The Royal Bank of Scotland plc – India branch
(Incorporated in Scotland with Limited Liability)

BASEL III – PILLAR III DISCLOSURES AS AT 30 September 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 1 April, 2013 as per RBI guidelines in India.

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.

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.

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 10.75% (including the GSIB charge), 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 30 September 2017 as per the RBI guidelines on Basel III is 119.03% with a Tier-I capital adequacy ratio of 119.03% and Common equity capital adequacy ratio including capital conservation buffer and GSIB (capital charge for globally systemic important banks) 119.03%. 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. 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 30 September 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 10.75% 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	30 September 2017
A	**Capital requirements for Credit Risk**	172
	Portfolios subject to standardised approach	172
	Securitisation exposures	
B	**Capital requirements for Market Risk**	54
	Standardised duration approach	
	Interest rate risk	0
	Foreign exchange risk	54
	Equity risk	
C	**Capital requirements for Operational risk**	
	Basic indicator approach	0.04
D	**Capital Adequacy Ratio of the Bank (%)**	119.03%
E	CET 1 capital ratio plus capital conservation buffer (%)	119.03%
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.

Committee	Responsibilities
	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 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
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

Committee	Responsibilities
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

Committee	Responsibilities
	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.. 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	30 September 2017		
	Domestic	Overseas	Total
Fund Based	858	-	858
Non Fund Based	100	-	100
Total	**958**	**-**	**958**

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Industry distribution of exposures (Rs. in crore)

Industry Classification	30 September 2017	
	Funded	Non funded
All Engineering	-	6
Chemicals and Chemical Products (Dyes, Paints, etc.)	-	1
Food Processing	-	1
Infrastructure	-	13
Paper and Paper Products	115	-
Residuary Other Advances	743	78
Rubber, Plastic and their Products	-	2
Total	**858**	100

Residual Contractual/Behavioural Maturities breakdown of Assets as at 30 September 2017 (Rs. in crore)

Particulars	Cash and Balance with RBI	Balances with Banks and Money at Call and Short Notice	Investment	Advances	Fixed assets	Other assets
Day 1	80	1,637	-	-	-	1
2 to 7 days	-	-	-	-	-	-
8 to 14 days	-	-	778	-	-	-
15 to 28 days	0	-	-	-	-	-
29 days to 3 months	0	-	1,551	-	-	4
Over 3 months to 6 months	0	-	148	-	-	-
Over 6 months to 12 months	4	3	-	-	-	-
Over 1 Year to 3 Years	0	-	-	32	-	-
Over 3 Years to 5 Years	1	-	0	-	-	-
Over 5 Years	67	-	-	-	40	810
Total	**153**	**1,640**	**2,476**	**32**	**40**	**815**

**amounts in zero indicates amounts less than a crore*

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

	Particulars	30 September 2017
A	**Amount of NPAs (Gross)**	115
	Substandard	115
	Doubtful	-
	Loss	-
B	**Net NPAs**	32
C	**NPA Ratios**	
	Gross NPAs to gross advances (%)	100%
	Net NPAs to net advances (%)	100%
D	**Movement of NPAs (Gross)**	
	Opening balance	183
	Additions during the year/on amalgamation	-
	Reductions during the year/on amalgamation	(69)
	Closing balance	115
E	**Movement of Provision for NPAs**	
	Opening balance	63
	Provision made during the year/on amalgamation	72
	Write – Offs/Write – Back of excess provision	(52)
	Closing balance	83

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

Movement of Specific and General Provisions as on 30 September 2017 (Rs. In crore)

Movement of Provisions	Specific Provision	General provision
(a) Opening Balance	63	0*
(b) Provisions made during the year	72	-
(c) Write-off/write-back of excess provisions	(52)	(0)*
(d) Adjustments/Transfers between provisions*	-	-
(e) Closing balance	**83**	**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 30 September 2017 (Rs. In crore)

Particulars	30 September 2017
Write offs that have been booked directly to the income statement	-
Recoveries that have been booked directly to the income statement	-

Major Industries break up of Provision as on 30 September 2017 (Rs. In crore)

Industry	Specific Provision	General provision
Paper and paper products	83	-
Other Industries	-	0*
Total	**83**	**0***

**Indicates amounts less than a crore*

Major Industries break up of NPA as on 30 September 2017 (Rs. In crore)

Industry	Gross NPA
Paper and paper products	115
Total	**115**

Major Industries breakup of specific provision and write-off's during the current period – For the financial year 30 September 2017 (Rs. In crore)

Industry	Provision	Write-offs
Paper and paper products	72	-

Geography wise distribution of NPA and Provision as on 30 September 2017 (Rs. In crore)

Geography	Gross NPA	Specific Provision	General Provision
Domestic	115	83	0*
Overseas	-	-	-
Total	**115**	**83**	**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	30 September 2017
Below 100% risk weight	1,967
100% risk weight	734
More than 100% risk weight	42
Deductions	
Investments in subsidiaries	-

6. Credit Risk Mitigation

The Bank uses various collaterals both financial, non-financial and guarantees as credit risk mitigants. The main financial collaterals include bank deposits, while main non-financial collaterals include plant and machinery. 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 30 September 2017 (Rs. In crore)

Particulars	30 September 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
	30 September 2017
Interest rate risk	0.13
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 September 30, 2017 was 0.04 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	30 September 2017	
	-200	200
INR	4	(4)
USD	(16)	16
GBP	-	-
EUR	-	-
JPY	-	-
RES	-	-
Total	**(12)**	**12**

Economic value perspective (Rs. In crore):

Particulars	30 September 2017	
	-200	200
INR	(45)	45
USD	11	(11)
GBP	-	-
EUR	-	-
JPY	-	-
RES	-	-
Total	**(34)**	**34**

- **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	0	-
Netting Benefits	-	-
Netted Current Credit Exposure	0	-
Collateral held (e.g. Cash, G-sec, etc.)	-	-
Net Derivatives Credit Exposure	0	-
Exposure amount (under CEM)	23	-
Notional value of Credit Derivative hedges	-	-
Credit derivative transactions that create exposures to CCR	-	-

- **Composition of Capital**

Sr. No.	Particular	Amount (Rs. In millions)	Ref No.
1	Directly issued qualifying common share capital plus related stock surplus (share premium) **	28,028	a
2	Retained earnings	(902)	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	27,126	
	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)	0.15	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	-	

Sr. No.	Particular	Amount (Rs. In millions)	Ref No.
	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	-	
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	0.15	
29	Common Equity Tier 1 capital (CET1)	27,126	
	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

Sr. No.	Particular	Amount (Rs. In millions)	Ref No.
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)	-	
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	-	
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)	27,126	
	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	

Sr. No.	Particular	Amount (Rs. In millions)	Ref No.
	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	-	
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)	27,126	
60	Total risk weighted assets (60a + 60b + 60c)	22,790	
60a	Of which: total credit risk weighted assets	16,020	
60b	Of which: total market risk weighted assets	6,767	
60c	Of which: total operational risk weighted assets	3	
	Capital ratios		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	119.03%	
62	Tier 1 (as a percentage of risk weighted assets)	119.03%	
63	Total capital (as a percentage of risk weighted assets)	119.03%	
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	-	

Sr. No.	Particular	Amount (Rs. In millions)	Ref No.
67	Of which: G-SIB buffer requirement	-	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	111.78%	
	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%	
71	National total capital minimum ratio (if different from Basel III minimum)	10.75%	
	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	

Sr. No.	Particular	Amount (Rs. In millions)	Ref No.
77	Cap on inclusion of provisions in Tier 2 under standardised approach	200	
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 March 31, 2017 and March 31, 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

The Royal Bank of Scotland plc – India branch
(Incorporated in Scotland with Limited Liability)

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 *	0.15
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 30 September 2017 (Rs. In Millions)	Reference No.
A	**Capital & Liabilities**		
i	Paid-up Capital	28,028	a
	Reserves & Surplus	(902)	
	Of which:		
	Statutory Reserves	-	b
	Capital Reserves	-	c
	Other Revenue reserves	(180)	d
	Investment fluctuation Reserve	-	g
	Balance in Profit/Loss account	(722)	
	Minority Interest	-	
	Total Capital	**27,126**	
ii	Deposits	3,847	
	Of which: Deposits from banks	-	
	Of which: Customer deposits	3,847	
	Of which: Other deposits (pl. specify)	-	
iii	Borrowings	14,730	
	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	14,730	
	Of which: Capital instruments	-	f
iv	Other liabilities & provisions	5,855	
	Of which: Provision for Standard Advances	1	h
	Total	**51,558**	

The Royal Bank of Scotland plc – India branch
(Incorporated in Scotland with Limited Liability)

	Particulars	Balance sheet as in financial statements As on 30 September 2017 (Rs. In Millions)	Reference No.
B	**Assets**		
i	Cash and balances with Reserve Bank of India	1,528	
	Balance with banks and money at call and short notice	16,398	
ii	Investments:	24,764	
	Of which: Government securities	24,764	
	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	317	
	Of which: Loans and advances to banks	-	
	Of which: Loans and advances to customers	317	
iv	Fixed assets	399	
v	Other assets	8,152	
	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	**51,558**	

- **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 30 September 2017 (Rs. in Million)

S. No.	Leverage ratio framework	As of 30 September 2017
	On Balance Sheet exposures	
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	49,556
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)	49,556
	Derivative Exposures	
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	4
5	Add-on amounts for PFE associated with all derivatives transactions	223
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)	227
	Securities financing transaction exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	1,996
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	1,996
	Other Off – balance sheet exposures	
17	Off-balance sheet exposure at gross notional amount	776
18	(Adjustments for conversion to credit equivalent amounts)	(175)
19	Off-balance sheet items (sum of lines 17 and 18)	601
	Capital and total exposures	
20	Tier 1 capital	27,126
21	Total exposures (sum of lines 3, 11, 16 and 19)	52,379
	Leverage ratio	**51.79%**

S. No.	Leverage ratio framework	As of 30 September 2017
22	Basel III leverage ratio	51.79%

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

S. No.	Particulars	As of 30 September 2017
1	Total consolidated assets as per published financial statements	51,555
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	223
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)	601
7	Other adjustments	(0)*
8	Leverage ratio exposure	52,379

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

S.No.	Particulars	As of 30 September 2017
1	Total consolidated assets as per published financial statements	51,555
2	Replacement cost associated with all derivatives transactions, i.e. net of eligible cash variation margin	(4)
3	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	(1,996)
4	Adjustment for entitles outside the scope of regulatory consolidation	-
5	On-balance sheet exposure under leverage ratio (excluding derivatives and SFTs)	49,556

Leverage Ratio

(Rs in millions)	30 September 17
Capital and Total exposures	
Tier 1 Capital	27,126
Exposure Measure	52,379
Leverage Ratio %	
Leverage Ratio	51.79%

The Royal Bank of Scotland plc – India branch
(Incorporated in Scotland with Limited Liability)

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 01 April 2017 to 30 September 2017	
		Total Unweighted Value	Total weighted Value
	High Quality Liquid Assets		
1	Total High Quality Liquid Assets (HQLA)	2,120	2,120
	Cash Outflows		
2	Retail deposits and deposits from small business customers, of which:		
(i)	Stable deposits		
(ii)	Less stable deposits	41	4
3	Unsecured wholesale funding, of which :		
(i)	Operational deposits (all counterparties)	-	-
(ii)	Non-operational deposits (all counterparties)	346	284
(iii)	Unsecured debt	24	356
4	Secured wholesale funding	-	-
5	Additional requirements, of which	-	-
(i)	Outflows related to derivative exposures and other collateral requirements – -	49	49
(ii)	Outflows related to loss of funding on debt products	-	-
(iii)	Credit and liquidity facilities	-	-
6	Other contractual funding obligations	154	154
7	Other contingent funding obligations	115	3
8	Total Cash Outflows	728	851
	Cash Inflows	**-**	**-**
9	Secured lending (e.g. reverse repos)	172	172
10	Inflows from fully performing exposures	17	9
11	Other cash inflows	906	847
12	Total Cash Inflows	1,095	1,028
13	Total HQLA		2,120
14	Total Net Cash Outflows		(178)
15	Liquidity Coverage Ratio (%)		997%

The average weighted and unweighted amounts are calculated taking simple average for the period 01 July 2017 to 30 September 2017.