



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 30 September 2018

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 September 30, 2018. 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 with 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) and Liquidity Return (LR). |

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

| | | | | | Amt in Rs. '000 |
|--|--|------------------------------|---|---|------------------------------|
| 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 | Total balance sheet assets * |
| Barclays Securities (India) Private Limited | Registered as Stock Broker & Underwriter | 2,458,189 | - | NA | 5,331,251 |
| Barclays Wealth Trustees (India) Private Limited | Trust Advisory | 1,96,223 | - | NA | 307,818 |

*as stated in the audited balance sheet of the legal entity as on March 31, 2018

C - List of group entities considered for consolidation

| | | | Amt in Rs. '000 |
|--|----------------------------------|------------------------------|------------------------------|
| Name of the entity / country of incorporation | Principle activity of the entity | Total balance sheet equity * | Total balance sheet assets * |
| Barclays Investments and Loans (India) Limited | NBFC | 6,621,360 | 20,794,440 |

*as stated in the audited balance sheet of the legal entity as on March 31, 2018

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

| Amt in Rs. '000 | | | | |
|---|----------------------------------|------------------------------|---|----------------------|
| Name of the subsidiaries / country of incorporation | Principle activity of the entity | Total balance sheet equity * | % of bank's holding in the total equity | 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 - Restrictions or impediments on transfer of funds or regulatory capital within the banking group :

Transfer of funds and regulatory capital are subject to local laws and applicable regulations.

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 maintain adequate capital to cover the Group's current and forecast business needs and associated risks in order to provide a viable and sustainable business offering.
- Support its credit rating by maintaining capital ratios aligned with rating agency expectations

Governance structure

The management of capital risk is integral to the Group's approach to financial stability and sustainability management, and is embedded in the way businesses and legal entities operate

Capital risk management is underpinned by a control framework and policy. The capital management strategy, outlined in the Group and legal entity capital plans, is developed in alignment with the control framework and policy for capital risk, and is implemented consistently in order to deliver on the Group's Objectives

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.

Enterprise Risk Management Framework (ERMF) operating within the broad policy framework reviews and monitors various aspects of risk arising from the business. The ERMF sets the strategic direction for risk management by defining standards, objectives and responsibilities for all areas of Barclays Independent Committee(s) like Executive Committee (ExCO), Operations Committee (OPCO), Internal Controls Forum (ICF), Assets and Liabilities Management Committee (ALCO) have been constituted across the Bank to facilitate independent evaluation, monitoring and reporting of various risks

Local management assures compliance with an entity's minimum regulatory capital requirements by reporting to local Asset and Liability Committees with oversight by the Group's Treasury Committee, as required.

Regulatory capital

Reserve Bank of India (RBI) issued Basel III guidelines applicable with effect from April 1, 2013. The guidelines provide a transition schedule for Basel III implementation till March 31, 2019. Upon full implementation, Basel III guidelines target minimum capital to risk weighted assets ratio (CRAR) would be 11.5% (excluding capital required to comply with Global Systemically Important Bank (G-SIB) norms), minimum Common Equity Tier-1 (CET1) CRAR ratio would be 8.0% and minimum Tier-1 CRAR ratio would be 9.5%.

As at September 30, 2018, as per Basel III guidelines bank is required to maintain minimum Common Equity Tier 1 (CET1) capital ratio of 8.875%, minimum Tier-1 capital ratio of 10.375% and minimum total capital ratio of 12.375%. The minimum capital requirement includes capital conservation buffer (CCB) of 1.875% and additional CET1 capital surcharge of 1.13% on account of the Bank being designated as a G-SIB.

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

Bank does not have any subsidiaries in India, any entity required to be consolidated as per RBI requirements in India assesses the adequate level of capitalisation required to meet its respective host regulatory requirements and business needs. The Board of each subsidiary maintains oversight over the capital adequacy framework for the subsidiary either directly or through separately constituted committees.

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 (September 30, 2018)

Capital required for credit, market and operational risks given below is arrived at after multiplying the risk weighted assets by 12.00%.

| | | (Rs. in '000s) |
|----------|---|-------------------|
| No | Description | Sep 30,2018 |
| A | Capital Requirement for Credit Risk | 36,148,579 |
| | (Standardised Approach) | |
| | - On-balance sheet exposures excluding securitisation exposures | 13,697,168 |
| | - Off- balance sheet exposures excluding securitisation exposures | 22,397,370 |
| | a) Non-market related | 1,972,108 |
| | b) Market-related | 20,425,262 |
| | - On-balance sheet-securitisation exposures | 53,871 |
| | - Counterparty Risk as Borrower of funds | 170 |
| B | Capital Requirement for Market Risk | 9,613,735 |
| | (Standardised Duration Approach) | |
| | - Interest rate related instruments | 7,772,203 |
| | - Equity | 47,157 |
| | - Foreign Exchange and Gold | 1,794,375 |
| C | Operational-risk-weighted exposures | 2,910,289 |
| | (Basic Indicator Approach) | |
| D | Capital Adequacy Ratio of the Bank | 15.51% |

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 September 30, 2018 total capital base (Tier1 + Tier2) of the Bank stood at Rs. 60,988,367 ('000s)

(Rs. in '000s)

| No | Description | September 30,2018 | March 31,2018 |
|----|------------------------------|-------------------|---------------|
| A | Tier 1 Capital | 59,046,309 | 59,238,280 |
| B | Tier 2 Capital | 1,942,058 | 1,669,880 |
| C | Total Eligible Capital (A+B) | 60,988,367 | 60,908,160 |

The capital ratios of the Bank are as follows:

| Capital ratios | September 30,2018 | March 31,2018 |
|------------------------|-------------------|---------------|
| CET1 capital ratio | 15.01% | 17.15% |
| Tier - 1 capital ratio | 15.01% | 17.15% |
| Total capital ratio | 15.51% | 17.63% |

3. RISK EXPOSURE AND ASSESSMENT

Introduction

Barclays engages in activities which entail risk taking, every day, throughout its business. This section introduces these risks, and outlines key governance arrangements for managing them. These include roles and responsibilities, frameworks, policies and standards, assurance and lessons learned processes.

Enterprise Risk Management Framework (ERMF)

The Group has clear risk management objectives and a strategy to deliver them through core risk management processes. The ERMF sets the strategic direction by defining clear standards, objectives and responsibilities for all areas of Barclays

The ERMF sets out:

- Principal Risks faced by the Group
- Risk Appetite requirements
- Roles and responsibilities for risk management

Principal Risks

The ERMF identifies Principal Risks and sets out responsibilities and risk management standards. Note that Legal, Reputation and Model risks are Principal Risks from January 2017 following Group Board approval in December 2016.

Financial Principal Risks:

- Credit risk: The risk of loss to the firm from the failure of clients, customers or counterparties, including sovereigns, to fully honour their obligations to the firm, including the whole and timely payment of principal, interest, collateral and other receivables
- Market risk: The risk of loss arising from potential adverse changes in the value of the firm's assets and liabilities from fluctuation in market variables including, but not limited to, interest rates, foreign exchange, equity prices, commodity prices, credit spreads, implied volatilities and asset correlations
- Treasury and capital risk: This comprises:
 - Liquidity risk: The risk that the firm is unable to meet its contractual or contingent obligations or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets
 - Capital risk: The risk that the firm has an insufficient level or composition of capital to support its normal business activities and to meet its regulatory capital requirements under normal

operating environments or stressed conditions (both actual and as defined for internal planning or regulatory testing purposes). This includes the risk from the firm's pension plans — Interest rate risk in the banking book: The risk that the firm is exposed to capital or income volatility because of a mismatch between the interest rate exposures of its (non-traded) assets and liabilities.

Non-Financial Principal Risks:

- Operational risk: The risk of loss to the firm from inadequate or failed processes or systems, human factors or due to external events (for example fraud) where the root cause is not due to credit or market risks.
- Model risk: The risk of the potential adverse consequences from financial assessments or decisions based on incorrect or misused model outputs and reports.
- Reputation risk: The risk that an action, transaction, investment or event will reduce trust in the firm's integrity and competence by clients, counterparties, investors, regulators, employees or the public.
- Conduct risk: The risk of detriment to customers, clients, market integrity, competition or Barclays from the inappropriate supply of financial services, including instances of wilful or negligent misconduct.
- Legal risk: The risk of loss or imposition of penalties, damages or fines from the failure of the firm to meet its legal obligations including regulatory or contractual requirements.

Risk Appetite for the Principal Risks

Risk Appetite is defined as the level of risk which the firm is prepared to accept in the conduct of its activities. The Risk Appetite of the firm:

- specifies the level of risk we are willing to take and why, to enable specific risk taking activities
- considers all Principal Risks individually and, where appropriate, in aggregate
- communicates the acceptable level of risk for different risk types; this may be expressed in financial or non-financial terms, and is measured and effectively monitored
- describes agreed parameters for the firm's performance under varying levels of financial stress with respect to profitability is considered in key decision-making processes, including business planning, mergers and acquisitions, new product approvals and business change initiatives.

Risk Appetite is approved and disseminated across legal entities and businesses, including by use of Mandate and Scale limits to enable and control specific activities that have material concentration risk implications for the firm. These limits also help reduce the likelihood and size of one-off losses. The Risk Appetite must be formally reviewed on at least an annual frequency in conjunction with the Medium Term Planning (MTP) process and approved by the Board.

Roles and responsibilities in the management of risk – the Three Lines of Defense

All colleagues have a responsibility to contribute to the risk management of the Group. These responsibilities are set out in the "Three Lines of Defence". In 2016 these definitions were simplified. Regardless of their function, all teams who manage processes in the firm are responsible for designing, implementing, remediating, monitoring and testing the controls for those processes.

First Line of Defense:

The First Line comprises all employees engaged in the revenue generating and client facing areas of the firm and all associated support functions, including Finance, Treasury, Technology and Operations, Human Resources etc. Employees in the first line are responsible for:

- identifying all the risks in the activities in which they are engaged, and developing appropriate policies, standards and controls to govern their activities
- operating within any and all limits which the Risk and Compliance functions establish in connection with the Risk Appetite of the firm
- Escalating risk events to senior managers and Risk and Compliance.

Internal controls are critical to running a cost-effective and stable business. To ensure these controls remain strong, sustainable, and efficient the new strategic position of Chief Controls Officer has been created. The Chief Controls Office will help to maintain and enhance an effective and consistent control framework across the organisation.

The First Line must establish their own policies and controls (subject to the Controls Framework of the firm), particularly with respect to operational activities, and require their colleagues to manage all controls to specified tolerances. These control-related activities are also considered First Line and are permitted so long as they are within any applicable limits established by Risk or Compliance. All activities in the first line are subject to oversight from the relevant parts of the second and third lines.

Second Line of Defense:

Employees of Risk and Compliance comprise the Second Line of Defense. The role of the Second Line is to establish the limits, rules and constraints under which first line activities shall be performed, consistent with the Risk Appetite of the firm, and to monitor the performance of the First Line against these limits and constraints.

The Second Line may not establish limits for all First Line activities, especially those related to Operational Risk. The controls for these will ordinarily be established by Controls Officers operating within the Controls Framework of the firm, under the oversight of the Second Line.

The Second Line can also undertake certain additional activities if, in the judgement of the Group CRO, this will reduce the firm's exposure to risk.

Third Line of Defense:

Employees of Internal Audit comprise the Third Line of Defense. They provide independent assurance to the Board and Executive Management over the effectiveness of governance, risk management and control over current, systemic and evolving risks.

The Legal department does not sit in any of the three lines, but supports them all. The Legal department is, however, subject to oversight from Risk and Compliance, with respect to Operational and Conduct risks.

Measurement of risks for capital adequacy purposes

Material risks are identified, measured, monitored and reported to the Barclays Independent Committee(s) like Executive Committee (ExCO), Operations Committee (OPCO), Internal Controls Forum (ICF), Assets and Liabilities Management Committee (ALCO)

Under Pillar 1 of the extant RBI guidelines on Basel III, the Bank currently follows the standardised approach for credit risk, standardised measurement method for market risk and basic indicator approach for operational risk.

4. CREDIT RISK: (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. The credit risk that the Group faces arises mainly from wholesale loans and advances 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.

4.1 Credit Risk Management Objectives and Policies:

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 from the level of individual facilities, up to the total portfolio
- To control and plan credit risk-taking in line with external stakeholder expectations and avoiding undesirable concentrations
- To monitor credit risk and adherence to agreed controls
- To ensure that 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 Group 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 India 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" 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.

Continuously for 90 days.. 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

A bill purchased / discounted by the Bank remaining overdue for a period of more than 90 days will be classified as an NPA & in respect of securitization transaction undertaken in terms of RBI guidelines on securitisation, the amount of liquidity facility remains outstanding for more than 90 days.

In respect of derivative transactions, if 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.

A performing asset facing financial difficulties is classified as NPA pursuant to restructuring.

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

An asset is considered credit impaired when one or more events occur that have a detrimental impact on the estimated future cash flows of the financial asset.

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 higher of – a. one year from the commencement of the first payment of interest or principal installment, (whichever is later: or b. the period from the implementation of the restructuring by which at least 20% of the outstanding principal and interest capitalized as per sanctioned restructuring is repaid).

4.9 Credit Risk exposures

Total gross credit risk exposure including geographic distribution of exposure

(Rs. In 000's)

| | | September 30, 2018 | | |
|----|--------------------------------------|--------------------|-----------------------|--------------------|
| | | Domestic | Overseas ² | Total |
| A) | Fund based exposure | 121,410,482 | - | 121,410,482 |
| B) | Non fund based exposure ¹ | 37,008,808 | - | 37,008,808 |
| | Total³ | 158,419,290 | - | 158,419,290 |

1. Non-fund based exposures are guarantees given on behalf of constituents, letters of credit and acceptances and endorsements without giving the effect of Credit Conversion Factor (CCF) 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. Bank does not have any overseas branches.

3. Exposures do not include undrawn limits.

4. Excluding specific risk on available for sale (AFS) portfolio.

Industry classification of gross loans and advances

| Industry classification | September 30, 2018 (Rs. In 000's) | |
|--------------------------------|-----------------------------------|----------------------------------|
| | Fund based | Non fund based (non derivatives) |
| Cement | 95,500 | - |
| Mining | 4,242,500 | 277,255 |
| Iron and Steel | 33,861 | - |
| Other Metal and Metal products | 1,491,135 | - |
| All Engineering | 2,255,203 | 723,273 |
| Cotton Textiles | - | - |
| Other Textiles | 23,827 | - |
| Tea | 753,696 | - |
| Food Processing | 20,006 | - |
| Vegetable Oil and Vanaspati | 121,702 | - |
| Tobacco and Tobacco Products | 240,000 | - |
| Paper and Paper Products | 781,961 | - |
| Rubber and Rubber Products | 145,398 | - |
| Chemicals, Dyes, Paints etc. | 12,327,151 | 2,063,959 |
| Leather and Leather Products | 17,179 | - |

| | September 30, 2018 (Rs. In 000's) | |
|------------------------------|-----------------------------------|-------------------------------------|
| Industry classification | Fund based | Non fund based (non derivatives) |
| Gems and Jewellery | 2,193,902 | - |
| Construction | - | - |
| Petroleum | 3,576,137 | - |
| Automobiles including trucks | 1,028,644 | - |
| Computer Software | 1,971,610 | 160,364 |
| Infrastructure | 24,417,673 | 8,713,510 |
| NBFCs & Trading | 5,848,673 | - |
| Aviation | - | - |
| Other Industries | 89,957 | - |
| Banking Sector | 52,697,683 | 24,246,171 |
| Retail Loans | 76,509 | - |
| Residual exposures | 6,960,574 | 824,277 |
| Total | 121,410,482 | 37,008,808 |

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

| | September 30, 2018 (Rs. In 000's) | |
|-------------------------|-----------------------------------|-------------------------------------|
| Industry Classification | Fund Based | Non Fund Based (Non Derivatives) |
| Banking Sector | 52,697,683 | 24,246,171 |
| Infrastructure | 24,417,673 | 8,713,510 |

Residual contractual maturity breakdown of assets as at September 30, 2018

(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 | 2,515,683 | 2,602,073 | 31,861,451 | 7,208,288 | - | 1,113,093 | 45,300,588 |
| 2 to 7 days | - | - | 16,244,679 | 4,957,352 | - | - | 21,202,031 |
| 8 to 14 days | - | - | 5,836,091 | 5,516,774 | - | 684,119 | 12,036,984 |
| 15 to 30 days | 489,089 | - | 1,618,696 | 14,757,745 | - | 714,435 | 17,579,965 |
| 31 days to 2 months | 571,032 | - | 1,874,692 | 11,077,106 | - | 967,587 | 14,490,417 |
| 2 to 3 months | 968,196 | - | 3,117,637 | 14,956,575 | - | 5,906 | 19,048,314 |
| 3 to 6 months | 543,340 | - | 1,944,348 | 18,733,629 | - | 2,715 | 21,224,032 |
| 6 to 12 months | 581,142 | - | 2,155,135 | 19,144,901 | - | 418,931 | 22,300,109 |
| 1 to 3 years | 185,944 | 100 | 2,050,528 | 24,172,427 | - | 2,580,993 | 28,989,992 |
| 3 to 5 years | 173,382 | - | 543,053 | 68,089 | - | 483,703 | 1,268,227 |
| Over 5 years | 1,694 | - | (647,424) | 27,678 | 165,773 | 92,902,142 | 92,449,863 |
| Total | 6,029,502 | 2,602,173 | 66,598,886 | 120,620,565 | 165,773 | 99,873,624 | 295,890,523 |

Movement of NPAs and provision for NPA (loans and advances portfolio)
(Rs. In 000's)

| Particulars | September 30, 2018 |
|--|--------------------|
| Amount of NPAs (Gross) | |
| | 809,110 |
| - Substandard | 25,590 |
| -Doubtful | 781,961 |
| - Doubtful 1 | 781,961 |
| - Doubtful 2 | - |
| - Doubtful 3 | - |
| - Loss | 1,559 |
| Net NPAs | 19,192 |
| NPA Ratios | |
| - Gross NPAs to gross advances | 0.67% |
| -Net NPAs to Net advances | 0.02% |
| Movement of NPAs (Gross) | |
| -Opening balance | 783,520 |
| -Additions | 33,590 |
| -Reductions | (8,000) |
| -Closing balance | 809,110 |
| Movement of provision for NPAs | |
| -Opening balance | 783,520 |
| -Provision made during the year | 8,398 |
| -Write –offs / write back of excess provisions | (2,000) |
| -Closing balance | 789,917 |

Movement in provision as of September 30, 2018

| | (Rs. In 000's) | |
|---|--------------------|--------------------|
| | General Provision* | Specific Provision |
| -Opening balance | 1,538,127 | 783,520 |
| -Provision made during the period | 272,177 | 8,398 |
| -Write –offs / write back of excess provisions | - | (2,000) |
| - Any other adjustments, including transfers between provisions | - | - |
| -Closing balance | 1,810,304 | 789,917 |

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

Details of write-offs and recoveries as of September 30, 2018

| | (Rs. In 000's) |
|---|----------------|
| Write-off that have been booked directly to the income statement | - |
| Recoveries that have been booked directly to the income statement | 75,086 |

Major Industry-wise NPAs, provisions and write-off as of September 30, 2018

(Rs. In 000's)

| Industry Classification | Gross NPA | Specific Provisions ¹ | General Provision | Specific Provision during the Year | Write-Off during the year |
|-------------------------|----------------|----------------------------------|-------------------|------------------------------------|---------------------------|
| Paper & Paper Products | 781,961 | 781,961 | - | - | - |
| Infrastructure | 25,590 | 6,397 | - | - | - |
| Chemicals Dyes & Paints | 1,559 | 1,559 | - | - | - |
| TOTAL | 809,110 | 789,917 | - | - | - |

1. Specific provision relating to NPAs

Geography-wise breakup of gross NPAs, specific provisions and general provision as of September 30, 2018

(Rs. In 000's)

| Category | Gross NPA | Specific Provisions ¹ | General Provision |
|-----------------------|----------------|----------------------------------|-------------------|
| Domestic | 809,110 | 789,917 | - |
| Overseas ² | - | - | - |
| TOTAL | 809,110 | 789,917 | - |

1. Specific provision relating to NPAs

2. Bank does not have any overseas branches.

NPIs and movement of provision for depreciation on investments

(Rs. In 000's)

| | Sept 30, 2018 |
|---|----------------|
| Amount of non-performing investments | - |
| Amount of provision held for non – performing investments | - |
| Movement of provisions for depreciation on investments | |
| -Opening balance | 418,217 |
| -Provision made from during the year | 412,377 |
| -Write –offs | - |
| -Write back of excess provisions | - |
| -Closing balance | 830,594 |

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 | September 30, 2018 |
|---|--------------------|
| Outstanding net loans and advances (rated and unrated) : | 120,620,564 |
| -Below 100% risk weight | 69,028,883 |
| -100% risk weight | 5,705,138 |
| -More than 100% risk weight | 45,886,543 |
| -Deductions | NIL |
| <i>* The above comprises of Net loans and advances as reported to RBI in regulatory filings</i> | |

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, fixed deposits, others), 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) |
|--|--------------------|
| | September 30, 2018 |
| Total exposure covered by eligible financial collateral | - |
| Total exposure covered by guarantees #/ credit derivatives | - |

Issued by Bank/ Government.

The bank does not have any concentration risk within credit risk mitigation

The Bank has entered into the Credit Support Annex (CSA) agreements with some of the major counterparties. The Bank has received INR 7,782,740 (000's) (Previous year 31st March 2018 INR 2,199,800 (000's)) and placed INR 2,938,800 (000's) (Previous year 31st March 2018 INR 5,586,440 (000's)) as deposits under Credit Support Arrangement (CSA).

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

Securitisation objectives and policies:

Securitisation of assets is undertaken with the following objectives:

Maximising return on capital employed, managing liquidity, maximizing yield on asset opportunities and meeting priority sector lending requirements. Also, securitization also helps us in meeting credit needs of our borrowers. Due to various constraints such as single party and group exposure norms, paucity of capital, internal sectoral exposure norms, etc, at times the Group is unable to meet the entire credit requirements of the borrowers. Securitisation helps overcoming such constraints and meet customer's credit needs.

The Bank also invests in third party originated securitization transactions in accordance with the investment policy of Bank

The Bank participates in Securitisation transaction in the following roles:

Originator/Seller:

The Bank originates assets in the books and subsequently down-sells them through the securitization or assignment route

Servicing and Collection agent:

For sold assets, the Bank undertakes the activity of collecting and other servicing activities

Investor:

The Bank invests in Pass Through Certificates ('PTC') backed by financial assets originated by third parties for the purpose of holding or trading and meeting priority sector lending requirements.

The Bank has not provided any credit support facility/credit enhancement, where we are acting as the Sellers/Originator of the assets.

b. The major risks inherent in securitisation/loan assignment transactions are given below:

- Credit Risk – Risk arising on account of payment delinquencies from underlying obligors/borrowers in the assigned pool.
- Market Risk
 - Liquidity Risk - This is the risk arising on account of absence of a secondary market for asset backed securities, which provides exit options to the investor/participant.
 - Interest Rate Risk - Fluctuation in interest rates impact the valuation of securitisation and may lead to mark to market losses.
 - Prepayment Risk - Prepayments in the securitised /assigned pool result in early amortization and loss of future interest (reinvestment risk) to the investor.
- Operational Risk
 - Co-mingling risk – Risk arising on account of co-mingling of funds belonging to the investor with that of originators and/or collection agent.
 - Performance risk – Risk arising on account of inability of the servicing/collection agent to recover the monies from the underlying obligors as well as operational difficulties in processing of the payments
- Reputation risk:
 - Risk arising on account of rating downgrade of a securitised instrument due to unsatisfactory performance of the underlying asset pool; and
 - inappropriate practices followed by the collection and processing agent.

c. Summary of Group's accounting policies for securitisation activities:

- In terms of RBI guidelines the Group sells assets to SPV only on cash basis and the sale consideration is received not later than the transfer of the asset to the SPV. Any loss arising on account of the sale is accounted immediately and reflected in the profit and loss account for the period during which the sale is affected and any profit/premium arising on account of sale is amortized over the life of the securities issued or to be issued by the SPV.
- In case the securitised assets qualify for derecognition from the books of the Group, the entire expenses incurred on the transaction e.g. legal fees, etc., is expensed at the time of the transaction and is not deferred. Where the securitised assets do not qualify for derecognition the sale consideration received is treated as a secured borrowing.

d. Rating of the securitisation transactions:

- The Bank uses the ratings provided by external credit rating agencies viz. CRISIL, India Ratings (erstwhile FITCH India), ICRA and CARE for computing capital requirements for securitized exposures.

e. Monitoring credit risk of securitization exposures:

The Bank monitors the performance of the pool purchased under securitization route basis information received from the servicing agent/trustee. The performance of the pool is measured by analyzing parameters such as collection ratios, overdue trends, credit enhancement utilization and level of available credit enhancement (where applicable). This analysis is shared with the Sanctioner as well as the

relationship, in case the performance of pools shows concerning trends. The above process holds true for sold pools – where securitization is carried out through a route other than Direct Assignment.

f. Monitoring market risk of securitization exposures:

The bank ascertains market value of the securitization exposures based on extant norms, which is compared with their book value to assess the marked to market impact of these exposures monthly

g. Breakup of the exposure securitised by the Bank during the year and subject to securitization framework:

- **Banking Book** - Breakup of the exposure securitised by the bank during the year and subject to securitization framework:

i. Total outstanding exposures securitised by the Bank and the related unrecognised gains/ (losses) (September 30, 2018):

| in INR million | | |
|-----------------|-------------|-----------------------------|
| Exposure type | Outstanding | Unrecognised gains/(losses) |
| Corporate loans | - | - |
| Total | - | - |

ii. Break-up of securitisation gains/(losses) (net)

| in INR million | |
|-----------------|--------------------|
| Exposure type | September 30, 2018 |
| Corporate loans | - |
| Total | - |

iii. Assets to be securitised within a year at September 30, 2018

| in INR million | |
|--|--------|
| | Amount |
| Amount of assets intended to be securitised within a year | - |
| Of which amount of assets originated within a year before securitisation | - |

iv. Securitisation exposures retained or purchased (September 30, 2018)

| in INR million | | | |
|-------------------------|------------------|-------------------|----------|
| Exposure type* | On-balance sheet | Off-balance sheet | Total |
| Vehicle/equipment loans | 1,012.19 | | 1,012.19 |
| Mixed asset pool | 1,300.00 | | 1,300.00 |
| Total | 2,312.19 | | 2,312.19 |

* Securitization exposure includes PTCs purchased in case of third party originated securitization transaction

v. Risk weight bands break-up of securitisation exposures retained or purchased (Sep 30, 2018)

| in INR million | | | | |
|-------------------------|-------------------|------------------|-------------------|----------|
| Exposure type* | <100% risk weight | 100% risk weight | >100% risk weight | Total |
| Vehicle/equipment loans | 1,012.19 | | | 1,012.19 |
| Mixed asset pool | - | | 1,300.00 | 1,300.00 |
| Total | 1,012.19 | | 1,300.00 | 2,312.19 |

* Securitization exposure PTCs purchased in case of third party originated securitization transaction

vi. Securitisation exposures deducted from capital (September 30, 2018)

| in INR million | | | |
|-------------------------|---|---|---|
| Exposure type | Exposures deducted entirely from Tier-1 capital | Credit enhancing interest-only strips deducted from total capital | Other exposures deducted from total capital |
| Vehicle/equipment loans | - | - | - |
| Corporate loans | - | - | - |
| Mixed asset pool | - | - | - |
| Total | - | - | - |

- **Trading Book** – There was no outstanding under the securitization exposure as at 30th September 2018.

8. MARKET RISK (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

The bank identifies 2 principal markets risks under Enterprise Risk Management Framework which sets the strategic direction for Risk Management. These risks are:

- **Traded Market Risk:** The risk of loss arising from potential adverse changes in the mark-to-market value of the bank's assets and liabilities from fluctuation in market variables including, but not limited to, interest rates, foreign exchange, equity prices, commodity prices, credit spreads, implied volatilities and asset correlations.
- **Non-Traded Market Risk (Interest Rate Risk in the Banking Book "IRRBB"):** the risk that the firm is exposed to capital or income volatility because of a mismatch between the interest rate exposures of its (non-traded) assets and liabilities.

8.1 TRADED MARKET RISK

The 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 governance framework detailed under Market Risk Procedures

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.

STANDALONE RISK MEASURES

- **Interest Rate Risk:** It is measured through DV01 which determines the change in value of underlying portfolio for 1 basis point change in the interest rate.
- **Credit Spread Risk:** It is measured through CS01 which determines the change in value of underlying portfolio for 1 basis point change in the credit spread of underlying issuers.
- **Foreign Exchange Risk:** For linear portfolio, the Forex Risk is monitored through measures such as: FX Delta, which indicates change in the value of portfolio with respect to the change in the value of FX Spot. For non linear portfolio, the bank uses other Greeks such as: FX Vega, which determines the change in value of option portfolio for 1% increase in the FX Volatility, FX Gamma, which indicates the change in FX Delta for 1 point change in FX Spot.

AGGREGATE RISK MEASURES

- **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 | September 30, 2018 |
|-------------------------|--------------------|
| - Interest rate risk | 7,772,203 |
| - Equity position risk | 47,157 |
| - Foreign exchange risk | 1,794,375 |

9. OPERATIONAL RISK (Table DF-8)

Barclays Group has a well established Operational Risk Management Framework (“ORMF”) which:

- Documents Barclays’ objectives and the Evaluate-Respond-Monitor (“ERM”) approach to managing operational risk; and
- Defines a set of consistent structures, policies, processes and tools that direct, support and sustain the management of operational risk throughout the Group.

The ERM approach to operational risk enables Barclays to identify and assess risks, determine the appropriate response and then monitor the effectiveness of the response and any changes to the risk profile.

The ORMF, which is applied Group-wide across all geographies, business lines and functions, is owned by the Group Head of Operational Risk. The ORMF determines the nature, configuration and application of the activities, tools, techniques and organizational arrangements which operate to ensure that material operational risks are evaluated, responded to and monitored, enabling the Bank to meet its business goals.

Barclays has implemented the industry standard ‘three lines of defense’ operating model which established an appropriate segregation of risk management related roles and responsibilities within the Bank. The Operational Risk function is a second line of defense function, independent of Barclays’ businesses, and is responsible for developing and maintaining the ORMF and monitoring its implementation and execution across the Group. The Operational Risk function oversees the rollout and operation of the framework by the first line of defense businesses and infrastructure functions which are responsible for managing their operational risks and for complying with Barclays policies governing the framework. As a third line of defense, BIA provides the Board and Senior Management with independent assurance over the performance of the ORMF toolset, processes and controls across the organization.

The ORMF facilitates the management and measurement of operational risk using all of the components and processes set out by the Basel Committee of Banking Supervision and the Prudential Regulation Authority (PRA), Barclays lead prudential supervisor, for banks adopting the Advanced Measurement Approach (“AMA”). As an AMA-approved Bank since 2008, Barclays performs an annual assessment of its compliance with the applicable qualitative and quantitative regulatory requirements.

In November 2017, Barclays submitted an application for PRA’s approval to revoke Barclays Group AMA Waiver Direction and to permit the use of the Standardised Approach (TSA) for Pillar 1 purposes. The application explained the rationale for seeking PRA’s permission to move from AMA to TSA for estimating our regulatory capital requirement for operational risk and set out Barclays approach to TSA implementation and the associated governance, compliance, technical execution and documentation.

PRA approved Barclays application to revoke our AMA permission and to move to TSA with effect from 1 April 2018.

Whilst Barclays is now a TSA firm for Pillar 1 purposes, Barclays has voluntarily committed to remain compliant with specific AMA qualitative requirements and will continue to enhance its operational risk management and control capabilities, as expected of a large and complex international bank. Furthermore, Barclays also undertook voluntarily to retain its existing, pre-TSA level of Pillar 1 operational risk capital requirement at the fully consolidated level as long as the current requirement exceeds that quantified under TSA.

Operational Risk Events

Both internal and external loss data are used in Barclays scenario-referenced exposure assessment process which is part of the toolset of risk management processes under the ORMF.

- Internal Risk Events: Internal risk events, which can result in direct or indirect financial or non-financial impacts on Barclays, can be caused by human errors or inadequate or failed internal controls, processes, systems and external factors such as external fraud and natural disasters. In order to ensure that risk events are appropriately identified and remediated, risk events are assessed for their impact and root cause, including control gaps. Governance processes for risk event reporting, escalation and Lessons Learnt are in place, and remedial action plans, where appropriate, are defined and followed to completion.
- External Risk Events: The external risk events, which highlight losses incurred by other financial services organizations, are used by Barclays to help understand its own operational risk profile and potential exposure to losses. External events are primarily obtained through Barclays membership in the ORX (the Operational Riskdata eXchange) bank industry consortium that pools and shares operational risk event data among its members.

Risk and Control Self Assessments

The Risk and Control Self-Assessment (“RCSA”) process helps Barclays businesses and functions to identify and assess the potential impact of material operational risks which are present within the activities the Bank performs and the controls used to manage these risks. The risk owners in the businesses or function areas assess, define, and implement mitigating actions to self-identified threats to their business objectives in the form of ineffective controls and/or heightened levels of residual risk exposure. All remediation actions are assigned an owner, due date, and monitored until closure. The RCSA results are subject to a second line of defense review and challenge by Operational Risk.

Capital requirement for operational risk (September 30, 2018)

As per the RBI guidelines on Basel III, the Bank has adopted Basic Indicator approach for computing capital charge for operational risk. The capital required for operational risk at September 30, 2018 was 2,910.29 INR Million.

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

IRRBB refers to the potential adverse financial impact on the bank's earnings and capital due to the changes in interest rates. Such risk arises from maturity mismatches in assets and liabilities from both cash items and from off-balance-sheet instruments held in the banking book and are driven by repricing mismatches, yield curve/benchmark differences and unanticipated change in asset-liability gaps due to change in customer behavior, which result into income and capital volatility through changes in Net Interest Income and changes to the economic value of banking book assets and liabilities.

Market Risk assessment accounts for both earnings perspective and economic value perspective of IRRBB.

The Earnings Perspective focuses on the impact of changes in interest rates on accruals or reported earnings or Net Interest Income. This perspective focuses on risk to earnings in the near term, typically the next one year. Fluctuations in interest rates generally affect reported earnings through changes in a bank's net interest income. The branch uses following risk measurements to assess this risk:

- A. Interest Rate Sensitivity Report (Traditional Gap analysis) - This analysis measures the net mismatch between rate sensitive assets (RSA) and rate sensitive liabilities (RSL) including off balance sheet positions into each time buckets.
- B. Earnings at Risk (EaR) - The bank estimates the impact on net interest income over one year horizon due to changes in interest rates.
- C. Basis Risk Analysis - Under basis risk analysis, the bank assesses the impact of steepening/flattening of various benchmark interest rate curves.

The Economic Value perspective identifies risk arising from long-term interest rate gaps. Since the economic value perspective considers the potential impact of interest rate changes on the present value of all future cash flows, it provides a more comprehensive view of the potential long-term effects of changes in interest rates than is offered by the earnings perspective. The branch uses following risk measurements to assess this risk:

- A. Duration Gap Analysis - It measures the mismatch in duration of assets & liabilities and the resultant impact on market value of equity on account of changes in interest rates.
- B. Modified Duration Gap - It measures the repricing duration mismatch between time weighted assets and time weighted liabilities.
- C. Change in Economic Value of Equity - The Bank monitors the erosion on the economic value of equity for parallel interest rate shocks.

Further, the bank also performs stress testing to assess the earnings impact and economic value impact for extreme moves in interest rates.

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 100 bps change in yield (value in absolute terms)
(Rs. In 000's)

| Currency | September 30, 2018 |
|----------------|--------------------|
| Rupees | 616,790.06 |
| US Dollar | 85,977.45 |
| Other currency | 1,184.55 |

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/ re-pricing date in various time bands and computing change of income under 100 basis points upward and downward rate shocks over a one year horizon.

Change in Earnings at Risk with 100 bps change in yield (value in absolute terms)
(Rs. In 000's)

| Details | September 30, 2018 |
|------------------|--------------------|
| Earnings at Risk | 312,976.14 |

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 September 30, 2018 is given below.

| <u>Description</u> | (Rs. In 000's) | |
|--|----------------|----------------|
| | Sep 30, 2018 | March 31, 2018 |
| Gross positive fair value of contracts | 88,486,487 | 43,696,041 |
| Netting benefits | - | - |
| Netted current credit exposure | 88,486,487 | 43,696,041 |
| Collateral held (including type, e.g. cash, government securities, etc.) | - | 5,586,440 |
| Net derivative credit exposure | 88,486,487 | 38,109,601 |
| Measures for Exposure At Default (EAD) | | |
| Exposure amount, under CEM | 250,607,159 | 183,061,241 |
| Notional value of credit derivative hedges | - | - |
| Distribution of current credit exposure by types of credit exposure | | |
| - Current credit exposure - Interest rate | 53,764,331 | 39,332,910 |
| - Current credit exposure – Currency Derivatives | 196,842,827 | 143,728,331 |
| 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. Treasury and Capital Risk

The risk that the Bank may not achieve its business plans because of the availability of planned liquidity or a shortfall in capital. This includes the following risks:

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

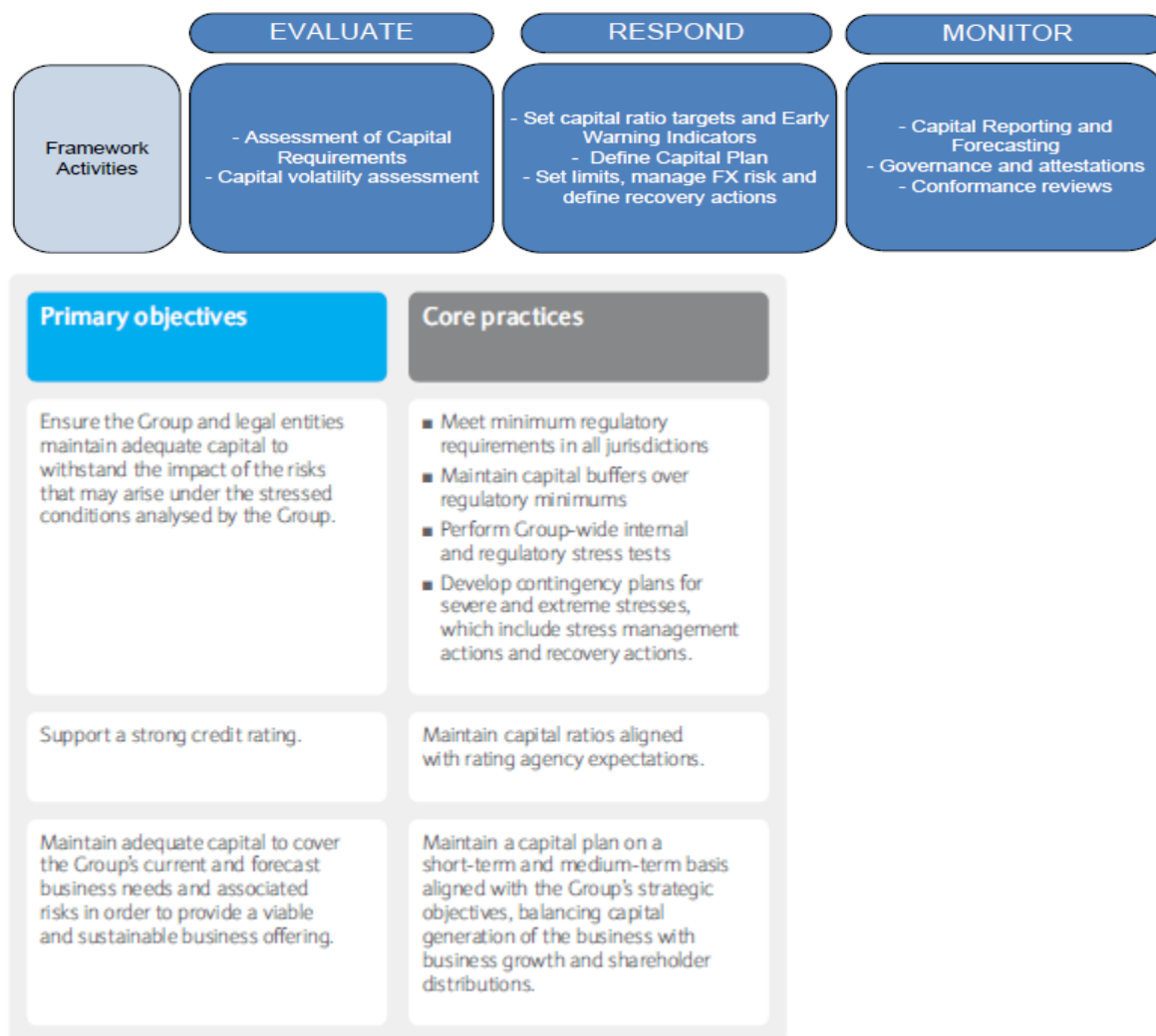
Treasury manages Treasury and Capital Risk on a day to day basis with the ALCO acting as the principal management body.

12.1 Capital Risk

Capital risk is the risk that the Group has insufficient level or composition of capital:

- To support its normal business activities
- Meet regulatory capital requirements under normal operating environments or stressed conditions (both actual and as defined for internal planning or regulatory testing purposes)
- Support its credit ratings. A weaker credit rating would increase the Bank's cost of funds

Capital Risk is managed through ongoing monitoring and management of the capital position, regular stress testing and a robust capital governance framework. This is illustrated through the below schematic of primary objectives and core practices:



The management of Capital risk is integral to the Bank's approach to financial stability and sustainability management and is embedded in the way businesses operate. Capital Risk management is underpinned by a control framework and policy. Local management ensures compliance with an entity's minimum regulatory capital requirements by reporting to the local ALCO with oversight by Treasury as required.

The capital management strategy is driven by the strategic aims of the Bank and risk appetite as defined by the Executive Committee ("ExCo"). These objectives are achieved through well embedded capital management practices.

Capital Planning

The Bank assesses its capital requirements on multiple bases, with the Capital plan set in consideration of the risk profile and appetite, strategic and performance objectives, regulatory requirements, market and internal factors, 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 support its capital requirements and meet its capital ratio targets.

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 and capital forecasts. 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, is unable to meet its contractual or contingent obligations or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets. 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. The efficient management of liquidity is essential to the Bank in retaining the confidence of financial markets and ensuring that business is sustainable.

Liquidity risk management framework

A control framework is in place for Liquidity Risk under which the Treasury function operates. The control framework describes liquidity risk management processes, associated policies and controls that the Group has implemented to manage liquidity risk within the Liquidity Risk Appetite (LRA) and is subject to annual review. The efficient management of liquidity is essential to the Group in retaining the confidence of the financial markets and maintaining that the business is sustainable. There is a control framework in place for managing liquidity risk that is designed to meet the following objectives

- To maintain liquidity resources that are sufficient in amount and quality and a funding profile that is appropriate to meet the liquidity risk appetite as expressed by the ExCo
- To maintain market confidence in the Bank's name

This is achieved by a combination of policy formation, review and governance, analysis, stress testing, limit setting and monitoring. Together these meet internal and regulatory requirements

The bank has established the Liquidity Risk Appetite (LRA) as the level of liquidity risk the group chooses to take in pursuit of its business objectives and in meeting its regulatory obligations. The key expression of the liquidity risk is through stress tests. 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. It is measured with reference to the liquidity pool compared to anticipated stressed net contractual and contingent outflows for defined stress scenarios. . The liquidity stress tests assess the potential contractual and contingent stress outflows under a range of scenarios, which are then used to determine the size of the liquidity pool that is immediately available to meet anticipated outflows if a stress occurs. The LRA is maintained along with appropriate limits and other controls for the management of liquidity risk. These are designed to mitigate and control liquidity risks within acceptable tolerances. Liquidity risk limits are tailored to the characteristics and complexity of balance sheets that give rise to liquidity risk.

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 license 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.

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 Enterprise Risk Management Framework (ERMF), owned by the Group Chief Risk Officer (GCRO) and approved by the Board, governs the way in which Barclays identifies and manages its risks. The ERMF is designed to protect Barclays and prevent detriment to its customers, colleagues and other stakeholders. The ERMF recognises that certain risks are relevant and material enough to merit establishing specific bankwide control frameworks. These are known as Principal Risks. Reputation Risk is identified within the ERMF as a Principal Risk. The Chief Compliance Officer has been appointed by the GCRO to manage Barclays Reputation Risk. Under the ERMF the Chief Compliance Officer is accountable for developing Principal Risk Frameworks. This document is the Framework for Reputation Risk. The Reputation Risk Framework includes a list of policies that augment the framework and contains control objectives that must be met. The number and scope of individual policies used to address the Principal Risk is at the discretion of the Chief Compliance Officer. However, the framework and policies must be taken together.

This Framework sets out what is required to ensure Reputation Risk is managed effectively and consistently across the bank. Reputation Risk is by nature pervasive and can be difficult to quantify, requiring more subjective judgement than many other risks. The Framework is designed explicitly in the light of that subjectivity. The Framework supports, and should be applied in the context of, decision making tools such as the Barclays Lens and 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.

Reputation Risk Escalation

Barclays businesses and functions may escalate material Reputation Risk issues to the Group Risk Committee via their Governance, Risk and Controls process, which must have a specified means of considering reputation related issues on an ad hoc basis as they arise (e.g. a Reputation Risk sub-committee or equivalent). Issues may merit escalation due to i) the degree of risk involved; ii) the fact that the issue sets a significant precedent; or iii) the fact that the issue impacts on more than one Barclays business. In particular, escalation is advised if the nature of the risk i) calls into question existing policy or ii) highlights a need to develop new or enhanced policy to cover such risk.

Reputation Risk Controls

Reputation Risk, like other Barclays risks, uses a three lines of defence model which differentiates between those employees engaged in revenue generating/client facing areas of the firm and all associated support functions who identify and manage all risks in the activities in which they are engaged (first line); those employees in Risk and Compliance who establish the limits, rules and constraints under which first line activities are performed (second line); and those employees of Internal Audit who provide independent assurance over the effectiveness of governance, risk management and control over current, systemic and evolving risks (third line).

Handling reputation Risk in India:

The above guidelines are followed group wide (globally) across Barclays in terms of reputation risk management. In particular in India, the following additional steps are taken:

- Proactive daily and weekly monitoring of media (press) for any potential mis-representation/reportage that may impact the firm's reputation and raise risk events
- Periodic refreshers and communication to employees about their responsibilities towards the firm in terms of handling/managing reputation risk

Model Risk:

Model risk is the risk of the incorrect valuation numbers due to the Weakness in the Model or uncertainty in the Model used for the Valuation. On certain occasions the books and records valuation method may use market data or a model that contains an approximation for a particular product.

This may be due to the following reasons:

- Variation in a particular trade or position from standard market product characteristics
- Market data shows characteristics or richness that cannot be wholly incorporated within the model

These issues are addressed by techniques such as using a different or modified model, using modified market data or using another technique to quantify the impact of any implication. Such adjustments must be made to books and records to ensure that assets are held at fair value. These provisions pertaining to the market data weakness / Model uncertainty (risk) are calculated as per the group policy by the Product control group and are charged to the profit and loss account of the local entity. Hence, no further capital is provided on account of Model / Market data risk on derivative portfolios.

Legal Risk:

With effect from 2017, legal risk, which was previously a Key Risk under operational risk, has been redesignated as a Principal Risk within the Enterprise Risk Management Framework.

The Legal Risk Framework prescribes Group-wide requirements for the identification, measurement and management of legal risk, covering assessment, risk appetite, key indicators and governance. The legal risk policies and practices are designed to ensure that Barclays personnel identify issues that have potential risk implications. The Group General Counsel (GCC) is the Legal Principal Risk Officer and owns the Legal Risk Framework and the associated legal policies. . Legal risk is defined under six areas of identified risk and includes control requirements, processes and delegated authorities to support the management of legal risks. The broad headings of the six legal policies are as under:

- **Contractual Arrangements** – failure to have enforceable contracts in place or for contracts to be enforceable as intended.
- **Litigation Management** – failure to adequately manage litigation involving Barclays as either claimant or defendant.
- **Intellectual Property (IP)** – failure to protect the Group's IP assets or Barclays infringing IP rights of third parties.
- **Competition/Antitrust law** – failure to follow competition/antitrust law or failure to manage relationships with competition and antitrust authorities.
- **Use of Law Firms** – failure to control instruction of an external law firm.
- **Contact with Regulators** – Failure to manage interaction with regulators or failure to manage receipt and handling of regulatory information from a regulatory or government agency appropriately.

Group-wide and Business/Function specific Standards may be put in place to support the implementation of the legal policies. The standards are aligned to one of the policies and are implemented by the respective legal teams with the co-operation of the Businesses/ Functions.

On behalf of the businesses, the aligned General Counsel or Legal Senior Management, will undertake legal risk appetite assessments and provide advice and guidance on legal risk management.

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 | |
| 2 | Retained earnings | 8,181 | |
| 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 companies ¹) | - | |
| 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 | 60,676 | |
| 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) | 34 | |
| 10 | Deferred tax assets | 1,449 | |
| 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% threshold ³) | - | |
| 20 | Mortgage servicing rights ⁴ (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 | - | |
| 24 | of which: mortgage servicing rights | - | |

| (Rs. in million) | | | |
|---|--|--|---------|
| Particulars | | Amounts Subject to Pre-Basel III Treatment | Ref No. |
| 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 | 147 | |
| | 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 | 1,630 | |
| 29 | Common Equity Tier 1 capital (CET1) | 59,046 | |
| 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 | | | |
| 37 | Investments in own Additional Tier 1 instruments | - | |
| 38 | Reciprocal cross-holdings in Additional Tier 1 instruments | - | |

| (Rs. in million) | | | |
|--|--|--|---------|
| Particulars | | Amounts Subject to Pre-Basel III Treatment | Ref No. |
| 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 adequacy ¹¹ | - | |
| 45 | Tier 1 capital (T1 = CET1 + AT1) (29 + 44a) | 59,046 | |
| 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 | 1,942 | |
| 51 | Tier 2 capital before regulatory adjustments | 1,942 | |
| Tier 2 capital : regulatory adjustments | | | |
| 52 | Investments in own Tier 2 instruments | - | |
| 53 | Reciprocal cross-holdings in Tier 2 instruments | - | |
| 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 | - | |

| (Rs. in million) | | | |
|-----------------------|---|--|---------|
| Particulars | | Amounts Subject to Pre-Basel III Treatment | Ref No. |
| | 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 | 1,942 | |
| b | Excess Additional Tier 1 capital reckoned as Tier 2 capital | - | |
| c | Total Tier 2 capital admissible for capital adequacy (58a + 58b) | 1,942 | |
| 59 | Total capital (TC = T1 + T2) (45 + 58c) | 60,988 | |
| | 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) | 393,314 | |
| a | of which: total credit risk weighted assets | 291,674 | |
| b | of which: total market risk weighted assets | 78,122 | |
| c | of which: total operational risk weighted assets | 23,517 | |
| Capital ratios | | | |
| 61 | Common Equity Tier 1 (as a percentage of risk weighted assets) | 15.01% | |
| 62 | Tier 1 (as a percentage of risk weighted assets) | 15.01% | |
| 63 | Total capital (as a percentage of risk weighted assets) | 15.51% | |
| 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 | - | |
| 66 | of which: bank specific countercyclical buffer requirement | - | |

| (Rs. in million) | | | |
|--|--|--|---------|
| Particulars | | Amounts Subject to Pre-Basel III Treatment | Ref No. |
| 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) | 1,942 | |
| 77 | Cap on inclusion of provisions in Tier 2 under standardised approach | 3,646 | |
| 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 | 1,449 |
| | Total as indicated in row 10 | 1,449 |
| 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 | 1,942 |
| | Eligible Revaluation Reserves included in Tier 2 capital | - |
| | Total of row 50 | 1,942 |
| 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 | 63,399 |
| | Reserves & Surplus | 11,956 | 12,359 |
| | Minority Interest | - | - |
| | Total Capital | 64,451 | 75,758 |
| ii | Deposits | 81,137 | 81,137 |
| | of which : Deposits from banks | 9,422 | 9,422 |
| | of which : Customer deposits | 71,715 | 71,715 |
| | of which : Other deposits (pl. specify) | - | - |
| iii | Borrowings | 32,210 | 42,859 |
| | of which : From RBI | - | - |
| | of which : From banks | 6,000 | 6,000 |
| | of which : From other institutions & agencies | 26,210 | 36,859 |
| | of which : Others (pl. specify) | - | - |
| | of which : Capital instruments | - | - |
| iv | Other liabilities & provisions # \$ | 118,092 | 118,160 |
| | Total | 295,891 | 317,913 |
| B | Assets | | |
| i | Cash and balances with Reserve Bank of India | 6,030 | 6,030 |
| | Balance with banks and money at call and short notice | 2,602 | 3,389 |
| ii | Investments : | 66,599 | 67,045 |
| | of which : Government securities | 47,865 | 47,865 |
| | of which : Other approved securities | - | - |
| | of which : Shares | 169 | 169 |
| | of which : Debentures & Bonds | 16,253 | 16,253 |
| | of which : Subsidiaries / Joint Ventures / Associates | - | 446 |
| | of which : Others (Commercial Papers, Mutual Funds etc.) | 2,312 | 2,312 |
| iii | Loans and advances | 120,621 | 136,251 |
| | of which : Loans and advances to banks | - | - |
| | of which : Loans and advances to customers | 120,621 | 136,251 |

| (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 |
| iv | Fixed assets | 166 | 182 |
| v | Other assets # | 99,874 | 100,587 |
| | of which : Goodwill and intangible assets | 34 | 34 |
| | of which : Deferred tax assets | 1,449 | 1,449 |
| vi | Goodwill on consolidation | - | - |
| vii | Debit balance in Profit & Loss account | - | 4,430 |
| Total Assets | | 295,891 | 317,913 |

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 | 63,399 | A |
| | of which : Amount eligible for CET1 | 52,495 | 63,399 | |
| | of which : Amount eligible for AT1 | 0.00 | 0.00 | |
| | Reserves & Surplus | 11,956 | 12,359 | |
| | Minority Interest | 0.00 | 0.00 | |
| | Total Capital | 64,451 | 75,758 | |
| ii | Deposits | 81,137 | 81,137 | |
| | of which : Deposits from banks | 9,422 | 9,422 | |
| | of which : Customer deposits | 71,715 | 71,715 | |
| | of which : Other deposits (pl. specify) | 0.00 | 0.00 | |
| iii | Borrowings | 32,210 | 42,859 | |
| | of which : From RBI | - | - | |
| | of which : From banks | 6,000 | 6,000 | |
| | of which : From other institutions & agencies | 26,210 | 36,859 | |
| | of which : Others (pl. specify) | 0.00 | 0.00 | |
| | of which : Capital instruments | 0.00 | 0.00 | |
| iv | Other liabilities & provisions # | 118,092 | 118,160 | |
| | of which : DTLs related to goodwill | 0.00 | 0.00 | |
| | of which : DTLs related to intangible assets | 0.00 | 0.00 | |
| Total | | 295,891 | 317,913 | |
| B | | | | |

| | | (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 | |
| i | Cash and balances with Reserve Bank of India | 6,030 | 6,030 | |
| | Balance with banks and money at call and short notice | 2,602 | 3,389 | |
| ii | Investments | 66,599 | 67,045 | |
| | of which : Government securities | 47,865 | 47,865 | |
| | of which : Other approved securities | - | - | |
| | of which : Shares | 169 | 169 | |
| | of which : Debentures & Bonds | 16,253 | 16,253 | |
| | of which : Subsidiaries / Joint Ventures / Associates | - | 446 | |
| | of which : Others (Commercial Papers, Mutual Funds etc.) | 2,312 | 2,312 | |
| iii | Loans and advances | 120,621 | 136,251 | |
| | of which : Loans and advances to banks | - | - | |
| | of which : Loans and advances to customers | 120,621 | 136,251 | |
| iv | Fixed assets | 166 | 182 | |
| v | Other assets # | 99,874 | 100,587 | |
| | of which : Goodwill and intangible assets | 1,483 | 1,483 | |
| | Out of which : | | | |
| | Goodwill | - | - | |
| | Other intangibles (excluding MSRs) | 34 | 34 | |
| | Deferred tax assets | 1,449 | 1,449 | |
| vi | Goodwill on consolidation | - | - | |
| vii | Debit balance in Profit & Loss account | - | 4,430 | |
| | Total Assets | 295,891 | 317,913 | |

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 | 63,399 | A |
| 2 | Retained earnings | 4,154 | |
| 3 | Accumulated other comprehensive income (and other reserves) | 0.00 | |
| 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 | 67,553 | |
| 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)

The Bank's compensation policies including that of Chief Executive Officer, is in conformity with the Financial Stability Board principles and standards. In accordance with the requirements of RBI Circular No. DBOD.NO.BC.72 / 29.67.001 / 2011-12 dated 13 January 2012, the Head Office of the Bank has submitted a declaration vide its letter dated 27 March, 2017 to RBI confirming the above mentioned aspect.

18. EQUITIES: Disclosure for Banking Book Positions (Table DF-16)

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) | 207,404 |
| 2 | (Asset amounts deducted in determining Basel III Tier 1 capital) | (1,630) |
| 3 | Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2) | 205,774 |
| | Derivative exposures | |
| 4 | Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin) | 88,486 |
| 5 | Add-on amounts for PFE associated with all derivatives transactions | 162,121 |
| 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) | 250,607 |
| | Securities financing transaction exposures | |
| 12 | Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions | 683 |
| 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) | 683 |
| | Other off-balance sheet exposures | |
| 17 | Off-balance sheet exposure at gross notional amount | 104,597 |
| 18 | (Adjustments for conversion to credit equivalent amounts) | (58,435) |
| 19 | Off-balance sheet items (sum of lines 17 and 18) | 46,162 |
| | Capital and total exposures | |
| 20 | Tier 1 capital | 59,046 |
| 21 | Total exposures (sum of lines 3, 11, 16 and 19) | 503,227 |
| | Leverage ratio | |
| 22 | Basel III leverage ratio | 11.73% |

Summary of comparison of accounting assets and leverage ratio exposure

| | Particulars | (Rs. in million) |
|---|--|------------------|
| 1 | Total consolidated assets as per published financial statements | 296,574 |
| 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 | 162,121 |
| 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) | 46,162 |
| 7 | Other adjustments | (1,630) |
| 8 | Leverage ratio exposure | 503,227 |