BANK FOR INTERNATIONAL SETTLEMENTS

Interim financial statements
(unaudited)

as at 30 September 2015

These financial statements for the six months ended 30 September 2015 were presented to the Board of Directors on 9 November 2015.

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Management report

Net interest and valuation income for the first half of 2015/16 was SDR 198.8 million, compared with SDR 304.5 million in the same period in the previous financial year. The reduction mainly reflects widening of credit spreads in the period to the end of September 2015.

Net foreign exchange losses were SDR 8.2 million in the six months to September 2015, in comparison to net foreign exchange gains of SDR 18.6 million in the same period in 2014. This change was mainly due to movements in the Chinese renminbi, which depreciated against the SDR in the current financial year, compared with an appreciation during the first half of 2014/15. .

Operating expense was SDR 139.5 million in the six months ended 30 September 2015, compared with SDR 135.4 million in the first half of the previous financial year.

Reflecting these developments, the Bank's ***operating profit*** for the first half of 2015/16 was SDR 53.7 million, compared with SDR 191.0 million in the same reporting period last year.

A gain of SDR 53.1 million was realised on the sales of *gold investment assets* during the period, representing the sale of two and a half tonnes of the Bank's own gold. By comparison, in the first half of the 2014/15 financial year the Bank sold one and a half tonnes of gold which realised a gain of SDR 33.3 million.

The Bank recorded a ***net profit*** of SDR 125.3 million for the six months ended 30 September 2015, which compares with SDR 243.9 million 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 *available for sale securities* and *gold investment assets* are recorded in the securities and gold revaluation accounts, which are included in the Bank's equity.

The *securities revaluation account* decreased by SDR 28.3 million following sales of securities as well as a reduction in unrealised profits on securities held in the Bank's own funds. The *gold revaluation account* decreased by SDR 277.1 million following sales of gold and as a result of a fall in the gold price.

The Bank's ***total comprehensive income*** amounted to a loss of SDR 174.9 million. By comparison, the equivalent period last year saw a gain of SDR 190.7 million.

The payment of the dividend for the 2014/15 financial year of SDR 125.6 million was made during the period to September 2015, and after taking this into account, the *Bank's equity* decreased over the period by SDR 300.5 million to SDR 17,972.6 million.

Balance sheet

SDR millions	Note	**30 September 2015**	31 March 2015
Assets			
Cash and sight accounts with banks		16,598.5	11,375.3
Gold and gold loans		11,921.3	14,155.5
Treasury bills		36,668.9	33,926.0
Securities purchased under resale agreements		46,116.8	49,003.6
Loans and advances		18,676.2	17,966.2
Government and other securities		77,099.0	80,910.2
Derivative financial instruments		3,379.7	6,958.7
Accounts receivable and other assets		2,793.4	2,345.4
Land, buildings and equipment	4	191.7	194.1
Total assets		**213,445.5**	216,835.0
Liabilities			
Currency deposits		172,062.9	176,842.0
Gold deposits		9,069.9	9,857.3
Securities sold under repurchase agreements		542.9	773.3
Derivative financial instruments		2,425.8	2,162.2
Accounts payable		10,485.4	8,049.9
Other liabilities		886.0	877.2
Total liabilities		**195,472.9**	198,561.9
Shareholders' equity			
Share capital	6	698.9	698.9
Statutory reserves		14,997.0	14,579.7
Profit and loss account		125.3	542.9
Less: shares held in treasury		(1.7)	(1.7)
Other equity accounts		2,153.1	2,453.3
Total equity		**17,972.6**	18,273.1
Total liabilities and equity		**213,445.5**	216,835.0

Profit and loss account

For the six months ended 30 September

SDR millions	**2015**	2014
Interest income	813.6	741.4
Interest expense	(374.7)	(393.2)
Net interest income	**438.9**	348.2
Net valuation movement	(240.1)	(43.7)
Net interest and valuation income	**198.8**	304.5
Net fee and commission income	2.6	3.2
Net foreign exchange (loss) / gain	(8.2)	18.6
Total operating income	**193.2**	326.3
Operating expense	(139.5)	(135.3)
Operating profit	**53.7**	191.0
Net gain on sales of available for sale securities	18.5	19.6
Net gain on sales of gold investment assets	53.1	33.3
Net profit	**125.3**	243.9

Statement of comprehensive income

For the six months ended 30 September

SDR millions	**2015**	2014
Net profit	**125.3**	243.9
Other comprehensive income		
Items either reclassified to profit and loss during the period, or that will be reclassified subsequently when specific conditions are met		
Net movement on revaluation of available for sale securities	(28.3)	(94.5)
Net movement on revaluation of gold investment assets	(277.1)	32.3
Items that will not be reclassified subsequently to profit and loss		
Re-measurement of defined benefit obligations	5.2	9.0
Total comprehensive income	**(174.9)**	190.7

Statement of cash flows

For the six months ended 30 September

SDR millions	Note	**2015**	2014
Cash flow from / (used in) operating activities			
Interest and similar income received		1,324.3	1,221.1
Interest and similar expenses paid		(383.1)	(314.0)
Net fee and commission income		2.6	3.2
Net foreign exchange transaction gain		4.8	2.8
Operating expense		(132.1)	(127.5)
Non-cash flow items included in operating profit			
Valuation movement on operating assets and liabilities		(240.1)	(43.7)
Net foreign exchange translation (loss) / gain		(13.0)	15.8
Change in accruals and amortisation		(502.2)	(558.9)
Change in operating assets and liabilities			
Currency deposit liabilities held at fair value through profit and loss		(5,265.9)	2,006.5
Currency banking assets		3,573.4	1,419.2
Sight and notice deposit account liabilities		1,598.7	3,516.1
Gold deposit liabilities		(787.4)	(1,604.8)
Gold and gold loan banking assets		1,945.9	296.5
Accounts receivable		(6.4)	(1.9)
Accounts payable / other liabilities		128.4	(159.4)
Net derivative financial instruments		3,842.6	(3,582.8)
Net cash flow from operating activities		**5,090.5**	2,088.2
Cash flow from / (used in) investment activities			
Net change in currency investment assets available for sale		438.2	(533.6)
Securities sold under repurchase agreements		(230.4)	95.8
Net change in gold investment assets		64.5	40.7
Net purchase of land, buildings and equipment		(5.1)	(4.6)
Net cash flow from / (used in) investment activities		**267.2**	(401.7)

SDR millions	Note	**2015**	2014
Cash flow from / (used in) financing activities			
Dividends paid	5	(125.6)	(120.0)
Net cash flow used in financing activities		**(125.6)**	(120.0)
Total net cash flow		**5,232.1**	1,566.5
Net effect of exchange rate changes on cash and cash equivalents		(212.5)	(351.5)
Net movement in cash and cash equivalents		5,444.6	1,918.0
Net change in cash and cash equivalents		**5,232.1**	1,566.5
Cash and cash equivalents, beginning of period	7	**11,904.0**	11,544.5
Cash and cash equivalents, end of period	7	**17,136.1**	13,111.0

Movements in the Bank's equity

For the six months ended 30 September 2015

					Other equity accounts			
SDR millions	Note	Share capital	Statutory reserves	Profit and loss	Shares held in treasury	Defined benefit obligations	Gold and securities revaluation	Total equity
As at 31 March 2015		**698.9**	**14,579.7**	**542.9**	**(1.7)**	**(249.0)**	**2,702.3**	**18,273.1**
Payment of 2014/15 dividend	5	–	–	(125.6)	–	–	–	(125.6)
Allocation of 2014/15 profit		–	417.3	(417.3)	–	–	–	–
Total comprehensive income		–	–	125.3	–	5.2	(305.4)	(174.9)
As at 30 September 2015		**698.9**	**14,997.0**	**125.3**	**(1.7)**	**(243.8)**	**2,396.9**	**17,972.6**

For the six months ended 30 September 2014

					Other equity accounts			
SDR millions	Note	Share capital	Statutory reserves	Profit and loss	Shares held in treasury	Defined benefit obligations	Gold and securities revaluation	Total equity
As at 31 March 2014		**698.9**	**14,280.4**	**419.3**	**(1.7)**	**(238.9)**	**2,569.9**	**17,727.9**
Payment of 2013/14 dividend	5	–	–	(120.0)	–	–	–	(120.0)
Allocation of 2013/14 profit		–	299.3	(299.3)	–	–	–	–
Total comprehensive income		–	–	243.9	–	9.0	(62.2)	190.7
As at 30 September 2014		**698.9**	**14,579.7**	**243.9**	**(1.7)**	**(229.9)**	**2,507.7**	**17,798.6**

Notes to the financial statements

These interim financial statements contain selected disclosures, but do not contain all the information provided in the Bank's annual financial statements. They should be read in conjunction with the Bank's 85th Annual Report.

1. Accounting policies

The accounting policies adopted by the Bank for these interim financial statements are consistent with those described in the Bank's 85th Annual Report.

2. 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 expense during the financial year. To arrive at reasonable estimates, Management exercises judgment based on the latest reliable information.

In preparing these interim financial statements, the significant judgments made by Management were similar to those applied in the annual financial statements, and there have been no material revisions to the nature of the amounts reported in the annual financial statements.

3. The fair value hierarchy

The Bank categorises its financial instruments which are measured at fair value according to a hierarchy that reflects the observability of inputs used in measuring that value. A valuation level is assigned according to the least observable input that is significant to the fair value measurement in its entirety. The fair value hierarchy used by the Bank comprises the following levels:

Level 1 – Instruments valued using unadjusted quoted prices in active markets for identical financial instruments.

Level 2 – Instruments valued with valuation techniques using inputs which are observable for the financial instrument either directly (ie as a price) or indirectly (ie derived from prices for similar financial instruments). This includes observable interest rates, spreads and volatilities.

Level 3 – Instruments valued using valuation techniques where the inputs are not observable in financial markets.

At 30 September 2015 the Bank had no financial instruments categorised as level 3 (2014: nil).

As at 30 September 2015

SDR millions	Level 1	Level 2	Total
Financial assets held at fair value through profit and loss			
Treasury bills	26,104.1	10,564.8	36,668.9
Securities purchased under resale agreements	–	45,573.9	45,573.9
Loans and advances	–	18,138.5	18,138.5
Government and other securities	45,086.2	17,163.2	62,249.4
Derivative financial instruments	4.3	3,375.4	3,379.7
Financial assets designated as available for sale			
Government and other securities	14,749.8	99.8	14,849.6
Securities purchased under resale agreements	–	542.9	542.9
Total financial assets accounted for at fair value	**85,944.4**	**95,458.5**	**181,402.9**
Financial liabilities held at fair value through profit and loss			
Currency deposits	–	(148,509.1)	(148,509.1)
Derivative financial instruments	(4.1)	(2,421.7)	(2,425.8)
Total financial liabilities accounted for at fair value	**(4.1)**	**(150,930.8)**	**(150,934.9)**

As at 31 March 2015

SDR millions	Level 1	Level 2	Total
Financial assets held at fair value through profit and loss			
Treasury bills	26,869.2	7,056.8	33,926.0
Securities purchased under resale agreements	–	48,230.3	48,230.3
Loans and advances	–	17,437.5	17,437.5
Government and other securities	48,124.3	17,592.5	65,716.8
Derivative financial instruments	3.2	6,955.5	6,958.7
Financial assets designated as available for sale			
Government and other securities	14,937.4	256.0	15,193.4
Securities purchased under resale agreements	–	773.3	773.3
Total financial assets accounted for at fair value	89,934.1	98,301.9	188,236.0
Financial liabilities held at fair value through profit and loss			
Currency deposits	–	(154,887.0)	(154,887.0)
Derivative financial instruments	(3.0)	(2,159.2)	(2,162.2)
Total financial liabilities accounted for at fair value	(3.0)	(157,046.2)	(157,049.2)

A. Financial instruments not measured at fair value

In addition to instruments measured at fair value and disclosed in the tables above, the Bank accounts for certain financial instruments at amortised cost. These comprise financial assets of "Cash and sight accounts", "Gold and gold loans" and "Notice accounts". Financial liabilities held at amortised cost comprise "Gold deposits", "Sight and notice deposit accounts"' and those "Securities sold under repurchase agreements" that are associated with currency assets available for sale. If these instruments were included in the fair value hierarchy, the valuation of "Gold loans" and "Securities sold under repurchase agreements" would be considered level 2. All other amortised cost financial instruments would be considered level 1.

Using the same valuation techniques for amortised cost financial instruments as is applied to fair valued financial instruments, the Bank estimates that their fair values would be materially the same as the carrying values shown in these financial statements for both 30 September 2015 and 31 March 2015.

B. Transfers between levels in the fair value hierarchy

Of the assets categorised as level 1 at 30 September 2015, SDR 2,483.7 million related to assets that had been held at 31 March 2015 and valued as level 2 at that date. Of the assets categorised as level 2 at 30 September 2015, SDR 1,430.5 million related to assets that had been held at 31 March 2015 and categorised as level 1 as at that date. The transfer of assets between levels 1 and 2 reflected specific market conditions existing at the reporting dates that affected the observability of the market prices as defined above. No liability valuations were transferred between fair value hierarchy levels.

No assets were transferred to or from the level 3 category during the six-month reporting period.

C. Assets and liabilities measured at fair value level 3

During the six-month reporting periods ended 30 September 2015 and 2014 the Bank did not classify any assets or liabilities as level 3 in the fair value hierarchy.

4. Land, buildings and equipment

There were no material purchases or sales of fixed assets during the reporting period. The depreciation charge for the period ended 30 September 2015 was SDR 7.4 million (30 September 2014: SDR 7.8 million).

5. Dividends

On 3 July 2015, the Bank paid a dividend of SDR 125.6 million for the 2014/15 financial year (2013/14: SDR 120.0 million).

6. Share capital

The Bank's share capital consists of:

SDR millions	**30 September 2015**	31 March 2015
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:

	30 September 2015	31 March 2015
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

7. Cash and cash equivalents

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

SDR millions	**30 September 2015**	30 September 2014
Cash and sight accounts with banks	16,598.5	12,748.7
Notice accounts	537.6	362.3
Total cash and cash equivalents	**17,136.1**	13,111.0

8. 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 listing of the members of the Board of Directors and senior officials is shown in the sections of the 85th Annual Report entitled "Board of Directors" and "BIS Management". Note 18 in the 85th Annual Report provides details of the Bank's post-employment benefit arrangements.

A. Related party individuals

Related party transactions with members of the Board of Directors and senior officials in the period ended 30 September were similar in nature to those disclosed in the most recent Annual Report. No related party transactions that took place with members of the Board of Directors and senior officials materially affected the financial position or performance of the Bank during the financial period.

B. Related party central banks and connected institutions

Currency deposits from related party central banks and connected institutions

For the six months ended 30 September *SDR millions*	**2015**	2014
Balance at beginning of period	76,741.6	65,417.0
Deposits taken	100,815.8	95,609.0
Maturities, repayments and fair value movements	(109,636.9)	(84,350.8)
Net movement on notice accounts	(3,351.6)	3,502.5
Balance at end of period	**64,568.9**	80,177.7
Total currency deposits at end of period	**172,062.9**	185,905.8
Currency deposits from related parties as a percentage of total currency deposits at end of period	37.5%	43.1%

Gold deposits from related party central banks and connected institutions

For the six months ended 30 September

SDR millions	**2015**	2014
Balance at beginning of period	7,352.5	7,187.0
Net movement on gold sight accounts	(553.7)	(153.0)
Balance at end of period	**6,798.8**	7,034.0
Total gold deposits at end of period	**9,069.9**	9,692.7
Gold deposits from related parties as a percentage of total gold deposits at end of period	75.0%	72.6%

Gold and gold loans with related party central banks and connected institutions

For the six months ended 30 September

SDR millions	**2015**	2014
Balance at beginning of year	13,973.9	20,292.9
Gold loans placed	214.2	–
Maturities, gold price movement and accrued interest on gold loans	(754.9)	–
Net movement on gold sight accounts (including gold price movement)	(1,728.2)	(387.3)
Balance at end of year	**11,705.0**	19,905.6
Total gold and gold loans at end of period	11,921.3	20,198.0
Gold and gold loans with related parties as a percentage of total gold and gold loans at end of period	98.2%	98.6%

Debt securities issued by related party central banks and connected institutions

For the six months ended 30 September

SDR millions	**2015**	2014
Balance at beginning of year	163.7	271.1
Purchases of debt securities issued by related parties	97.3	21.1
Maturities and sales of debt securities issued by related parties	(2.5)	(174.5)
Balance at end of year	**258.5**	117.7
Total government and other securities and treasury bills at end of period	113,767.9	112,787.1
Debt securities issued by related parties as a percentage of total government and other securities and treasury bills at end of period	0.2%	0.1%

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

For the six months ended 30 September

SDR millions	**2015**	2014
Balance at beginning of period	3,513.0	1,357.7
Collateralised deposits placed	400,539.4	605,088.6
Maturities and fair value movements	(400,053.9)	(604,951.2)
Balance at end of period	**3,998.5**	1,495.1
Total securities purchased under resale agreements	**46,116.8**	55,410.9
Securities purchased under resale agreements with related parties as a percentage of total securities purchased under resale agreements at end of period	8.7%	2.7%

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 2015 was SDR 17,136.7 million (30 September 2014: SDR 10,186.4 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 with a total balance of SDR 16,573.6 million at 30 September 2015 (31 March 2015: SDR 11,330.3 million).

During the six months ended 30 September 2015, the Bank purchased third-party securities from central banks and connected institutions amounting to SDR 130.7 million (30 September 2014: SDR 1,826.4 million).

The Bank provides committed standby facilities for customers. At 30 September 2015 the Bank had outstanding commitments to extend credit under facilities to related parties of SDR 299.9 million (31 March 2015: SDR 315.6 million).

9. Contingent liabilities

In the opinion of the Bank's Management there were no material contingent liabilities at 30 September 2015 (30 September 2014: nil).

Capital adequacy

1. Capital adequacy frameworks

As an international financial institution that is overseen by a Board composed of Governors of major central banks and that has no national supervisor, the Bank is committed to maintaining its superior credit quality and financial strength, in particular in situations of financial stress.

The Bank continuously assesses its capital adequacy based on an annual capital planning process that focuses on two elements: an economic capital framework and a financial leverage framework. The disclosures in this section related to credit, market, operational and liquidity risk are based on the Bank's own assessment of capital adequacy derived in accordance with these two BIS frameworks.

Regulatory capital ratios are not used as indicators of BIS capital adequacy because key aspects of the business model for the BIS banking activities are not adequately captured. In the main, these relate to the high level of solvency targeted by the Bank as well as the way regulatory capital ratios reflect portfolio concentrations and interest rate risk in the banking book.

To facilitate comparability, the Bank has implemented a 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 (BCBS) in June 2006. Following that framework, the Bank discloses a Tier 1 capital ratio (Pillar 1), risk-weighted assets and more detailed related information. In addition, the Bank calculates for reference a Common Equity Tier 1 capital ratio, leverage ratio and liquidity coverage ratio taking account of banking supervisory recommendations related to Basel III.

The Bank maintains a capital position substantially in excess of the regulatory minimum requirement in order to ensure its superior credit quality.

2. Economic capital

The Bank's economic capital methodology relates its risk-taking capacity to the amount of economic capital needed to absorb potential losses arising from its exposures. The risk-taking capacity is defined as allocatable economic capital that is derived following a prudent assessment of the components of the Bank's equity, which are set out in the table below:

SDR millions	**30 September 2015**	31 March 2015
Share capital	698.9	698.9
Statutory reserves per balance sheet	14,997.0	14,579.7
Less: shares held in treasury	(1.7)	(1.7)
Share capital and reserves	**15,694.2**	15,276.9
Securities revaluation account	206.6	234.9
Gold revaluation account	2,190.3	2,467.4
Re-measurement of defined benefit obligations	(243.8)	(249.0)
Other equity accounts	**2,153.1**	2,453.3
Profit and loss account	125.3	542.9
Total equity	**17,972.6**	18,273.1

Allocatable economic capital is determined following a prudent evaluation of the Bank's equity components for their loss absorption capacity and sustainability. The components of capital with long-term risk-bearing capacity are the Bank's Tier 1 capital and the sustainable portion of the securities and gold revaluation reserves ("sustainable supplementary capital"). Only this "allocatable capital" is available for allocation to the various categories of risk. The portion of revaluation reserves that is considered more transitory in nature is assigned to the "capital filter" together with the profit accrued during the financial period.

SDR millions	**30 September 2015**	31 March 2015
Share capital and reserves	15,694.2	15,276.9
Re-measurement of defined benefit obligations	(243.8)	(249.0)
Tier 1 capital	**15,450.4**	15,027.9
Sustainable supplementary capital	1,749.6	1,772.1
Allocatable capital	**17,200.0**	16,800.0
Capital filter	772.6	1,473.1
Total equity	**17,972.6**	18,273.1

As part of the annual capital planning process, Management allocates economic capital to risk categories within the amount of allocatable capital. As a first step, capital is assigned to an "economic capital cushion" that provides an additional margin of safety and is sufficient to sustain a potential material loss without the need to reduce the capital allocation to individual risk categories or to liquidate any holdings of assets. The level of the economic capital cushion is determined based on stress tests that explore extreme but still plausible default events. Allocations are then made to each category of financial risk (ie credit, market and "other risks") as well as operational risk. "Other risks" are risks that have been identified but that are not taken account of in the economic capital utilisation calculations, and include model risk and residual basis risk. Reflecting the high level of solvency targeted by the Bank, the economic capital framework measures 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 is based on an assessment by Management. The Bank's economic capital framework is subject to regular review and calibration.

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

	30 September 2015		31 March 2015	
SDR millions	Allocation	Utilisation	Allocation	Utilisation
Insolvency and transfer risk	9,100.0	8,501.3	8,800.0	8,102.7
FX settlement risk	300.0	300.0	300.0	300.0
Credit risk	9,400.0	8,801.3	9,100.0	8,402.7
Market risk	4,000.0	3,265.0	3,900.0	3,434.7
Operational risk	1,200.0	1,200.0	1,200.0	1,200.0
Other risks	300.0	300.0	300.0	300.0
Economic capital cushion	2,300.0	2,300.0	2,300.0	2,300.0
Total economic capital utilisation	**17,200.0**	**15,866.3**	16,800.0	15,637.4

3. Financial leverage

The Bank complements its capital adequacy assessment with a prudently managed financial leverage framework. The Bank monitors its financial leverage using a ratio that compares the BIS adjusted common equity with its total exposure. However, to reflect the scope and nature of BIS banking activities, the definition of the BIS adjusted common equity limits the recognition of revaluation reserves to the proportion of the gold and securities revaluation reserves that is considered sustainable ("sustainable supplementary capital"). Further, the exposure measure is supplemented by the inclusion of committed and uncommitted facilities, and pension fund assets.

The table below shows the calculation of the Bank's financial leverage ratio:

SDR millions	**30 September 2015**	31 March 2015
Share capital and reserves	15,694.2	15,276.9
Sustainable supplementary capital	1,749.6	1,772.1
Share capital, reserves and sustainable supplementary capital	**17,443.8**	17,049.0
Re-measurement losses on defined benefit obligations	(243.8)	(249.0)
Intangible assets	(19.7)	(18.6)
Prudential adjustments	**(263.5)**	(267.6)
Total BIS adjusted common equity (A)	**17,180.3**	16,781.4
Total balance sheet assets	**213,445.5**	216,835.0
Derivatives	(843.9)	(609.3)
Securities purchased under resale agreements	6.7	20.9
Committed and uncommitted facilities	4,275.5	4,295.4
Pension fund assets	1,022.0	1,121.1
Exposure adjustments	**4,460.3**	4,828.1
Total BIS exposure (B)	**217,905.8**	221,663.1
BIS leverage ratio (A) / (B)	**7.9%**	7.6%

The Bank also calculates a leverage ratio that is consistent with Basel III recommendations. The Bank's Basel III leverage ratio differs from the BIS leverage ratio in using Common Equity Tier 1 as its capital measure instead of BIS adjusted common equity as defined above. The calculation of Common Equity Tier 1 capital is included in section 4B. At 30 September 2015 the Bank's Basel III leverage ratio stood at 8.2% (31 March 2015: 8.0%).

4. Capital ratios

The economic capital framework and the financial leverage framework described above are the main tools used for assessing the Bank's capital adequacy. Risk-weighted assets, minimum capital requirements and capital ratios are disclosed to facilitate comparability. Guidance issued by the BCBS 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.

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. 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 impaired financial assets at 30 September 2015 (31 March 2015: nil). In accordance with the requirements of the Basel framework, the expected loss is compared with the impairment provision and any shortfall is deducted from the Bank's Tier 1 capital. For securitisation exposures and relevant other assets, 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.

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

A. Tier 1 capital ratio

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 under the Basel II framework:

		30 September 2015			31 March 2015		
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%	153,334.2	11,766.4	941.3	148,838.8	11,531.8	922.5
Securitisation exposures and other assets	Standardised approach, where (B) is derived as (A) x 8%	1,061.6	376.5	30.1	1,023.5	371.3	29.7
Market risk							
Exposure to foreign exchange risk and gold price risk	Internal models approach, where (A) is derived as (B) / 8%	–	7,890.8	631.3	–	9,894.5	791.6
Operational risk							
	Advanced measurement approach, where (A) is derived as (B) / 8%	–	10,868.5	869.5	–	10,396.6	831.7
Total			**30,902.2**	**2,472.2**		32,194.2	2,575.5

The capital ratio measures capital adequacy by comparing the Bank's Tier 1 capital with its risk-weighted assets. The Tier 1 capital ratio, consistent with the Basel II framework, is provided in the table below:

SDR millions	**30 September 2015**	31 March 2015
Share capital and reserves	15,694.2	15,276.9
Re-measurement losses on defined benefit obligations	(243.8)	(249.0)
Tier 1 capital	**15,450.4**	15,027.9
Expected loss	(22.6)	(22.2)
Tier 1 capital net of expected loss (A)	**15,427.8**	15,005.7
Total risk-weighted assets (B)	30,902.2	32,194.2
Tier 1 capital ratio (A) / (B)	**49.9%**	46.6%

B. Common Equity Tier 1 capital ratio

To facilitate comparability, information on risk-weighted assets and related minimum capital requirements calculated under the Basel III framework is provided in the following table. Credit risk-weighted assets differ, mainly due to the asset value correlation multiplier for large financial institutions. Relating to market risk, Basel III risk-weighted assets are calculated as the sum of the Basel II market risk-weighted assets (presented in the previous section) and market risk-weighted assets derived from a stressed VaR.

		30 September 2015			31 March 2015		
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%	153,334.2	13,025.1	1,042.0	148,838.8	12,831.8	1,026.6
Securitisation exposures and other assets	Standardised approach, where (B) is derived as (A) x 8%	1,061.6	376.5	30.1	1,023.5	371.3	29.7
Market risk							
Exposure to foreign exchange risk and gold price risk	Internal models approach, where (A) is derived as (B) / 8%	–	24,159.6	1,932.8	–	27,867.9	2,229.4
Operational risk							
	Advanced measurement approach, where (A) is derived as (B) / 8%	–	10,868.5	869.5	–	10,396.6	831.7
Total			**48,429.7**	**3,874.4**		51,467.6	4,117.4

The Common Equity Tier 1 capital ratio calculated under the Basel III framework is set out in the table below:

SDR millions	**30 September 2015**	31 March 2015
Share capital and reserves	15,694.2	15,276.9
Revaluation reserves	2,396.9	2,702.3
Share capital, reserves and revaluation reserves	**18,091.1**	17,979.2
Re-measurement losses on defined benefit obligations	(243.8)	(249.0)
Expected loss	(22.6)	(22.2)
Intangible assets	(19.7)	(18.6)
Prudential adjustments	**(286.1)**	(289.8)
Total Common Equity Tier 1 capital (A)	**17,805.0**	17,689.4
Total risk-weighted assets (B)	**48,429.7**	51,467.6
Common Equity Tier 1 capital ratio (A) / (B)	**36.8%**	34.4%

Risk management

1. Risks faced by the Bank

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 frameworks 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.

2. 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.

A. Credit risk assessment

Credit risk is continuously controlled at both a counterparty and an aggregated level. As part of the independent risk control function, individual counterparty credit assessments are performed subject to a well-defined internal rating process, involving 18 rating grades. As part of this process, counterparty financial statements and market information are analysed. The rating methodologies depend on the nature of the counterparty. Based on the internal rating and specific counterparty features, the Bank sets a series of credit limits covering individual counterparties and countries. Internal ratings are assigned to all counterparties. In principle, the ratings and related limits are reviewed at least annually. The main assessment criterion in these reviews is the ability of the counterparties to meet interest and principal repayment obligations in a timely manner.

Credit risk limits at the counterparty level are approved by the Bank's Management and fit within a framework set by the Board of Directors.

On an aggregated level, credit risk, including default and country transfer risk, is measured, monitored and controlled based on the Bank's economic capital calculation for credit risk. To calculate economic capital for credit risk, the Bank uses a portfolio VaR model. Management limits the Bank's overall exposure to credit risk by allocating an amount of economic capital to credit risk.

B. Default risk by asset class and issuer type

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

The Bank conducts an annual review for impairment at the date of each balance sheet. At 30 September 2015 the Bank did not have any financial assets that were considered to be impaired (31 March 2015: nil). At 30 September 2015 no financial assets were considered past due (31 March 2015: nil). No credit loss was recognised in the current period.

As at 30 September 2015

SDR millions	Sovereign and central banks	Public sector	Banks	Corporate	Securitisation	Total
On-balance sheet exposures						
Cash and sight accounts with banks	16,576.7	–	21.8	–	–	16,598.5
Gold and gold loans	837.2	–	216.3	–	–	1,053.5
Treasury bills	35,870.9	798.0	–	–	–	36,668.9
Securities purchased under resale agreements	3,998.5	–	40,824.1	1,294.2	–	46,116.8
Loans and advances	1,366.4	801.6	16,508.2	–	–	18,676.2
Government and other securities	50,864.4	11,819.4	5,708.3	7,845.9	861.0	77,099.0
Derivative financial instruments	136.1	70.1	3,171.9	1.6	–	3,379.7
Accounts receivable	3.9	0.4	368.3	11.8	–	384.4
Total on-balance sheet exposure	**109,654.1**	**13,489.5**	**66,818.9**	**9,153.5**	**861.0**	**199,977.0**
Commitments						
Undrawn secured facilities	2,956.2	–	–	–	–	2,956.2
Total commitments	**2,956.2**	**–**	**–**	**–**	**–**	**2,956.2**
Total exposure	**112,610.3**	**13,489.5**	**66,818.9**	**9,153.5**	**861.0**	**202,933.2**

As at 31 March 2015

SDR millions	Sovereign and central banks	Public sector	Banks	Corporate	Securitisation	Total
On-balance sheet exposures						
Cash and sight accounts with banks	11,333.9	–	41.4	–	–	11,375.3
Gold and gold loans	–	–	181.6	–	–	181.6
Treasury bills	33,439.4	486.6	–	–	–	33,926.0
Securities purchased under resale agreements	3,513.0	–	39,012.0	6,478.6	–	49,003.6
Loans and advances	1,407.8	819.2	15,739.2	–	–	17,966.2
Government and other securities	54,025.6	11,883.6	6,381.3	7,797.8	821.9	80,910.2
Derivative financial instruments	293.7	124.7	6,539.3	1.0	–	6,958.7
Accounts receivable	2.9	–	0.2	6.8	–	9.9
Total on-balance sheet exposure	104,016.3	13,314.1	67,895.0	14,284.2	821.9	200,331.5
Commitments						
Undrawn secured facilities	3,096.5	–	–	–	–	3,096.5
Total commitments	3,096.5	–	–	–	–	3,096.5
Total exposure	107,112.8	13,314.1	67,895.0	14,284.2	821.9	203,428.0

C. 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. The Bank has allocated exposures to regions based on the country of incorporation of each legal entity to which the Bank has exposures.

As at 30 September 2015

SDR millions	Africa and Europe	Asia-Pacific	Americas	International institutions	Total
On-balance sheet exposures					
Cash and sight accounts with banks	11,922.4	4,670.9	5.2	–	16,598.5
Gold and gold loans	1,053.5	–	–	–	1,053.5
Treasury bills	9,251.7	21,672.3	4,946.9	798.0	36,668.9
Securities purchased under resale agreements	41,583.0	–	4,533.8	–	46,116.8
Loans and advances	12,991.0	4,491.4	678.6	515.2	18,676.2
Government and other securities	43,344.4	4,498.5	21,875.2	7,380.9	77,099.0
Derivative financial instruments	2,418.5	409.3	539.3	12.6	3,379.7
Accounts receivable	383.2	1.0	0.2	–	384.4
Total on-balance sheet exposure	**122,947.7**	**35,743.4**	**32,579.2**	**8,706.7**	**199,977.0**
Commitments					
Undrawn secured facilities	239.0	2,717.2	–	–	2,956.2
Total commitments	**239.0**	**2,717.2**	**–**	**–**	**2,956.2**
Total exposure	**123,186.7**	**38,460.6**	**32,579.2**	**8,706.7**	**202,933.2**

As at 31 March 2015

SDR millions	Africa and Europe	Asia-Pacific	Americas	International institutions	Total
On-balance sheet exposures					
Cash and sight accounts with banks	8,313.0	3,057.0	5.3	–	11,375.3
Gold and gold loans	181.6	–	–	–	181.6
Treasury bills	10,061.8	19,776.0	3,601.6	486.6	33,926.0
Securities purchased under resale agreements	45,490.6	–	3,513.0	–	49,003.6
Loans and advances	11,418.7	4,552.4	1,489.6	505.5	17,966.2
Government and other securities	43,798.6	8,814.3	20,840.2	7,457.1	80,910.2
Derivative financial instruments	5,124.6	655.4	1,178.7	–	6,958.7
Accounts receivable	8.8	0.9	0.2	–	9.9
Total on-balance sheet exposure	124,397.7	36,856.0	30,628.6	8,449.2	200,331.5
Commitments					
Undrawn secured facilities	233.5	2,863.0	–	–	3,096.5
Total commitments	233.5	2,863.0	–	–	3,096.5
Total exposure	124,631.2	39,719.0	30,628.6	8,449.2	203,428.0

D. Default risk by counterparty / issuer rating

The following tables show the exposure of the Bank to default risk by class of financial asset and 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 as equivalent external ratings.

As at 30 September 2015

SDR millions	AAA	AA	A	BBB	BB and below	Unrated	Total
On-balance sheet exposures							
Cash and sight accounts with banks	11,787.7	28.1	4,671.9	110.6	0.2	–	16,598.5
Gold and gold loans	–	837.2	216.3	–	–	–	1,053.5
Treasury bills	3,091.5	7,460.9	22,488.0	3,628.5	–	–	36,668.9
Securities purchased under resale agreements	–	5,292.7	27,307.1	13,517.0	–	–	46,116.8
Loans and advances	1,154.4	–	16,834.3	330.6	356.9	–	18,676.2
Government and other securities	22,885.7	41,999.7	10,670.2	1,543.4	–	–	77,099.0
Derivative financial instruments	50.5	25.5	3,193.4	94.8	1.9	13.6	3,379.7
Accounts receivable	–	0.2	288.6	80.2	0.9	14.5	384.4
Total on-balance sheet exposure	**38,969.8**	**55,644.3**	**85,669.8**	**19,305.1**	**359.9**	**28.1**	**199,977.0**
Commitments							
Undrawn secured facilities	–	877.1	899.7	940.4	239.0	–	2,956.2
Total commitments	**–**	**877.1**	**899.7**	**940.4**	**239.0**	**–**	**2,956.2**
Total exposure	**38,969.8**	**56,521.4**	**86,569.5**	**20,245.5**	**598.9**	**28.1**	**202,933.2**

As at 31 March 2015

SDR millions	AAA	AA	A	BBB	BB and below	Unrated	Total
On-balance sheet exposures							
Cash and sight accounts with banks	8,268.1	48.1	3,057.8	1.0	0.3	–	11,375.3
Gold and gold loans	–	–	181.6	–	–	–	181.6
Treasury bills	3,746.7	7,001.1	19,314.5	3,863.7	–	–	33,926.0
Securities purchased under resale agreements	–	9,991.6	30,334.2	8,677.8	–	–	49,003.6
Loans and advances	813.9	–	16,363.3	426.6	362.4	–	17,966.2
Government and other securities	22,906.1	40,599.6	15,796.9	1,607.6	–	–	80,910.2
Derivative financial instruments	111.5	129.6	6,385.9	320.4	1.6	9.7	6,958.7
Accounts receivable	–	0.2	0.2	0.4	0.7	8.4	9.9
Total on-balance sheet exposure	35,846.3	57,770.2	91,434.4	14,897.5	365.0	18.1	200,331.5
Commitments							
Undrawn secured facilities	–	925.7	946.9	990.3	233.6	–	3,096.5
Total commitments	–	925.7	946.9	990.3	233.6	–	3,096.5
Total exposure	35,846.3	58,695.9	92,381.3	15,887.8	598.6	18.1	203,428.0

E. Credit risk mitigation

Netting

Netting agreements give the Bank the legally enforceable right to net transactions with counterparties under potential future conditions, notably an event of default. Such master netting or similar agreements apply to counterparties with whom the Bank conducts most of its derivatives transactions, as well as the counterparties used for repurchase and reverse repurchase agreement transactions. Where required, netting is applied when determining the amount of collateral to be requested or provided, but the Bank does not settle assets and liabilities on a net basis during the normal course of business. As such, the amounts shown on the Bank's balance sheet are the gross amounts.

Collateral

The Bank also mitigates the credit risks it is exposed to by requiring counterparties to provide collateral. The Bank receives collateral in respect of most derivative contracts, reverse repurchase agreements and for advances made under collateralised facility agreements. During the term of these transactions, further collateral may be called or collateral may be released based on the movements in value of both the underlying instrument and the collateral that has been received. The Bank is required to provide collateral in respect of repurchase agreements.

For derivative contracts and reverse repurchase agreements, the Bank accepts as collateral high-quality sovereign, state agency and supranational securities and, in a limited number of cases, cash. For advances made under collateralised facility agreements, eligible collateral accepted includes currency deposits with the Bank as well as units in the BIS Investment Pools.

Under the terms of its collateral arrangements, the Bank is permitted to sell ("re-hypothecate") collateral received on derivative contracts and reverse repurchase agreements, but upon expiry of the transaction must return equivalent financial instruments to the counterparty. At 30 September 2015 the Bank had not sold any of the collateral it held (31 March 2015: nil).

The fair value of collateral held which the Bank had the right to sell was:

SDR millions	**30 September 2015**	31 March 2015
Collateral held in respect of:		
Derivative financial instruments	1,159.6	4,003.7
Securities purchased under resale agreements	34,590.4	38,825.4
Total collateral obtained	**35,750.0**	42,829.1

Financial assets and liabilities subject to netting or collateralisation

The tables below show the categories of assets and liabilities which are either subject to collateralisation, or for which netting agreements would apply under potential future conditions such as an event of default of a counterparty.

The amount of collateral required is usually based on valuations performed on the previous business day, whereas the Bank's balance sheet reflects the valuations of the reporting date. Due to this timing difference, the valuation of collateral can be higher than the valuation of the underlying contract in the Bank's balance sheet. The amount of the collateral obtained is also impacted by thresholds, minimum transfer amounts and valuation adjustments ("haircuts") specified in the contracts. In these tables, the mitigating effect of collateral has been limited to the balance sheet value of the underlying net asset.

As at 30 September 2015		Effect of risk mitigation				Analysed as:	
SDR millions	Gross carrying amount as per balance sheet	Adjustments for settlement date effects	Enforceable netting agreements	Collateral (received) / provided (limited to balance sheet value)	Exposure after risk mitigation	Amounts not subject to risk mitigation agreements	Amounts subject to risk mitigation agreements
Financial assets							
Securities purchased under resale agreements	46,116.8	(7,751.0)	–	(38,359.8)	6.0	–	6.0
Advances	1,013.7	–	–	(1,013.7)	–	–	–
Derivative financial instruments	3,379.7	–	(1,965.5)	(1,087.6)	326.6	58.4	268.2
Financial liabilities							
Securities sold under repurchase agreements	(542.9)	–	–	542.9	–	–	–
Derivative financial instruments	(2,425.8)	–	1,965.5	–	–	–	–

As at 31 March 2015		Effect of risk mitigation				Analysed as:	
SDR millions	Gross carrying amount as per balance sheet	Adjustment for settlement date effects	Enforceable netting agreements	Collateral (received) / provided (limited to balance sheet value)	Exposure after risk mitigation	Amounts not subject to risk mitigation agreements	Amounts subject to risk mitigation agreements
Financial assets							
Securities purchased under resale agreements	49,003.6	(6,813.4)	–	(42,169.2)	21.0	–	21.0
Advances	1,413.1	–	–	(1,413.1)	–	–	–
Derivative financial instruments	6,958.7	–	(2,001.8)	(3,961.1)	995.8	81.8	914.0
Financial liabilities							
Securities sold under repurchase agreements	(773.3)	–	–	773.1	–	–	–
Derivative financial instruments	(2,162.2)	–	2,001.8	–	–	–	–

F. 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 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 2015 includes SDR 158.8 million for interest rate contracts (31 March 2015: SDR 184.5 million) and SDR 581.2 million for FX and gold contracts (31 March 2015: SDR 1,229.5 million). In line with the Basel II framework, the minimum capital requirement is determined as 8% of risk-weighted assets.

As at 30 September 2015

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	37,741.7	0.01	35.6	2.9	1,099.3
AA	53,936.7	0.02	39.4	7.0	3,793.0
A	55,631.6	0.04	48.6	9.4	5,255.2
BBB	6,015.4	0.17	51.0	26.8	1,611.9
BB and below	8.8	1.30	50.7	79.9	7.0
Total	**153,334.2**				**11,766.4**

As at 31 March 2015

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	34,886.4	0.01	35.6	2.9	1,024.7
AA	52,401.7	0.02	39.6	7.0	3,662.2
A	55,387.4	0.04	48.6	9.4	5,227.3
BBB	6,154.7	0.16	50.8	26.2	1,610.7
BB and below	8.6	1.32	50.7	80.3	6.9
Total	148,838.8				11,531.8

At 30 September 2015 the minimum capital requirement for credit risk related to exposures to sovereigns, banks and corporates amounted to SDR 941.3 million (31 March 2015: SDR 922.5 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 2015	200,285.3	46,951.1	**153,334.2**
As at 31 March 2015	204,224.3	55,385.5	148,838.8

Securitisation exposures

The Bank invests 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 2015

SDR millions	External rating	Amount of exposures	Risk weight	Risk-weighted assets
Residential mortgage-backed securities	A	12.1	50%	6.1
Securities backed by other receivables (government-sponsored)	AAA	848.9	20%	169.8
Total		**861.0**		**175.9**

As at 31 March 2015

SDR millions	External rating	Amount of exposures	Risk weight	Risk-weighted assets
Residential mortgage-backed securities	A	17.5	50%	8.8
Securities backed by other receivables (government-sponsored)	AAA	804.4	20%	160.9
Total		821.9		169.7

As at 30 September 2015 the minimum capital requirement for securitisation exposures amounted to SDR 14.1 million (31 March 2015: SDR 13.6 million).

3. 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. The Bank measures market risk and calculates economic capital based on a VaR methodology using a Monte Carlo simulation technique. Risk factor volatilities and correlations are estimated, subject to an exponential weighting scheme, over a four-year observation period. Furthermore, the Bank computes sensitivities to certain market risk factors.

In line with the Bank's objective of maintaining its superior credit quality, economic capital is measured to a 99.995% confidence level assuming a one-year holding period. The Bank's Management manages market risk economic capital usage within a framework set by the Board of Directors. VaR limits are supplemented by operating limits.

To ensure that models provide a reliable measure of potential losses over the one-year time horizon, the Bank has established a comprehensive regular backtesting framework, comparing daily performance with corresponding VaR estimates. The results are analysed and reported to Management.

The Bank also supplements its market risk measurement based on VaR modelling and related economic capital calculations with a series of stress tests. These include severe historical scenarios, adverse hypothetical macroeconomic scenarios and sensitivity tests of gold price, interest rate and foreign exchange rate movements.

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 106 tonnes as at 30 September 2015 (31 March 2015: 108 tonnes). These gold investment assets are held in custody or placed on deposit with commercial banks. At 30 September 2015 the Bank's net gold investment assets amounted to SDR 2,709.8 million (31 March 2015: SDR 2,998.3 million), approximately 15.1% of its equity (31 March 2015: 16.0%). The Bank sometimes also has small exposures to gold price risk arising from its banking activities with central and commercial banks. Gold price risk is measured within the Bank's VaR methodology, including its economic capital framework and stress tests.

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 Bank measures and monitors interest rate risk using a VaR methodology and sensitivity analyses taking into account movements in relevant money market rates, government bonds, swap rates and credit spreads.

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 2015

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	Total
Euro	(4.4)	(17.2)	(13.6)	(28.0)	(44.4)	(50.3)	(11.5)	(169.4)
Japanese yen	0.3	–	0.1	–	–	–	–	0.4
Pound sterling	(0.5)	(1.9)	(8.0)	(15.1)	(24.3)	(8.5)	(0.2)	(58.5)
Swiss franc	8.1	(1.3)	(0.6)	(0.9)	–	–	2.4	7.7
US dollar	1.8	(11.2)	(37.4)	(49.2)	(63.9)	(54.9)	(3.1)	(217.9)
Other currencies	1.3	(0.6)	(0.2)	0.4	(1.9)	0.1	(0.4)	(1.3)
Total	**6.6**	**(32.2)**	**(59.7)**	**(92.8)**	**(134.5)**	**(113.6)**	**(12.8)**	**(439.0)**

As at 31 March 2015

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	Total
Euro	(6.5)	(13.5)	(11.6)	(28.8)	(40.5)	(36.5)	(12.6)	(150.0)
Japanese yen	(1.1)	(1.8)	0.1	(0.1)	–	–	–	(2.9)
Pound sterling	(1.2)	(1.6)	(8.5)	(15.6)	(20.0)	(6.8)	0.3	(53.4)
Swiss franc	5.7	(1.1)	(1.3)	(1.2)	(0.3)	–	3.5	5.3
US dollar	(1.7)	(13.0)	(40.8)	(49.3)	(66.1)	(63.6)	(3.1)	(237.6)
Other currencies	–	0.2	(0.7)	(1.4)	(1.8)	(1.3)	(0.4)	(5.4)
Total	(4.8)	(30.8)	(62.8)	(96.4)	(128.7)	(108.2)	(12.3)	(444.0)

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. 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.

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 the VaR-based internal models method. Under this method, VaR calculations are performed using the Bank's VaR methodology, to a 99% confidence level assuming 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:

	30 September 2015			31 March 2015		
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%	210.4	7,890.8	**631.3**	263.9	9,894.5	791.6

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, or external events.

For the measurement of operational risk economic capital and 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 to a 99.9% confidence level assuming 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 into account any potential recompense it may obtain from insurance.

A. Minimum capital requirements for operational risk

In line with the key parameters of the Basel II framework, the calculation of the minimum capital requirement for operational risk is determined to a 99.9% confidence level assuming a one-year time horizon. The table below shows the minimum capital requirements for operational risk and related risk-weighted assets.

SDR millions	30 September 2015			31 March 2015		
	VaR	Risk-weighted assets (A)	Minimum capital requirement (B)	VaR	Risk-weighted assets (A)	Minimum capital requirement (B)
Operational risk, where (A) is derived as (B) / 8%	869.5	10,868.5	**869.5**	831.7	10,396.6	831.7

5. 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 is exposed to funding liquidity risk mainly because of the short-term nature of its deposits and because it undertakes to repurchase at fair value certain of its currency deposit instruments at one or two business days' notice. In line with the Bank's objective to maintain a high level of liquidity, it has developed a liquidity management framework, including a ratio, based on conservative assumptions for estimating the liquidity available and the liquidity required.

Liquidity ratio

The Bank has adopted a liquidity risk framework taking into account regulatory guidance issued by the BCBS related to the Liquidity Coverage Ratio (LCR). The framework is based on a liquidity ratio that compares the Bank's available liquidity with a liquidity requirement over a one-month time horizon assuming a stress scenario. In line with the Basel III liquidity framework, the underlying stress scenario combines an idiosyncratic and a market crisis. However, the liquidity ratio differs in construction from the LCR to reflect the nature and scope of the BIS banking activities – in particular, the short-term nature of the Bank's balance sheet. Within the Bank's liquidity framework, the Board of Directors has set a limit for the Bank's liquidity ratio which requires the liquidity available to be at least 100% of the potential liquidity requirement.

The liquidity available is determined as the cash inflow from financial instruments over a one-month horizon, along with potential additional liquidity which could be generated from the disposal of highly liquid securities, or by entering into sale and repurchase agreements for a part of the Bank's remaining unencumbered high-quality liquid securities. In calculating the amount of potential additional liquidity an assessment is performed to identify securities which are of high credit quality and highly liquid. This is followed by a projection of the amounts that could reasonably be generated through selling these securities or entering into repurchase transactions.

The Bank determines the liquidity required as the sum of the cash outflow from financial instruments over a one-month horizon, the estimated early withdrawal of currency deposits, and the estimated drawings of undrawn facilities. As regards currency deposits, it is assumed that all deposits that mature within the time horizon are not rolled over and that a proportion of non-maturing currency deposits is withdrawn from the Bank prior to contractual maturity. At 30 September 2015 the estimated outflow of currency deposits in response to the stress scenario amounted to 45.2% (31 March 2015: 41.3%) of the total stock of currency deposits. Moreover, it is assumed that undrawn facilities committed by the Bank would be fully drawn by customers, along with a proportion of undrawn uncommitted facilities.

The table below shows the Bank's estimated liquidity available, liquidity required and the resulting BIS liquidity ratio:

SDR billions	**30 September 2015**	31 March 2015
Liquidity available		
Estimated cash inflows	60.6	55.8
Estimated liquidity from sales of highly liquid securities	53.7	56.2
Estimated sale and repurchase agreements	2.7	5.4
Total liquidity available (A)	**117.0**	117.4
Liquidity required		
Estimated withdrawal of currency deposits	76.8	71.7
Estimated drawings of facilities	4.8	4.9
Estimated other outflows	0.3	–
Total liquidity required (B)	**81.9**	76.6
Liquidity ratio (A) / (B)	**143%**	153%

For reference, the Bank also calculates an LCR following the principles set out in the guidance issued by the BCBS. At 30 September 2015 the Bank's LCR stood at 227% (31 March 2015: 263%).