BANK FOR INTERNATIONAL SETTLEMENTS

Interim financial statements
(unaudited)

as at 30 September 2013

These financial statements for the six months ended 30 September 2013 were presented to the Board of Directors on 11 November 2013.

Jaime Caruana	Hervé Hannoun
General Manager	Deputy General Manager

Contents

Management report

Net interest income for the six months ended 30 September 2013 amounted to SDR 403.3 million, against SDR 597.2 million in the equivalent period last year. The reduction in the net interest income reflects the global low interest rate environment.

Net valuation movements amounted to a loss of SDR 116.4 million for the six months ended 30 September 2013, compared with a loss of SDR 45.8 million in the equivalent period last year.

Operating expenses increased from SDR 127.3 million (restated) in the prior period to SDR 137.6 million in the six months ended 30 September 2013.

Mainly as a result of the factors above, the Bank's ***operating profit*** amounted to SDR 121.9 million, compared with SDR 475.4 million (restated) last year, a decrease of SDR 353.5 million.

A net gain of SDR 26.4 million was realised during the period on the *sale of securities available for sale*. This figure compares with a net gain of SDR 42.0 million for the equivalent period last year. A gain of SDR 69.7 million was realised on the sale of *gold investment assets* during the period, representing the disposal of 3 tonnes of the Bank's own gold. In the first half of 2012/13, the Bank sold 1 tonne of gold and realised a gain of SDR 29.3 million.

As a result, the Bank recorded a ***net profit*** of SDR 218.0 million for the six months ended 30 September 2013. This compares with a profit of SDR 546.7 million (restated) for the equivalent period last year.

In addition to the items reflected in the Bank's profit and loss account, the unrealised gains and losses on the Bank's *securities available for sale* and *gold investment assets* are recorded in the securities revaluation account and gold revaluation account, which are included in the Bank's equity.

The *securities revaluation account* decreased by SDR 185.2 million during the period as a result of unrealised losses on investment securities held in the Bank's own funds. The *gold revaluation account* decreased by SDR 802.4 million as a result of the reduction in the price of gold.

The Bank's ***total comprehensive income*** amounted to a loss of SDR 779.7 million. By comparison, the total comprehensive income for the equivalent period last year was SDR 831.8 million (restated).

After the payment of the dividend for the 2012/13 financial year (SDR 175.8 million), the *Bank's equity* decreased over the six months ended 30 September 2013 by SDR 955.5 million to SDR 17,518.6 million.

Balance sheet

SDR millions	Notes	**30 September 2013**	31 March 2013 restated
Assets			
Cash and sight accounts with banks		6,022.5	6,884.1
Gold and gold loans		23,390.6	35,367.1
Treasury bills	4	38,154.8	46,694.1
Securities purchased under resale agreements	4	51,344.3	28,469.5
Loans and advances		21,526.6	19,676.8
Government and other securities	4	66,974.5	62,643.3
Derivative financial instruments		4,402.2	5,855.7
Accounts receivable		1,886.4	6,171.2
Land, buildings and equipment	5	195.6	190.6
Total assets		**213,897.5**	211,952.4
Liabilities			
Currency deposits	6	172,577.7	166,160.3
Gold deposits		11,492.1	17,580.9
Derivative financial instruments		4,093.5	3,402.3
Accounts payable		7,262.6	5,335.3
Other liabilities		953.0	999.5
Total liabilities		**196,378.9**	193,478.3
Shareholders' equity			
Share capital	8	698.9	698.9
Statutory reserves		14,280.3	13,560.8
Profit and loss account		218.0	895.3
Less: shares held in treasury		(1.7)	(1.7)
Other equity accounts		2,323.1	3,320.8
Total equity		**17,518.6**	18,474.1
Total liabilities and equity		**213,897.5**	211,952.4

Profit and loss account

For the six months ended 30 September

SDR millions	Notes	**2013**	2012 restated
Interest income		836.4	1,210.0
Interest expense		(433.1)	(612.8)
Net interest income		**403.3**	597.2
Net valuation movement		(116.4)	(45.8)
Net interest and valuation income		**286.9**	551.4
Net fee and commission income		1.4	1.2
Net foreign exchange gain / (loss)		(28.8)	50.1
Total operating income		**259.5**	602.7
Operating expense		(137.6)	(127.3)
Operating profit		**121.9**	475.4
Net gain on sales of securities available for sale		26.4	42.0
Net gain on sales of gold investment assets		69.7	29.3
Net profit for the six months ended 30 September		**218.0**	546.7
Basic and diluted earnings per share (in SDR per share)	9	**390.6**	979.5

Statement of comprehensive income

For the six months ended 30 September

SDR millions	Notes	**2013**	2012 restated
Net profit for the six months ended 30 September		**218.0**	546.7
Re-measurement of defined benefit obligation		(10.1)	12.0
Unrealised gain / (loss) on securities available for sale		(185.2)	13.2
Unrealised gain / (loss) on gold investment assets		(802.4)	259.9
Total comprehensive income for the six months ended 30 September		**(779.7)**	831.8

Statement of cash flows

For the six months ended 30 September

SDR millions	Notes	**2013**	2012 restated
Cash flow from / (used in) operating activities			
Interest and similar income received		1,124.5	1,527.7
Interest and similar expenses paid		(353.3)	(568.2)
Net fee and commission income		1.4	1.2
Foreign exchange transaction gain / (loss)		(2.9)	18.8
Operating expenses paid		(130.0)	(119.5)
Non-cash flow items included in operating profit			
Valuation movements on operating assets and liabilities		(116.4)	(45.8)
Foreign exchange translation gain / (loss)		(25.9)	31.3
Change in accruals and amortisation		(367.9)	(362.3)
Change in operating assets and liabilities			
Currency deposit liabilities held at fair value through profit and loss		8,694.6	(18,940.8)
Currency banking assets		(16,957.0)	33,913.3
Sight and notice deposit account liabilities		379.3	(11,025.3)
Gold deposit liabilities		(6,088.8)	(669.7)
Gold and gold loan banking assets		11,159.0	(1,682.9)
Accounts receivable		0.4	(38.2)
Other liabilities / accounts payable		(43.1)	188.1
Net derivative financial instruments		2,144.7	3,084.4
Net cash flow from / (used in) operating activities		**(581.4)**	5,312.1
Cash flow from / (used in) investment activities			
Net change in currency investment assets available for sale		(957.9)	(436.8)
Net change in currency investment assets held at fair value through profit and loss		677.5	(89.0)
Net change in gold investment assets		84.9	34.6
Net purchase of land, buildings and equipment	5	(12.6)	(5.7)
Net cash flow used in investment activities		**(208.1)**	(496.9)

SDR millions	Notes	**2013**	2012 restated
Cash flow from / (used in) financing activities			
Dividends paid		(175.8)	(168.4)
Net cash flow used in financing activities		**(175.8)**	(168.4)
Total net cash flow		**(965.3)**	4,646.8
Net effect of exchange rate changes on cash and cash equivalents		173.9	(135.7)
Net movement in cash and cash equivalents		(1,139.2)	4,782.5
Net change in cash and cash equivalents		**(965.3)**	4,646.8
Cash and cash equivalents, beginning of period	10	**7,225.6**	4,264.4
Cash and cash equivalents, end of period	10	**6,260.3**	8,911.2

Movements in the Bank's equity

For the six months ended 30 September 2013

SDR millions	Notes	Share capital	Statutory reserves	Profit and loss	Shares held in treasury	Other equity accounts	Total equity
Equity at 31 March 2013		**698.9**	**13,647.7**	**898.2**	**(1.7)**	**3,742.7**	**18,985.8**
Impact of change in accounting policy for post-employment benefit obligations		–	(86.9)	(2.9)	–	(421.9)	(511.7)
Equity at 31 March 2013 restated		**698.9**	**13,560.8**	**895.3**	**(1.7)**	**3,320.8**	**18,474.1**
Payment of 2012/13 dividend		–	–	(175.8)	–	–	(175.8)
Allocation of 2012/13 profit	6	–	719.5	(719.5)	–	–	–
Total comprehensive expense		–	–	218.0	–	(997.7)	(779.7)
Equity at 30 September 2013		**698.9**	**14,280.3**	**218.0**	**(1.7)**	**2,323.1**	**17,518.6**

For the six months ended 30 September 2012 (restated)

SDR millions	Notes	Share capital	Statutory reserves	Profit and loss	Shares held in treasury	Other equity accounts	Total equity
Equity at 31 March 2012		**698.9**	**13,057.2**	**758.9**	**(1.7)**	**3,866.0**	**18,379.3**
Impact of change in accounting policy for post-employment benefit obligations		–	(86.9)	–	–	(368.1)	(455.0)
Equity at 31 March 2012 restated		**698.9**	**12,970.3**	**758.9**	**(1.7)**	**3,497.9**	**17,924.3**
Payment of 2011/12 dividend		–	–	(168.4)	–	–	(168.4)
Allocation of 2011/12 profit	6	–	590.5	(590.5)	–	–	–
Total comprehensive income		–	–	546.7	–	285.1	831.8
Equity at 30 September 2012		**698.9**	**13,560.8**	**546.7**	**(1.7)**	**3,783.0**	**18,587.7**

Notes to the financial statements

1. Accounting policies

The accounting policies adopted by the Bank for these interim financial statements are consistent with those described in the Bank's 83rd Annual Report except for the change in accounting policy described in Note 2 below.

2. Change in accounting policy for post-employment benefit obligations

With effect from 1 April 2013, the Bank changed its accounting policy for post-employment benefit obligations to reflect developments in global financial reporting standards. As a result of the change, the Bank no longer applies corridor accounting for actuarial gains and losses and all changes in the value of net defined benefit liabilities or assets are recognised as they occur. Service costs and the net interest are recognised in the profit and loss account while re-measurements, such as actuarial gains and losses, are recognised in other comprehensive income.

The reported numbers for the prior financial periods have been restated for comparative purposes. The restatement resulted in an increase in other liabilities of SDR 511.7 million reflecting the recognition of the amounts reported as unrecognised actuarial losses as at 31 March 2013. There was a corresponding decrease in shareholders' equity with a SDR 89.8 million reduction in statutory reserves resulting from a change in profit recognition in prior financial years and the remaining SDR 421.9 million, representing cumulative actuarial gains and losses, was charged to a new account within other equity. Included in the reduction of statutory reserves was a SDR 2.9 million reduction in the net profit for the 2012/13 financial year. The tables below show the impact of the application of the accounting policy:

Impact of change of accounting policy on net profit

For the six months ended

SDR millions	**31 March 2013**	30 September 2012
Increase in net foreign exchange gain	1.6	3.4
Increase in operating expense	(4.5)	(2.5)
Increase / (decrease) in net profit	(2.9)	0.9

Impact of change of accounting policy on balance sheet:

As at

SDR millions	**31 March 2013**	30 September 2012
Increase in other liabilities	(511.7)	(442.1)
Decrease / (increase) in profit and loss account	2.9	(0.9)
Decrease in statutory reserves	86.9	86.9
Decrease in other equity accounts	421.9	356.1
Decrease in total equity	511.7	442.1

3. Use of estimates

The preparation of the financial statements requires the Bank's Management to make some estimates in arriving at the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the financial year. To arrive at these estimates, Management uses available information, makes assumptions and exercises judgment.

Assumptions include forward-looking estimates, for example relating to the valuation of assets and liabilities, the assessment of post-employment benefit obligations and the assessment of provisions and contingent liabilities.

Judgment is exercised when selecting and applying the Bank's accounting policies. The judgments relating to the designation and valuation of financial instruments are also key to the preparation of these financial statements. Subsequent actual results could differ materially from those estimates.

A. The valuation of financial assets and liabilities

There is no active secondary market for certain of the Bank's financial assets and financial liabilities. Such assets and liabilities are valued using valuation techniques which require judgment to determine appropriate valuation parameters. Changes in assumptions about these parameters could materially affect the reported fair values. The valuation impact of a 1 basis point change in spread assumptions is shown in the table below:

SDR millions	**30 September 2013**	31 March 2013
Treasury bills	0.9	1.0
Securities purchased under resale agreements	0.2	0.1
Loans and advances	0.2	0.1
Government and other securities	10.4	10.2
Currency deposits	7.7	12.4
Derivative financial instruments	4.9	4.3

B. Impairment provision on financial assets

The Bank conducts a review for impairment at the balance sheet date. At 30 September 2013, the Bank did not have any financial assets that were considered to be impaired (31 March 2013: nil). Impairment charges, when recognised, are included in the profit and loss account under the heading "Net interest income".

C. Actuarial assumptions

The valuation of the Bank's pension fund and health care arrangements relies on actuarial assumptions which include expectations of inflation, interest rates, medical cost inflation and retirement age and life expectancy of participants. Changes to these assumptions have an impact on the valuation of the Bank's pension fund liabilities and the amounts recognised in the financial statements.

4. Currency assets

Currency assets comprise treasury bills, securities purchased under resale agreements, fixed-term loans and advances, and government and other securities.

Currency assets held at fair value through profit and loss comprise those currency banking assets that represent the reinvestment of currency deposit liabilities along with currency investment assets that are part of more actively traded portfolios. The remaining part of the Bank's currency investment assets are categorised as available for sale and, together with the gold investment assets, largely represent the investment of the Bank's equity.

The tables below analyse the Bank's holdings of currency assets:

As at 30 September 2013	Banking assets	Investment assets			**Total currency assets**
SDR millions	Held at fair value through profit and loss	Available for sale	Held at fair value through profit and loss	Total	
Treasury bills	**37,889.4**	**265.4**	**–**	**265.4**	**38,154.8**
Securities purchased under resale agreements	**51,344.3**	**–**	**–**	**–**	**51,344.3**
Fixed-term loans and advances	**21,288.8**	**–**	**–**	**–**	**21,288.8**
Government and other securities					
Government	28,669.4	14,284.8	–	14,284.8	42,954.2
Financial institutions	11,784.0	109.7	–	109.7	11,893.7
Other	12,123.2	3.4	–	3.4	12,126.6
	52,576.6	**14,397.9**	**–**	**14,397.9**	**66,974.5**
Total currency assets	**163,099.1**	**14,663.3**	**–**	**14,663.3**	**177,762.4**

As at 31 March 2013	Banking assets	Investment assets			Total currency assets
SDR millions	Held at fair value through profit and loss	Available for sale	Held at fair value through profit and loss	Total	
Treasury bills	46,552.7	–	141.4	141.4	46,694.1
Securities purchased under resale agreements	28,469.5	–	–	–	28,469.5
Fixed-term loans and advances	19,335.3	–	–	–	19,335.3
Government and other securities					
Government	24,172.2	13,801.8	–	13,801.8	37,974.0
Financial institutions	10,957.8	105.4	718.7	824.1	11,781.9
Other	12,881.4	6.0	–	6.0	12,887.4
	48,011.4	13,913.2	718.7	14,631.9	62,643.3
Total currency assets	142,368.9	13,913.2	860.1	14,773.3	157,142.2

Note that the balance sheet heading "Loans and advances" comprises "Fixed-term loans and advances" and notice accounts. The tables above exclude notice accounts and future clearing accounts which totalled SDR 237.8 million at 30 September 2013 (31 March 2013: SDR 341.5 million).

5. Land, buildings and equipment

For the six months ended 30 September	2013				2012
SDR millions	Land	Buildings	IT and other equipment	Total	Total
Historical cost					
Balance at beginning of period	**41.2**	**263.4**	**104.1**	**408.7**	401.6
Capital expenditure	5.3	5.3	2.0	12.6	5.7
Balance at end of period	**46.5**	**268.7**	**106.1**	**421.3**	407.3
Depreciation					
Balance at beginning of period	**–**	**138.7**	**79.4**	**218.1**	208.6
Depreciation	–	4.3	3.3	7.6	7.8
Balance at end of period	**–**	**143.0**	**82.7**	**225.7**	216.4
Net book value at end of period	**46.5**	**125.7**	**23.4**	**195.6**	190.9

6. Currency deposits

Currency deposits are book entry claims on the Bank. The currency deposit instruments are analysed in the table below:

As at

SDR millions	**30 September 2013**	31 March 2013
Deposit instruments repayable at one to two days' notice		
Medium-Term Instruments (MTIs)	61,240.3	50,047.8
Callable MTIs	1,693.0	1,755.5
Fixed Rate Investments of the BIS (FIXBIS)	43,056.1	41,760.5
	105,989.4	93,563.8
Other currency deposits		
Floating Rate Investments of the BIS (FRIBIS)	315.5	307.3
Fixed-term deposits	52,706.6	59,144.7
Dual Currency Deposits (DCDs)	233.3	190.9
Sight and notice deposit accounts	13,332.9	12,953.6
	66,588.3	72,596.5
Total currency deposits	**172,577.7**	166,160.3
Comprising:		
Designated as held at fair value through profit and loss	159,244.8	153,206.7
Designated as financial liabilities measured at amortised cost	13,332.9	12,953.6

7. Dividends

The Bank declared a dividend of SDR 175.8 million for the financial year 2012/13, which was paid on 28 June 2013 (2011/12: SDR 168.4 million).

8. Share capital

The Bank's share capital consists of:

As at

SDR millions	**30 September 2013**	31 March 2013
Authorised capital: 600,000 shares, each of SDR 5,000 par value, of which SDR 1,250 is paid up	3,000.0	3,000.0
Issued capital: 559,125 shares	2,795.6	2,795.6
Paid-up capital (25%)	**698.9**	698.9

The number of shares eligible for dividend is:

As at

	30 September 2013	31 March 2013
Issued shares	559,125	559,125
Less: shares held in treasury	(1,000)	(1,000)
Outstanding shares eligible for full dividend	**558,125**	558,125

9. Earnings per share

For the six months ended 30 September

	2013	2012
Net profit for the period (SDR millions)	218.0	546.7
Weighted average number of shares entitled to dividend	558,125	558,125
Basic and diluted earnings per share (SDR per share)	**390.6**	979.5

10. Cash and cash equivalents

The cash and cash equivalents in the cash flow statement comprise:

As at

SDR millions	**30 September 2013**	31 March 2013
Cash and sight accounts with banks	6,022.5	6,884.1
Notice accounts	237.8	341.5
Total cash and cash equivalents	**6,260.3**	7,225.6

11. Commitments

The Bank provides a number of committed standby facilities for its customers on a collateralised or uncollateralised basis. As at 30 September 2013, the outstanding commitments to extend credit under these committed standby facilities amounted to SDR 2,905.8 million (2012: SDR 2,934.7 million), of which SDR 195.4 million was uncollateralised (2012: SDR 195.1 million).

12. Related parties

The Bank considers the following to be its related parties:

- the members of the Board of Directors;
- the senior officials of the Bank;
- close family members of the above individuals;
- the Bank's post-employment benefit arrangements; and
- central banks whose Governor is a member of the Board of Directors and institutions that are connected with these central banks.

A. Related party individuals

The total compensation of senior officials recognised in the profit and loss account amounted to:

For the six months ended 30 September

CHF millions	**2013**	2012
Salaries, allowances and medical cover	3.8	4.0
Post-employment benefits	1.0	1.1
Total compensation	**4.8**	5.1
SDR equivalent	3.4	3.5

The total cost for the Board of Directors recognised in the profit and loss account amounted to:

For the six months ended 30 September

CHF millions	**2013**	2012
Directors' fees	1.0	1.0
Pension to former Directors	0.4	0.3
Travel, external Board meetings and other costs	0.7	0.9
Total cost for Board of Directors	**2.1**	2.2
SDR equivalent	1.5	1.6

The Bank offers personal deposit accounts for all staff members and its Directors. The accounts bear interest at a rate determined by the Bank based on the rate offered by the Swiss National Bank on staff accounts. The movements and total balance on personal deposit accounts relating to members of the Board of Directors and the senior officials of the Bank were as follows:

For the six months ended 30 September

CHF millions	**2013**	2012
Balance at beginning of period	27.2	24.1
Deposits taken including interest income (net of withholding tax)	2.0	2.1
Withdrawals	(12.4)	(0.5)
Balance at end of period	**16.8**	25.7
SDR equivalent	12.1	17.8
Interest expense on deposits in CHF millions	0.2	0.2
SDR equivalent	0.1	0.1

Balances related to individuals who are appointed as members of the Board of Directors or as senior officials of the Bank during the financial year are included in the table above along with other deposits taken. Balances related to individuals who cease to be members of the Board of Directors or senior officials of the Bank during the financial year are included in the table above along with other withdrawals.

In addition, the Bank operates a blocked personal deposit account for certain staff members who were previously members of the Bank's savings fund, which closed on 1 April 2003. The terms of these blocked accounts are such that staff members cannot make further deposits or withdrawals and the balances are paid out when they leave the Bank. The accounts bear interest at a rate determined by the Bank based on the rate offered by the Swiss National Bank on staff accounts plus 1%. The total balance of blocked accounts at 30 September 2013 was SDR 17.0 million (2012: SDR 18.8 million). They are reported under the balance sheet heading "Currency deposits".

The Bank made contributions to its staff pension fund totalling SDR 13.8 million for the period ended 30 September 2013 (2012: SDR 13.1 million).

B. Related party central banks and connected institutions

The BIS provides banking services to its customers, which are predominantly central banks, monetary authorities and international financial institutions. In fulfilling this role, the Bank in the normal course of business enters into transactions with related party central banks and connected institutions. These transactions include making advances and taking currency and gold deposits.

It is the Bank's policy to enter into transactions with related party central banks and connected institutions on similar terms and conditions to transactions with other, non-related party customers.

Currency deposits from related party central banks and connected institutions

For the six months ended 30 September

SDR millions	**2013**	2012
Balance at beginning of period	36,727.8	49,428.8
Deposits taken	66,625.6	71,364.9
Maturities, repayments and fair value movements	(57,450.5)	(81,269.3)
Net movement on notice accounts	39.6	(4,000.9)
Balance at end of period	**45,942.5**	35,523.5
Percentage of total currency deposits at end of period	26.6%	21.8%

Gold deposit liabilities from related central banks and connected institutions

For the six months ended 30 September

SDR millions	**2013**	2012
Balance at beginning of period	10,849.7	13,767.1
Net movement on gold sight accounts	(3,448.0)	(2,014.9)
Balance at end of period	**7,401.7**	11,752.2
Percentage of total gold deposits at end of period	64.4%	62.0%

Securities purchased under resale transactions with related party central banks and connected institutions

For the six months ended 30 September

SDR millions	**2013**	2012
Balance at beginning of period	3,994.3	5,760.6
Collateralised deposits placed	519,764.9	701,826.0
Maturities and fair value movements	(519,035.4)	(702,138.6)
Balance at end of period	**4,723.8**	5,447.8
Percentage of total securities purchased under resale agreements at end of period	9.2%	16.5%

Derivatives transactions with related party central banks and connected institutions

The BIS enters into derivatives transactions with related party central banks and connected institutions, including foreign exchange deals and interest rate swaps. The total nominal value of these transactions during the six months ended 30 September 2013 was SDR 13,971.4 million (2012: SDR 9,036.7 million).

Other balances with related party central banks and connected institutions

The Bank maintains sight accounts in currencies with related party central banks and connected institutions, the total balance of which was SDR 5,979.9 million as at 30 September 2013 (2012: SDR 8,663.4 million). Gold held with related party central banks and connected institutions totalled SDR 23,145.0 million as at 30 September 2013 (2012: SDR 37,536.7 million).

During the six months ended 30 September 2013, the Bank acquired SDR 107.3 million of securities issued by related party central banks and connected institutions (2012: SDR nil). A total of SDR 123.0 million of such securities matured or were sold during the six months ended 30 September 2013 (2012: SDR 1,102.0 million). As at 30 September 2013, the Bank held SDR 65.5 million of related party securities (2012: SDR 65.8 million).

The Bank provides committed standby facilities for customers, and as at 30 September 2013 the Bank had outstanding commitments to extend credit under facilities to related parties of SDR 269.2 million (2012: SDR 273.9 million).

13. Contingent liabilities

In the opinion of the Bank's Management, there were no material contingent liabilities at 30 September 2013.

Capital adequacy

1. Capital

The table below shows the composition of the Bank's Tier 1 and total capital:

As at

SDR millions	**30 September 2013**	31 March 2013 restated
Share capital	698.9	698.9
Statutory reserves per balance sheet	14,280.3	13,560.8
Less: shares held in treasury	(1.7)	(1.7)
Share capital and reserves	**14,977.5**	14,258.0
Profit and loss account	218.0	895.3
Other equity accounts	2,323.1	3,320.8
Total equity	**17,518.6**	18,474.1

The Bank assesses its capital adequacy continuously. The assessment is supported by an annual capital and business planning process.

The Bank has implemented a risk framework that is consistent with the revised *International Convergence of Capital Measurement and Capital Standards* (Basel II Framework) issued by the Basel Committee on Banking Supervision in June 2006. The implementation includes all three pillars of the Framework, and takes the particular scope and nature of the Bank's activities into account. Since the Bank is not subject to national banking supervisory regulation, the application of Pillar 2 is reflected in the Bank's own assessment of capital adequacy. This assessment is based primarily on an economic capital methodology which is more comprehensive and geared to a substantially higher solvency level than the minimum Pillar 1 capital level required by the Basel II Framework.

2. Economic capital

The Bank's own assessment of its capital adequacy is performed on the basis of its economic capital frameworks for credit risk, market risk, operational risk and other risks. These are designed to determine the amount of equity needed to absorb losses arising from its exposures to a statistical level of confidence consistent with the objective of maintaining superior credit quality. The Bank's economic capital frameworks are therefore regarded as key methodologies for managing the capital adequacy of the institution. The Bank's economic capital frameworks measure economic capital to a 99.995% confidence level assuming a one-year horizon, except for settlement risk (included in the utilisation for credit risk) and other risks. The amount of economic capital set aside for settlement risk and other risks, ie risks which are not, or not fully, reflected in the Bank's economic capital calculations, is based on an assessment by Management.

The following table summarises the Bank's economic capital utilisation for credit risk, market risk, operational risk and other risks:

As at *SDR millions*	**30 September 2013**	31 March 2013
Credit risk	7,557.7	6,283.6
Market risk	2,422.0	2,308.6
Operational risk	1,200.0	700.0
Other risks	300.0	300.0
Total economic capital utilisation	**11,479.7**	9,592.2

The Bank's economic capital frameworks are subject to regular review and calibration. The increase of economic capital utilisation for credit risk and operational risk since 31 March 2013 is largely due to a review of the respective methodologies and parameterisation during the reporting period.

3. Risk-weighted assets and minimum capital requirements under the Basel II Framework

The Basel II Framework includes several approaches for calculating risk-weighted assets and the corresponding minimum capital requirements. In principle, the minimum capital requirements are determined by taking 8% of the risk-weighted assets.

The following table summarises the relevant exposure types and approaches as well as the risk-weighted assets and related minimum capital requirements for credit risk, market risk and operational risk:

As at		**30 September 2013**			31 March 2013		
SDR millions	Approach used	Amount of exposure	Risk-weighted assets (A)	Minimum capital requirement (B)	Amount of exposure	Risk-weighted assets (A)	Minimum capital requirement (B)
Credit risk							
Exposure to sovereigns, banks and corporates	Advanced internal ratings-based approach, where (B) is derived as (A) x 8%	129,562.7	8,844.0	707.5	131,684.4	8,934.3	714.7
Securitisation exposures, externally managed portfolios and other assets	Standardised approach, where (B) is derived as (A) x 8%	1,079.9	387.6	31.0	1,823.5	1,142.6	91.4
Market risk							
Exposure to foreign exchange risk and gold price risk	Internal models approach, where (A) is derived as (B) / 8%	–	12,646.9	1,011.8	–	11,748.1	939.8
Operational risk							
	Advanced measurement approach, where (A) is derived as (B) / 8%	–	10,142.9	811.4	–	4,612.5	369.0
Total			**32,021.4**	**2,561.7**		26,437.5	2,114.9

For credit risk, the Bank has adopted the advanced internal ratings-based approach for the majority of its exposures. Under this approach, the risk weighting for a transaction is determined by the relevant Basel II risk weight function using the Bank's own estimates for key inputs. For certain exposures, the Bank has adopted the standardised approach. Under this approach, risk weightings are mapped to exposure types.

Risk-weighted assets for market risk are derived following an internal models approach. For operational risk, the advanced measurement approach is used. Both these approaches rely on value-at-risk (VaR) methodologies. The minimum capital requirements are derived from the VaR figures and are translated into risk-weighted assets taking into account the 8% minimum capital requirement.

More details on the assumptions underlying the calculations are provided in the sections on credit risk, market risk and operational risk.

4. Tier 1 capital ratio

The capital ratio measures capital adequacy by comparing the Bank's Tier 1 capital with its risk-weighted assets. The table below shows the Bank's Tier 1 capital ratio, consistent with the Basel II Framework.

As at

SDR millions	**30 September 2013**	31 March 2013 restated
Share capital and reserves	14,977.5	14,258.0
Actuarial losses	(432.2)	(421.9)
Tier 1 capital (A)	**14,545.3**	13,836.1
Expected loss	(16.8)	(20.8)
Tier 1 capital net of expected loss (A)	**14,528.5**	13,815.3
Total risk-weighted assets (B)	32,021.4	26,437.5
Tier 1 capital ratio (A) / (B)	**45.4%**	52.3%

As required by the Basel II Framework, expected loss is calculated for credit risk exposures subject to the advanced internal ratings-based approach. The expected loss is calculated at the balance sheet date taking into account any impairment provision which is reflected in the Bank's financial statements. The Bank had no impairment provision at 30 September 2013 (31 March: nil). In accordance with the requirements of the Basel II Framework, the expected loss is compared with the impairment provision and any shortfall is deducted from the Bank's Tier 1 capital.

The Bank maintains a very high creditworthiness and performs a comprehensive capital assessment considering its specific characteristics. As such, it maintains a capital position substantially in excess of the minimum requirement.

Risk management

The Bank supports its customers, predominantly central banks, monetary authorities and international financial institutions, in the management of their reserves and related financial activities.

Banking activities form an essential element of meeting the Bank's objectives and ensure its financial strength and independence. The BIS engages in banking activities that are customer-related as well as activities that are related to the investment of its equity, each of which may give rise to financial risk comprising credit risk, market risk and liquidity risk. The Bank is also exposed to operational risk.

Within the risk framework defined by the Board of Directors, the Management of the Bank has established risk management policies designed to ensure that risks are identified, appropriately measured and controlled as well as monitored and reported.

1. Credit risk

Credit risk arises because a counterparty may fail to meet its obligations in accordance with the agreed contractual terms and conditions. A financial asset is considered past due when a counterparty fails to make a payment on the contractual due date. The Bank manages credit risk within a framework and policies set by the Board of Directors and Management. These are complemented by more detailed guidelines and procedures at the level of the independent risk control function.

The following tables show the exposure of the Bank to default risk, without taking into account any collateral held or other credit enhancements available to the Bank. Credit risk is mitigated through the use of collateral and legally enforceable netting or setoff agreements. The corresponding assets and liabilities are not offset on the balance sheet.

The exposures set out in the tables below are based on the carrying value of the assets on the balance sheet as categorised by sector, geographical region and credit quality. The carrying value is the fair value of the financial instruments, including derivatives, except in the case of very short-term financial instruments (sight and notice accounts) and gold, which are shown at amortised cost net of any impairment charge. Commitments are reported at their notional amounts. Gold and gold loans exclude gold bar assets held in custody, and accounts receivable do not include unsettled liability issues, because these items do not represent credit exposures of the Bank.

The vast majority of the Bank's assets are invested in securities issued by sovereigns and financial institutions rated A– or above by at least one of the major external credit assessment institutions. Limitations on the number of high-quality counterparties in these sectors mean that the Bank is exposed to single-name concentration risk. As at 30 September 2013, no financial assets were considered past due (31 March 2013: nil).

A. Default risk by sector

The following tables show the exposure of the Bank to default risk by sector, without taking into account any collateral held or other credit enhancements available to the Bank. "Public sector" includes international and other public sector institutions.

As at 30 September 2013

SDR millions	Sovereign and central banks	Public sector	Banks	Corporate	Securitisation	Total
On-balance sheet exposures						
Cash and sight accounts with banks	5,984.0	–	34.2	4.3	–	6,022.5
Gold and gold loans	–	–	245.6	–	–	245.6
Treasury bills	37,504.9	649.9	–	–	–	38,154.8
Securities purchased under resale agreements	4,723.8	–	45,671.3	949.2	–	51,344.3
Loans and advances	2,800.9	330.4	18,395.3	–	–	21,526.6
Government and other securities	42,954.1	11,820.0	5,150.0	6,089.0	961.4	66,974.5
Derivatives	38.4	127.8	4,235.8	0.2	–	4,402.2
Accounts receivable	2.8	0.3	286.8	8.4	–	298.3
Total on-balance sheet exposure	**94,008.9**	**12,928.4**	**74,019.0**	**7,051.1**	**961.4**	**188,968.8**
Commitments						
Undrawn unsecured facilities	195.4	–	–	–	–	195.4
Undrawn secured facilities	2,710.4	–	–	–	–	2,710.4
Total commitments	**2,905.8**	**–**	**–**	**–**	**–**	**2,905.8**
Total exposure	**96,914.7**	**12,928.4**	**74,019.0**	**7,051.1**	**961.4**	**191,874.6**

As at 31 March 2013

SDR millions	Sovereign and central banks	Public sector	Banks	Corporate	Securitisation	Total
On-balance sheet exposures						
Cash and sight accounts with banks	6,861.0	–	22.2	0.9	–	6,884.1
Gold and gold loans	–	–	292.6	–	–	292.6
Treasury bills	46,694.1	–	–	–	–	46,694.1
Securities purchased under resale agreements	3,994.3	–	24,475.2	–	–	28,469.5
Loans and advances	3,134.8	507.3	16,034.7	–	–	19,676.8
Government and other securities	39,559.3	11,847.7	4,897.7	5,395.0	943.6	62,643.3
Derivatives	166.6	148.9	5,539.7	0.5	–	5,855.7
Accounts receivable	145.9	147.7	103.7	8.7	–	406.0
Total on-balance sheet exposure	100,556.0	12,651.6	51,365.8	5,405.1	943.6	170,922.1
Commitments						
Undrawn unsecured facilities	200.1	–	–	–	–	200.1
Undrawn secured facilities	2,853.7	–	–	–	–	2,853.7
Total commitments	3,053.8	–	–	–	–	3,053.8
Total exposure	103,609.8	12,651.6	51,365.8	5,405.1	943.6	173,975.9

B. Default risk by geographical region

The following tables represent the exposure of the Bank to default risk by geographical region, without taking into account any collateral held or other credit enhancements available to the Bank:

As at 30 September 2013

SDR millions	Africa and Europe	Asia-Pacific	Americas	International institutions	Total
On-balance sheet exposures					
Cash and sight accounts with banks	6,008.4	3.2	10.9	–	6,022.5
Gold and gold loans	102.0	–	143.6	–	245.6
Treasury bills	8,991.5	25,380.3	3,133.1	649.9	38,154.8
Securities purchased under resale agreements	44,373.6	4,239.3	2,731.4	–	51,344.3
Loans and advances	13,244.3	7,280.8	801.4	200.1	21,526.6
Government and other securities	32,184.5	3,414.8	24,850.6	6,524.6	66,974.5
Derivatives	3,303.6	190.2	908.4	–	4,402.2
Accounts receivable	197.7	0.9	99.7	–	298.3
Total on-balance sheet exposure	**108,405.6**	**40,509.5**	**32,679.1**	**7,374.6**	**188,968.8**
Commitments					
Undrawn unsecured facilities	–	195.4	–	–	195.4
Undrawn secured facilities	264.4	2,446.0	–	–	2,710.4
Total commitments	**264.4**	**2,641.4**	**–**	**–**	**2,905.8**
Total exposure	**108,670.0**	**43,150.9**	**32,679.1**	**7,374.6**	**191,874.6**

As at 31 March 2013

SDR millions	Africa and Europe	Asia-Pacific	Americas	International institutions	Total
On-balance sheet exposures					
Cash and sight accounts with banks	6,874.4	2.2	7.5	–	6,884.1
Gold and gold loans	117.5	–	175.1	–	292.6
Treasury bills	7,213.3	32,940.0	6,540.8	–	46,694.1
Securities purchased under resale agreements	21,807.8	3,560.7	3,101.0	–	28,469.5
Loans and advances	11,604.8	6,764.2	1,000.5	307.3	19,676.8
Government and other securities	29,977.4	3,790.8	22,709.4	6,165.7	62,643.3
Derivatives	4,620.6	199.2	1,035.9	–	5,855.7
Accounts receivable	46.4	0.9	358.7	–	406.0
Total on-balance sheet exposure	82,262.2	47,258.0	34,928.9	6,473.0	170,922.1
Commitments					
Undrawn unsecured facilities	–	200.1	–	–	200.1
Undrawn secured facilities	256.6	2,597.1	–	–	2,853.7
Total commitments	256.6	2,797.2	–	–	3,053.8
Total exposure	82,518.8	50,055.2	34,928.9	6,473.0	173,975.9

C. Default risk by counterparty / issuer rating

The following tables show the exposure of the Bank to default risk by counterparty / issuer rating, without taking into account any collateral held or other credit enhancements available to the Bank. The ratings shown reflect the Bank's internal ratings expressed in terms of equivalent external ratings.

As at 30 September 2013

SDR millions	AAA	AA	A	BBB	BB and below	Unrated	Total
On-balance sheet exposures							
Cash and sight accounts with banks	5,889.7	124.6	5.7	1.0	0.3	1.2	6,022.5
Gold and gold loans	–	–	245.6	–	–	–	245.6
Treasury bills	5,716.5	6,376.3	24,345.0	1,717.0	–	–	38,154.8
Securities purchased under resale agreements	–	1,433.7	42,439.6	7,471.0	–	–	51,344.3
Loans and advances	656.2	1,205.2	18,919.8	550.0	195.4	–	21,526.6
Government and other securities	14,146.0	42,015.9	9,415.5	1,362.5	34.6	–	66,974.5
Derivatives	97.4	47.1	4,173.1	76.8	7.1	0.7	4,402.2
Accounts receivable	0.1	92.6	0.2	194.8	0.8	9.8	298.3
Total on-balance sheet exposure	**26,505.9**	**51,295.4**	**99,544.5**	**11,373.1**	**238.2**	**11.7**	**188,968.8**
Percentages	*14.0%*	*27.2%*	*52.7%*	*6.0%*	*0.1%*	*0.0%*	*100.0%*
Commitments							
Undrawn unsecured facilities	–	–	–	195.4	–	–	195.4
Undrawn secured facilities	–	793.0	807.7	1,109.7	–	–	2,710.4
Total commitments	**–**	**793.0**	**807.7**	**1,305.1**	**–**	**–**	**2,905.8**
Total exposure	**26,505.9**	**52,088.4**	**100,352.2**	**12,678.2**	**238.2**	**11.7**	**191,874.6**

As at 31 March 2013

SDR millions	AAA	AA	A	BBB	BB and below	Unrated	Total
On-balance sheet exposures							
Cash and sight accounts with banks	6,804.5	73.9	3.8	0.9	0.3	0.7	6,884.1
Gold and gold loans	–	–	292.6	–	–	–	292.6
Treasury bills	7,818.8	6,067.3	32,183.1	624.9	–	–	46,694.1
Securities purchased under resale agreements	–	433.6	22,625.6	5,410.3	–	–	28,469.5
Loans and advances	1,508.0	1,281.8	16,151.8	535.1	200.1	–	19,676.8
Government and other securities	11,688.0	40,153.8	8,756.5	1,530.7	514.3	–	62,643.3
Derivatives	132.2	527.3	5,107.2	88.2	0.3	0.5	5,855.7
Accounts receivable	–	290.7	71.8	0.9	1.0	41.6	406.0
Total on-balance sheet exposure	27,951.5	48,828.4	85,192.4	8,191.0	716.0	42.8	170,922.1
Percentages	*16.4%*	*28.6%*	*49.7%*	*4.8%*	*0.5%*	*0.0%*	*100%*
Commitments							
Undrawn unsecured facilities	–	–	–	200.1	–	–	200.1
Undrawn secured facilities	–	842.7	857.1	825.5	328.4	–	2,853.7
Total commitments	–	842.7	857.1	1,025.6	328.4	–	3,053.8
Total exposure	27,951.5	49,671.1	86,049.5	9,216.6	1,044.4	42.8	173,975.9

D. Credit risk mitigation

Credit risk is mitigated through the use of collateral and legally enforceable netting or setoff agreements. The corresponding assets and liabilities are not offset on the balance sheet.

The Bank requires counterparties to provide collateral, under reverse repurchase agreements, some derivative financial instrument contracts and certain drawn-down facility agreements, to mitigate counterparty default risk in accordance with the respective policies and procedures. During the term of the agreement, the Bank monitors the fair value of the collateral securities and may call for further collateral or be required to return collateral based on changes in exposure.

The Bank mitigates settlement risk by using established clearing centres and by settling transactions where possible through a delivery versus payment settlement mechanism. Daily settlement risk limits are monitored on a continuous basis.

The table below shows the market value of collateral obtained by the Bank. It excludes transactions which have yet to settle (on which neither cash nor collateral has been exchanged).

As at	**30 September 2013**		31 March 2013	
SDR millions	Fair value of relevant contracts	Value of collateral	Fair value of relevant contracts	Value of collateral
Collateral obtained for				
Securities purchased under resale agreements	45,863.7	46,214.3	26,457.4	26,686.6
Advances	2,149.4	2, 339.9	2,134.1	2,226.7
Derivatives	1,312.9	1,388.6	2,381.0	2,740.9
Total collateral obtained	**49,326.0**	**49,942.8**	30,972.5	31,654.2

The Bank is allowed to sell or pledge collateral obtained, but must deliver equivalent financial instruments upon expiry of the contract or agreement. The Bank accepts sovereign securities and cash as collateral for derivatives. Eligible collateral for reverse repurchase agreements comprises sovereign and supranational debt as well as state agency securities. Eligible collateral for loans and advances includes currency deposits with the Bank as well as units in the BIS Investment Pools (BISIPs) and securities in portfolios managed by the BIS.

As at 30 September 2013, the total amount of undrawn facilities which could be drawn down subject to collateralisation by the counterparty was SDR 2,710.4 million (31 March 2013: SDR 2,853.7 million).

E. Minimum capital requirements for credit risk

Exposure to sovereigns, banks and corporates

For the calculation of risk-weighted assets for exposures to banks, sovereigns and corporates, the Bank has adopted an approach that is consistent with the advanced internal ratings-based approach.

As a general rule, under this approach risk-weighted assets are determined by multiplying the credit risk exposures with risk weights derived from the relevant Basel II risk weight function using the Bank's own estimates for key inputs. These estimates for key inputs are also relevant to the Bank's economic capital calculation for credit risk.

The credit risk exposure for a transaction or position is referred to as the exposure at default (EAD). The Bank determines the EAD as the notional amount of all on- and off-balance sheet credit exposures, except for derivative contracts and certain collateralised exposures. The EAD for derivatives is calculated using an approach consistent with the internal models method proposed under the Basel II Framework. In line with this methodology, the Bank calculates effective expected positive exposures that are then multiplied by a factor alpha as set out in the Framework.

Key inputs to the risk weight function are a counterparty's estimated one-year probability of default (PD) as well as the estimated loss-given-default (LGD) and maturity for each transaction.

Due to the high credit quality of the Bank's investments and the conservative credit risk management process at the BIS, the Bank is not in a position to estimate PDs and LGDs based on its own default experience. The Bank calibrates counterparty PD estimates through a mapping of internal rating grades to external credit assessments taking external default data into account. Similarly, LGD estimates are derived from external data. Where appropriate, these estimates are adjusted to reflect the risk-reducing effects of collateral obtained giving consideration to market price volatility, re-margining and revaluation frequency. The recognition of the risk-reducing effects of collateral obtained for derivative contracts, reverse repurchase agreements and collateralised advances is accounted for in calculating the EAD.

The table below details the calculation of risk-weighted assets. The exposures are measured taking netting and collateral benefits into account. The total amount of exposures reported in the table as at 30 September 2013 includes SDR 231.8 million for interest rate contracts (31 March 2013: SDR 303.6 million) and SDR 364.0 million for FX and gold contracts (31 March 2013: SDR 761.3 million). In line with the Basel II Framework, the minimum capital requirement is determined as 8% of risk-weighted assets.

As at 30 September 2013

Internal rating grades expressed as equivalent external rating grades	Amount of exposure	Exposure-weighted PD	Exposure-weighted average LGD	Exposure-weighted average risk weight	Risk-weighted assets
SDR millions / percentages	*SDR millions*	*%*	*%*	*%*	*SDR millions*
AAA	25,013.4	0.010	35.6	3.0	747.6
AA	48,555.8	0.02	37.5	6.4	3,111.0
A	51,965.7	0.04	44.1	7.9	4,119.7
BBB	3,992.4	0.14	40.5	21.3	848.7
BB and below	35.4	0.83	35.6	48.1	17.0
Total	**129,562.7**				**8,844.0**

As at 30 September 2013, the minimum capital requirement for credit risk related to exposures to sovereigns, banks and corporates amounted to SDR 707.5 million.

As at 31 March 2013

Internal rating grades expressed as equivalent external rating grades *SDR millions / percentages*	Amount of exposure *SDR millions*	Exposure-weighted PD *%*	Exposure-weighted average LGD *%*	Exposure-weighted average risk weight *%*	Risk-weighted assets *SDR millions*
AAA	26,163.8	0.002	35.6	1.0	270.9
AA	45,560.3	0.01	37.4	5.3	2,437.3
A	56,429.9	0.05	42.3	8.6	4,850.0
BBB	3,031.1	0.19	42.4	30.3	919.7
BB and below	499.3	1.24	48.4	91.4	456.4
Total	131,684.4				8,934.3

As at 31 March 2013, the minimum capital requirement for credit risk related to exposures to sovereigns, banks and corporates amounted to SDR 714.7 million.

The table below summarises the impact of collateral arrangements on the amount of credit exposure after taking netting into account:

SDR millions	Amount of exposure after taking netting into account	Benefits from collateral arrangements	Amount of exposure after taking into account netting and collateral arrangements
As at 30 September 2013	185,603.8	56,041.1	**129,562.7**
As at 31 March 2013	163,153.7	31,469.3	131,684.4

Securitisation exposures

The Bank has modest investments in highly rated securitisation exposures based on traditional, ie non-synthetic, securitisation structures. Given the scope of the Bank's activities, risk-weighted assets under the Basel II Framework are determined according to the standardised approach for securitisation. Under this approach, external credit assessments of the securities are used to determine the relevant risk weights. External credit assessment institutions used for this purpose are Moody's Investors Service, Standard & Poor's and Fitch Ratings. Risk-weighted assets are then derived as the product of the notional amounts of the exposures and the associated risk weights. In line with the Basel II Framework, the minimum capital requirement is determined as 8% of risk-weighted assets.

The following table shows the Bank's investments in securitisation analysed by type of securitised assets:

As at 30 September 2013

SDR millions	External rating	Amount of exposures	Risk weight	Risk-weighted assets
Residential mortgage-backed securities	AAA	26.3	20%	5.3
Residential mortgage-backed securities	A	28.5	50%	14.3
Securities backed by other receivables (government-sponsored)	AAA	821.4	20%	164.3
Total		**876.2**		**183.9**

As at 30 September 2013, the minimum capital requirement for securitisation exposures amounted to SDR 14.7 million.

As at 31 March 2013

SDR millions	External rating	Amount of exposures	Risk weight	Risk-weighted assets
Residential mortgage-backed securities	AAA	33.9	20%	6.8
Residential mortgage-backed securities	A	32.4	50%	16.2
Securities backed by other receivables (government-sponsored)	AAA	797.0	20%	159.4
Total		863.3		182.4

As at 31 March 2013, the minimum capital requirement for securitisation exposures amounted to SDR 14.6 million.

2. Market risk

The Bank is exposed to market risk through adverse movements in market prices. The main components of the Bank's market risk are gold price risk, interest rate risk and foreign exchange risk.

A. Gold price risk

Gold price risk is the exposure of the Bank's financial condition to adverse movements in the price of gold. The Bank is exposed to gold price risk principally through its holdings of gold investment assets, which amount to 112 tonnes (31 March 2013: 115 tonnes). These gold investment assets are held in custody or placed on deposit with commercial banks. At 30 September 2013, the Bank's net gold investment assets amounted to SDR 3,127.3 million (31 March 2013: SDR 3,944.9 million), approximately 17.8% of its equity (31 March 2013: 21.0%). The Bank sometimes also has small exposures to gold price risk arising from its banking activities with central and commercial banks.

B. Interest rate risk

Interest rate risk is the exposure of the Bank's financial condition to adverse movements in interest rates including credit spreads. The Bank is exposed to interest rate risk through the interest bearing assets relating to the management of its equity held in its investment portfolios and investments relating to its banking portfolios. The investment portfolios are managed using a fixed-duration benchmark of bonds.

The tables below show the impact on the Bank's equity of a 1% upward shift in the relevant yield curve per time band:

As at 30 September 2013

SDR millions	Up to 6 months	6 to 12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Euro	(6.7)	(6.6)	(10.3)	(43.1)	(40.8)	(38.8)	(25.7)
Japanese yen	(0.7)	(4.1)	0.2	(0.2)	0.2	(0.1)	–
Pound sterling	(0.9)	(1.6)	(8.9)	(13.3)	(19.7)	(6.9)	(2.8)
Swiss franc	9.8	(0.2)	(0.6)	(3.6)	(1.1)	(1.5)	6.7
US dollar	(1.8)	(22.7)	(27.6)	(33.7)	(69.1)	(38.8)	(10.2)
Other currencies	0.6	(1.0)	(0.4)	(0.4)	(0.9)	(0.1)	(0.2)
Total	**0.3**	**(36.2)**	**(47.6)**	**(94.3)**	**(131.4)**	**(86.2)**	**(32.2)**

As at 31 March 2013

SDR millions	Up to 6 months	6 to 12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Euro	(4.5)	(5.0)	(23.8)	(41.2)	(45.5)	(20.7)	(26.0)
Japanese yen	0.7	(0.8)	(5.5)	(19.3)	(9.9)	(1.4)	–
Pound sterling	(0.6)	(1.1)	(8.0)	(14.5)	(19.8)	(5.4)	13.4
Swiss franc	9.8	(0.2)	(0.4)	(2.5)	(2.7)	(2.1)	7.5
US dollar	12.0	(28.7)	(30.9)	(39.4)	(45.6)	(25.8)	(18.1)
Other currencies	–	(0.3)	(0.6)	(0.4)	1.0	(0.5)	–
Total	17.4	(36.1)	(69.2)	(117.3)	(122.5)	(55.9)	(23.2)

C. Foreign exchange risk

The Bank's functional currency, the SDR, is a composite currency comprising fixed amounts of USD, EUR, JPY and GBP. Currency risk is the exposure of the Bank's financial condition to adverse movements in exchange rates. The Bank is exposed to foreign exchange risk primarily through the assets relating to the management of its equity. The Bank is also exposed to foreign exchange risk through managing its customer deposits and through acting as an intermediary in foreign exchange transactions between central and commercial banks. The Bank reduces its foreign exchange exposures by matching the relevant assets to the constituent currencies of the SDR on a regular basis, and by limiting currency exposures arising from customer deposits and foreign exchange transaction intermediation.

The following tables show the Bank's assets and liabilities by currency and gold exposure. The net foreign exchange and gold position in these tables therefore includes the Bank's gold investments. To determine the Bank's net foreign exchange exposure, the gold amounts need to be removed. The SDR-neutral position is then deducted from the net foreign exchange position excluding gold to arrive at the net currency exposure of the Bank on an SDR-neutral basis.

As at 30 September 2013

SDR millions	SDR	USD	EUR	GBP	JPY	CHF	Gold	Other currencies	Total
Assets									
Cash and sight accounts with banks	–	38.4	141.5	14.2	0.1	5,819.9	–	8.4	6,022.5
Gold and gold loans	–	8.2	–	–	–	–	23,382.4	–	23,390.6
Treasury bills	–	1,301.6	9,266.2	–	23,327.4	–	–	4,259.6	38,154.8
Securities purchased under resale agreements	–	5,889.9	23,778.4	16,872.5	4,803.4	–	–	0.1	51,344.3
Loans and advances	200.1	13,476.2	235.8	3,730.0	1,147.4	3.1	–	2,734.0	21,526.6
Government and other securities	–	36,066.4	19,581.5	7,724.8	1,330.2	9.9	–	2,261.7	66,974.5
Derivative financial instruments	426.3	14,069.3	5,850.3	211.1	(7,055.3)	549.2	(7,739.2)	(1,909.5)	4,402.2
Accounts receivable	–	1,212.0	187.9	279.3	–	8.7	–	198.5	1,886.4
Land, buildings and equipment	186.6	–	–	–	–	9.0	–	–	195.6
Total assets	**813.0**	**72,062.0**	**59,041.6**	**28,831.9**	**23,553.2**	**6,399.8**	**15,643.2**	**7,552.8**	**213,897.5**
Liabilities									
Currency deposits	(7,305.6)	(130,633.7)	(14,891.4)	(10,642.0)	(2,474.4)	(470.0)	–	(6,160.6)	(172,577.7)
Gold deposits	–	(6.8)	–	–	–	–	(11,485.2)	(0.1)	(11,492.1)
Derivative financial instruments	4,327.3	67,536.1	(33,929.1)	(14,763.4)	(19,359.3)	(5,873.4)	(1,028.5)	(1,003.2)	(4,093.5)
Accounts payable	–	(1,372.1)	(3,810.3)	(1,449.5)	(398.2)	–	–	(232.5)	(7,262.6)
Other liabilities	–	(1.1)	–	–	–	(951.6)	–	(0.3)	(953.0)
Total liabilities	**(2,978.3)**	**(64,477.6)**	**(52,630.8)**	**(26,854.9)**	**(22,231.9)**	**(7,295.0)**	**(12,513.7)**	**(7,396.7)**	**(196,378.9)**
Net currency and gold position	**(2,165.3)**	**7,584.4**	**6,410.8**	**1,977.0**	**1,321.3**	**(895.2)**	**3,129.5**	**156.1**	**17,518.6**
Adjustment for gold	–	–	–	–	–	–	(3,129.5)	–	(3,129.5)
Net currency position	**(2,165.3)**	**7,584.4**	**6,410.8**	**1,977.0**	**1,321.3**	**(895.2)**	**–**	**156.1**	**14,389.1**
SDR-neutral position	2,165.3	(7,115.5)	(6,172.1)	(1,937.3)	(1,329.5)	–	–	–	(14,389.1)
Net currency exposure on SDR-neutral basis	**–**	**468.9**	**238.7**	**39.7**	**(8.2)**	**(895.2)**	**–**	**156.1**	**–**

As at 31 March 2013

SDR millions	SDR	USD	EUR	GBP	JPY	CHF	Gold	Other currencies	Total
Assets									
Cash and sight accounts with banks	–	11.4	1,550.5	14.7	–	5,300.6	–	6.9	6,884.1
Gold and gold loans	–	7.9	–	–	–	–	35,359.2	–	35,367.1
Treasury bills	–	5,139.3	7,213.3	–	31,903.8	–	–	2,437.7	46,694.1
Securities purchased under resale agreements	–	4,701.4	11,906.2	8,301.2	3,560.7	–	–	–	28,469.5
Loans and advances	307.3	11,861.2	366.8	3,816.4	835.8	3.1	–	2,486.2	19,676.8
Government and other securities	–	33,379.1	18,879.8	5,890.2	2,115.6	9.9	–	2,368.7	62,643.3
Derivative financial instruments	4,017.8	65,592.1	(21,826.0)	(1,358.1)	(24,267.1)	(4,840.5)	(11,478.1)	15.6	5,855.7
Accounts receivable	–	3,653.1	9.4	2,323.8	35.8	8.6	–	140.5	6,171.2
Land, buildings and equipment	184.6	–	–	–	–	6.0	–	–	190.6
Total assets	4,509.7	124,345.5	18,100.0	18,988.2	14,184.6	487.7	23,881.1	7,455.6	211,952.4
Liabilities									
Currency deposits	(7,311.0)	(125,764.6)	(12,743.4)	(11,912.0)	(2,540.1)	(453.3)	–	(5,435.9)	(166,160.3)
Gold deposits	–	(6.6)	–	–	–	–	(17,574.3)	–	(17,580.9)
Derivative financial instruments	951.9	11,033.1	865.4	(2,212.0)	(10,125.9)	(27.7)	(2,359.9)	(1,527.2)	(3,402.3)
Accounts payable	–	(1,920.7)	(5.5)	(2,901.4)	(42.5)	–	–	(465.2)	(5,335.3)
Other liabilities	–	(97.8)	–	–	–	(901.4)	–	(0.3)	(999.5)
Total liabilities	(6,359.1)	(116,756.6)	(11,883.5)	(17,025.4)	(12,708.5)	(1,382.4)	(19,934.2)	(7,428.6)	(193,478.3)
Net currency and gold position	(1,849.4)	7,588.9	6,216.5	1,962.8	1,476.1	(894.7)	3,946.9	27.0	18,474.1
Adjustment for gold investment assets	–	–	–	–	–	–	(3,946.9)	–	(3,946.9)
Net currency position	(1,849.4)	7,588.9	6,216.5	1,962.8	1,476.1	(894.7)	–	27.0	14,527.2
SDR-neutral position	1,849.4	(7,207.8)	(5,924.5)	(1,839.5)	(1,404.8)	–	–	–	(14,527.2)
Net currency exposure on SDR-neutral basis	–	381.1	292.0	123.3	71.3	(894.7)	–	27.0	–

D. Minimum capital requirements for market risk

For the calculation of minimum capital requirements for market risk under the Basel II Framework, the Bank has adopted a banking book approach consistent with the scope and nature of its business activities. Consequently, market risk-weighted assets are determined for gold price risk and foreign exchange risk, but not interest rate risk. The related minimum capital requirement is derived using a VaR-based internal models method. Under this method, VaR calculations are performed using the Bank's VaR methodology, assuming a 99% confidence interval and a 10-day holding period.

The actual minimum capital requirement is derived as the higher of the VaR on the calculation date and the average of the daily VaR measures on each of the preceding 60 business days (including the calculation date) subject to a multiplication factor of three plus a potential add-on depending on backtesting results. For the period under consideration, the number of backtesting outliers observed remained within the range where no add-on is required. The table below summarises the market risk development relevant to the calculation of minimum capital requirements and the related risk-weighted assets over the reporting period:

As at	30 September 2013			31 March 2013		
SDR millions	VaR	Risk-weighted assets (A)	Minimum capital requirement (B)	VaR	Risk-weighted assets (A)	Minimum capital requirement (B)
Market risk, where (A) is derived as (B) / 8%	337.2	12,646.9	**1,011.8**	313.3	11,748.1	939.8

3. Liquidity risk

Liquidity risk arises when the Bank may not be able to meet expected or unexpected current or future cash flows and collateral needs without affecting its daily operations or its financial condition.

Outstanding balances in the currency and gold deposits from central banks, international organisations and other public institutions are the key drivers of the size of the Bank's balance sheet. The Bank has undertaken to repurchase at fair value certain of its currency deposit instruments at one or two business days' notice. The Bank has developed a liquidity management framework based on a statistical model underpinned by conservative assumptions with regard to cash inflows and the liquidity of liabilities. Within this framework, the Board of Directors has set a limit for the Bank's liquidity ratio which requires liquid assets to be at least 100% of the potential liquidity requirement. In addition, liquidity stress tests assuming extreme withdrawal scenarios are performed. These stress tests specify additional liquidity requirements to be met by holdings of liquid assets. The Bank's liquidity has consistently been materially above its minimum liquidity ratio and the requirements of its stress tests.

The following tables show the maturity profile of cash flows for assets and liabilities. The amounts disclosed are the undiscounted cash flows to which the Bank is committed.

As at 30 September 2013

SDR millions	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 2 years	2 to 5 years	5 to 10 years	Over 10 years	Total
Assets									
Cash and sight accounts with banks	6,022.5	–	–	–	–	–	–	–	6,022.5
Gold and gold loans	23,160.7	–	–	–	231.1	–	–	–	23,391.8
Treasury bills	8,377.2	19,320.9	5,584.3	4,802.1	–	–	–	–	38,084.5
Securities purchased under resale agreements	36,445.1	8,280.7	1,145.1	–	–	–	–	–	45,870.9
Loans and advances	10,002.4	10,039.5	896.7	–	–	–	–	–	20,938.6
Government and other securities	808.8	4,402.9	6,970.2	18,780.8	12,344.7	22,744.5	1,755.4	–	67,807.3
Total assets	**84,816.7**	**42,044.0**	**14,596.3**	**23,582.9**	**12,575.8**	**22,744.5**	**1,755.4**	**–**	**202,115.6**
Liabilities									
Currency deposits									
Deposit instruments repayable at 1–2 days' notice	(11,675.0)	(14,804.1)	(17,821.5)	(22,668.1)	(17,759.2)	(21,587.5)	–	–	(106,315.4)
Other currency deposits	(43,144.7)	(14,472.7)	(6,560.8)	(2,139.2)	–	–	–	–	(66,317.4)
Gold deposits	(11,263.5)	–	–	–	(229.6)	–	–	–	(11,493.1)
Total liabilities	**(66,083.2)**	**(29,276.8)**	**(24,382.3)**	**(24,807.3)**	**(17,988.8)**	**(21,587.5)**	**–**	**–**	**(184,125.9)**
Derivatives									
Net settled									
Interest rate contracts	(81.9)	21.7	224.6	195.1	137.5	(18.7)	(4.2)	–	474.1
Gross settled									
Exchange rate and gold price contracts									
Inflows	51,846.4	40,740.2	17,469.1	9,013.4	–	–	–	–	119,069.1
Outflows	(52,258.5)	(40,446.7)	(17,323.8)	(9,004.8)	–	–	–	–	(119,033.8)
Subtotal	(412.1)	293.5	145.3	8.6	–	–	–	–	35.3
Interest rate contracts									
Inflows	41.3	0.2	90.9	188.1	302.8	315.7	–	–	939.0
Outflows	(48.8)	(0.3)	(114.6)	(213.3)	(349.5)	(365.8)	–	–	(1,092.3)
Subtotal	(7.5)	(0.1)	(23.7)	(25.2)	(46.7)	(50.1)	–	–	(153.3)
Total derivatives	**(501.5)**	**315.1**	**346.2**	**178.5**	**90.8**	**(68.8)**	**(4.2)**	**–**	**356.1**
Total future undiscounted cash flows	**18,232.0**	**13,082.3**	**(9,439.8)**	**(1,045.9)**	**(5,322.2)**	**1,088.2**	**1,751.2**	**–**	**18,345.8**

As at 31 March 2013

SDR millions	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 2 years	2 to 5 years	5 to 10 years	Over 10 years	Total
Assets									
Cash and sight accounts with banks	6,884.1	–	–	–	–	–	–	–	6,884.1
Gold and gold loans	35,086.8	–	–	–	282.1	–	–	–	35,368.9
Treasury bills	11,036.4	23,042.0	9,643.5	2,994.5	–	–	–	–	46,716.4
Securities purchased under resale agreements	21,795.6	4,664.6	–	–	–	–	–	–	26,460.2
Loans and advances	10,034.4	8,640.8	318.9	–	–	–	–	–	18,994.1
Government and other securities	1,576.3	5,590.8	8,649.6	10,677.1	11,246.0	23,018.8	1,951.0	1,062.8	63,772.4
Total assets	86,413.6	41,938.2	18,612.0	13,671.6	11,528.1	23,018.8	1,951.0	1,062.8	198,196.1
Liabilities									
Currency deposits									
Deposit instruments repayable at 1–2 days' notice	(7,383.7)	(10,649.5)	(17,483.0)	(19,696.1)	(14,744.0)	(23,859.4)	(67.9)	–	(93,883.6)
Other currency deposits	(40,783.3)	(19,228.9)	(7,980.9)	(2,603.5)	–	–	–	–	(70,596.6)
Gold deposits	(17,301.9)	–	–	–	(280.5)	–	–	–	(17,582.4)
Securities sold short	82.8	13.2	(0.9)	(1.7)	(3.4)	(10.3)	(17.2)	(149.6)	(87.1)
Total liabilities	(65,386.1)	(29,865.2)	(25,464.8)	(22,301.3)	(15,027.9)	(23,869.7)	(85.1)	(149.6)	(182,149.7)
Derivatives									
Net settled									
Interest rate contracts	(1.2)	107.8	133.1	199.8	238.0	94.6	(17.0)	–	755.1
Gross settled									
Exchange rate and gold price contracts									
Inflows	32,788.8	46,454.6	17,827.6	5,835.2	–	–	–	–	102,906.2
Outflows	(31,785.2)	(46,067.1)	(17,536.6)	(5,623.4)	–	–	–	–	(101,012.3)
Subtotal	1,003.6	387.5	291.0	211.8	–	–	–	–	1,893.9
Interest rate contracts									
Inflows	114.2	133.6	115.4	84.3	475.8	365.3	–	–	1,288.6
Outflows	(114.5)	(156.1)	(128.0)	(107.9)	(518.1)	(402.6)	–	–	(1,427.2)
Subtotal	(0.3)	(22.5)	(12.6)	(23.6)	(42.3)	(37.3)	–	–	(138.6)
Total derivatives	1,002.1	472.8	411.5	388.0	195.7	57.3	(17.0)	–	2,510.4
Total future undiscounted cash flows	22,029.6	12,545.8	(6,441.3)	(8,241.7)	(3,304.1)	(793.6)	1,848.9	913.2	18,556.8

The Bank writes options in the course of its banking business. The table below discloses the fair value of the written options analysed by exercise date:

Written options

SDR millions	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 2 years	2 to 5 years	5 to 10 years	Over 10 years	Total
As at 30 September 2013	(0.2)	(0.3)	(9.4)	(11.2)	–	(8.6)	–	–	**(29.7)**
As at 31 March 2013	(0.1)	(0.2)	–	–	–	(1.1)	–	–	(1.4)

The table below shows the contractual expiry date of the credit commitments as at the balance sheet date:

Contractual expiry date

SDR millions	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 2 years	2 to 5 years	5 to 10 years	Maturity undefined	Total
As at 30 September 2013	–	–	195.4	264.4	–	–	–	2,445.9	**2,905.7**
As at 31 March 2013	–	–	256.6	200.1	–	–	–	2,597.1	3,053.8

4. Operational risk

Operational risk is defined by the Bank as the risk of financial loss, or damage to the Bank's reputation, or both, resulting from human factors, failed or inadequate processes, failed or inadequate systems, or external events. Operational risk includes legal risk, but excludes strategic risk.

For the measurement of operational risk-weighted assets, the Bank has adopted a VaR approach using a Monte Carlo simulation technique that is consistent with the advanced measurement approach proposed under the Basel II Framework. In line with the assumptions of the Basel II Framework, the quantification of operational risk does not take reputational risk into account and is determined assuming a 99.9% confidence level and a one-year time horizon. Internal and external loss data, scenario estimates and control self-assessments to reflect changes in the business and control environment of the Bank are key inputs in the calculations. In quantifying its operational risk, the Bank does not take potential protection it may obtain from insurance into account.

The table below shows the minimum capital requirements for operational risk and related risk-weighted assets:

As at	30 September 2013			31 March 2013		
	VaR	Risk-weighted assets	Minimum capital requirement	VaR	Risk-weighted assets	Minimum capital requirement
SDR millions		(A)	(B)		(A)	(B)
Operational risk, where (A) is derived as (B) / 8%	811.4	10,142.9	**811.4**	369.0	4,612.5	369.0