the thresholds for deduction (before risk weighting) | | | | | |
| 72 | Non-significant investments in the capital of other financial entities | - | | | |
| 73 | Significant investments in the common stock of financial entities | - | | | |
| 74 | Mortgage servicing rights (net of related tax liability) | - | | | |
| 75 | Deferred tax assets arising from temporary differences (net of related tax liability) | - | | | |
| Applicable caps on the inclusion of provisions in Tier 2 | | | | | |
| 76 | Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap) | 1,693.35 | | | |
| 77 | Cap on inclusion of provisions in Tier 2 under standardised approach | 2,635.45 | | | |
| 78 | Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap) | - | | | |
| 79 | Cap for inclusion of provisions in Tier 2 under internal ratings-based approach | - | | | |
| Capital instruments subject to phase-out arrangements (only applicable between March 31, 2017 and March 31, 2022) | | | | | |
| 80 | Current cap on CET1 instruments subject to phase out arrangements | - | | | |
| 81 | Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities) | - | | | |
| 82 | Current cap on AT1 instruments subject to phase out arrangements | - | | | |
| 83 | Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) | - | | | |
| 84 | Current cap on T2 instruments subject to phase out arrangements | - | | | |
| 85 | Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) | - | | | |

* Includes Accumulated losses of Previous years and Current year profits (to the extent of amount meeting the criteria laid down in the Basel III Capital guidelines).

Notes to the composition of capital disclosure

| Row No | Particular | (Rs. in millions) |
|--------|---|-------------------|
| 10 | Deferred tax assets associated with accumulated losses | - |
| | Deferred tax assets (excluding those associated with accumulated losses) net of Deferred tax liability | 4,293.24 |
| | Total as indicated in row 10 | 4,293.24 |
| 19 | If investments in insurance subsidiaries are not deducted fully from capital and instead considered under 10% threshold for deduction, the resultant increase in the capital of bank | - |
| | of which : Increase in Common Equity Tier 1 capital | - |
| | of which : Increase in Additional Tier 1 capital | - |
| | of which : Increase in Tier 2 capital | - |
| 26b | If investments in the equity capital of unconsolidated non-financial subsidiaries are not deducted and hence, risk weighted then : | - |
| | i) Increase in Common Equity Tier 1 capital | - |
| | ii) Increase in risk weighted assets | - |
| 44a | Excess Additional Tier 1 capital not reckoned for capital adequacy (difference between Additional Tier 1 capital as reported in row 44 and admissible Additional Tier 1 capital as reported in 44a) | - |
| | of which : Excess Additional Tier 1 capital which is considered as Tier 2 capital under row 58b | - |
| 50 | Eligible Provisions included in Tier 2 capital | 1,693.35 |
| | Eligible Revaluation Reserves included in Tier 2 capital | - |
| | Total of row 50 | 1,693.35 |
| 58a | Excess Tier 2 capital not reckoned for capital adequacy (difference between Tier 2 capital as reported in row 58 and T2 as reported in 58a) | - |

15. COMPOSITION OF CAPITAL - RECONCILIATION REQUIREMENT (Table DF-12)

Three step approach to Reconciliation Requirements

Step 1 - @ - Balance sheet of Barclays Bank PLC, India branch + Barclays Investments and Loans (India) Limited

| | | | | (Rs. in million) | |
|-------------|----------------------------------|--|-------------------|---|--|
| Description | | Balance sheet as in financial statements | | Balance sheet under regulatory scope of consolidation @ | |
| | | As on reporting date | | As on reporting date | |
| A | Capital & Liabilities | | | | |
| | i | Paid-up Capital | 52,495.22 | 63,398.96 | |
| | | Reserves & Surplus | 8,693.18 | 9,023.88 | |
| | | Minority Interest | - | - | |
| | | Total Capital | 61,188.41 | 72,422.84 | |
| | ii | Deposits | 151,497.30 | 151,497.30 | |
| | | of which : Deposits from banks | 401.33 | 401.33 | |
| | | of which : Customer deposits | 151,095.97 | 151,095.97 | |
| | | of which : Other deposits (pl. specify) | - | - | |
| | iii | Borrowings | 41,021.12 | 48,237.91 | |
| | | of which : From RBI | 6,750.00 | 6,750.00 | |
| | | of which : From banks | 21,795.90 | 21,795.90 | |
| | | of which : From other institutions & agencies | 12,475.21 | 19,692.00 | |
| | | of which : Others (pl. specify) | - | - | |
| | | of which : Capital instruments | - | - | |
| | iv | Other liabilities & provisions # \$ | 71,615.45 | 71,690.87 | |
| | | Total | 325,322.29 | 343,848.93 | |
| B | Assets | | | | |
| | i | Cash and balances with Reserve Bank of India | 4,765.96 | 4,765.96 | |
| | | Balance with banks and money at call and short notice | 2,693.20 | 3,162.12 | |
| | ii | Investments : | 93,717.05 | 94,163.30 | |
| | | of which : Government securities | 55,781.98 | 55,781.98 | |
| | | of which : Other approved securities | - | - | |
| | | of which : Shares | 169.36 | 615.61 | |
| | | of which : Debentures & Bonds | 10,787.90 | 10,787.90 | |
| | | of which : Subsidiaries / Joint Ventures / Associates | - | - | |
| | | of which : Others (Commercial Papers, Mutual Funds etc.) | 26,977.81 | 26,977.81 | |
| | iii | Loans and advances | 166,758.59 | 178,307.53 | |
| | | of which : Loans and advances to banks | - | - | |

| (Rs. in million) | | | |
|------------------|--|--|---|
| | Description | Balance sheet as in financial statements | Balance sheet under regulatory scope of consolidation @ |
| | | As on reporting date | As on reporting date |
| | of which : Loans and advances to customers | 166,758.59 | 178,307.53 |
| iv | Fixed assets | 286.98 | 304.57 |
| v | Other assets # | 57,100.50 | 57,712.09 |
| | of which : Goodwill and intangible assets | 46.14 | 46.14 |
| | of which : Deferred tax assets | 4,293.24 | 4,293.24 |
| vi | Goodwill on consolidation | - | - |
| vii | Debit balance in Profit & Loss account | - | 5,433.35 |
| | Total Assets | 325,322.29 | 343,848.93 |

Includes MTM on derivative trades grossed up at trade level and reported accordingly in Other Assets or Other Liabilities as the case may be.

\$ includes provision for depreciation on investments

Step 2

| (Rs. in million) | | | | |
|------------------|---|--|---|---------|
| | | Balance sheet as in financial statements | Balance sheet under regulatory scope of consolidation | Ref No. |
| | | As on reporting date | As on reporting date | |
| A | Capital & Liabilities | | | |
| i | Paid-up Capital | 52,495.22 | 63,398.96 | A |
| | of which : Amount eligible for CET1 | 52,495.22 | 63,398.96 | |
| | of which : Amount eligible for AT1 | - | - | |
| | Reserves & Surplus | 8,693.18 | 9,023.88 | |
| | Minority Interest | - | - | |
| | Total Capital | 61,188.41 | 72,422.84 | |
| ii | Deposits | 151,497.30 | 151,497.30 | |
| | of which : Deposits from banks | 401.33 | 401.33 | |
| | of which : Customer deposits | 151,095.97 | 151,095.97 | |
| | of which : Other deposits (pl. specify) | - | - | |
| iii | Borrowings | 41,021.12 | 48,237.91 | |
| | of which : From RBI | 6,750.00 | 6,750.00 | |
| | of which : From banks | 21,795.90 | 21,795.90 | |
| | of which : From other institutions & agencies | 12,475.21 | 19,692.00 | |
| | of which : Others (pl. specify) | - | - | |
| | of which : Capital instruments | - | - | |
| iv | Other liabilities & provisions # | 71,615.45 | 71,690.87 | |
| | of which : DTLs related to goodwill | - | - | |

| | | (Rs. in million) | | |
|----------|--|---|---|---------|
| | | Balance sheet as in financial statements | Balance sheet under regulatory scope of consolidation | Ref No. |
| | | As on reporting date | As on reporting date | |
| | of which : DTLs related to intangible assets | - | - | |
| | Total | 325,322.29 | 343,848.93 | |
| B | | | | |
| i | Cash and balances with Reserve Bank of India | 4,765.96 | 4,765.96 | |
| | Balance with banks and money at call and short notice | 2,693.20 | 3,162.12 | |
| ii | Investments | 93,717.05 | 94,163.30 | |
| | of which : Government securities | 55,781.98 | 55,781.98 | |
| | of which : Other approved securities | - | - | |
| | of which : Shares | 169.36 | 615.61 | |
| | of which : Debentures & Bonds | 10,787.90 | 10,787.90 | |
| | of which : Subsidiaries / Joint Ventures / Associates | - | - | |
| | of which : Others (Commercial Papers, Mutual Funds etc.) | 26,977.81 | 26,977.81 | |
| iii | Loans and advances | 166,758.59 | 178,307.53 | |
| | of which : Loans and advances to banks | - | - | |
| | of which : Loans and advances to customers | 166,758.59 | 178,307.53 | |
| iv | Fixed assets | 286.98 | 304.57 | |
| v | Other assets # | 57,100.51 | 57,712.10 | |
| | of which : Goodwill and intangible assets | 4,339.37 | 4,339.37 | |
| | Out of which : | | | |
| | Goodwill | - | - | |
| | Other intangibles (excluding MSRs) | 46.14 | 46.14 | |
| | Deferred tax assets | 4,293.24 | 4,293.24 | |
| vi | Goodwill on consolidation | - | - | |
| vii | Debit balance in Profit & Loss account | - | 5,433.35 | |
| | Total Assets | 325,322.29 | 343,848.93 | |

Includes MTM on Derivative Trades grossed up at trade level and reported accordingly in Other Assets or Other Liabilities as the case may be.

Step 3

| Common Equity Tier 1 capital : instruments and reserves | | | | |
|---|---|---|--|---------|
| | | Component of regulatory capital reported by bank | Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation from step 2 | Ref No. |
| | 1 | Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus | 63,398.96 | A |
| | 2 | Retained earnings | 6,403.30 | |
| | 3 | Accumulated other comprehensive income (and other reserves) | (5,433.30) | |
| | 4 | Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies) | - | |
| | 5 | Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1) | - | |
| | 6 | Common Equity Tier 1 capital before regulatory adjustments | 64,368.52 | |
| | 7 | Prudential valuation adjustments | - | |
| | 8 | Goodwill (net of related tax liability) | - | |

16. REGULATORY CAPITAL INSTRUMENTS (Table DF-13 and DF -14)

The Bank has not issued any Regulatory Capital Instruments during the period.

17. COMPENSATION : Disclosure requirements for remuneration (Table DF-15)

In accordance with the requirements of the RBI Circular No, DBOD.NO.BC.72/29.67/001/2011-12 dated January 13, 2012, the Bank has submitted a declaration to RBI that the Banks, compensation policies including that of CEO's, is in conformity with the Financial Stability Board principles and standards.

18. EQUITIES: Disclosure for Banking Book Positions (Table DF-15)

The Bank does not have any equity under the Banking Book.

19. LEVERAGE RATIO: (Table DF-17 and DF - 18)

The leverage ratio act as a credible supplementary measure to the risk based capital requirement. The Basel III leverage ratio is the capital measure (Tier-1 capital) divided by the exposure measure, with this ratio expressed as a percentage. The Bank's leverage ratio, calculated in accordance with the RBI guidelines is as follows:

| | Leverage ratio framework | (Rs. in million) |
|----|--|------------------|
| | On-balance sheet exposures | |
| 1 | On-balance sheet items (excluding derivatives and SFTs, but including collateral) | 280,136 |
| 2 | (Asset amounts deducted in determining Basel III Tier 1 capital) | (4,437) |
| 3 | Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2) | 275,699 |
| | Derivative exposures | |
| 4 | Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin) | 44,061 |
| 5 | Add-on amounts for PFE associated with all derivatives transactions | 112,899 |
| 6 | Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework | - |
| 7 | (Deductions of receivables assets for cash variation margin provided in derivatives transactions) | - |
| 8 | (Exempted CCP leg of client-cleared trade exposures) | - |
| 9 | Adjusted effective notional amount of written credit derivatives | - |
| 10 | (Adjusted effective notional offsets and add-on deductions for written credit derivatives) | - |
| 11 | Total derivative exposures (sum of lines 4 to 10) | 156,960 |
| | Securities financing transaction exposures | |
| 12 | Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions | 1,125 |
| 13 | (Netted amounts of cash payables and cash receivables of gross SFT assets) | - |
| 14 | CCR exposure for SFT assets | - |
| 15 | Agent transaction exposures | - |
| 16 | Total securities financing transaction exposures (sum of lines 12 to 15) | 1,125 |
| | Other off-balance sheet exposures | |
| 17 | Off-balance sheet exposure at gross notional amount | 88,725 |
| 18 | (Adjustments for conversion to credit equivalent amounts) | (28,915) |
| 19 | Off-balance sheet items (sum of lines 17 and 18) | 59,810 |
| | Capital and total exposures | |
| 20 | Tier 1 capital | 54,137 |
| 21 | Total exposures (sum of lines 3, 11, 16 and 19) | 493,594 |
| | Leverage ratio | |
| 22 | Basel III leverage ratio | 10.97% |

Summary of comparison of accounting assets and leverage ratio exposure

| | Particulars | (Rs. in million) |
|---|--|-------------------------|
| 1 | Total consolidated assets as per published financial statements | 325,322 |
| 2 | Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation | - |
| 3 | Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure | - |
| 4 | Adjustments for derivative financial instruments | 112,899 |
| 5 | Adjustment for securities financing transactions (i.e. repos and similar secured lending) | - |
| 6 | Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures) | 59,810 |
| 7 | Other adjustments | (4,437) |
| 8 | Leverage ratio exposure | 493,594 |