The Royal Bank of Scotland

THE ROYAL BANK OF SCOTLAND plc
(Incorporated in Scotland with Limited Liability)
INDIA BRANCH

INDEPENDENT AUDITOR'S REPORT TO THE COUNTRY EXECUTIVE - THE ROYAL BANK OF SCOTLAND plc - INDIA BRANCH

Report on the Financial Statements

1. We have audited the accompanying financial statements of The Royal Bank of Scotland plc – India Branch ("the Bank"), which comprise the Balance Sheet as at 31 March 2017, the Profit and Loss Account and the Cash Flow Statement for the period then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. The Management of the Bank is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014 in so far as they apply to the Bank and the guidelines issued by the Reserve Bank of India and in conformity with form A and B (revised) of the Third Schedule to the Banking Regulation Act, 1949, as applicable. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies, making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these standalone financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, as specified under section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013, in the manner so required for banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India:
   (i) in the case of the Balance Sheet, of the state of affairs of the Bank as at 31 March, 2017;
   (ii) in the case of the Profit and Loss Account, of the loss for the period ended on that date; and
   (iii) in the case of the Cash Flow Statement, of cash flows for the period ended on that date.

Report on Other Legal and Regulatory Matters

7. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014.
8. As required sub section (3) of section 30 of the Banking Regulation Act, 1949 and the appointment letter dated 21 March 2017, we report that:
   (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory.
   (b) In our opinion, the transactions of the Bank, which have come to our notice, have been within the powers of the Bank.
   (c) The Bank has only one branch and therefore separate accounting returns for the purpose of preparing financial statements are not to be submitted. We have visited the Bank's Mumbai branch for the purpose of our audit.
9. Further, as required by section 143(3) of the Companies Act, 2013, we further report that:
   (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
   (b) In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books;
   (c) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
   (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
   (e) Reporting requirement pursuant to Section 164 (2) of the Companies Act 2013, are not applicable considering this is a branch of The Royal Bank of Scotland plc;
   (f) With respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls, refer to our separate Report in "Annexure 1" to this report; and
   (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:
      i. The Bank has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note Schedule 18 Note 2.9 to the financial statements;
      ii. The Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses on long-term contracts including derivative contracts – Refer Schedule 18 Note 2.9 to the financial statements;
      iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank; and
      iv. The disclosure requirement as envisaged in Notification G.S.R 308(E) dated 30th March 2017 is not applicable to the Bank – Refer Schedule 18 Note 2.13 to the financial statements.

For **S. R. BATLIBOI & ASSOCIATES LLP**
Chartered Accountants
ICAI Firm's Registration Number: 101049W/E300004

Sd/-
per Sarvesh Warty
Partner
Membership No. 121411

Mumbai, 31 May 2017

ANNEXURE 1 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF THE ROYAL BANK OF SCOTLAND plc - INDIA BRANCH

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

To the Country Executive - The Royal Bank of Scotland plc - India Branch

We have audited the internal financial controls over financial reporting of The Royal Bank of Scotland plc - India Branch ("the Bank") as of 31 March, 2017 in conjunction with our audit of the financial statements of the Bank for the period ended on that date.

Management's Responsibility for Internal Financial Controls

The Bank's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March, 2017, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Explanatory paragraph

We also have audited, in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act, the financial statements of the Bank, which comprise the Balance Sheet as at 31 March, 2017, and the related Profit and Loss Account and Cash Flow Statement for the period then ended, and a summary of significant accounting policies and notes to the financial statements, and our report dated 31 May 2017 expressed an unqualified opinion thereon.

For **S. R. BATLIBOI & ASSOCIATES LLP**
Chartered Accountants
ICAI Firm's Registration Number: 101049W/E300004

Sd/-
per Sarvesh Warty
Partner
Membership No. 121411

Mumbai, 31 May 2017

THE ROYAL BANK OF SCOTLAND plc
(Incorporated in Scotland with Limited Liability)
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BALANCE SHEET AS AT 31 MARCH 2017

	Schedules	As at 31 March 2017 Rs. in 000's	As at 31 March 2016 Rs. in 000's
CAPITAL AND LIABILITIES			
CAPITAL	1	28,028,210	1,501,288
RESERVES AND SURPLUS	2	(180,389)	-
DEPOSITS	3	5,459,416	-
BORROWINGS	4	14,631,782	-
OTHER LIABILITIES AND PROVISIONS	5	6,764,475	-
TOTAL		**54,703,494**	**1,501,288**
ASSETS			
CASH AND BALANCES WITH THE			
RESERVE BANK OF INDIA	6	1,964,297	2,500
BALANCES WITH BANKS AND MONEY			
AT CALL AND SHORT NOTICE	7	3,376,426	1,498,788
INVESTMENTS	8	36,917,089	-
ADVANCES	9	1,218,887	-
FIXED ASSETS	10	410,101	-
OTHER ASSETS	11	10,816,694	-
TOTAL		**54,703,494**	**1,501,288**
CONTINGENT LIABILITIES	12	26,699,216	-
BILLS FOR COLLECTION		25,412,492	-
SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS	17 / 18		

Schedules referred to herein form an integral part of the Balance Sheet

The Balance Sheet has been prepared in conformity with Form 'A' of the Third Schedule to the Banking Regulation Act, 1949.

As per our report of even date attached.

For S. R. Batliboi & Associates LLP Chartered Accountants ICAI Firm Registration No. 101049W/E300004	For The Royal Bank of Scotland plc - India Branch	
Sd/- per Sarvesh Warty Partner Membership No. 121411	Sd/- Ramit Bhasin Country Executive - India	Sd/- Jaykumar Shah Chief Financial Officer - India
Mumbai, 31 May 2017	Mumbai, 31 May 2017	Mumbai, 31 May 2017

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2017

		Schedules	For the year ended 31 March 2017 Rs. in 000's	For the year ended 31 March 2016 Rs. in 000's
I	**INCOME**			
	INTEREST EARNED	13	266,511	-
	OTHER INCOME	14	(7,224)	-
	TOTAL		259,287	-
II	**EXPENDITURE**			
	INTEREST EXPENDED	15	49,063	-
	OPERATING EXPENSES	16	385,530	-
	PROVISIONS AND CONTINGENCIES (Refer Schedule 18-1.21)		5,083	-
	TOTAL		439,676	-
III	**PROFIT**			
	NET PROFIT FOR THE PERIOD (Refer Schedule 18-2.10)		(180,389)	-
	PROFIT BROUGHT FORWARD		-	-
	TOTAL		(180,389)	-
IV	**APPROPRIATIONS**			
	TRANSFER TO STATUTORY RESERVE		-	-
	BALANCE CARRIED FORWARD TO BALANCE SHEET		(180,389)	-
	TOTAL		(180,389)	-
	SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS	17 / 18		

Schedules referred to herein form an integral part of the Profit and Loss Account

The Profit and Loss Account has been prepared in conformity with Form 'B' of the Third Schedule to the Banking Regulation Act, 1949.

As per our report of even date attached.

For S. R. Batliboi & Associates LLP Chartered Accountants ICAI Firm Registration No. 101049W/E300004	For The Royal Bank of Scotland plc - India Branch	
Sd/- per Sarvesh Warty Partner Membership No. 121411	Sd/- Ramit Bhasin Country Executive - India	Sd/- Jaykumar Shah Chief Financial Officer - India
Mumbai, 31 May 2017	Mumbai, 31 May 2017	Mumbai, 31 May 2017

THE ROYAL BANK OF SCOTLAND plc
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CASH FLOW STATEMENT

	Year ended 31 March 2017 (Rs. in 000's)	Year ended 31 March 2016 (Rs. in 000's)
Cash flows from Operating Activities		
Net Profit before taxes	(180,389)	-
Adjustment for		
Depreciation on Bank's property	928	-
Depreciation on Investments	14,855	-
Provision/(write back) on standard assets including Unhedged Foreign Currency Exposure	(9,772)	-
(Profit)/Loss on sale of Fixed Assets	29	-
Operating Profit before changes in working capital	**(174,349)**	**-**
Changes in working capital		
Increase(Decrease) in Other Liabilities and Provisions	6,774,247	-
Increase / (Decrease) in Deposits	5,459,416	-
(Increase) / Decrease in Investments	(36,931,944)	-
(Increase) / Decrease in Advances	(1,218,887)	-
(Increase) / Decrease in Other Assets	(10,816,694)	-
	(36,733,862)	**-**
	(36,908,211)	**-**
Taxes paid	-	-
Net cash from / (used in) Operating Activities	**(36,908,211)**	**-**
Cash flows from Investing Activities		
Purchase of Fixed Assets / addition on amalgamation	(411,058)	-
Net cash from / (used in) Investing Activities	**(411,058)**	**-**
Cash flows from Financing Activities:		
Capital addition on account of Amalgamation	26,526,922	-
(Repayment) / Proceeds (of) /from Other Borrowings	14,631,782	-
Net cash from / (used in) Financing Activities	**41,158,704**	**-**
Net Increase / (Decrease) in cash and cash equivalents	**3,839,435**	**-**
Cash and cash equivalents as at April 1	1,501,288	-
Cash and cash equivalents as at March 31	**5,340,723**	**1,501,288**
	3,839,435	**1,501,288**

Notes to the Cash flow statement:

Cash and cash equivalents includes the following

	31 March 2017 (Rs. in 000's)	31 March 2016 (Rs. in 000's)
Cash and Balances with Reserve Bank of India (Refer Schedule 6)	1,964,297	2,500
Balances with Banks and Money at Call and Short Notice (Refer Schedule 7)	3,376,426	1,498,788
	5,340,723	**1,501,288**

As per our report of even date attached.

For S. R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration No. 101049W/E300004

Sd/-
per Sarvesh Warty
Partner
Membership No. 121411

Mumbai, 31 May 2017

For The Royal Bank of Scotland plc - India Branch

Sd/-
Ramit Bhasin
Country Executive - India

Mumbai, 31 May 2017

Sd/-
Jaykumar Shah
Chief Financial Officer - India

Mumbai, 31 May 2017

The Royal Bank of Scotland

THE ROYAL BANK OF SCOTLAND plc
(Incorporated in Scotland with Limited Liability)
INDIA BRANCH

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31 MARCH 2017

	As at 31 March 2017 Rs. in 000's	As at 31 March 2016 Rs. in 000's
SCHEDULE 1 - CAPITAL		
I Amount of Deposit kept with the Reserve Bank of India under Section 11(2)(b) of the Banking Regulation Act ,1949	8,460,000	-
II Head Office Account	28,028,210	1,501,288
TOTAL	28,028,210	1,501,288
SCHEDULE 2 - RESERVES AND SURPLUS		
I Statutory Reserve (Under Section 11(2)(b)(ii) of the Banking Regulation Act, 1949)		
Opening balance	-	-
Additions during the year	-	-
Closing balance	-	-
II Capital Reserve		
Opening balance	-	-
Additions during the year	-	-
Closing balance	-	-
III Balance of Profit and Loss Account		
Opening balance	-	-
Additions during the Year	(180,389)	-
Profit remitted to Head Office during the year	-	-
Closing balance	(180,389)	-
TOTAL	(180,389)	-
SCHEDULE 3 - DEPOSITS		
A. I Demand deposits		
i) From banks	-	-
ii) From others	823,555	-
II Savings bank deposits	162,819	-
III Term Deposits		
i) From banks	-	-
ii) From others	4,473,042	-
TOTAL	5,459,416	-
B. i) Deposits of branches in India	5,459,416	-
ii) Deposits of branches outside India	-	-
TOTAL	5,459,416	-
SCHEDULE 4 - BORROWINGS		
I Borrowings in India		
i) Reserve Bank of India	-	-
ii) Other banks	-	-
iii) Other institutions and agencies	-	-
II Borrowings outside India		
i) From banks	-	-
ii) From others	14,631,782	-
iii) Innovative perpetual debt	-	-
iv) Hybrid capital	-	-
TOTAL	14,631,782	-
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I Bills payable	634,309	-
II Inter-branch adjustments (net)	-	-
III Interest accrued	36,742	-
IV Provisions on Standard Assets (Refer Schedule 18-1.13)	920	-
V Provision for Tax (Net of Advance Tax)	-	-
VI Others (including provisions)	6,092,504	-
TOTAL	6,764,475	-

	As at 31 March 2017 Rs. in 000's	As at 31 March 2016 Rs. in 000's
SCHEDULE 6 - CASH AND BALANCES WITH THE RESERVE BANK OF INDIA		
I Cash in hand (including foreign currency notes)	17,122	-
II Balances with the Reserve Bank of India		
i) In current accounts	1,947,175	2,500
ii) In other accounts	-	-
TOTAL	1,964,297	2,500
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I In India		
i) Balances with banks		
a) In current accounts	28,439	1,498,788
b) In other deposit accounts	75	-
ii) Money at call and short notice		
a) With banks	-	-
b) With other institutions	3,198,545	-
	3,227,059	1,498,788
II Outside India		
i) In current accounts	149,367	-
ii) Deposit accounts	-	-
iii) Money at call and short notice	-	-
	149,367	-
TOTAL	3,376,426	1,498,788
SCHEDULE 8 - INVESTMENTS		
I Investments in India		
i) Government Securities (Refer Schedule 18-2.2)	36,917,089	-
ii) Other Approved Securities	-	-
iii) Shares	-	-
iv) Debentures and Bonds	-	-
v) Subsidiaries and Joint Ventures	-	-
vi) Others	-	-
	36,917,089	-
II Investments outside India	-	
TOTAL	36,917,089	-
Gross Investments	36,931,944	-
Less : Provision for dimunition in value	(14,855)	-
TOTAL	36,917,089	-
SCHEDULE 9 - ADVANCES		
A i) Bills purchased and discounted	-	-
ii) Cash credits, overdrafts and loans repayable on demand	1,204,488	-
iii) Term loans	14,399	-
TOTAL	1,218,887	-
B i) Secured by tangible assets	14,725	-
ii) Covered by bank / government guarantees	-	-
iii) Unsecured	1,204,162	-
TOTAL	1,218,887	-
C I Advances in India		
i) Priority sector	-	-
ii) Public sector	-	-
iii) Banks	-	-
iv) Others	1,218,887	-
TOTAL	1,218,887	-
C II Advances Outside India	-	-
TOTAL	1,218,887	-

THE ROYAL BANK OF SCOTLAND plc
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	As at 31 March 2017 Rs. in 000's	As at 31 March 2016 Rs. in 000's
SCHEDULE 10 - FIXED ASSETS		
I **Premises** (Refer Schedule 18-2.19)		
At Book Value		
Beginning of the year	-	-
Additions during the year / on Amalgamation	494,160	-
Deductions during the year / on Amalgamation	(80,270)	-
	413,890	-
Depreciation to Date		
Beginning of the year	-	-
Additions during the year / on Amalgamation	101,670	-
Deductions during the year / on Amalgamation	(78,245)	-
	23,425	-
	390,465	-
II **Other fixed assets** (Refer Schedule 18-2.11 and 2.19) (including furniture & fixtures and software)		
At Book Value		
Beginning of the year	-	-
Additions during the year / on Amalgamation	2,337,529	-
Deductions during the year / on Amalgamation	(1,103,664)	-
	1,233,865	-
Depreciation to Date		
Beginning of the year	-	-
Additions during the year / on Amalgamation	2,240,848	-
Deductions during the year / on Amalgamation	(1,026,619)	-
	1,214,229	-
	19,636	-
TOTAL	410,101	-
SCHEDULE 11 - OTHER ASSETS		
I Inter-branch adjustments (net)	-	-
II Interest accrued	266,002	-
III Advance tax and tax deducted at source (net of provision for tax)	1,748,964	-
IV Stationery and stamps	-	-
V Non-banking assets acquired in satisfaction of claims	-	-
VI Deferred tax asset (Refer Schedule 18-2.8)	193,176	-
VII Others	8,608,552	-
TOTAL	10,816,694	-
SCHEDULE 12 - CONTINGENT LIABILITIES		
I Claims against the bank not acknowledged as debts (including tax matters)	1,616,116	-
II Liability on account of outstanding derivative contracts	2,544,189	-
(including Forward rate agreements, Interest rate swaps, Currency swaps and Options)		
III Liability on account of outstanding foreign exchange contracts	19,198,830	-
IV Guarantees given on behalf of constituents		
i) In India	2,918,847	-
ii) Outside India	15,269	-
V Acceptances, endorsements and other obligations	-	-
VI Other items for which the Bank is contingently liable	405,965	-
TOTAL	26,699,216	-

	As at 31 March 2017 Rs. in 000's	As at 31 March 2016 Rs. in 000's
SCHEDULE 13 - INTEREST EARNED		
I Interest / discount on advances / bills	449	-
II Income on investments	237,553	-
III Interest on balances with the Reserve Bank of India and other inter bank funds	9,919	-
IV Others	18,590	-
TOTAL	266,511	-
SCHEDULE 14 - OTHER INCOME		
I Commission, exchange and brokerage	1,493	-
II Profit on sale of investments (net)	-	-
III Profit / (loss) on sale of land, buildings and other assets (net)	(29)	-
IV Profit / (loss) on exchange transactions (net)	(27,462)	-
(includes profit / (loss) on derivative transactions (net))		
V Miscellaneous income (includes recovery from written off debts)	18,774	-
TOTAL	(7,224)	-
SCHEDULE 15 - INTEREST EXPENDED		
I Interest on deposits	30,254	-
II Interest on Reserve Bank of India / inter bank borrowings	18,809	-
III Others	-	-
TOTAL	49,063	-
SCHEDULE 16 - OPERATING EXPENSES		
I Payments to and provision for employees (Refer Schedule 18-2.1)	75,921	-
II Rents, taxes and lighting (Refer Schedule 18-2.5)	15,138	-
III Printing and stationery	5,405	-
IV Advertisement and publicity	1,310	-
V Depreciation on bank's property	928	-
VI Auditors' fees and expenses	800	-
VII Law charges	2,887	-
VIII Postage, telegrams and telephones	1,205	-
IX Repairs and maintenance	373	-
X Insurance	2,900	-
XI Other expenditure (Refer Schedule 18-2.4)	278,663	-
TOTAL	385,530	-

Schedule 17

1. **Background**
The accompanying financial statements for the year ended 31 March 2017 comprise the Balance Sheet as at 31 March 2017, Profit and Loss Account and Cash Flow Statement for the year then ended of the India Branch of The Royal Bank of Scotland plc. ('the Bank') which is incorporated in the Scotland with limited liability.

2. **Basis of preparation**
The financial statements have been prepared in accordance with requirements prescribed under the Third Schedule of the Banking Regulation Act, 1949. The accounting and reporting policies of the Bank used in the preparation of these financial statements conform to Generally Accepted Accounting Principles in India ("Indian GAAP"), the guidelines issued by the Reserve Bank of India ('RBI') from time to time and the Accounting Standards notified under section 133 read with Rule 7 of the Companies (Accounts) Rules, 2014 in so far as they apply to the Bank in conformity with form A and B (revised) of the Third Schedule to the Banking Regulation Act, 1949, as applicable and practices generally prevalent in the banking industry in India. The Bank follows the historical cost convention and the accrual method of accounting (except where otherwise stated).

3. Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosures of contingent liabilities as at the date of the financial statements. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

4. Significant accounting policies

4.1. Investments

Recognition and Classification

Investments are accounted for in accordance with the extant RBI guidelines on investment classification and valuation.

Investments are classified into the following three categories

- Held to Maturity ('HTM')
- Held for Trading ('HFT'); and
- Available for Sale ('AFS')

Under each classification, the investments are further categorised as (a) Government Securities, (b) Other Approved Securities, (c) Shares, (d) Debentures and Bonds, (e) Subsidiaries and Joint Ventures and (f) Others.

For disclosure in the Balance Sheet, investments are classified under above mentioned six categories.

The Bank follows trade date method of accounting for purchase and sale of investments, except for Government of India and State Government securities where settlement date method of accounting is followed in accordance with RBI guidelines.

Acquisition cost/carrying cost

Cost of investment represents the acquisition cost and in case of discounted instruments, the carrying cost includes the pro rata discount accreted for the holding period. Accretion on Treasury Bills is calculated on the weighted average cost method.

Brokerages, commission, broken period interest, etc. on debt instruments, paid at the time of acquisition, are charged to the Profit and Loss Account.

Disposal of Investments

- Investments classified as HFT or AFS – Profit or loss on sale/redemption is included in the Profit and Loss Account
- Investment classified as HTM – Profit on sale/redemption of investments is included in the Profit and Loss Account and is appropriated to Capital Reserve after adjustments for tax and transfer to Statutory Reserve. Loss on sale/redemption is charged to the Profit and Loss Account

Transfer between categories

Transfer of securities between categories of investments is carried out in accordance with the RBI guidelines and accounted for at the lower of acquisition cost, book value and market value on the date of transfer and the depreciation, if any, on such transfer is fully provided for.

Valuation/income recognition

Investments classified under the HTM category are carried at their acquisition cost or at amortised cost, if acquired at a premium over the face value. Any premium paid on acquisition in excess of face value is amortised over the period remaining to maturity on a straight-line basis. Discount, if any, is ignored. A provision is made for other than temporary diminution in the value of the HTM security.

Investments classified under the AFS category are marked-to-market on a quarterly or at more frequent intervals and the net depreciation, if any, in each classification as mentioned in Schedule 8 – 'Investments' is recognised in the Profit and Loss Account. The net appreciation, if any, is ignored. The book value of the individual securities is not changed consequent to the periodical valuation of investments.

Investments classified under the HFT category are marked-to-market on a monthly or at more frequent intervals and the net depreciation, if any, in each classification as mentioned in Schedule 8 – 'Investments' is recognised in the Profit and Loss Account. The net appreciation, if any, is ignored. The book value of the individual securities is not changed consequent to the periodical valuation of investments.

In the event, provisions created on account of depreciation in the AFS or HFT categories are found to be in excess of the required amount in any year, the excess is credited to the Profit and Loss Account and the excess is thereafter appropriated (net of taxes, if any and net of transfer to Statutory Reserve as applicable) to Investment Reserve Account.

Profit or loss on sale of securities is computed on the basis of the weighted average cost. Market price of securities is sourced from the revaluation rates published by the Fixed Income Money Market and Derivatives Association of India ('FIMMDA').

Treasury Bills, Commercial Paper and Certificates of Deposit, being discounted instruments, are valued at carrying cost.

Accounting for repurchase/reverse repurchase transactions

Securities sold under agreements to repurchase (Repos) and securities purchased under agreements to resell (Reverse Repos) are accounted as collateralised borrowing and lending transactions respectively. The difference between the consideration amount of the first leg and the second leg of the repo is recognised as interest income/interest expense over the period of transaction.

4.2. Advances and Provisions/write-offs

Advances are classified as performing and non-performing advances ("NPA") in accordance with RBI prudential norms on classification. Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by RBI.

Advances are stated net of specific provisions, interest in suspense, provision for impaired assets, Export Credit Guarantee Corporation Limited ('ECGC') claims and bills rediscounted and provisions in lieu of diminution in the fair value of restructured assets.

Specific loan loss provisions in respect of non-performing advances are made based on the Management's assessment of the degree of impairment of the advances after considering the prudential norms on provisioning as prescribed by the RBI.

In the case of consumer loans, provisions are made upon reaching specified stages of delinquency under each type of loan after considering the prudential norms on provisioning prescribed by the RBI.

As per the RBI guidelines, a general provision is required to be made on all standard advances based on the category of advances and additionally on Unhedged Foreign Currency Exposure of borrowers. These provisions are made in line with the RBI guidelines and are disclosed under Schedule 5 – 'Provisions on Standard Assets'.

Provision for restructured assets is made in accordance with the applicable requirements prescribed by the RBI on restructuring of advances by banks. Necessary provision for diminution in the fair value of a restructured account is made. Restructuring of an account is done at a borrower level.

Amounts recovered against debts written-off in earlier years and provisions no longer considered necessary in the context of the current status of the borrower are recognised in the Profit and Loss Account.

Further to provisions required as per the asset classification status, provisions are held for individual country exposure as per the RBI guidelines. Exposure is classified in the seven risk categories as per Bank's internal ratings.

4.3. Transactions involving foreign exchange

Monetary assets and liabilities denominated in foreign currency are translated into Indian rupees at the year-end exchange rates notified by the Foreign Exchange Dealers' Association of India ('FEDAI') and the resulting profits/losses from year-end revaluation are recognised in the Profit and Loss Account

Non-monetary items, which are measured in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction. Non-monetary items, which are measured at fair value or other similar valuation denominated in a foreign currency, are translated using the exchange rate at the date when such value was determined.

Outstanding forward exchange contracts are revalued at the exchange rates notified by FEDAI for specified maturities and at extrapolated rates for contracts of intervening maturities. The foreign exchange contracts of longer maturities where exchange rates are not notified by FEDAI are revalued at the exchange rates implied by the USD/INR Currency Swap curve. The resultant gains or losses are recognised in the Profit and Loss Account.

Income and expenditure in foreign currency are translated at the exchange rates prevailing on the date of the transaction.

Contingent liabilities denominated in foreign currencies are disclosed at the closing rates of exchange notified by FEDAI.

4.4. Derivative instruments

Derivative instruments include foreign currency options, interest rate swaps ('IRS'), cross currency interest rate swaps ('CCS') and forward rate agreements ('FRA') which are undertaken for trading or hedging purposes. Derivatives undertaken for trading purposes are measured at their fair value and the resultant gain or loss is recognised in the Profit and Loss Account.

The Bank treats all derivatives (except for derivative transactions that are undertaken for hedging are accounted on accrual basis) which include all customer and proprietary transactions together with any associated hedges and trades done for hedging the Balance Sheet as 'trading' derivatives.

Derivatives are classified as assets under Schedule 11 – 'Other Assets' when the fair value is positive (positive marked to market) or as liabilities Schedule 5 – 'Other Liabilities' when the fair value is negative (negative marked to market).

Changes in the fair value of derivatives other than those designated as hedges are recognised in the Profit and Loss Account.

Pursuant to RBI guidelines, any receivables under derivative contracts which remain overdue for more than 90 days and mark-to-market gains on other derivative contracts with the same counter-parties are reversed through the Profit and Loss Account.

4.5. Revenue recognition

Income is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the income can be reliably measured.

Interest income is recognised in the Profit and Loss Account on an accrual basis except in case of interest on NPA, where it is recognised on receipt basis as per the income recognition and asset classification norms of RBI and the relevant Accounting Standards.

Loan processing fee is accounted for upfront when it becomes due.

Commission on letters of credit is recognised at the inception of the transaction. Commission income on guarantees is recognised on a straight-line basis over the period of the guarantee if the commission received is greater than INR equivalent of GBP 10,000. Income on discounted instruments is recognised over the tenure of the instrument on a constant yield basis.

All other fees are accounted for as and when they become due.

4.6. Fixed assets and depreciation

Fixed assets are stated at historical cost less accumulated depreciation and provision for impairment, if any, Cost includes freight, duties, taxes and incidental expenses related to the acquisition and installation of the asset. Historical cost for this purpose includes the written down value as at 31 March 1991 for fixed assets acquired up to that date and the cost of acquisition for fixed assets acquired thereafter.

Depreciation is provided on a pro-rata basis on a Straight Line Method over the estimated useful life of the assets which is lower than useful life prescribed under Schedule II of the Companies Act, 2013 in order to reflect the actual usage of the assets. The estimates of useful lives of the assets are based on a management estimate, taking into account the nature of the asset, the estimated usage of the asset, and the operating conditions surrounding the use of the asset etc. Based on the above, the useful life of the assets has not undergone a change on account of transition to the Companies Act, 2013.

Asset Type	Estimated Useful Life in Years
Premises	50
Improvement of leasehold premises	Over the primary period of lease subject to maximum of 5 years
Furniture and fixtures	5
Other equipment	5
Vehicles (including leased assets)	3
Computer Equipment (including software)	3

All fixed assets individually costing less than Rs 5,000 are fully depreciated in the year of acquisition.

If the Management's estimate of the remaining useful life on a subsequent review is shorter, then depreciation is provided at a higher rate.

4.7. Leases

Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating leases. Operating lease rentals are recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease period.

4.8. Employee Benefits

Provident fund

The Provident Fund Plan of the Bank is a defined contribution scheme. The Bank's contributions paid/payable towards Provident Fund are charged to the Profit and Loss Account every year. This fund and the scheme there under is recognised by the Income-tax authorities and administered by various trustees.

Gratuity and Pension

The Bank has defined benefit plans for post-employment benefits in the form of Gratuity which is funded and Pension which is partly funded. Provisions for gratuity and pension which are defined benefit schemes are made on the basis of an independent actuarial valuation carried out as per the Projected Unit Credit Method as at the year end. The fair value of plan assets are compared with the liabilities and shortfall, if any, is provided in the financial statements.

Deferred Bonus Scheme

The Bank accounts for its defined benefit obligation for non-funded deferred bonus benefits on the basis of an independent actuarial valuation as per the Projected Unit Credit Method carried out as at the year end.

Compensated absences

Liability for long term compensated absences for employees is accounted on the basis of an independent actuarial valuation as per the Projected Unit Credit Method carried out as at the year end. Unutilised short term compensated absences are provided for on an undiscounted basis.

Long Service Award

Liability for long term service award for employees is accounted on the basis of an independent actuarial valuation as per the Projected Unit Credit method carried out as at the year end.

Actuarial gains/losses are immediately recognised in the Profit and Loss Account.

Other short term employee benefits are recognised on an undiscounted basis on their likely entitlement thereof.

4.9. Income taxes

Income tax comprises the current tax provision and the net change in the deferred tax asset or liability in the year.

The current tax expense and deferred tax expense is determined in accordance with the provisions of the Income Tax Act, 1961 and as per Accounting Standard 22 – Accounting for Taxes on Income specified under section 133 of the Companies Act, 2013, as applicable.

Deferred tax assets and liabilities arising on account of timing difference are recognised in the Profit and Loss Account and the cumulative effect thereof is reflected in the Balance Sheet. Deferred tax assets are recognised only if there is a reasonable certainty that they will be realised, except for deferred tax assets in respect of unabsorbed depreciation and carry forward losses which are only recognised to the extent that it is virtually certain that they will be realised. Deferred tax assets and liabilities are measured using the tax rates that have been enacted or substantively enacted by the Balance Sheet date. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the Profit and Loss Account in the period of change.

4.10. Provisions, contingent liabilities and contingent assets

The Bank has assessed its obligations arising in the normal course of business, including pending litigations, proceedings pending with tax authorities and other contracts including derivative and long term contracts. In accordance with Accounting Standard-29 on 'Provisions ,Contingent Liabilities and Contingent Assets', the Bank recognises a provision for material foreseeable losses when it has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted (except for retirement benefits) to their present values and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

Contingent liabilities are disclosed when there is a possible obligation or present obligation that may but probably will not require an outflow of resources embodying economic benefits. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are not recognised or disclosed in the financial statements.

4.11. Impairment

The carrying amounts of assets are reviewed at each Balance Sheet date for any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and "value in use". After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life. If at the Balance Sheet date, there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

4.12. Cash and cash equivalents

Cash and cash equivalents include cash in hand and in ATM/in transit, balances with RBI, balances with other banks and money at call and short notice (including the effect of changes in exchange rates of cash and cash equivalents in foreign currency).

4.13. Cash Flow Statement

Cash Flows are reported using indirect method, whereby profit/(loss) before tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Bank are segregated based on the available information.

4.14. Segment Reporting

The Bank operates in three segments viz. Treasury, Retail Banking and Corporate and Wholesale Banking. These segments have been identified in line with RBI guidelines and AS-17 on Segment Reporting after considering the nature and risk profile of the products and services, the target customer profile, the organisation structure and the internal reporting system of the Bank.

Segment revenue, results, assets and liabilities include the amounts identifiable to each of the segments as also amounts allocated, as estimated by the management. Assets and liabilities that cannot be allocated to identifiable segments are grouped under unallocated assets and liabilities.

Schedule 18

1. Statutory disclosures as per the RBI guidelines

1.1. Capital adequacy ratio

The capital adequacy ratio computed under Basel III guidelines are as under:

Particulars	31 March 2017	31 March 2016
Common Equity Tier I Capital Ratio (%) *	132.56%	Nil
Tier I Capital Ratio (%)	132.56%	Nil
Tier II Capital Ratio (%)	0.004%	Nil
Total Capital Ratio (CRAR) (%)	**132.56%**	**Nil**
Percentage of the shareholding of the Government of India	Nil	Nil
Amount of equity capital raised	Nil	Nil
Amount of Additional Tier I capital raised of which:		
Perpetual Non-Cumulative Preference Shares	Nil	Nil
Perpetual Debt Instruments	Nil	Nil
Amount of Tier 2 capital raised of which:		
Debt capital instrument	Nil	Nil
Preference share capital instrument	Nil	Nil

*Includes Capital Conservation Buffer ('CCB') of 1.25% & Global Systemically Important Bank (G-SIB) charge of 0.25% for the year ended 31 March 2017.

1.2. Business information/ratios

The details relating to business information/ratios are given below:

Particulars	31 March 2017	31 March 2016
i) Interest income as percentage of working funds	0.45%	Nil
ii) Non-interest income as percentage of working funds	(0.01)%	Nil
iii) Operating profits as percentage of working funds	(0.30)%	Nil
iv) Return on assets (%)	(0.31)%	Nil
v) Business (deposits plus advances) per employee (Rs.000s)	56,596	Nil
vi) Net Profit per employee (Rs.000s)	(1,529)	Nil

1) For computation of ratios in (i), (ii), (iii) and (iv), working funds represent monthly average of total assets as reported to the RBI in the DSB returns for Feb and March 2017.
2) For computation of ratios in (v), deposits (excluding Inter-bank deposits) plus advances as at year end have been considered
3) For computation of ratios in (v) and (vi), number of employees as at year end have been considered
4) Operating profit = Interest Income + Other Income – Interest expenses – Operating expenses.

1.3. Derivative instruments

Risk management of derivatives

The Bank offers derivative products to its customers for hedging various types of risk exposures. The Bank is also an active market maker in the derivatives market and uses derivatives to manage Balance Sheet exposures.

The Bank follows the policies and controls laid out by RBS Group for identifying, evaluating, monitoring and controlling key risks pertaining to the Bank's derivative business in India. Key risks inherent in the derivative business carried out by the Bank in India include credit, market and operational risks for which policies, procedures and limits are established to manage them.

In terms of the organisation structure for risk management, the Bank has separate teams monitoring and managing various risks such as credit risk, market risk and operational risk. All these teams report to the Credit Risk Officer – India. The Bank also has a comprehensive Client Suitability and Appropriateness Policy, to ensure that derivative products offered to clients are in line with the size and sophistication of the client, and which meet the client's risk management requirements. Derivatives transactions are covered under International Swap Dealers Association (ISDA) master agreements with the respective counter-parties.

Market risk, operational risk, and credit risk (counter-party risk) are monitored as follows:

Market risk

The Bank has set in place Value at Risk (VaR) limits, which are based on the Historical Simulation Method to control and monitor market risk. The Bank has also in place PV01 limits (impact of 1 basis point shift in the yield curve) and basis limits to control the exposures. Daily reports are made available through the risk management systems for monitoring these exposures. In addition to these limits, stress and scenario analysis are undertaken to evaluate shock impacts.

Operational risk

The Bank has made investments in software and hardware, which caters to the derivative activity. The Bank also has an approval and review process to manage risks arising out of new products and activities.

Collateral and credit risk mitigation

The Bank has set in place counterparty limits to monitor off balance sheet exposure as well as settlement risk.

The off balance sheet exposure is calculated based on a dynamic method, which takes into account the positive replacement cost together with the potential future credit exposure for each trade. Counterparty exposures are monitored daily through a Global Counterparty Exposure management system.

Agreements with banks/financial institutions and corporates are under approved credit lines. For transactions with Banks as counter-parties, generally collateral is not taken. With respect to transactions with other counter-parties, generally collateral is not taken at the time of dealing. The Bank has collateral agreements with a few corporate clients, which are required to post collaterals, should the negative Mark to Market value at an aggregate level across all derivative and forward transactions with the client, exceed the threshold. As of 31 March, 2017, total collateral value held by the Bank was Nil. The corresponding value for 31 March 2016 was Nil.

Accounting for derivatives

The accounting policy for recording derivative transactions is in place which includes recognition of income and the treatment of gains/losses on cancellation/termination of contracts. Refer Schedule 17-4.4 and Schedule 17-4.5.

The Bank has not entered into any Credit Default Swap transactions during the year.

Disclosures in respect of Forward Rate Agreements ('FRA'), Interest Rate Swaps ('IRS') and Cross Currency Swaps ('CCS') outstanding as at 31 March 2017 is set out below:

Forward Rate Agreements (Rs. in 000's)

Sr. No	Particulars	31 March 2017 Amount		31 March 2016 Amount	
I	Notional Principal	Nil		Nil	
II	Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements.	Nil		Nil	
III	Collateral required by the bank upon entering into swaps.	Nil			
IV	Concentration of credit risk arising from the swaps.	Banks	Not Applicable	Banks	Not Applicable
		Others	Not Applicable	Others	Not Applicable
V	The fair value of the swap [asset/(liability)].	Nil		Nil	

Interest Rate Swaps (Rs. in 000's)

Sr. No	Particulars	31 March 2017 Amount		31 March 2016 Amount
I	Notional Principal	858,437		Nil
II	Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements.	15,658		Nil
III	Collateral required by the bank upon entering into swaps.	Nil		
IV	Concentration of credit risk arising from the swaps.	Banks	100%	Nil
		Others	0%	Nil
V	The fair value of the swap [asset/(liability)].	15,658		Nil

Cross Currency Swaps (Rs. in 000's)

Sr. No	Particulars		31 March 2017 Amount	31 March 2016 Amount
I	Notional Principal		1,685,752	Nil
II	Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements.		12,562	Nil
III	Collateral required by the bank upon entering into swaps.		Nil	
IV	Concentration of credit risk arising from the swaps.	Banks	0%	Nil
		Others	100%	Nil
V	The fair value of the swap [asset/(liability)].		12,562	Nil

Exchange Traded Interest Rate Derivatives (Rs. in 000's)

Sr. No.	Particulars	31 March 2017	31 March 2016
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)	Nil	Nil
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding (instrument-wise)	Nil	Nil
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	Nil	Nil
(iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	Nil	Nil

Disclosures on risk exposure in derivatives
Year ended 31 March 2017 (Rs. in 000's)

Sr. No.	Particulars	Currency Derivatives	Interest rate Derivatives
1	Derivatives (Notional Principal Amount)		
	a) For hedging	Nil	Nil
	b) For trading	1,685,752	858,437
2	**Marked to Market Positions**		
	a) Asset (+)	12,562	15,658
	b) Liability (-)	Nil	Nil
3	**Credit Exposure**	46,277	19,950
4	**Likely impact of one percentage change in interest rate (100*PV01) (as at 31 March 2017)**		
	a) On hedging derivatives	Nil	Nil
	b) On trading derivatives	(19)	(41)
5	**Maximum and Minimum of 100*PV01 observed during the year**		
	a) On hedging		
	I) Maximum	Nil	Nil
	II) Minimum	Nil	Nil
	b) On Trading		
	I) Maximum	(19)	193,404
	II) Minimum	(67,949)	(41)

Note: Derivatives excludes Forward exchange contracts. The maximum and minimum of 100*PV01 observed during the year represents the maximum and minimum of observations on the last day of each quarter during the year ended 31 March 2017.

Year ended 31 March 2016 (Rs. in 000's)

Sr. No.	Particulars	Currency Derivatives	Interest rate Derivatives
1	**Derivatives (Notional Principal Amount)**		
	a) For hedging	Nil	Nil
	b) For trading	Nil	Nil
2	**Marked to Market Positions**		
	a) Asset (+)	Nil	Nil
	b) Liability (-)	Nil	Nil
3	**Credit Exposure**	Nil	Nil
4	**Likely impact of one percentage change in interest rate (100*PV01) (as at 31 March 2016)**		
	a) on hedging derivatives	Nil	Nil
	b) on trading derivatives	Nil	Nil
5	**Maximum and Minimum of 100*PV01 observed during the year**		
	a) On hedging	Nil	Nil
	I) Maximum	Nil	Nil
	II) Minimum	Nil	Nil
	b) On Trading	Nil	Nil
	I) Maximum	Nil	Nil
	II) Minimum	Nil	Nil

Note: Derivatives excludes Forward exchange contracts. The maximum and minimum of 100*PV01 observed during the year represents the maximum and minimum of observations on the last day of each quarter during the year ended 31 March 2016.

1.4. Investments

(Rs. in 000's)

Year Ended				31 March 2017	31 March 2016
(1)	Value of Investments				
	(i)	Gross Value of Investments			
		(a)	In India	36,931,944	Nil
		(b)	Outside India	Nil	Nil
	(ii)	Provision for Depreciation			
		(a)	In India	14,855	Nil
		(b)	Outside India	Nil	Nil
	(iii)	Net Value of Investments			
		(a)	In India	36,917,089	Nil
		(b)	Outside India	Nil	Nil
(2)	Movement of provisions held towards diminution in value of investments				
	(i)	Opening balance		Nil	Nil
	(ii)	Add: Provisions made during the year (including provision made on inter-bank repo outstanding at the end of the year)		14,855	Nil
	(iii)	Less: Write-off/write-back of excess provisions during the year		Nil	Nil
	(iv)	Closing balance		14,855	Nil

1.5. Disclosures in respect of repo transactions

Year ended 31 March 2017 (Rs. in 000's)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	As at March 31 2017
Securities sold under repos				
i. Government securities	Nil	Nil	Nil	Nil
ii. Corporate debt securities	Nil	Nil	Nil	Nil
Securities purchased under reverse repos				
i. Government securities	Nil	Nil	Nil	Nil
ii. Corporate debt securities	Nil	Nil	Nil	Nil

Year ended 31 March 2016 (Rs. in 000's)

Particulars	**Minimum outstanding during the year**	**Maximum outstanding during the year**	**Daily Average outstanding during the year**	**As at March 31 2015**
Securities sold under repos				
i. Government securities	Nil	Nil	Nil	Nil
ii. Corporate debt securities	Nil	Nil	Nil	Nil
Securities purchased under reverse repos				
i. Government securities	Nil	Nil	Nil	Nil
ii. Corporate debt securities	Nil	Nil	Nil	Nil

1.6. Movement in NPAs (Rs. in 000's)

Year ended			**31 March 2017**	**31 March 2016**
(i)	Net NPAs to Net Advances (%)		98.79%	NIL
(ii)	Movement of NPAs (Gross)			
	(a)	Opening balance	0	Nil
	(b)	Additions during the year / on amalgamation	1,834,984	Nil
	(c)	Reductions during the year / on amalgamation	0	Nil
	(d)	Closing balance	1,834,984	Nil
(iii)	Movement of Net NPAs			
	(a)	Opening balance	Nil	Nil
	(b)	Additions during the year / on amalgamation	1,204,144	Nil
	(c)	Reductions during the year / on amalgamation	Nil	Nil
	(d)	Closing balance	1,204,144	Nil
(iv)	Movement of provisions for NPAs (excluding provisions on standard assets)			
	(a)	Opening balance	0	Nil
	(b)	Provisions made during the year / on amalgamation	630,840	Nil
	(c)	(Write-off)/write-back of excess provisions	0	Nil
	(d)	Closing balance	630,840	Nil

1.7. Technical Write off

There were no technical write offs during the year (Previous Year: NIL)

1.8. Provision Coverage Ratio

In accordance with the RBI Guidelines, Provision Coverage Ratio as at 31 March 2017 is 34.38% (Previous Year: Nil).

1.9. Details of Financial Assets Sold to Securitisation/Reconstruction Company for Asset Reconstruction

There were no Financial Assets which were sold to a Securitisation/ Reconstruction Company during the year (Previous Year: NIL).

1.10. Details of Non performing Financial Assets purchased/sold

The Bank has not purchased/sold any non-performing assets during the year (Previous Year: NIL).

1.11. Maturity pattern

Maturity Pattern of Assets and Liabilities as at 31 March 2017 (Rs. in 000's)

Particulars	**Deposit**	**Advances**	**Investment**	**Borrowings**	**FCY Assets**	**FCY Liabilities**
Up to 1 day	5,196	Nil	Nil	Nil	149,367	49,770
2 to 7 days	53,536	Nil	Nil	Nil	Nil	27,297
8 to 14 days	330,861	Nil	Nil	Nil	Nil	148,564
15 to 28 days	66,251	11	250,134	Nil	Nil	237,691
29 days to 3 months	947,300	22	7,982,056	Nil	154,589	117,431
Over 3 months & up to 6 months	206,151	33	18,110,207	3,028,236	19,957	3,138,961
Over 6 months & up to 1 year	2,478,582	65	10,574,692	9,974,838	15,658	10,306,809
Over 1 Year & up to 3 Years	1,353,202	604	Nil	1,628,708	Nil	1,760,330
Over 3 Year & up to 5 Years	18,289	260	Nil	Nil	Nil	Nil
Over 5 Years	48	1,217,892	Nil	Nil	448,783	4,133
Total	**5,459,416**	**1,218,887**	**36,917,089**	**14,631,782**	**788,354**	**15,790,986**

Maturity Pattern of Assets and Liabilities as at 31 March 2016 (Rs. in 000's)

Particulars	**Deposit**	**Advances**	**Investment**	**Borrowings**	**FCY Assets**	**FCY Liabilities**
Up to 1 day	Nil	Nil	Nil	Nil	Nil	Nil
2 to 7 days	Nil	Nil	Nil	Nil	Nil	Nil
8 to 14 days	Nil	Nil	Nil	Nil	Nil	Nil
15 to 28 days	Nil	Nil	Nil	Nil	Nil	Nil
29 days to 3 months	Nil	Nil	Nil	Nil	Nil	Nil
Over 3 months & up to 6 months	Nil	Nil	Nil	Nil	Nil	Nil
Over 6 months & up to 1 year	Nil	Nil	Nil	Nil	Nil	Nil
Over 1 Year & up to 3 Years	Nil	Nil	Nil	Nil	Nil	Nil
Over 3 Year & up to 5 Years	Nil	Nil	Nil	Nil	Nil	Nil
Over 5 Years	Nil	Nil	Nil	Nil	Nil	Nil
Total	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**

Notes:

1) In accordance with the RBI guidelines, Management has made certain assumptions in respect of behavioural maturities of non-term assets and liabilities while compiling their maturity profiles, which have been relied upon by the Auditors
2) Investments are bucketed as per residual maturity
3) Advances have been classified in their residual maturities, except for cash credit and overdraft accounts, which have been classified as per their volatility
4) Deposits have been classified in their residual maturities, except for savings and current account deposits, which have been classified as per their volatility

1.12. Lending to sensitive sectors

Exposure to Real Estate

(Rs. in 000's)

Category	31 March 2017	31 March 2016
a) Direct exposure	Nil	Nil
(i) Residential Mortgages		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented	Nil	Nil
Of which individual housing loans eligible for inclusion in priority sector advances	Nil	Nil
(ii) Commercial Real Estate	Nil	Nil
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures		
a. Residential	Nil	Nil
b. Commercial Real Estate	Nil	Nil
b) Indirect exposure	Nil	Nil
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	46,277	Nil
Total Exposure to Real Estate Sector	**46,277**	**Nil**

Exposure to Capital Market

(Rs. in 000's)

Category	31 March 2017	31 March 2016
Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	Nil	Nil
Advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	330	Nil
Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	Nil	Nil
Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/ convertible bonds/convertible debentures/units of equity oriented mutual funds does not fully cover the advances;	Nil	Nil
Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	Nil	Nil
Loans sanctioned to corporates against the security of shares/bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	Nil	Nil
Bridge loans to companies against expected equity flows/issues;	Nil	Nil
Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	Nil	Nil
Financing to stockbrokers for margin trading;	Nil	Nil
All exposures to Venture Capital Funds (both registered and unregistered) will be deemed to be on par with equity and hence will be reckoned for compliance with the capital market exposure ceilings (both direct and indirect)	Nil	Nil
Total Exposure to Capital Market	**330**	**Nil**

Note: Advances includes funded and non-funded exposures for the above categories.

1.13. Provisions on Standard Assets (Rs. in 000's)

Particulars	31 March 2017	31 March 2016
Provisions on standard assets	920	Nil

Excess provisions on standard assets held by the Bank over and above required as at 31 March 2017 have been reversed to Profit & Loss Account.

The above includes provision on Unhedged Foreign Currency Exposure (UFCE) of Rs 100 thousands (Previous Year: Nil).

1.14. Issuer composition of Non SLR investments

The bank does not have any Non SLR investments as at 31 March 2017 (Previous Year: Nil).

1.15. Non-performing Non-SLR investments

There are no Non-performing Non-SLR investments as at 31 March 2017 (Previous Year: Nil)

1.16. Particulars of Accounts Restructured

Disclosure of Restructured Accounts as at 31 March 2017

There were no restructured accounts as at 31 March 2017 (Previous year Nil).

1.17. Restructuring under Strategic Debt Restructuring and Scheme for Sustainable Structuring of Stressed Assets

There were no Restructuring under Strategic Debt Restructuring and Scheme for Sustainable Structuring of Stressed Assets during the year (Previous Year: NIL)

1.18. Securitisation Transactions

There were no securitisation transactions entered during the year (Previous Year: Nil).

1.19. Single and group borrower exposures

During the year, the Bank has complied with the RBI guidelines on Single borrower limit (SBL) and Group borrower limit (GBL). As per the exposure limits permitted under the extant RBI regulation, the Bank, with the approval of the Management Team Committee ('MTCo'), can enhance exposure to a Single borrower or Group borrower by a further 5 % of capital funds. Additionally, for infrastructure companies, the SBL and GBL can be enhanced by a further 5% and 10% respectively.

During the year, the Bank's credit exposure to all Group borrowers were within the prudential exposure limits prescribed by RBI. Notably, GBL was allowed up to 50% for Vodafone India Group (as permitted for infrastructure companies under the RBI guidelines mentioned above) and the exposure to the Group was well within the enhanced thresholds.

During the year, Single borrower limit which was previously enhanced with prior MTCo approval for the below company was monitored as below :

For Vodafone Mobile Services, SBL is being monitored at 20% as permitted for an Infrastructure company

Exposure to the above company was well within the enhanced thresholds.

There was no breach for SBL and GBL limits in the previous year ended 31 March 2016.

1.20. Country Risk

As per the extant RBI guidelines, the country exposure of the Bank based on the Bank's internal ratings is categorised into various risk categories listed in the following table:

(Rs. in 000's)

	31 March 2017		31 March 2016	
Risk Category	**Exposure (net)**	**Provision held**	**Exposure (net)**	**Provision held**
Insignificant	Nil	Nil	Nil	Nil
Low	861,878	Nil	Nil	Nil
Moderate	961,899	Nil	Nil	Nil
High	Nil	Nil	Nil	Nil
Very High	Nil	Nil	Nil	Nil
Restricted	Nil	Nil	Nil	Nil
Off-Credit	Nil	Nil	Nil	Nil
Total	**1,823,777**	**Nil**	**Nil**	**Nil**

As at 31 March 2017, the exposure also includes exposure of the Bank to its Head Office and its branches. In terms of the RBI circular, the provision is made for only those countries where the net funded exposure is not less than 1 percent of total assets. While computing provisioning, the Bank excludes exposure to its Head Office and branches.

1.21. Provisions and contingencies charged to the Profit and Loss Account comprises of

(Rs. in 000's)

Year ended	31 March 2017	31 March 2016
Provision towards standard assets	(9,772)	Nil
Provision for diminution in value of Investments	14,855	Nil
Total	**5,083**	**Nil**

1.22. Disclosure of Complaints/Unimplemented Awards of Banking Ombudsman

Customer complaints (Rs. in 000's)

	Particulars	31 March 2017	31 March 2016
(a)	No. of Complaints pending at the beginning of the year	**0**	Nil
(b)	No. of Complaints received during the year / on amalgamation	**1,512**	Nil
(c)	No. of Complaints redressed during the year / on amalgamation	**1,501**	Nil
(d)	No. of Complaints pending at the end of the year	**11**	Nil

Awards passed by the Banking Ombudsman (Rs. in 000's)

	Particulars	31 March 2017	31 March 2016
(a)	No. of unimplemented Awards at the beginning of the year	Nil	Nil
(b)	No. of Awards passed by the Banking Ombudsmen during the year / on amalgamation	Nil	Nil
(c)	No. of Awards implemented during the year / on amalgamation	Nil	Nil
(d)	No. of unimplemented Awards at the end of the year	Nil	Nil

The complaints which got redressed within a day are not part of the above disclosure.

The above information regarding customer complaints have been identified on the basis of the information available with the Bank and have been relied upon by the Auditors.

1.23. Penalties

During the year, no penalty was imposed by The Reserve Bank of India (Previous Year: Nil)

1.24. Floating Provisions

The Bank has not created any floating provisions during the year (Previous Year: Nil).

1.25. Letter of Comforts

The Bank has not issued any Letter of Comforts (LOCs) during the year and there are no LOCs outstanding as at the year end (Previous Year: Nil).

1.26. Depositor Education and Awareness Fund (DEAF)

(Rs. in 000's)

Particulars	31 March 2017	31 March 2016
Opening Balance of amount transferred to DEAF	0	Nil
Amount transferred during the year/on amalgamation	405,965	Nil
Amount reimbursed by DEAF towards claims	0	Nil
Closing balance of amounts transferred to DEAF	**405,965**	**Nil**

1.27. Unhedged Foreign Currency Exposure (UFCE)

The Bank has a policy for monitoring the unhedged foreign currency exposure of all clients. Relevant data in this regard is requested from all clients and the potential loss which the clients could face owing to foreign currency fluctuation is computed. Suitable incremental provisions are then computed in line with the RBI guidelines.

Provision held for UFCE as at 31 March 2017 is Rs.100 thousands (Previous Year: Nil). Incremental capital held by the Bank for UFCE as at 31 March 2017 is Rs. 114,996 thousands (Previous Year: Nil).

1.28. Liquidity Coverage Ratio (LCR)

The Bank manages funding and liquidity risk through a formal governance structure of India Assets Liability Committee (ALCO). ALCO comprises of senior management of the Bank and meets periodically. The ALCO oversees funding and liquidity position of the Bank and provides guidance and oversight. The ALCO is responsible to oversee and ensure compliance with regulatory and internal requirements related to Liquidity risk management. ALCO is assisted in its oversight role by Treasury, Finance, Operations and other business units.

The Bank has adopted the Basel III framework on liquidity standards as prescribed by RBI and has put in place requisite systems and processes to enable periodic computation and reporting of LCR.

The Bank follows the criteria laid down by RBI for month-end calculation of High Quality Liquid Assets (HQLAs), gross outflows and inflows within the next 30-day period. HQLAs of the RBS branch primarily consist of Cash, Government of India (GoI) bonds and Treasury-bills. The weighted outflows mainly consist of unsecured wholesale funding, retail deposits, derivative cash flows and other contingent funding liabilities. The weighted inflows primarily consist of inflows on account of advances, interbank placements and derivative cash flows.

Liquidity requirements of the Bank on account of market valuation changes for derivative transactions was limited. The Bank may be required to post additional collateral due to market valuation changes on derivative transactions settled through Clearing Corporation of India (CCIL) which is a Qualified Central Counterparty (QCCP) in India. The outflow on account of such market valuation change for derivative transactions with CCIL has been considered based on the prescribed look back approach. The significant part of Bank operations is conducted in INR currency.

(Rs.in crores)

	Particulars (Rs. in crores)	February 2017		March 2017		Consolidated Average for the period 27.02.2017 - 31.03.2017	
		Average		Average		Average	
	High Quality Liquid Assets	Un-weighted	Weighted	Un-weighted	Weighted	Un-weighted	Weighted
1	Total High Quality Liquid Assets (HQLA)	3,794	3,794	3,475	3,475	3,635	3,635
	Cash Outflows						
2	Retail deposits and deposits from small business customers, of which:						
(i)	Stable deposits						
(ii)	Less stable deposits	59	6	58	6	58	6
3	Unsecured wholesale funding, of which :						
(i)	Operational deposits (all counterparties)						
(ii)	Non-operational deposits (all counterparties)	490	349	528	380	509	365
(iii)	Unsecured debt	27	27	Nil	Nil	14	14
4	Secured wholesale funding						
5	Additional requirements, of which						
(i)	Outflows related to derivative exposures and other collateral requirements	1,119	1,119	661	661	890	890
(ii)	Outflows related to loss of funding on debt products						
(iii)	Credit and liquidity facilities	Nil	Nil	Nil	Nil	Nil	Nil
6	Other contractual funding obligations	555	555	334	334	444	444
7	Other contingent funding obligations	485	15	410	13	448	13
8	**Total Cash Outflows**	**2,735**	**2,071**	**1,991**	**1,394**	**2,363**	**1,732**
	Cash Inflows						
9	Secured lending (e.g. reverse repos)	Nil	Nil	191	191	96	96
10	Inflows from fully performing exposures	42	21	18	9	30	15
11	Other cash inflows	673	657	510	423	591	540
12	**Total Cash Inflows**	**715**	**678**	**719**	**623**	**717**	**651**
13	Total HQLA		3,794		3,475		3,635
14	Total Net Cash Outflows		1,393		771		1,081
15	**Liquidity Coverage Ratio (%)**		**272%**		**451%**		**336%**

Based on the above, average LCR (all currency) for the Bank for the year ended 31 March 2017 is 451% against the regulatory minimum of 80%.

The LCR is computed as simple averages of the daily observations from 27 February 2017 to 31 March 2017.

1.29. Concentration of Deposits (Rs. in 000's)

Particulars	31 March 2017	31 March 2016
Total Deposits of twenty largest depositors	4,826,603	Nil
Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank	88%	Nil

1.30. Concentration of Advances (Rs. in 000's)

Particulars	31 March 2017	31 March 2016
Total Advances to twenty largest borrowers (including Banks)	5,983,663	Nil
Percentage of Advances to twenty largest borrowers to Total Advances of the Bank	98%	Nil

Advances represent credit exposure (Funded & Non Funded) including derivative exposures as defined by the RBI Master Circular on Exposure Norms.

1.31. Concentration of Exposures (Rs. in 000's)

Particulars	31 March 2017	31 March 2016
Total Exposure to twenty largest borrowers/ customers (including Banks)	5,983,663	Nil
Percentage of Exposures to twenty largest borrowers/customers to Total Exposure of the bank on borrowers/customers	98%	Nil

Exposures represent credit, derivatives and investment exposure as prescribed in RBI Master Circular on Exposure Norms.

1.32. Concentration of NPAs (Rs. in 000's)

Particulars	31 March 2017	31 March 2016
Total Exposure to top four NPA* accounts	1,834,984	Nil

* Represents Gross NPA

1.33. Sector wise advances (Rs in 000's)

Sl. No.	Sector	31 March 2017			31 March 2016		
		O/s Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector	O/s Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A	**Priority Sector**						
1	Agriculture & Allied activities	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**
2	Advances to Industries Sector eligible as Priority Sector Lending of which	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**
	Chemical & Chemical products	Nil	Nil	Nil	Nil	Nil	Nil
	Other Metal & Metal Products	Nil	Nil	Nil	Nil	Nil	Nil
	Gems & Jewellery	Nil	Nil	Nil	Nil	Nil	Nil
3	Services of which	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**
	Computer Software	Nil	Nil	Nil	Nil	Nil	Nil
	Gems & Jewellery	Nil	Nil	Nil	Nil	Nil	Nil
4	Personal Loans of which	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**
	Home loan	Nil	Nil	Nil	Nil	Nil	Nil
	Sub-total (A)	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**
B	**Non Priority Sector**						
1	Agriculture & Allied activities				**Nil**	**Nil**	**Nil**
2	Advances to Industries Sector of which	**1,834,984**	**1,834,984**	**100%**	**Nil**	**Nil**	**Nil**
	Paper & Paper products	*1,834,984*	*1,834,984*		Nil	Nil	Nil
3	Services	Nil	Nil	Nil	Nil	Nil	Nil
4	Personal Loans of which	**14,743**			Nil	Nil	Nil
	Staff Loan	*14,413*			Nil	Nil	Nil
	Sub-total (B)	**1,849,727**	**1,834,984**	**99.20%**	Nil	Nil	Nil
	Total (A+B)	**1,849,727**	**1,834,984**	**99.20%**	Nil	Nil	Nil

Figures in italics represent sub-sectors where the outstanding advance exceeds 10% of total outstanding advance to that sector. Classification into sectors as above has been done based on Bank's internal norms.

1.34. Movement in NPAs (Rs. in 000's)

Particulars	31 March 2017	31 March 2016
Gross NPAs as on 1st April of particular year (Opening Balance)	Nil	Nil
Additions (Fresh NPAs) during the year / on amalgamation	1,834,984	Nil
Sub-total (A)	**1,834,984**	**Nil**
(i) Upgradations	Nil	Nil
(ii) Recoveries (excluding recoveries made from upgraded accounts)	Nil	Nil
(iii) Write-offs	Nil	Nil
Sub-total (B)	**Nil**	**Nil**
Gross NPAs as at 31 March of the following year (closing balance) (A-B)	**1,834,984**	**Nil**

1.35. Intra Group Exposure

The following table sets forth the details of intra group exposure

(Rs. in 000's)

Particulars	31 March 2017	31 March 2016
Total amount of intra-group exposures	Nil	Nil
Total amount of top 20 intra-group exposures	Nil	Nil
Percentage of intra-group exposure to total exposures of the Bank on borrowers/ customers	Nil	Nil
Details of breach of limits on intra-group exposures and regulatory action thereon, if any	Nil	Nil

1.36. Overseas Assets and Revenues (Rs. in 000's)

Particulars	31 March 2017	31 March 2016
Total Assets	151,787	Nil
Total NPAs	Nil	Nil
Total Revenue	6	Nil

1.37. Off-balance sheet SPVs sponsored (which are required to be consolidated as per accounting norms) (Rs. in 000's)

Name of SPV Sponsored	
Domestic	**Overseas**
Nil	Nil

1.38. Intangible Security

Advances for which intangible security has been taken as collateral as at 31 March 2017 was Nil (Previous Year: Nil).

1.39. Bancassurance business

The Fees/Remuneration received in respect of bancassurance business/ Life Insurance business/Non Life Insurance business is Nil (Previous Year – Nil) The Fees received towards Mutual Fund business is Rs. 623 thousand (Previous Year – Nil) This income has been reflected under Schedule 14 (I).

2. Other disclosures

2.1. Employee Benefits

Provident Fund

The Bank has recognised Rs. 710 thousand (Previous year Rs. Nil) in the Profit and Loss Account for the year under Schedule 16 – 'Payments to and Provisions for Employees' towards contribution to Provident Fund. The Bank has no further obligations.

Gratuity and Pension

The Bank has defined benefit scheme for gratuity as per the Payment of Gratuity Act, 1972. The Bank also has a defined benefit pension scheme for eligible employees providing a maximum pension of 50% of the "pensionable salary" in terms of which the Bank contributes at the prescribed rate to a trust. The scheme also provides for an annual increase of the pension payment which can be varied at the discretion of the Bank.

The following tables summarise the components of net benefit expense recognised in the Profit and Loss Account, the funded status and amounts recognised in the Balance Sheet for the Gratuity and Pension benefit plans.

Profit and Loss Account

Net employee benefit expense (recognised in Payments to and Provisions for Employees) (Rs. in crores)

	Gratuity		Pension	
Particulars	**31 March 2017**	**31 March 2016**	**31 March 2017**	**31 March 2016**
Current service cost	NIL	Nil	0.04	Nil
Interest cost on benefit obligation	0.04	Nil	1.72	Nil
Expected return on plan assets	(0.02)	Nil	(0.09)	Nil
Net actuarial (gain)/loss recognised in the year	0.03	Nil	(9.90)	Nil
Past Service Cost	NIL	Nil	NIL	Nil
Settlement Cost	NIL	Nil	NIL	Nil
Net (benefit)/expense	**0.05**	Nil	**(8.23)**	Nil

Balance Sheet

Details of Provision for Gratuity and Pension (Rs. in crores)

	Gratuity		Pension	
Particulars	**31 March 2017**	**31 March 2016**	**31 March 2017**	**31 March 2016**
Present value of defined benefit obligation	7.14	Nil	275.52	Nil
Fair value of plan assets	3.67	Nil	14.10	Nil
Unrecognised Past Service Cost	Nil	Nil	Nil	Nil
Net Asset/(Liability)	**(3.47)**	Nil	**(261.42)**	Nil

Changes in the present value of the defined benefit obligation are as follows

(Rs. in crores)

	Gratuity		Pension	
Particulars	**31 March 2017**	**31 March 2016**	**31 March 2017**	**31 March 2016**
Opening defined benefit obligation	7.37	Nil	288.98	Nil
Acquisitions	NIL	Nil	NIL	Nil
Interest cost	0.04	Nil	1.72	Nil
Settlement Cost	Nil	Nil	NIL	Nil
Plans Amendment Cost/(Credit)	Nil	Nil	Nil	Nil
Current service cost	NIL	Nil	0.04	Nil
Prior Period Cost	Nil	Nil	Nil	Nil
Benefits paid	(0.2)	Nil	(4.96)	Nil
Actuarial (gains)/losses on obligation	(0.07)	Nil	(10.26)	Nil
Closing defined benefit obligation	**7.14**	Nil	**275.52**	Nil

Changes in the fair value of plan assets are as follows

(Rs. in crores)

	Gratuity		Pension	
Particulars	**31 March 2017**	**31 March 2016**	**31 March 2017**	**31 March 2016**
Opening fair value of plan assets	3.95	Nil	17.79	Nil
Acquisitions	Nil	Nil	Nil	Nil
Expected return	0.02	Nil	0.09	Nil
Contributions by employer	NIL	Nil	NIL	Nil
Benefits paid	(0.20)	Nil	(3.42)	Nil
Actuarial gains/(losses)	(0.10)	Nil	(0.36)	Nil
Closing fair value of plan assets	**3.67**	Nil	**14.10**	Nil

Principle actuarial assumptions at the Balance Sheet date

	Gratuity		Pension	
Particulars	**31 March 2017**	**31 March 2016**	**31 March 2017**	**31 March 2016**
Discount Rate	6.40%p.a	Nil	7.00%p.a	Nil
Expected rate of Return on Plan Assets	7.00%p.a	Nil	7.00%p.a	Nil
Salary Escalation Rate	4.00%p.a	Nil	4.00%p.a	Nil
Mortality Rate	**LIC (1996-98) Ultimate**			

Experience Adjustments are as follows (Rs. in crores)

Gratuity					
Particulars	**31 March 2017**	**31 March 2016**	**31 March 2015**	**31 March 2014**	**31 March 2013**
Defined Benefit Obligation	(7.14)	Nil	Nil	Nil	Nil
Plan Assets	3.67	Nil	Nil	Nil	Nil
Funded Status	(3.47)	Nil	Nil	Nil	Nil
Gain/(Loss) Adjustments on Plan Liabilities	0.07	Nil	Nil	Nil	Nil
Gain/(Loss) Adjustments on Plan Assets	(0.10)	Nil	Nil	Nil	Nil
Gain/(Loss) due to changes in assumptions	NIL	Nil	Nil	Nil	Nil

(Rs. in crores)

Pension					
Particulars	**31 March 2017**	**31 March 2016**	**31 March 2015**	**31 March 2014**	**31 March 2013**
Defined Benefit Obligation	(275.52)	Nil	Nil	Nil	Nil
Plan Assets	14.10	Nil	Nil	Nil	Nil
Funded Status	(261.42)	Nil	Nil	Nil	Nil
Gain/(Loss) Adjustments on Plan Liabilities	7.11	Nil	Nil	Nil	Nil
Gain/(Loss) Adjustments on Plan Assets	(0.36)	Nil	Nil	Nil	Nil
Gain/(Loss) due to changes in assumptions	3.15	Nil	Nil	Nil	Nil

Expected Contribution in next Financial Year (Rs. in crores)

	Gratuity		Pension	
Particulars	**2017**	**2016**	**2017**	**2016**
Expected Contribution	3.47	Nil	11.30	Nil

Investment Pattern is as follows

	Gratuity		Pension	
Particulars	**31 March 2017**	**31 March 2016**	**31 March 2017**	**31 March 2016**
	Percentage		Percentage	
Government of India Securities (Central and State)	NIL	Nil	1.59	Nil
Corporate Bonds (including Public Sector Bonds)	NIL	Nil	19.76	Nil
Cash (including Deposits)	100.00	Nil	78.65	Nil
Total	**100.00**	Nil	**100.00**	Nil

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market. The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

The above information is certified by the actuary and relied upon by the Auditors.

2.2. Investments

Investments in Government Securities include the following pledged securities (at Face value):

(Rs. in 000's)

Particulars	**31 March 2017**	**31 March 2016**
Held with RBI as collateral for Real Time Gross Settlement System (RTGS) towards Intra-Day Liquidity (IDL) facility	3,000,000	Nil
Held with RBI as collateral for LAF borrowing	NIL	Nil
Held with RBI for requirements u/s 11(2)(b) of Banking Regulation Act, 1949	8,460,000	Nil
Held with Clearing Corporation of India Limited (CCIL)	2,543,900	Nil

2.3. Head Office charges

During the current and the previous year, no transfers have been made to the Head Office Charges Reserve (under Schedule 2 'Reserves and Surplus') from provision for expenses (Other Liabilities and Provisions – Schedule 5).

2.4. Other expenses

Details of expenses included in Other Expenditure in Schedule 16, exceeding 1% of the total income are set out below:

Year ended 31 March 2017 (Rs. in 000's)

Particulars	**31 March 2017**
Stamp Duty Paid on Amalgamation	186,200
Outsourced costs	32,683
Fees on purchase of Priority Sector Lending Certificates	11,440
Total	**230,323**

There were no expenses in Other Expenditure in Schedule 16, exceeding 1% of the total income during the Previous Year.

2.5. Operating Lease (Rs. in 000's)

	Particulars	**31 March 2017**	**31 March 2016**
1	**Total future minimum lease payments as at year end:**		
	Not later than one year	65,913	Nil
	Later than one year but not later than five years	25,957	Nil
	Later than five years	-	Nil
2	**Lease payments recognised in the Profit and Loss Account in Schedule 16.**	**13,904**	Nil

Operating lease comprises premises. There are no sub–lease arrangements in respect of the current and previous years.

2.6. Segmental reporting

In terms of the RBI guidelines on Segment Reporting, the business of the Bank is divided into the following segments viz. Treasury, Retail Banking and Corporate/Wholesale Banking. The Bank considers the below mentioned segments as the primary segments. The principle activities of these segments are as under:

Segment	**Principal Activities**
Treasury	Treasury operations include investments in sovereign and corporate debt, certificate of deposits and commercial paper, money market operations, corporate deposits, derivatives and foreign exchange operations on the proprietary account and for customers and central funding.
Retail Banking	Retail Banking constitutes lending to individuals/small businesses subject to the orientation, product and granularity criterion and also includes low value individual exposures not exceeding the threshold limit of Rs. 5 crores as defined by the RBI. Retail Banking activities also include liability products and retail loans.
Corporate/ Wholesale Banking	Corporate/Wholesale Banking include corporate relationships not included under Retail Banking.

Income, expenses, assets and liabilities are either specifically identified with individual segments or are allocated to segments on a systematic basis. Support Divisions costs are considered as unallocated.

All liabilities are transfer priced to a central treasury unit, which pools all funds and lends to the business units at appropriate rates based on the relevant maturity of assets being funded after adjusting for regulatory reserve requirements.

The transfer pricing mechanism of the Bank is periodically reviewed. The segment results are determined based on the transfer pricing mechanism prevailing for the respective reporting periods.

Revenues in the above segment also include inter-segmental revenues.

Revenues of the Treasury segment primarily consist of interest income on securities, money market operations, non-convertible debentures, commercial paper, certificate of deposits, gains or losses in securities trading, derivatives and foreign exchange. Principal expenses of this segment comprise interest on market borrowings, subordinated-debt, hybrid capital and innovative perpetual debt, personnel cost and other direct overheads and allocated expenses.

Revenues from the Retail Banking activity are derived from interest earned on loans classified under this segment and fees earned on the retail products. Revenues from the Corporate/Wholesale banking lending activity consist of interest and fees earned on loans given to customers falling under this segment and commission earned on trade services. Expenses of the Corporate/Wholesale Banking and Retail Banking activity primarily comprise interest expense on deposits, expenses for operating the branch network and other delivery channels, personnel costs, other direct overheads and allocated expenses.

Fund transfer pricing

Treasury gives notional interest benefit in other segments for the funds mobilised by them through deposits and similarly charges notional interest to other segments for the funds utilised by them for lending and investment purposes. Based on tenors of assets/liabilities and market scenarios, notional interest rates used for this purpose are calculated.

Geographical segments

The Branch renders its services within one geographical segment and have no offices or significant assets outside India.

Segment results for 31 March 2017 are set out below (Rs. in 000's)

Particulars	Treasury	Retail Banking	Corporate/ Wholesale Banking	Unallocated	Total
Revenue	258,171	9,320	70,429	18,330	**356,250**
Less: Inter Segment Revenue					**96,963**
Revenue net of Inter segment					**259,287**
Operating Profit	122,050	(27,226)	31,799	(307,012)	**(180,389)**
Taxes					**Nil**
Net Profit/(Loss)					**(180,389)**
Segment Assets	42,739,958	41,983	1,218,526	10,703,027	**54,703,494**
Segment Liabilities	16,487,654	3,155,895	4,858,748	30,201,197	**54,703,494**
Capital expenditure during the year				Nil	**Nil**
Depreciation on fixed assets during the year				928	**928**

Segment results for 31 March 2016 are set out below (Rs. in 000's)

Particulars	Treasury	Retail Banking	Corporate/ Wholesale Banking	Unallocated	Total
Revenue	Nil	Nil	Nil	Nil	**Nil**
Less: Inter Segment Revenue					**Nil**
Revenue net of Inter segment					**Nil**
Operating Profit	Nil	Nil	Nil	Nil	**Nil**
Taxes				Nil	**Nil**
Net Profit/(Loss)					**Nil**
Segment Assets	Nil	Nil	Nil	Nil	**Nil**
Segment Liabilities	Nil	Nil	Nil	Nil	**Nil**
Capital expenditure during the year				Nil	**Nil**
Depreciation on fixed assets during the year				Nil	**Nil**

Note: In computing the above information, certain estimates and assumptions have been made by the Management which have been relied upon by the Auditors. Segment liabilities include Share Capital and Reserves and Surplus.

2.7. Related Party Disclosures

(i) The Information required in this regard in accordance with Accounting Standard 18 on 'Related Party Disclosures', specified under section 133 of the Companies Act, 2013, as applicable read with guidelines issued by the RBI in so far as they are applicable to the Bank, is provided below:

Sr. No.	Relationship	Name
1	Parent/Head Office and branches of Head Office and ultimate holding company	The Royal Bank of Scotland Group plc (Ultimate holding company) and its branches
2	Subsidiaries of Parent (Head Office) and entities under common control with whom there are transactions	RBS Services India Private Limited RBS Financial Services (India) Private Limited RBS Equities (India) Limited RBS Corporate Finance (India) Private Limited RBS Foundation India National Westminster Bank plc
3	Key Management Personnel	Ramit Bhasin, Country Executive – India

The transactions with related parties are detailed below: (Rs. in 000's)

Relationship and Nature of Transactions	Maximum outstanding during the year ended 31 March 2017	As at 31 March 2017	Maximum outstanding during the year ended 31 March 2016	As at 31 March 2016
Parent/Head Office and branches of Head Office				
Deposits	*	Nil	*	Nil
Balance due from Banks outside India	*	51,563	*	Nil
Balance due to Banks outside India	*	Nil	*	Nil
Borrowings	14,631,782	14,631,782	Nil	Nil
Foreign exchange deals (Notional)	*	121,606	*	Nil
Derivative transactions (Notional)	*	858,437	*	Nil
Non-funded commitments	*	2,359,077	*	Nil
Other receivables	*	2,420	*	Nil
Other payables	*	8,385	*	Nil
Subsidiaries of Parent (Head Office) and entities under common control				
Advances	*	Nil	*	Nil
Balance due from Banks outside India	*	53,178	*	Nil
Deposits	3,740,269	3,526,671	*	Nil
Non-funded commitments	*	12,749	*	Nil
Foreign exchange deals (Notional)	*	Nil	*	Nil
Other receivables	*	Nil	*	Nil
Other payables	*	54,120	*	Nil

* Maximum amounts outstanding during the year have not been given/cannot be determined

(Rs. in 000's)

Profit and Loss Account	31 March 2017	31 March 2016
Parent/Head Office and branches of Head Office		
Expenses incurred	Nil	Nil
Other Income	Nil	Nil
Interest expense	18,783	Nil
Interest income	Nil	Nil
Subsidiaries of Parent (Head Office) and entities under common control		
Secondment revenue and other costs recovered	Nil	Nil
Expenses recovered	Nil	Nil
Services rendered	Nil	Nil
Services received	28,427	Nil
Interest income	Nil	Nil
Interest expense	24,336	Nil
Other expense	Nil	Nil
Fee/commission income	Nil	Nil
Other Income	Nil	Nil

2.8. Deferred taxation

The Bank follows the accounting policy for taxes on income in line with the Accounting Standard 22 (AS-22) on 'Accounting for Taxes on Income' specified under section 133 of the Companies Act, 2013, as applicable.

The primary components that give rise to deferred tax assets and liabilities included in Schedule 11 – Other Assets are as follows:

(Rs. in 000's)

Particulars	31 March 2017	31 March 2016
Deferred tax asset		
Depreciation on fixed assets	193,176	Nil
Deferred tax liability	**Nil**	**Nil**
Net deferred tax asset	**193,176**	**Nil**

2.9. Provisions, contingent liabilities and contingent assets

In accordance with the provisions of AS 29, 'Provisions, Contingent Liabilities and Contingent Asset', specified under section 133 of the Companies Act, 2013, as applicable given below are brief description of the nature of contingent liabilities recognised by the Bank.

Description of Contingent Liabilities

Contingent Liability	Brief Description
Claims against the Bank not acknowledged as debts	Includes various legal proceedings and outstanding tax matters in the normal course of business, which are disputed by the Bank.
Liability on account of forward exchange and derivative contracts.	The Bank enters into foreign exchange contracts, currency options, forward rate agreements, currency swaps and interest rate swaps with inter-bank participants on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by way of interest interest/principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. Forward Rate Agreements are agreements to pay or receive a certain sum based on a differential interest rate on a notional amount for an agreed period. The notional amount that are recorded, as contingent liabilities are typically amounts used as a benchmark for the calculation of the interest component of the contracts.
Guarantees given on behalf of constituents, Acceptances, Endorsements and other	As a part of its commercial banking activities, the Bank issues documentary credit and guarantees on behalf of its customers. Guarantees generally represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfill its financial or performance obligations.
Other items for which the Bank is contingently liable – Others	This includes Depositor Education and Awareness Fund.

2.10. Prior period items

There were no prior period items that have been debited/credited in the current and previous year's Profit and Loss Account.

2.11. Software

Included in 'Other Fixed Assets' is capitalised software amounting:

(Rs. in 000's)

Particulars	As at 31 March 2017	As at 31 March 2016
At Book Value		
Beginning of the year	Nil	Nil
Additions during the year / on amalgamation	602,075	Nil
Deductions during the year / on amalgamation	(206,017)	Nil
Total	**396,058**	Nil
Depreciation		Nil
Beginning of the year	Nil	Nil
Additions during the year / on amalgamation	600,139	Nil
Deductions during the year / on amalgamation	(204,332)	Nil
Total	**395,807**	Nil
Net Book Value	**251**	Nil

2.12. Priority Sector Lending Certificates (PSLC) Purchased and Sold during the year ended 31 March 2017:

(Rs in 000's)

Particulars	Purchased during the year / on Amalgamation	Sold during the year / on Amalgamation
PSLC - Agriculture	NIL	NIL
PSLC - SF/MF	NIL	NIL
PSLC - Micro Enterprise	1,400,000	NIL
PSLC - General	11,460,000	NIL

2.13. Specified Bank Notes (SBNs)

As per RBI letter dated 18 April 2017, the MCA notification G.S.R. 308(E) dated March 30, 2017 regarding holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016 is not applicable to banking companies. Accordingly, the disclosures prescribed under the said notification are not required to be made by the Bank.

2.14. Divergence in NPAs

The Bank was not subjected to RBI Supervisory process for Financial Year 2015-16.

Accordingly there are no divergences in Bank's asset classification and provisioning from RBI norms.

2.15. Fraud Provisioning

No cases of fraud has been reported by the bank during the year (Previous year Nil)

2.16. To the extent of the information received by the Bank from its vendors, there are no transactions with "suppliers" as defined under the Micro, Small and Medium Enterprises Development Act, 2006 during the financial year, hence the disclosures as required under the said Act are not applicable. This has been relied upon by the Auditors.

2.17. Corporate Social Responsibility (CSR)

As per the provisions of Section 135 of the Companies Act, 2013 the Bank is required to contribute 2% of the average gross profit of previous 3 years. Amount required to be spent by the Bank during the year is Nil. Amount actually spent during the year is Rs. 72,889 thousand.

2.18. In accordance with the requirements of the RBI circular DBOD No BC. 72/29.67.001/2011-12 dated 13 January 2012 the Bank has obtained a letter from its Head Office which states that the compensation policies in India including that for the CEO are in line with the Financial Stability Board (FSB) requirements.

2.19. The Reserve Bank of India (RBI) vide its letter DBR. IBD. No.9505/23.13.020/2016-17 dated 15 February 2017 gave approval for amalgamation of the business of The Royal Bank of Scotland N.V, India (RBS NV) with The Royal Bank of Scotland plc, India (RBS plc) under section 44A of Banking Regulation Act, 1949.

As per the scheme of amalgamation, the entire undertaking of RBS N.V. (the "Transferor") carrying on the business of banking in India pursuant to a license granted by the Reserve Bank of India under section 22 of the Banking Regulation Act, 1949 was amalgamated with RBS plc (the "Transferee").

As per the scheme, upon its coming into effect from the appointed date i.e. 27 Feb 2017, the entire undertaking of Transferor including all its Assets and Liabilities stands transferred to the Transferee as a going concern based on fair value of the Transferor's Indian business.

Accordingly, the results for the year ended 31 March 2017 are not comparable with that of the corresponding period of previous year.

Figures for the previous year have been regrouped/reclassified, where necessary, to conform to current year's presentation. The previous year comparative numbers were audited by a firm of Chartered Accountants other than S. R. Batliboi & Associates LLP.

For The Royal Bank of Scotland plc – India Branch

Ramit Bhasin	**Jaykumar Shah**
Country Executive – India	Chief Financial Officer – India
Mumbai, 31 May 2017	Mumbai, 31 May 2017

BASEL III – PILLAR III DISCLOSURES AS AT 31 March 2017

The Royal Bank of Scotland plc – India Branch ("the Bank") is subject to the Basel III framework with effect from 27 February 2017 as stipulated by the Reserve Bank of India (RBI). The Basel III framework consists of three-mutually reinforcing pillars:

(I) Pillar 1: Minimum capital requirements for credit risk, market risk and operational risk

(II) Pillar 2: Supervisory review of capital adequacy

(III) Pillar 3: Market discipline

Market discipline (Pillar 3) comprises disclosures on the capital adequacy and risk management framework of the Bank. These disclosures have been set out in the following sections.

The Basel III capital regulations were effective 27 February 2017 as per RBI guidelines.

1. Scope of Application

The Pillar 3 disclosures, being published in accordance with the requirements of RBI for a branch of foreign bank, do not require the disclosures pertaining to the consolidation of entities.

1.1. The Reserve Bank of India (RBI) vide its letter DBR. IBD. No.9505/23.13.020/2016-17 dated 15 February 2017 gave approval for amalgamation of the business of The Royal Bank of Scotland N.V, India (RBS NV) with The Royal Bank of Scotland plc, India (RBS plc) under section 44A of Banking Regulation Act, 1949.

As per the scheme of amalgamation, the entire undertaking of RBS N.V. (the "Transferor") carrying on the business of banking in India pursuant to a license granted by the Reserve Bank of India under section 22 of the Banking Regulation Act, 1949 was amalgamated with RBS plc (the "Transferee").As per the scheme, upon its coming into effect from the appointed date i.e. 27 Feb 2017, the entire undertaking of Transferor including all its Assets and Liabilities stands transferred to the Transferee as a going concern based on fair value of the Transferor's Indian business.

Royal Bank of Scotland Group Pillar 3 disclosures are published in accordance with the requirements of the Capital Requirements Directive on the Group Investor relations website www.investors.rbs.com and should be read together with the Group Annual Report and Accounts.

2. Capital Structure

Summary information on main terms and conditions/features of capital instruments

`The Bank's regulatory capital is classified for disclosure according to the RBI capital adequacy requirements. Common Equity Tier-I capital includes Interest free funds received from Scotland (Head Office)

Tier-II Capital includes general provision and loss reserve including provision on Unhedged Foreign Currency Exposure.

3. Capital Adequacy

a. Capital Management

The Bank actively manages its capital position to ensure compliance with regulatory norms meeting current and future business needs in line with the Group's strategy.

Organisational set-up

The capital management framework of The Bank is administered by the India Asset Liability Committee (ALCO) and the India Governance and Control Committee (GCC) under the supervision of the Management Team Committee (MTCo).

Regulatory capital

The Bank is subject to the capital adequacy norms stipulated by the RBI guidelines on Basel III. The RBI guidelines on Basel III require the Bank to maintain a minimum ratio of total capital to risk weighted assets of 10.25%, with a minimum Tier-I capital adequacy ratio of 7% and Common equity capital adequacy ratio of 5.5%. The total capital adequacy ratio of the Bank at 31 March 2017 as per the RBI guidelines on Basel III is 132.56% with a Tier-I capital adequacy ratio of 132.55% and Common equity capital adequacy ratio including capital conservation buffer 132.55%. Banks are required to maintain a capital conservation buffer of 1.25% for the year 2017 comprised of Common Equity Tier I capital above the regulatory minimum capital requirement of 9%. Under Pillar 1 of the RBI guidelines on Basel III, the Bank follows the Standardised Approach for credit risk, Standardised Duration method for market risk and Basic Indicator Approach for operational risk.

Internal assessment of capital

Effective management of the Bank's capital is achieved by supervision of actual capital ratios and forecasting capital ratios over three year horizon. The Bank's capital management framework also includes a comprehensive internal capital adequacy assessment process (ICAAP) conducted annually. The ICAAP encompasses capital planning for a three year time horizon, identification and measurement of material risks and the relationship between risk and capital.

The Bank's capital management framework is complemented by its risk management framework (detailed in the following sections), which includes a comprehensive assessment of material risks.

Stress testing which is a key aspect of the ICAAP and the risk management framework provides an insight on the impact of extreme but plausible scenarios on The Bank's risk profile and capital position. Based on the approved stress testing framework, The Bank conducts stress tests on its various portfolios and assesses the impact on its capital ratios and the adequacy of capital buffers for current and future periods. The Bank periodically assesses and refines its stress tests in an effort to ensure that the stress scenarios capture material risks as well as reflect possible extreme market moves that could arise as a result of market conditions.

Monitoring and reporting

The Management maintains an active oversight over The Bank's capital adequacy levels. On a quarterly basis the capital adequacy position and the risk weighted assets as stipulated by RBI, are reported to the ALCO and MTCo

b. Capital requirements for various risk areas

As required by RBI guidelines on Basel III, the Bank's capital requirements as at 31 March 2017 have been computed using the Standardised Approach for credit risk, Standardised Duration method for market risk and Basic Indicator Approach for operational risk. The minimum total capital required to be held is 10.25% for credit, market and operational risks. The actual position of various components of capital is given below:

DF-3: Capital Adequacy (Rs. in crore)

	Particulars	31 March 2017
A	**Capital requirements for Credit Risk**	134
	Portfolios subject to standardised approach	134
	Securitisation exposures	
B	**Capital requirements for Market Risk**	63
	Standardised duration approach	
	Interest rate risk	9
	Foreign exchange risk	54
	Equity risk	
C	**Capital requirements for Operational risk**	
	Basic indicator approach	Nil
D	**Capital Adequacy Ratio of the Bank (%)**	132.56%
E	CET 1 capital ratio plus capital conservation buffer (%)	132.55%
F	Tier II capital ratio (%)	0.00%

Risk Management Framework:

As a financial intermediary, The Bank is exposed to various types of risks including credit, market, liquidity, operational, legal, compliance and reputation risks. The objective of the risk management framework at The Bank is to identify measure, control and monitor as well as manage and report risks in a clear manner and that the policies and procedures established to address these risks are strictly adhered to.

The important aspects of The Bank's risk management are a robust risk approval mechanism, well defined processes and guidelines and an independent internal control mechanism. The risk approval mechanism covers all the key areas of risk such as credit, market and operational risk and is involved in quantification of these risks wherever possible for effective and continuous monitoring.

Measurement of risks for capital adequacy purposes

Under Pillar 1 of the extant RBI guidelines on Basel III, The Bank currently follows the Standardised approach for credit risk and Standardised Duration approach for market risk and Basic Indicator approach for operational risk.

Objectives and Policies

The Bank's risk management processes are guided by well defined global as well as local policies appropriate for various risk categories. There is an independent risk team that oversees this function whose oversight is by the regional and global risk offices with periodic independent risk reviews and internal audit reviews.

The risk appetite for the Bank in India is determined by the global risk committees based on inputs from the country management.

In addition to the risk management and compliance departments of the Bank, in India, the India Asset and Liability Committee (ALCO) and Governance and Control Committee (GCC) are involved in managing these risks within the Bank's guidelines and regulatory requirements.

The Group has global policies for Stress Testing to measure impact of adverse stress scenarios on the adequacy of capital which are implemented locally within the Bank.

Structure and Organisation

The Bank, has well established processes for management of all material risks faced by it as outlined above and has a robust risk governance framework comprising of risk committees at the global, regional and India level.

The key components within the Bank's risk management framework include:

- Identification of all material risks that are relevant to the Bank covering all the current activities of the Bank as well as new products and initiatives
- Definition of relevant policies defined by the Head Office customised as required to suit local RBI regulations
- Measurement of its key material risks and performs stress testing to assess its position and response strategy in a stress scenario
- Having a robust control environment to monitor whether the various policies and limits are being adequately implemented
- Monitoring & reporting to the senior management on various material risks

The Bank's risk management framework is embedded in the business through the three lines of defence model supported by an appropriate level of investment in information technology and its people. The three lines of defence include the Business, Risk management department and Group Internal Audit. The Three Lines of Defence Policy Standard defines responsibilities and accountabilities of each unit. The three lines of defence are completely independent of each other. Business is independent of Risk which is independent from Group Internal Audit. The country Governance and Control Committee (GCC) and the ALCO detailed below are an important aspect of the risk management framework for the Bank.

The Cross Divisional GCC is the apex In-Country Risk Governance body established by the Country Executive to manage and oversee the country's aggregate risk exposure and to facilitate consolidated risk management for the RBS group franchise in India. The GCC meets monthly and the senior management of the Bank including heads of all the businesses, operations, support functions and risk functions, participate in the meeting. Cross divisional risk issues (ranging from exceptions to policies for IT and Retail & Commercial unit to large corporate risk issues) are tabled and taken to a resolution under the ambit of the country GCC.

Country ALCO is responsible for managing balance sheet risks within its scope and ensuring all related local regulatory requirements are met on a continual basis. The ALCO is a forum for discussion and making decisions on key strategic, financial, risk, control, operational and governance matters relating to the country's balance sheet, capital, liquidity and funding, non-traded interest rate risk and intra-group limits, subject to policies, limits and targets prescribed by RBS and APAC ALCO.

The Bank has constituted the following senior management level committees from the perspective of risk governance at the India and Group level:

India Level

Committee	Responsibilities
Executive Committee (MTCO)	The India Management Committee (MTCO) is the highest in-country level decision-making forum which serves as the Local Advisory. The MTCO meets monthly and is responsible for all policy matters and periodic review of the same. It is chaired by the Country Executive and its members include the Head International Banking, Head Markets, Head Retail Banking, Chief Financial Officer, Chief Risk Officer, Head Compliance, Head Human Resources and COO.
Country GCC	The India Cross Divisional GCC is the apex in-country Governance & Controls body established by the Country Executive Committee (MTCo) to manage and oversee the country's aggregate risk exposure and to facilitate consolidated risk management for RBS locally. It is chaired by Country Executive with India Chief Risk Officer acting as the convener. Members of the GCC comprises of Divisional/Business Heads of Client Office, Trading, Retail, and support function (including risk).
Asset Liability Committee	India Asset Liability Committee (ALCO) is responsible for ensuring that all Balance Sheet related regulatory requirements outlined in ALCO Terms of reference as within its scope are met on a continual basis. The ALCO is a forum for discussion and making decisions on key strategic, financial, risk, control, operational and governance matters relating to the country's balance sheet, capital, liquidity and funding, non-traded interest rate risk and intra-group limits, subject to policies, limits and targets prescribed by the RBS and APAC ALCO. The members of the ALCO include the Country Executive, Chief Financial Officer, Chief Risk Officer, Country Market Risk Manager, Country Head Retail Banking, Country Treasury Manager, and APAC Treasury representative, Treasurer Asia Pacific and Head of Capital Resolution (CR) Short term markets, APAC have a standing invitation to attend the ALCO. A representative of Internal Audit has a right of attendance at the Country ALCO meetings.
Audit Committee	The India Bank Audit Committee (IAC) is established to manage and oversee the audit approach for the India Bank (Royal Bank of Scotland NV India branches). The standing agenda items for the quarterly IAC meetings include IA providing status on the audit reports issued, audits in progress and audits in plan with an up to date status on remediation status of the issues raised and summary of concurrent audit reports issued by Concurrent Auditors. The IAC is chaired by the Country Executive and meets quarterly. The members include Head-Sales and Trading, Head – Retail Banking, Chief Financial Officer, Chief Risk Officer, Head – Compliance, Head – Human Resources, Country Head of Operations, Head –Technology, Head-Legal and Head-Business Control Management, Head Transaction services, Head of Audit. The Chief of Internal Vigilance is invited to present the Frauds Identification, Classification & Reporting for the quarter.
Customer Service Committee (CSC)	The Customer Service Committee (CSC) reviews and comments on activities to bring about ongoing improvements in the quality of customer service provided by the Bank. This committee presently meets quarterly and examines any issue having a bearing on the quality of customer service rendered. The agenda of the meeting includes update on agreed actionable of the last meeting, update on branch level customer service committee meeting, Complaint trends and Analysis, analysis of key categories of all client complaints to the committee members, update on implementation of all regulatory circulars related to customer service, update on service initiatives, if any. It is chaired by the Country Executive and its members include representatives from all other Business Units.
Corporate Social Responsibility Committee (CSR)	CSR Committee is setup to review, assess and formulate the Corporate Social responsibility needs and mandates of the India Bank, in alignment with CSR Bill and RBS Group 'Supporting Our Community' strategy. This committee meets quarterly and is responsible for providing recommendations to the Bank MTCo, with respect to the CSR activities and expenditures. The Committee is presently chaired by the Bank CFO and consists of at least 2 employees of RBS plc., of which one person shall be as specified under clause (d) of sub-section (1) of section 380 of the Act (resident in India authorized to accept on behalf of the RBS plc service of process and any notices or other documents required to be served on the company) and any another member, as nominated by the Bank.
Outsourcing Committee	Outsourcing Committee (OSC) is the In-Country level forum to discuss and March ide on any financial outsourcing by the Bank. This forum also serves as the Local Advisory on outsourcing. The OSC meets quarterly and prescribes the controls and processes required to meet RBS Group Policy Standard and RBI guidelines along with periodic review of the same. It is chaired by the Chief Risk Officer of the Bank and its members include the Head of Operations-India, Head of Ops Risk & Control, Head of Compliance, Chief Governance Officer

Committee	Responsibilities
Returns and Governance Group (RGG)	RGG is created with a One point ownership within RBS India Branch for RBI's automated Data Flow (ADF) related automation and be the single point of contact for RBI from RBS India on ADF. It is chaired by Bank CFO India. Key members include Head Of Ops, Chief Information Office and Business Control Manager. Currently meetings are held once in every calendar quarter.
Business Continuity Committee	The India Business Continuity Committee is setup to meet quarterly and its primary objective is to Steer Bank Business Continuity program. This committee review and drive Business Continuity plan maintenance and testing, promote awareness, review recovery strategies for critical business processes on a periodic basis in line with RBI Guidelines and Bank policy requirements. It is chaired by the Head – Business Resilience and its members include the Country Executive, CAO/COO, CIO, Chief Risk Officer, Head International Banking, Head Private Banking, Head Markets, Head Retail Banking, Head Commercial Banking, Head Human Resources, Head Legal and Head Compliance.

Group Level

Committee	Responsibilities
Group Board	The Group Board is the Board of directors of The Royal Bank of Scotland Group plc. It meets at least nine times a year with ad hoc meetings convened when necessary. The Group Board is collectively responsible for the long-term success of the Group and the delivery of sustainable value to shareholders. Its role is to provide leadership of the Group within a framework of prudent and effective controls which enables risk to be assessed and managed. It sets the strategic aims of the Group, ensures that the necessary resources are in place for the Group to meet its obligations, is responsible for the allocation and raising of capital and reviews business and financial performance. The Group Board sets the Group's values and standards and ensures that its obligations to its shareholders and others are understood and met. The Group Board reviews and approves the risk appetite framework and risk appetite targets for the Group's strategic risk objectives. It reviews, and as an appropriate, approves the results of, and actions arising from, Prudential Regulatory Authority and other enterprise-wide regulatory stress tests or other regulatory tests or investigations. The Group Board also considers longer-term strategic threats to the Group's business operations
Group Audit Committee	The GAC's primary responsibilities, as set out in its terms of reference, are to assist the Group and Bank Boards in discharging their responsibilities in respect of: financial reporting and policy; systems of internal control; processes for Internal and External Audit and oversight of the Group's relationship with its regulators. GAC meets at least six times a year, and as required, and operates under delegated authority from the Group and Bank Boards.
Board Risk Committee	The BRC is responsible for providing oversight and advice to the Group and Bank Boards in relation to current and potential future risk exposures of the Group and future risk strategy, including risk appetite and tolerance. BRC will review the performance of the Group relative to risk appetite, provide oversight of the effectiveness of key Group-wide policies and provide risk input to remuneration decisions. BRC has responsibility for promoting a risk awareness within the Group. The Committee meets at least eight times per annum and on an ad hoc basis as required. BRC operates under delegated authority from the Group and Bank Boards and the Committee will report and make recommendations to the Group and Bank Boards as required.
Group Performance and Remuneration Committee	The RemCo has oversight of the Group's policy on remuneration. It reviews performance and makes recommendations to the Group Board on remuneration of executive directors. RemCo is also responsible for approving remuneration and severance arrangements for the Group's Executive Committee and High Earners, oversees arrangements for employees identified as material risk takers falling within the scope of the UK remuneration regulations.RemCo consults and receives advice from management and other Board Committees as appropriate in the implementation of the Remuneration Policy. RemCo meets at least six times a year, and as required, and operates under delegated authority from the Group and Bank Boards.
Group Nominations and Governance Committee	The N&GC assists the Group and Bank Boards in the selection and appointment of directors to the Group and Bank Boards and the consideration and approval of appointments to the boards of directors of the Group's principal and material regulated subsidiaries. It reviews the structure, size and composition of the Group and Bank Boards, and membership and chairmanship of Board committees and oversees the induction, training and continuous professional development of directors. N&GC also has responsibility for monitoring the Group's governance arrangements in order to ensure best corporate governance standards and practices are upheld. In addition, N&GC will consider developments relating to banking reform and analogous issues affecting the Group in the markets where it operates, and will make recommendations to the Group Board on any consequential changes to the Group's governance model. N&GC meets at least four times a year, and as required, and operates under delegated authority from the Group and Bank Boards.
Sustainable Banking Committee	The SBC supports the Board in overseeing, supporting and challenging actions being taken by management to run the bank as a sustainable business, capable of generating long term value for its stakeholders. The Committee will have specific focus on culture, people, customer, brand, communications and ESE (environmental, social and ethical) issues. SBC meets at least six times a year in addition to regular stakeholder engagement sessions, and operates under delegated authority from the Group and Bank Boards.
Executive Committee	The ExCo is responsible for managing strategic, financial, capital, risk and operational issues affecting the Group. It reviews and debates relevant items before they are submitted to the Group Board and relevant board committees. ExCo has authority to consider and approve the opening of overseas branches and any related requirements. ExCo also has authority to approve acquisitions and disposals between £100 million - £500 million. Material customer issues and executive succession planning are also considered by ExCo. ExCo meets every week, with an extended meeting held on a monthly basis to review Group and Bank Board papers in advance of the same papers being submitted to the Group and/or Bank Boards. The ExCo operates under delegated authority from the Group Board and, as appropriate, the Bank Boards.
Chairman's Committee	The Chairman's Committee is responsible for exercising all the powers of the Group Board and the Bank Boards in the event of emergencies, or where an immediate decision is required. The Chairman's Committee operates under delegated authority from the Group and Bank Boards.
Global Restructuring Group Board Oversight Committee	The GRG BOC was established in May 2015 in order to provide oversight of the work and findings of the expert panel engaged to conduct an independent review of customer files and to provide advice in relation to matters generally related to GRG.

4. Credit Risk

The Bank is exposed to credit risk in its lending operations. Credit risk is the risk of loss that may occur from the failure of any counterparty to abide by the terms and conditions of any financial contract with the Bank principally the failure to make required payments as per the terms and conditions of the contracts.

Credit Risk Management Policy

Credit risk considers the ability of a borrower or counter-party to honor commitments under an agreement as any such failure has an adverse impact on the Bank financial performance. The Bank, in India is exposed to credit risk through its various lending activities such as funded facilities, non-funded facilities as well as hedging facilities.

The Bank's credit risk management process is independent of the business so as to protect integrity of the risk assessment process and decision making. The global as well as local policies guide the credit risk team to make informed decisions.

Credit risk in respect of exposures on corporate as well as micro, small and medium enterprises (MSME) is measured and managed at both individual counterparty level as well as at a portfolio level. Selected products extended by the Bank, in India are managed at the portfolio level, as the individual loans under product programs are guided by the product program with built in triggers. Credit rating tools are an integral part of risk-assessment of the corporate borrowers and different rating models are used for each segment that has distinct risk characteristics such as Large Corporate, Small and Medium Corporate, financial companies and project finance.

The credit rating tools use a combination of quantitative inputs and qualitative inputs to arrive at a 'point-in-time' view of the rating of counterparty. Each internal rating grade corresponds to a distinct probability of default. Model validation is carried out periodically at a global level by objectively assessing the accuracy and stability of ratings.

All credit exposures, once approved, are monitored and reviewed periodically against the approved limits. Besides this there are periodic risk migration analysis and early warning indicator (EWI) tracking.

Risk review involves independent review of credit risk assessment, compliance with internal policies of the Bank and with the regulatory framework, compliance of sanction terms and conditions and effectiveness of loan administration.

Customers with emerging credit problems are identified early and classified accordingly. Remedial action is initiated promptly to minimise the potential loss to the Bank.

The Bank controls and limits Concentration Risk by means of appropriate structural limits and borrower limits based on creditworthiness. The exposures to individual clients or counterparty group are based on the internal rating of the borrower as well as group-wide borrowing limits and capped by the regulatory ceiling.

Industry analysis plays an important part in assessing the Concentration Risk within the loan portfolio. Particular attention is given to industry sectors where The Bank believes there is a high degree of risk or potential for volatility in the future. The Bank has fixed internal limits for aggregate commitments to different sectors so that the exposures are evenly spread over various sectors.

Definition and classification of non-performing assets (NPAs)

RBI guidelines are adhered to while classifying advances into performing and non-performing advances (NPAs) as per RBI guidelines. NPAs are further classified into sub-standard, doubtful and loss assets based on the criteria stipulated by RBI.

The asset classification

Standard: less than overdue & up to a maximum of 90days from thereon

Substandard: Overdue from the 91st day up to maximum one year from there,

Doubtful1: Substandard + up to maximum one year from there

Doubtful2: Substandard + > 1 year but up to maximum 3 years from there

Doubtful3: Substandard + > 3 years

Loss: Substandard + > 3 years

A loss asset is one where loss has been identified by the Bank or internal or external auditors or during RBI inspection but the amount has not been written off fully.

An asset, including a leased asset, becomes non-performing when it ceases to generate income for the Bank.

An NPA is defined as a loan or an advance where:

Interest and/or instalment of principal remain overdue for more than 90 days in respect of a term loan. Any amount due to The Bank under any credit facility is 'overdue' if it is not paid on the due date fixed by The Bank; if the interest due and charged during a quarter is not serviced fully within 90 days from the end of the quarter; the account remains 'out of order' in respect of an overdraft/cash credit facility.

An account is treated as 'out of order' if: the outstanding balance remains continuously in excess of the sanctioned limit/drawing power for 90 days; or where the outstanding balance in the principal operating account is less than the sanctioned limit/drawing power, but there are no credits continuously for 90 days as on the date of the balance sheet; or credits in the account are not enough to cover the interest debited during the accounting period; or drawings have been permitted in the account for a continuous period of 90 days based on drawing power computed on the basis of stock statements that are more than three months old even though the unit may be working or the borrower's financial position is satisfactory; the regular ad hoc credit limits have not been reviewed/renewed within 180 days from the due date/date of adhoc sanction. Bill purchased/discounted by the Bank remains overdue for a period of more than 90 days; interest and or instalment of principal in respect of an agricultural loan remains overdue for two crop seasons for short duration crops and one crop season for long duration crops;

In respect of a securitisation transaction undertaken in terms of the 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.

Restructured assets

The Bank would ensure that prudential guidelines in respect of income recognition, asset classification & provisioning (including restructuring of advances) as specified by the RBI from time to time at the minimum, should be adhered to at all times.

DF – 4: Credit Risk Exposures

Total Gross Credit Risk Exposure Including Geographic Distribution of Exposure

(Rs. in crore)

Particulars	31 March 2017		
	Domestic	Overseas	Total
Fund Based	1,115	-	1,115
Non Fund Based	365	-	365
Total	**1,480**	**-**	**1,480**

Industry distribution of exposures (Rs. in crore)

Industry Classification	31 March 2017	
	Funded	Non funded
All Engineering	-	12
Basic Metal and metal products	-	0*
Chemicals and Chemical Products (Dyes, Paints, etc.)	-	1
Food Processing	-	1
Gems and Jewellery	-	1
Glass and glassware	-	0*
Infrastructure	-	22
Other Industries	-	0*
Paper and Paper Products	201	-
Residuary Other Advances	914	326
Rubber, Plastic and their Products	-	2
Textiles	-	0*
Total	**1,115**	**365**

**indicates amounts less than a crore*

Residual Contractual/Behavioural Maturities breakdown of Assets & Liabilities as at 31 March 2017 (Rs. in crore)

Particulars	Deposits	Advances	Investment	Borrowings	FCY Assets	FCY Liabilities
Day 1	1	-	-	-	15	5
2 to 7 days	5	-	-	-	-	3
8 to 14 days	33	-	-	-	-	15
15 to 28 days	7	0*	25	-	-	24
29 days to 3 months	95	0*	798	-	15	12
Over 3 months to 6 months	21	0*	1811	303	2	314
Over 6 months to 12 months	248	0*	1,058	997	2	1,030
Over 1 Year to 3 Years	134	0*	-	163	-	176
Over 3 Years to 5 Years	2	0*	-	-	-	-
Over 5 Years	0*	122	-	-	45	0*
Total	**546**	**122**	**3,692**	**1,463**	**79**	**1,579**

indicates amounts less than a crore

Movement of NPAs and Provision for NPAs (Rs. In crore)

	Particulars	31 March 2017
A	**Amount of NPAs (Gross)**	183
	Substandard	183
	Doubtful	-
	Loss	-
B	**Net NPAs**	120
C	**NPA Ratios**	
	Gross NPAs to gross advances (%)	99%
	Net NPAs to net advances (%)	99%
D	**Movement of NPAs (Gross)**	
	Opening balance	0
	Additions during the year/on amalgamation	183
	Reductions during the year/on amalgamation	(0)
	Closing balance	183
E	**Movement of Provision for NPAs**	
	Opening balance	0
	Provision made during the year/on amalgamation	63
	Write – Offs/Write – Back of excess provision	(0)
	Closing balance	63

Non Performing Investments (NPIs) and Provision for depreciation on NPIs – NIL

Movement of Specific and General Provisions as on 31 March 2017 (Rs. In crore)

Movement of Provisions	Specific Provision	General provision
(a) Opening Balance	-	-
(b) Provisions made during the year	63	0*
(c) Write-off/write-back of excess provisions	-	-
(d) Adjustments/Transfers between provisions*	-	-
(e) Closing balance	**63**	**0***

General provision includes Standard asset provision and UHFCE provision

indicates amounts less than a crore

Details of write off's and recoveries that have been booked directly to the income statement as on 31 March 2017 (Rs. In crore)

Particulars	31 March 2017
Write offs that have been booked directly to the income statement	-
Recoveries that have been booked directly to the income statement	2

Major Industries break up of Provision as on 31 March 2017 (Rs. In crore)

Industry	Specific Provision	General provision
Paper and paper products	63	-
Other Industries	-	0*
Total	**63**	**0***

Indicates amounts less than a crore

Major Industries break up of NPA as on 31 March 2017 (Rs. In crore)

Industry	Gross NPA
Paper and paper products	183
Total	**183**

Major Industries breakup of specific provision and write-off's during the current period – For the financial year 31 March 2017 (Rs. In crore)

Industry	Provision	Write-offs
Paper and paper products	63	-

Geography wise distribution of NPA and Provision as on 31 March 2017 (Rs. In crore)

Geography	Gross NPA	Specific Provision	General Provision
Domestic	183	63	0*
Overseas	-	-	-
Total	**183**	**63**	**0***

Indicates amounts less than a crore

5. Credit Risk: Use of rating Agency under the Standardised approach

The Bank has not applied external ratings to its funded or non-funded short-term and long-term instruments or bank facilities' and has treated them as unrated exposure.

DF – 5: Details of Gross credit risk exposure (Fund based and Non-fund based) based on Risk Weight (Rs. In crore)

Particulars	31 March 2017
Below 100% risk weight	922
100% risk weight	919
More than 100% risk weight	249
Deductions	
Investments in subsidiaries	-

6. Credit Risk Mitigation

The Bank uses various collaterals both financial and non-financial, guarantees and credit insurance as credit risk mitigants. The main financial collaterals include bank deposits, while main non-financial collaterals include land and building, plant and machinery, residential and commercial property. The guarantees include those given by corporate, bank and personal guarantees.

The Bank reduces its credit exposure to counterparty with the value of eligible financial collateral to take account of the risk mitigating effect of the collateral. To account for the volatility in the value of collateral, haircut is applied based on the type, issuer, maturity, rating and re-margining/revaluation frequency of the collateral.

DF – 6: Detail of total credit exposure position as on 31 March 2017 (Rs. In crore)

Particulars	31 March 2017
Covered by	
Financial collaterals	-
Guarantees	-

7. Securitisation

DF – 7: Securitisation

There were no securitisation transactions entered during the year (Previous year – Nil).

8. Market Risk in Trading Book

Market risk is the risk to the Bank earnings and capital arising from changes in the market level of interest rates or prices of securities and foreign exchange rates. The Bank is exposed to market risk through its trading activities which are carried out for customers. The Bank adopts a comprehensive approach to market risk management for its trading, investment and asset/liability portfolios. The policies require that operations in securities, foreign exchange and derivatives are conducted in accordance with sound and acceptable business practices and are as per the extant regulatory guidelines, laws governing transactions in financial securities and the financial environment. The policies contain the limit structure that governs transactions in financial instruments. The policies are reviewed periodically to incorporate changed business requirements, economic environment and changes in regulations.

The Market Risk Management function is responsible for identifying, measuring, monitoring and controlling the market risk arising from trading activities. Market risk exposures are monitored against limits and analysed daily. The Bank also periodically reports on the various investments and their related risk measures to the India MTCo, and submits the required reports to the regulator as per the regulatory reporting requirements.

The main market risk measures of the Bank are:

- Value at Risk (“VaR”)
- Sensitivities to market risk factors (Delta, Gamma, Vega, PV01, etc)
- Loss Action Triggers (“LATs”)
- Stress Tests

The market risks subject to capital requirements under Pillar 1 are primarily interest rate and foreign exchange in the trading book. Capital charge is calculated using the non-modelled approach, whereby regulator-prescribed rules are applied.

A full description of the Group’s approach to market risk can be found in the Group’s 2017 Annual Report and Accounts for market risk disclosure

DF – 8: Capital Requirement for Market Risk

(Rs. In crore)

Particulars	Amount of Capital required
	31 March 2017
Interest rate risk	9
Foreign exchange risk (including gold)	54
Equity position risk	-

9. Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, and systems or from external events. Operational Risk includes legal risk but excludes strategic and reputational risk. Operational Risk is an integral and unavoidable part of the Bank’s business as it is inherent in the processes operating to provide services to customers and generate profit for shareholders.

The objective of the Bank’s Operational Risk management is to manage and control operational risks in a cost effective manner within targeted levels of Operational Risk consistent with RBS risk appetite. The bank’s policy is to maintain an Operational Risk management framework that enables the consistent identification, assessment, management, monitoring and reporting of operational risk, The Bank operates three lines of defense model which outlines the principles for the roles, responsibilities and accountabilities for operational risk management.

Operational Risk – Three lines of defence model

1st Line of Defence – Management & Supervision

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, and systems or from external events. Operational Risk includes legal risk but excludes strategic and reputational risk. Operational Risk is an integral and unavoidable part of the Bank’s business as it is inherent in the processes operating to provide services to customers and generate profit for shareholders.

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The first line of defence includes customer franchises, Technology & Operations and the support aspects of functions such as HR, Communications and Financial MI. The first line of defence own and manage the risks within their business area.

First line responsibilities:

- Own, manage and supervise, within a defined Risk Appetite, the risks which exist in the business area and support functions
- Ensure appropriate controls are in place to mitigate risk: balancing control, cost, customer service and competitive advantage
- Ensure that the culture of the business supports balanced risk decisions and compliance with policy, laws and regulations
- Ensure that the business has effective mechanisms for identifying, reporting and managing risk and controls

2nd Line of Defence – Oversight & Control

The second line includes the Risk and Conduct and Regulatory Affairs, Legal, and the financial controller aspects of Finance. Working with the businesses and functions, the second line of defence develop the risk and control policies, limits and tools for the business to use to discharge its responsibilities. Additionally, they are responsible for overseeing and challenging the first line where necessary.

Second line responsibilities:

- Working with the businesses and functions to develop the risk and control policies, limits and tools for the business to use to discharge its responsibilities
- Oversee and challenge the effective management of risks and controls independently from the business
- Lead the articulation, design and development of the bank’s risk culture and appetite
- Analyse the bank’s aggregate risk profile and ensure that risks are being managed to the desired level (Risk Appetite)
- Provide expert advice to the business on risk management
- Provide senior executive with relevant management information and reports and escalate concerns where appropriate
- Undertake risk assurance

3rd Line of Defence – Internal Audit

Group Internal Audit provide independent assurance to the Management Committee on the quality and effectiveness of governance, risk management and internal controls to monitor, manage and mitigate the key risks in achieving the bank’s objectives.

Third line responsibilities:

- Provide independent assurance over the key risks to the organisation, which includes an assessment of the entire control framework
- Hold RBS Risk Management accountable for establishing an appropriate risk management framework

With regards to the above framework, it must be noted that all the three lines of defence are completely independent of each other.

The Operational Risk Policy Standards provide the direction for delivering an effective operational risk management.

The objectives of the standards is to protect the Group from financial loss or damage to its reputation, its customers or staff and to ensure that it meets all necessary regulatory and legal requirements.

The standards are supported by several key operational risk management techniques such as:

1. Risk assessments: business units identify and assess operational risks to ensure that they are effectively managed, prioritised, documented and aligned to risk appetite;
2. Risk Event and Loss data management: each business unit’s internal loss data management process captures all operational risk loss events above certain minimum thresholds. The data is used to enhance the adequacy and effectiveness of controls, identify emerging themes, enable formal loss event reporting and inform risk and control assessments and scenario analysis.

   Escalation of individual events to senior management is determined by the seriousness of the event.
3. Risk Issues Management: This process ensures that operational risk issues are captured and classified consistently, and that there is robust governance over their closure and acceptance.
4. New products Risk assessment: This process ensures that all new products or significant variations to existing products are subject to a comprehensive risk assessment. Products are evaluated and approved by specialist areas and are subject to executive approval prior to launch; and Scope and nature of reporting and measurement systems

Reporting forms an integral part of operational risk management. The Group’s risk management processes are designed to ensure that issues are identified, escalated and managed on a timely basis. Exposures for each division are reported through monthly risk issue reports, which provide detail on the risk issues and action plans.

Events that have a material, actual or potential impact on The Bank’s finances, reputation or customers, are escalated and reported to divisional and Group executive.

Policies for mitigating risks
The objective of operational risk management is not to remove operational risk altogether, but to manage the risk to an acceptable level, taking into account the cost of minimising the risk with the resultant reduction in exposure. Strategies to manage operational risk include avoidance, transfer, acceptance and mitigation by controls.

Each business unit must manage its operational risk exposure within an acceptable level, testing the adequacy and effectiveness of controls and other risk mitigants regularly and documenting the results. Where unacceptable control weaknesses are identified, action plans must be produced and tracked to completion.

DF- 9: Approach for Operational Risk Capital Assessment
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 March 31, 2017 was 200 crores.

Interest Rate Risk in the Banking Book (IRRBB)
Risk management framework for Interest Rate Risk in the Banking book (IRRBB) also referred as Non-Trading interest Rate Risk (NTIRR) covers the interest rate risk outside the interest rate trading business.

The branch holds various interest rate sensitive assets, liabilities and off balance sheet items linked to various benchmark interest rates and with different re-pricing and maturity dates. IRRBB or NTIRR arises where there is potential for changes in benchmark interest rates to result in a movement in bank's future income.

Governance framework
India ALCO is responsible for evolving appropriate systems and procedures for identification and analysis of various balance sheet risks including IRRBB or NTIRR and laying down parameters for efficient management of these risks. India ALCO comprises of senior management of The Bank and meets periodically. The ALCO focuses on setting interest rate risk appetite by setting limits on relevant indicators, which positively contributes to optimising the balance sheet structure and Net Interest Income (NII) over time, while limiting the susceptibility to interest changes. ALCO periodically monitors risk positions of the branch, ensures compliance with regulatory requirements and internal limits and provides strategic guidance for management of the IRRBB or NTIRR.

Measurement

The branch uses the following tools for managing interest rate risk:

- **Gap analysis:** The interest rate gap or mismatch risk is measured by calculating gaps over different time intervals as at a given date. This static analysis measure mismatches between rate sensitive liabilities (RSL) and rate sensitive assets (RSA). The report is prepared monthly by grouping rate sensitive assets, liabilities and off-balance sheet positions into time buckets according to their residual/behavioural maturities or next re-pricing periods. The difference between RSA and RSL for each time bucket signifies the gap in that time bucket. The direction of the gap indicates whether net interest income is positively or negatively impacted by a change in interest rates and the magnitude of the gap helps in finding out the change in net interest income for any given interest rate shift.
- **Earnings at risk (EaR):** The interest rate gap report mentioned above indicates whether the branch is in a position to benefit from rising interest rates by having a positive gap (RSA > RSL) or whether it is in a position to benefit from declining interest rates by having a negative gap (RSL>RSA). EaR measures the change in NII over a one year time horizon for various levels of parallel shift in interest rates.
- **Economic value:** Change in the interest rates have a long-term impact on the capital position of the branch, as the economic value of the Branch's assets, liabilities and off-balance sheet positions get affected by these rate changes. The branch applies modified duration approach and monitors impact of various levels of parallel shift in interest rate curves on the capital position.
- **PV01:** PV01 measures the impact on economic value of a 1 basis point (0.01%) change in interest rates. The branch also uses PV01 limits to manage IRRBB or NTIRR.

Details of increase in earnings and economic value for upward and downward rate shocks, assuming parallel shift in the interest rate curves (basis points), based on the local currency positions are given below:

Earnings perspective

(Rs. In crore)

Particulars	31 March 2017	
	-200	200
INR	20	(20)
USD	(13)	13
GBP	-	-
EUR	-	-
JPY	(2)	2
RES	-	-
Total	**5**	**(5)**

Economic value perspective

(Rs. In crore)

Particulars	31 March 2017	
	-200	200
INR	(47)	47
USD	10	(10)
GBP	-	-
EUR	-	-
JPY	-	-
RES	-	-
Total	**(37)**	**37**

- **General Disclosure for Exposures Related to Counterparty Credit Risk**

  Methodology used to assign economic capital and credit limits for counterparty credit exposures
  Counterparty credit risk is covered by the Group's credit risk framework and there are policies which apply to OTC derivatives and repo products addressing documentation requirements, product-specific requirements, counterparty specific requirements, issuer risk, margin trading, collateral etc.

  Counterparty exposure is calculated per each Counterparty based on The Bank approved exposure calculation methodology. The exposure takes into account of mark-to-market and potential future exposure of each trade, as well as Bank's netting/collateral opinion to the governing master agreement. Where there is a collateral agreement with clear collateral opinion in place, collateral held/posted is also used in the exposure calculation.

  Policies for securing collateral and establishing credit reserves
  The group credit policy framework governs counterparty credit risk management requirements where legal and administrative capacity of counterparties to enter into collateral agreement is assessed. The policy framework establishes minimum documentation requirements under collateral agreements including thresholds, minimum transfer amounts, haircuts, collateral eligibility criteria and collateral call frequency. Where netting and/or collateral enforceability criteria are not fulfilled, exposure is assumed to be un-collateralised.

  Policies with respect to Wrong-way risk (WWR) exposures
  Wrong-way risk exposures are also governed by the group policy framework. WWR arises when the risk factors driving the exposure to counterparty are adversely correlated with the creditworthiness of that counterparty, i.e. the size of the exposure increases at the same time as the riskiness of the counterparty increases. Bank recognises two different types of WWR – Specific WWR and General WWR.

  Specific WWR arises when the exposure on transactions is by virtue of economic dependence or ownership i.e. 'self-referenced', to the counterparty. General WWR is further classified as (a) Currency Risk and (b) Correlation Risk. Currency risk arises when counterparty is correlated with a macroeconomic factor which also affects the exposure. Correlation Risk arises when the exposure on the transaction is correlated with the counterparty's creditworthiness for a reason that is specific to the counterparty. Bank monitors and manages the wrong-way risk in accordance with the group wide policy framework.

  Collateral required in the event of a credit rating downgrade
  The Group calculates the additional collateral it would be required to post in the event of its credit ratings being downgraded by one or two notches. This is undertaken on a daily basis for treasury and liquidity management purposes. The Bank follows the group-wide policy framework on collateral requirement in the event of credit rating downgrade.

(Rs. In crore)

Particulars	IRS/CCS/FRA	Options
Gross Positive Fair Value of Contracts	19	-
Netting Benefits	-	-
Netted Current Credit Exposure	19	-
Collateral held (e.g. Cash, G-sec, etc.)	-	-
Net Derivatives Credit Exposure	19	-
Exposure amount (under CEM)	61	-
Notional value of Credit Derivative hedges	-	-
Credit derivative transactions that create exposures to CCR	-	-

THE ROYAL BANK OF SCOTLAND plc
(Incorporated in Scotland with Limited Liability)
INDIA BRANCH

- **Composition of Capital**

Sr. No.	Particular	Amount (Rs. In millions)	Amounts Subject to Pre-Basel III Treatment	Ref No.
1	Directly issued qualifying common share capital plus related stock surplus (share premium) **	28,028		a
2	Retained earnings	(180)		b+c+d
3	Accumulated other comprehensive income (and other reserves)	-		
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies1)	-		
	Public sector capital injections grandfathered until 1 January 2018	-		
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	27,848		
	Common Equity Tier 1 capital: regulatory adjustments			
7	Prudential valuation adjustments	-		
8	Goodwill (net of related tax liability)	-		
9	Intangibles other than mortgage-servicing rights (net of related tax liability)	0.25		e
10	Deferred tax assets	-		
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 the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions(amount above 10% threshold)	-		
20	Mortgage servicing rights (amount above 10% threshold)	-		
21	Deferred tax assets arising from temporary differences5(amount above 10% threshold, net of related tax liability)	-		
22	Amount exceeding the 15% threshold6	-		
23	of which: significant investments in the common stock of financial entities	-		
24	of which: mortgage servicing rights	-		
25	of which: deferred tax assets arising from temporary differences	-		
26	National specific regulatory adjustments7 (26a+26b+26c+26d)	-		
26a	of which: Investments in the equity capital of the unconsolidated insurance subsidiaries	-		
26b	of which: Investments in the equity capital of unconsolidated on-financial subsidiaries8	-		
26c	of which: Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank	-		
26d	of which: Unamortised pension funds expenditures	-		
	Regulatory Adjustments Applied to Common Equity Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment	-		
	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	0.25		
29	Common Equity Tier 1 capital (CET1)	27,848		
	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	-		f
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	-		
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)	-		

THE ROYAL BANK OF SCOTLAND plc
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Sr. No.	Particular	Amount (Rs. In millions)	Amounts Subject to Pre-Basel III Treatment	Ref No.
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)10	-		
41	National specific regulatory adjustments (41a+41b)	-		
41a	Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries	-		
41b	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: Intangible	-		e
	of which: [INSERT TYPE OF ADJUSTMENT e.g. existing adjustments which are deducted from Tier 1 at 50%]	-		
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)	-		
44a	Additional Tier 1 capital reckoned for capital adequacy11	-		
45	Tier 1 capital (T1 = CET1 + AT1) (29 + 44a)	27,848		
	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	-		e
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		g+h
51	Tier 2 capital before regulatory adjustments	1		
	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 above the 10% threshold)	-		
55	Significant investments13 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)	-		
56a	Of which: Investments in the Tier 2 capital of unconsolidated subsidiaries	-		
56b	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)	1		
58a	Tier 2 capital reckoned for capital adequacy14	1		
58b	Excess Additional Tier 1 capital reckoned as Tier 2 capital	-		
58c	Total Tier 2 capital admissible for capital adequacy (58a + 58b)	1		
59	Total capital (TC = T1 + T2) (45 + 58c)	27,848		
	Risk Weighted Assets in respect of Amounts Subject to Pre-Basel III Treatment	21,008		
	Of which: [INSERT TYPE OF ADJUSTMENT]			
	Of which:			
60	Total risk weighted assets (60a + 60b + 60c)	21,008		
60a	Of which: total credit risk weighted assets	13,081		
60b	Of which: total market risk weighted assets	7,928		
60c	Of which: total operational risk weighted assets	-		
	Capital ratios			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	132.55%		
62	Tier 1 (as a percentage of risk weighted assets)	132.55%		
63	Total capital (as a percentage of risk weighted assets)	132.56%		
64	Institution specific buffer requirement (minimum CET1requirement 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	-		
67	Of which: G-SIB buffer requirement	-		
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	127.05%		
	National minima (if different from Basel III)			
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	5.50%		
70	National Tier 1 minimum ratio (if different from Basel III minimum)	7.00%		

Sr. No.	Particular	Amount (Rs. In millions)	Amounts Subject to Pre-Basel III Treatment	Ref No.
71	National total capital minimum ratio (if different from Basel III minimum)	10.25%		
	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		
77	Cap on inclusion of provisions in Tier 2 under standardised approach	167		
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	NA		
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	NA		
	Capital instruments subject to phase-out arrangements (only applicable between 31 March, 2017 and 31 March, 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	NA		
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	NA		
82	Current cap on AT1 instruments subject to phase out arrangements	NA		
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	NA		
84	Current cap on T2 instruments subject to phase out arrangements	NA		
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	NA		

* NA – Not Applicable
** From Head office account

Notes to the Template		
	Particular	**(Rs. in million)**
10	Deferred tax assets associated with accumulated losses	-
	Deferred tax assets (excluding those associated with accumulated losses) net of Deferred tax liability *	193
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	NA
	of which: Increase in Common Equity Tier 1 capital	NA
	of which: Increase in Additional Tier 1 capital	NA
	of which: Increase in Tier 2 capital	NA
26b	If investments in the equity capital of unconsolidated non-financial subsidiaries are not deducted and hence, risk weighted then:	NA
	(i) Increase in Common Equity Tier 1 capital	NA
	(ii) Increase in risk weighted assets	NA
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
	Eligible Revaluation Reserves included in Tier 2 capital	-
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)	-

- **Composition of Capital – Reconciliation Requirements**

	Particulars	Balance sheet as in financial statements As on 31 March 2017 (Rs. In Millions)	Reference No.
A	**Capital & Liabilities**		
i	Paid-up Capital	28,028	a
	Reserves & Surplus	(180)	
	Of which:		
	Statutory Reserves	-	b
	Capital Reserves	-	c
	Other Revenue reserves	-	d
	Investment fluctuation Reserve	-	g
	Balance in Profit/Loss account	(180)	
	Minority Interest	-	
	Total Capital	**27,848**	
ii	Deposits	5,459	
	Of which: Deposits from banks	-	
	Of which: Customer deposits	5,459	
	Of which: Other deposits (pl. specify)	-	

	Particulars	Balance sheet as in financial statements As on 31 March 2017 (Rs. In Millions)	Reference No.
iii	Borrowings	14,632	
	I. Borrowings in India		
	Of which: From RBI	-	
	Of which: From banks	-	
	Of which: From other institutions & agencies	-	
	Of which: Others (pl. specify)	-	
	II. Borrowings outside India	14,632	
	Of which: Capital instruments	-	f
iv	Other liabilities & provisions	6,764	
	Of which: Provision for Standard Advances	1	h
	Total	**54,703**	
B	**Assets**		
i	Cash and balances with Reserve Bank of India	1,964	
	Balance with banks and money at call and short notice	3,376	
ii	Investments:	36,917	
	Of which: Government securities	36,917	
	Of which: Other approved securities	-	
	Of which: Shares	-	
	Of which: Debentures & Bonds	-	
	Of which: Subsidiaries/Joint Ventures/Associates		
	Of which: Others (Commercial Papers, Mutual Funds etc.)	-	
iii	Loans and advances	1,219	
	Of which: Loans and advances to banks	-	
	Of which: Loans and advances to customers	1,219	
iv	Fixed assets	410	
v	Other assets	10,817	
	Of which: Goodwill and intangible assets		
	Of which: Deferred tax assets	193	e
vi	Goodwill on consolidation	-	
vii	Debit balance in Profit & Loss account	-	
	Total Assets	**54,703**	

- **Main Features Template**

1	Issuer	NA
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	NA
3	Governing law(s) of the instrument	
	Regulatory treatment	
4	Transitional Basel III rules	NA
5	Post-transitional Basel III rules	NA
6	Eligible at solo/group/group & solo	NA
7	Instrument type	NA
8	Amount recognised in regulatory capital (Rs. in million, as of most recent reporting date)	NA
9	Par value of instrument	NA
10	Accounting classification	NA
11	Original date of issuance	NA
12	Perpetual or dated	NA
13	Original maturity date	NA
14	Issuer call subject to prior supervisory approval	NA
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA
	Coupons/dividends	NA
17	Fixed or floating dividend/coupon	NA
18	Coupon rate and any related index	NA
19	Existence of a dividend stopper	NA
20	Fully discretionary, partially discretionary or mandatory	NA
21	Existence of step up or other incentive to redeem	NA
22	Noncumulative or cumulative	NA
23	Convertible or non-convertible	NA

24	If convertible, conversion trigger(s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	NA
31	If write-down, write-down trigger(s)	NA
32	If write-down, full or partial	NA
33	If write-down, permanent or temporary	NA
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	NA
36	Non-compliant transitioned features	NA
37	If yes, specify non-compliant features	NA

1	Issuer	NA	NA
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	NA	NA
3	Governing law(s) of the instrument		
	Regulatory treatment		
4	Transitional Basel III rules	NA	NA
5	Post-transitional Basel III rules	NA	NA
6	Eligible at solo/group/group & solo	NA	NA
7	Instrument type	NA	NA
8	Amount recognised in regulatory capital (Rs. in million, as of most recent reporting date)	NA	NA
9	Par value of instrument	NA	NA
10	Accounting classification	NA	NA
11	Original date of issuance	NA	NA
12	Perpetual or dated	NA	NA
13	Original maturity date	NA	NA
14	Issuer call subject to prior supervisory approval	NA	NA
15	Optional call date, contingent call dates and redemption amount	NA	NA
16	Subsequent call dates, if applicable	NA	NA
	Coupons/dividends	NA	NA
17	Fixed or floating dividend/coupon	NA	NA
18	Coupon rate and any related index	NA	NA
19	Existence of a dividend stopper	NA	NA
20	Fully discretionary, partially discretionary or mandatory	NA	NA
21	Existence of step up or other incentive to redeem	NA	NA
22	Noncumulative or cumulative	NA	NA
23	Convertible or non-convertible	NA	NA
24	If convertible, conversion trigger(s)	NA	NA
25	If convertible, fully or partially	NA	NA
26	If convertible, conversion rate	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA
30	Write-down feature	NA	NA
31	If write-down, write-down trigger(s)	NA	NA
32	If write-down, full or partial	NA	NA
33	If write-down, permanent or temporary	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	NA	NA
36	Non-compliant transitioned features	NA	NA
37	If yes, specify non-compliant features	NA	NA

- **Leverage Ratio**

The Leverage ratio has been calculated using the definitions of capital and total exposure. The Bank's leverage ratio, calculated in accordance with the RBI guidelines is as follows:

Leverage Common Disclosure Template as of 31 March 2017

(Rs. in Million)

S. No.	Leverage ratio framework	As of 31 March 2017
	On Balance Sheet exposures	
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	51,297
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(0)*
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	51,297
	Derivative Exposures	
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	190
5	Add-on amounts for PFE associated with all derivatives transactions	422
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)	612
	Securities financing transaction exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	3,199
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) Other off-balance sheet exposures	3,199
	Other Off – balance sheet exposures	
17	Off-balance sheet exposure at gross notional amount	3,036
18	(Adjustments for conversion to credit equivalent amounts)	(964)
19	Off-balance sheet items (sum of lines 17 and 18)	2,072
	Capital and total exposures	
20	Tier 1 capital	27,848
21	Total exposures (sum of lines 3, 11, 16 and 19)	57,180
	Leverage ratio	**48.70%**
22	Basel III leverage ratio	48.70%

Comparison of accounting assets and Leverage ratio exposure (Rs. in Million)

S. No.	Particulars	As of 31 March 2017
1	Total consolidated assets as per published financial statements	54,686
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	422
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)	2,072
7	Other adjustments	(0)*
8	Leverage ratio exposure	57,180

Reconciliation of total published balance sheet size and on balance sheet exposure under common disclosure (Rs. in Million)

S. No.	Particulars	As of 31 March 2017
1	Total consolidated assets as per published financial statements	54,686
2	Replacement cost associated with all derivatives transactions, i.e. net of eligible cash variation margin	(190)
3	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	(3,199)
4	Adjustment for entitles outside the scope of regulatory consolidation	-
5	On-balance sheet exposure under leverage ratio (excluding derivatives and SFTs)	51,297

Leverage Ratio

(Rs in millions)	**31-March-17**
Capital and Total exposures	
Tier 1 Capital	27,848
Exposure Measure	57,180
Leverage Ratio %	
Leverage Ratio	48.70%

Disclosure Requirements for Remuneration

In accordance with the requirements of the RBI circular DBOD No BC. 72/29.67.001/2011-12 dated 13 January 2012 the Bank has obtained a letter from its Head Office which states that the compensation policies in India including that for the CEO are in line with the Financial Stability Board (FSB) requirements.

- **Liquidity Coverage Ratio**

(Rs. in crores)

		Average position for the period 27 February 2017 to 31 March 2017	
		Total Unweighted Value	**Total weighted Value**
	High Quality Liquid Assets		
1	Total High Quality Liquid Assets (HQLA)	3,635	3,635
	Cash Outflows		
2	Retail deposits and deposits from small business customers, of which:		
(i)	Stable deposits		
(ii)	Less stable deposits	58	6
3	Unsecured wholesale funding, of which :		
(i)	Operational deposits (all counterparties)	-	-
(ii)	Non-operational deposits (all counterparties)	509	365
(iii)	Unsecured debt	14	14
4	Secured wholesale funding	-	-
5	Additional requirements, of which	-	-
(i)	Outflows related to derivative exposures and other collateral requirements – -	890	890
(ii)	Outflows related to loss of funding on debt products	-	-
(iii)	Credit and liquidity facilities	-	-
6	Other contractual funding obligations	444	444
7	Other contingent funding obligations	448	15
8	Total Cash Outflows	2,363	1,732
	Cash Inflows	**-**	**-**
9	Secured lending (e.g. reverse repos)	96	96
10	Inflows from fully performing exposures	30	15
11	Other cash inflows	591	540
12	Total Cash Inflows	717	651
13	Total HQLA		3,635
14	Total Net Cash Outflows		1,082
15	Liquidity Coverage Ratio (%)		336%

The average weighted and unweighted amounts are calculated taking simple average for the period 27 February 2017 to 31 March 2017.