BANK FOR INTERNATIONAL SETTLEMENTS

Interim financial statements (unaudited)

as at 30 September 2009

Basel, 9 November 2009

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These financial statements for the six months ended 30 September 2009 were presented to the Board of Directors on 9 November 2009.

Jaime Caruana
General Manager

Hervé Hannoun
Deputy General Manager

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Management report

The Bank recorded an exceptionally high ***net profit*** of SDR 1,300.0 million for the six months ended 30 September 2009. This compares with a loss of SDR 68.1 million for the equivalent period in the preceding financial year. This profit, which is unlikely to be repeated in the second half of the financial year, was achieved against a background of recovery in global financial markets, and in particular in the credit markets where many credit spreads against Libor narrowed back to levels not seen since before September 2008. The loss for the equivalent period last year was incurred in the exceptional market turmoil in September 2008. The principal reasons for this outcome are discussed below.

Net interest income increased from SDR 548.5 million last year to SDR 679.9 million in the current financial year. This increase occurred despite the lower level of currency deposits received from customers this year, and was attributable to the higher net interest accruals margin arising from the wider interest spreads earned on assets over interest rates paid on the Bank's liabilities.

Net valuation movements amounted to a gain of SDR 691.1 million compared with a loss of SDR 572.5 million last year. The valuation gain in the current financial year was primarily attributable to the impact of narrowing credit spreads (around SDR 600 million), which increased the fair values of the bonds in the Bank's credit portfolios. The valuation loss for the first six months of the preceding financial year, which was almost entirely unrealised, was mainly attributable to the widening of credit spreads in the financial market turmoil at that time, and to lower interest rates payable on the short term liabilities, which increased their fair values.

As a result of the factors above, the Bank's ***operating profit*** amounted to SDR 1,266.6 million, SDR 1,364.5 million above the equivalent loss of SDR 97.9 million recorded in the first six months of 2008/09.

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

The ***securities revaluation account*** decreased by SDR 49.4 million as a result of unrealised losses on investments securities (-SDR 16.0 million), and a transfer to the profit and loss account of realised gains (-SDR 33.4 million) on sales of securities.

The ***gold revaluation account*** increased by SDR 71.1 million as a result of unrealised gains reflecting the impact of the appreciating gold price on the Bank's own gold holdings in the six months to end-September 2009

After taking these gains into account, the Bank's ***total recognised income*** for the first half of 2009/10 was SDR 1,321.7 million. This represented an exceptional annualised return of 18.6% on average equity (SDR 14,190 million). In the first half of 2008/09, the total recognised income was -SDR 155.9 million, and the annualised return on average equity (SDR 12,983 million) was -2.4%.

Taking into account the payment of the dividend for 2008/09, the Bank's ***equity*** increased by SDR 1,177.0 million during the six months ended 30 September 2009. This compares with an equivalent decrease (-SDR 300.6 million) in the first six months of the preceding financial year.

Balance sheet

SDR millions	Notes	**30 September 2009**	31 March 2009
Assets			
Cash and sight accounts with banks		965.2	915.2
Gold and gold loans		32,836.0	25,416.2
Treasury bills	3	91,360.7	96,421.9
Securities purchased under resale agreements	3	59,940.3	38,594.4
Loans and advances	3	12,738.6	18,512.7
Government and other securities	3	51,628.5	55,763.7
Derivative financial instruments		8,279.7	13,749.1
Accounts receivable		7,038.2	5,822.5
Land, buildings and equipment	4	189.0	191.0
Total assets		**264,976.2**	255,386.7
Liabilities			
Currency deposits	5	183,764.4	197,222.2
Gold deposits		30,403.1	23,052.1
Derivative financial instruments		9,292.9	6,816.8
Accounts payable		26,288.7	14,211.5
Other liabilities		334.2	368.2
Total liabilities		**250,083.3**	241,670.8
Shareholders' equity			
Share capital		683.9	683.9
Statutory reserves		10,668.7	10,367.3
Profit and loss account		1,300.0	446.1
Less: shares held in treasury		(1.7)	(1.7)
Other equity accounts		2,242.0	2,220.3
Total equity		**14,892.9**	13,715.9
Total liabilities and equity		**264,976.2**	255,386.7

Profit and loss account

For the six months ended 30 September

SDR millions	Notes	**2009**	2008
Interest income		2,254.6	4,542.5
Interest expense		(1,574.7)	(3,994.0)
Net interest income		**679.9**	548.5
Net valuation movement		691.1	(572.5)
Net interest and valuation income		**1,371.0**	(24.0)
Net fee and commission income		2.6	0.2
Net foreign exchange (loss) / gain		(18.3)	7.5
Total operating income / (loss)		**1,355.3**	(16.3)
Operating expense		(88.7)	(81.6)
Operating profit / (loss)		**1,266.6**	(97.9)
Net gain on sales of securities available for sale		33.4	28.2
Net gain on sales of gold investment assets		–	1.6
Net profit / (loss) for the period		**1,300.0**	(68.1)

Basic and diluted earnings per share (in SDR per share)	7	**2,380.4**	(124.7)

Statement of cash flows

For the six months ended 30 September

SDR millions	Notes	**2009**	2008
Cash flow from / (used in) operating activities			
Interest and similar income received		2,875.3	4,070.3
Interest and similar expenses paid		(1,482.3)	(3,076.1)
Net fee and commission income		2.6	0.2
Foreign exchange transaction income		1.3	0.3
Operating expenses paid		(82.6)	(75.7)
Non-cash flow items included in operating profit			
Valuation movements on operating assets and liabilities		691.1	(572.5)
Foreign exchange translation gain / (loss)		(19.6)	7.2
Change in accruals and amortisation		(713.1)	(428.1)
Change in operating assets and liabilities			
Currency deposit liabilities held at fair value through profit and loss		(10,416.6)	7,273.5
Currency banking assets		5,587.4	(4,158.6)
Sight and notice deposit account liabilities		(4,247.5)	(820.7)
Gold deposit liabilities		7,351.0	(442.1)
Gold and gold loan banking assets		(7,349.4)	828.5
Accounts receivable		(352.6)	(1.0)
Other liabilities / accounts payable		416.0	(33.2)
Net derivative financial instruments		7,945.5	(2,087.5)
Net cash flow from operating activities		**206.5**	484.5
Cash flow from / (used in) investment activities			
Net change in currency investment assets available for sale		118.4	718.1
Net change in currency investment assets held at fair value through profit and loss		(17.2)	101.5
Securities sold under repurchase agreements		–	(1,334.3)
Net change in gold investment assets		0.7	173.9
Net purchase of land, buildings and equipment	4	(4.1)	(4.0)
Net cash flow from (used in) investment activities		**97.8**	(344.8)

SDR millions	Notes	**2009**	2008
Cash flow used in financing activities			
Dividends paid	6	(144.7)	(144.7)
Net cash flow used in financing activities		**(144.7)**	(144.7)
Total net cash flow		**159.6**	(5.0)
Net effect of exchange rate changes on cash and cash equivalents		33.2	(14.2)
Net movement in cash and cash equivalents		126.4	9.2
Net decrease in cash and cash equivalents		**159.6**	(5.0)
Cash and cash equivalents, beginning of period		**1,311.8**	936.1
Cash and cash equivalents, end of period		**1,471.4**	931.1

Movements in the Bank's equity

For the six months ended 30 September 2009

SDR millions	Notes	Share capital	Statutory reserves	Profit and loss	Shares held in treasury	Other equity accounts	Total equity
Equity at 31 March 2009		**683.9**	**10,367.3**	**446.1**	**(1.7)**	**2,220.3**	**13,715.9**
Income:							
Net profit for six months ended 30 September 2009		–	–	1,300.0	–	–	1,300.0
Net valuation movement on securities available for sale		–	–	–	–	(49.4)	(49.4)
Net valuation movement on gold investment assets		–	–	–	–	71.1	71.1
Total recognised income				**1,300.0**		**21.7**	**1,321.7**
Payment of 2008/09 dividend	6	–	–	(144.7)	–	–	(144.7)
Allocation of 2008/09 profit		–	301.4	(301.4)	–	–	–
Equity at 30 September 2009		**683.9**	**10,668.7**	**1,300.0**	**(1.7)**	**2,242.0**	**14,892.9**

For the six months ended 30 September 2008

SDR millions	Notes	Share capital	Statutory reserves	Profit and loss	Shares held in treasury	Other equity accounts	Total equity
Equity at 31 March 2008		683.9	9,967.3	544.7	(1.7)	1,908.8	13,103.0
Income:							
Net loss for six months ended 30 September 2008		–	–	(68.1)	–	–	(68.1)
Net valuation movement on securities available for sale		–	–	–	–	(140.7)	(140.7)
Net valuation movement on gold investment assets		–	–	–	–	52.9	52.9
Total recognised income		–	–	(68.1)	–	(87.8)	(155.9)
Payment of 2007/08 dividend	6	–	–	(144.7)	–	–	(144.7)
Allocation of 2007/08 profit		–	400.0	(400.0)	–	–	–
Equity at 30 September 2008		683.9	10,367.3	(68.1)	(1.7)	1,821.0	12,802.4

At 30 September 2009, statutory reserves included share premiums of SDR 811.7 million (2008: SDR 811.7 million).

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 79th 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 expenses during the financial year. To arrive at these estimates, Management uses available information, exercises judgment and makes assumptions.

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 another key element in 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:

As at

SDR millions	**30 September 2009**	31 March 2009
Securities purchased under resale agreements	0.3	0.1
Loans and advances	0.2	0.2
Government and other securities	9.5	9.5
Currency deposits	15.6	18.5
Derivative financial instruments	5.8	8.9

B. The valuation of corporate bonds

In the financial market environment at 31 March 2009 and 30 September 2008, the degree of judgment involved in valuing financial instruments was significant. With few actual market trades in certain financial assets held by the Bank, a high degree of judgment was necessary to elect valuation parameters from within a wide range of potential alternative assumptions. This was particularly relevant for the Bank's holdings of corporate bonds (included under the balance sheet heading "Government and other securities"), for which the potential range of alternative spread assumptions was of the order of tens of basis points. The degree of uncertainty at 30 September 2009 was lower due to the improved market conditions. Management believes that all of the valuation parameters used by the Bank reflect market conditions at the balance sheet date in a fair and prudent manner.

C. Impairment provision on financial assets

Gold loans are stated net of provision of SDR 20.3 million following an impairment review as at 30 September 2009 (31 March 2009: SDR 18.3 million). The impairment review was conducted at an individual counterparty level, identifying those counterparties which experienced significant financial difficulties at the balance sheet date. Changes in the impairment provision are included in the profit and loss account under the heading "Net interest income".

D. Actuarial assumptions and medical cost inflation

The valuation of the Bank's pension fund and health care arrangements relies on actuarial assumptions and expectations of inflation and interest rates. Changes to these assumptions would have an impact on the valuation of the Bank's pension fund liabilities and the amounts recognised in the financial statements.

3. Currency assets

Currency assets comprise treasury bills, securities purchased under resale agreements, fixed-term loans and advances to banks, 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 customer deposits and those currency investment assets that are part of more actively managed portfolios. Currency assets available for sale comprise the remainder of the Bank's currency investment assets and represent, for the most part, the investment of the Bank's equity.

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

As at 30 September 2009

	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	**91,339.1**	–	**21.6**	**21.6**	**91,360.7**
Securities purchased under resale agreements	**59,940.3**	–	–	–	**59,940.3**
Fixed-term loans and advances	**12,232.4**	–	–	–	**12,232.4**
Government and other securities					
Government	6,171.3	8,541.0	–	8,541.0	14,712.3
Financial institutions	14,039.9	437.7	612.6	1,050.3	15,090.2
Other (including public sector securities)	20,080.4	1,745.6	–	1,745.6	21,826.0
	40,291.6	**10,724.3**	**612.6**	**11,336.9**	**51,628.5**
Total currency assets	**203,803.4**	**10,724.3**	**634.2**	**11,358.5**	**215,161.9**

As at 31 March 2009

SDR millions	Banking assets	Investment assets			Total currency assets
	Held at fair value through profit and loss	Available for sale	Held at fair value through profit and loss	Total	
Treasury bills	96,399.2	–	22.7	22.7	96,421.9
Securities purchased under resale agreements	38,594.4	–	–	–	38,594.4
Fixed-term loans and advances	18,116.1	–	–	–	18,116.1
Government and other securities					
Government	3,024.1	8,211.8	–	8,211.8	11,235.9
Financial institutions	22,548.1	707.6	710.7	1,418.3	23,966.4
Other (including public sector securities)	18,621.5	1,939.9	–	1,939.9	20,561.4
	44,193.7	10,859.3	710.7	11,570.0	55,763.7
Total currency assets	197,303.4	10,859.3	733.4	11,592.7	208,896.1

Note that the balance sheet heading "Loans and advances" comprises "Fixed-term loans and advances" and notice accounts; the tables above exclude notice accounts.

4. Land, buildings and equipment

For the six months ended 30 September

SDR millions	Land	Buildings	IT and other equipment	**2009** Total	2008 Total
Historical cost					
Balance at beginning of period	**41.2**	**189.4**	**131.0**	**361.6**	349.1
Capital expenditure	–	2.1	2.0	4.1	4.0
Disposals and retirements	–	–	–	–	(0.1)
Balance at end of period	**41.2**	**191.5**	**133.0**	**365.7**	353.0
Depreciation					
Accumulated depreciation at beginning of period	**–**	**88.7**	**81.9**	**170.6**	158.7
Depreciation	–	3.6	2.5	6.1	5.7
Balance at end of period	**–**	**92.3**	**84.4**	**176.7**	164.4
Net book value at end of period	**41.2**	**99.2**	**48.6**	**189.0**	188.6

5. 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 2009**	31 March 2009
Deposit instruments repayable at one to two days' notice		
Medium-Term Instruments (MTIs)	61,452.6	86,243.7
Callable MTIs	1,860.1	2,652.9
Fixed Rate Investments of the BIS (FIXBIS)	30,106.2	32,664.4
	93,418.9	121,561.0
Other currency deposits		
Floating Rate Investments of the BIS (FRIBIS)	220.0	204.3
Fixed-term deposits	62,541.4	43,633.2
Dual Currency Deposits (DCDs)	245.3	237.4
Sight and notice deposit accounts	27,338.8	31,586.3
	90,345.5	75,661.2
Total currency deposits	**183,764.4**	197,222.2
Comprising:		
Designated as held at fair value through profit and loss	156,425.6	165,635.9
Designated as financial liabilities measured at amortised cost	27,338.8	31,586.3

6. Dividends

Dividends of SDR 144.7 million declared for the financial year 2008/09 were paid 3 July 2009 (2008: SDR 144.7 million).

7. Earnings per share

For the six months ended 30 September

	2009	2008
Net profit / (loss) for the period (SDR millions)	1,300.0	(68.1)
Weighted average number of shares entitled to dividend	546,125	546,125
Basic and diluted earnings per share (SDR per share)	**2,380.4**	(124.7)

8. Commitments

The Bank provides a number of committed standby facilities for its customers on a collateralised or uncollateralised basis. As at 30 September 2009, the outstanding commitments to extend credit under these committed standby facilities amounted to SDR 9,078.8 million (2008: SDR 8,949.0 million), of which SDR 2,501.3 million was uncollateralised (2008: SDR 259.0 million).

9. 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;
- enterprises which could exert significant influence over a member of the Board of Directors or senior official, and enterprises over which one of these individuals could exert significant influence;
- 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	**2009**	2008
Salaries, allowances and medical cover	3.5	3.4
Post-employment benefits	0.9	0.9
Total compensation in CHF millions	**4.4**	4.3
SDR equivalent	2.7	2.5

The total compensation of the Board of Directors amounted to:

For the six months ended 30 September

CHF millions	**2009**	2008
Directors' fees	1.0	1.1
Pensions to former Directors	0.3	0.3
Travel, external Board meetings and other costs	0.7	0.9
Total compensation in CHF millions	**2.0**	2.3
SDR equivalent	1.2	1.4

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	**2009**	2008
Balance at beginning of period	12.8	18.0
Deposits taken including interest income (net of withholding tax)	1.8	2.0
Withdrawals	(0.4)	(0.4)
Balance at end of period in CHF millions	**14.2**	19.6
SDR equivalent	8.6	11.6
Interest expense on deposits in CHF millions	0.2	0.3
SDR equivalent	0.1	0.2

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 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 2009 was SDR 19.8 million (2008: SDR 19.3 million). They are reported under the balance sheet heading "Currency deposits".

The Bank made contributions to the pension fund totalling SDR 9.7 million for the period ended 30 September 2009 (2008: SDR 9.3 million).

B. Related party central banks and connected institutions

The BIS provides banking services to its customers, who 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	**2009**	2008
Balance at beginning of period	50,475.4	53,998.3
Deposits taken	174,877.0	58,702.6
Maturities, repayments and fair value movements	(177,636.7)	(55,785.2)
Net movement on call and notice accounts	601.7	748.0
Balance at end of period	**48,317.4**	57,663.7
Percentage of total currency deposits at end of period	26.3%	24.6%

Gold deposit liabilities from related party central banks and connected institutions

For the six months ended 30 September

SDR millions	**2009**	2008
Balance at beginning of period	19,468.7	26,336.1
Deposits taken	40.8	55.0
Net movement on gold sight accounts	7,308.7	(72.3)
Net withdrawals and gold price movements	(118.5)	(1,308.5)
Balance at end of period	**26,699.7**	25,010.3
Percentage of total gold deposits at end of period	87.8%	88.4%

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

For the six months ended 30 September

SDR millions	**2009**	2008
Balance at beginning of period	4,602.5	3,271.9
Collateralised deposits placed	488,179.2	422,572.9
Maturities and fair value movements	(489,535.5)	(422,369.9)
Balance at end of period	**3,246.2**	3,474.9
Percentage of total securities purchased under resale agreements at end of period	5.4%	4.1%

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 211.1 million as at 30 September 2009 (2008: SDR 553.3 million). Gold held in sight accounts with related party central banks and connected institutions totalled SDR 30,940.2 million as at 30 September 2009 (2008: SDR 27,391.6 million).

Derivative transactions with related party central banks and connected institutions

The BIS enters into derivative transactions with related party central banks and connected institutions, including foreign exchange deals and interest rate swaps. The total nominal value of these transactions with related party central banks and connected institutions during the six months ended 30 September 2009 was SDR 16,819.9 million (2008: SDR 856.7 million).

10. Contingent liabilities

At 30 September 2009, the Bank had no material contingent liabilities.

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 2009**	31 March 2009
Share capital	683.9	683.9
Statutory reserves per balance sheet	10,668.7	10,367.3
Less: shares held in treasury	(1.7)	(1.7)
Tier 1 capital	**11,350.9**	11,049.5
Profit for the period	1,300.0	446.1
Other equity accounts	2,242.0	2,220.3
Total equity	**14,892.9**	13,715.9

The Bank continuously assesses its capital adequacy. 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 limited to 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 market risk, credit 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 to maintain superior credit quality. The Bank's economic capital framework relies on the Bank's own estimates for key inputs that are used in the calculation of minimum capital requirements under the Basel II Framework. Economic capital for credit risk is determined using a credit value-at-risk approach. Economic capital for market risk and operational risk is quantified on the basis of the risk modelling approaches underlying the calculations of market risk and operational risk-weighted assets. The economic capital frameworks measure economic capital to a 99.995% confidence interval assuming a one-year holding period.

The following table summarises the Bank's economic capital utilisation for credit risk, market risk and operational risk. An additional amount of economic capital has been set aside for other risks based on

Management's assessment of risks which are not, or not fully, reflected in the Bank's economic capital calculations.

As at

SDR millions	**30 September 2009**	31 March 2009
Credit risk	5,717.1	5,673.7
Market risk	2,998.2	3,099.8
Operational risk	450.0	425.0
Other risks	300.0	300.0
Total economic capital utilisation	**9,465.3**	9,498.5

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 the minimum capital requirements for credit risk, market risk and operational risk.

As at		30 September 2009			31 March 2009		
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%	225,852.3	8,461.2	676.9	225,017.7	10,114.8	809.2
Securitisation exposures, externally managed portfolios and other assets	Standardised approach, where (B) is derived as (A) x 8%	2,945.6	1,148.8	91.9	3,342.2	1,291.0	103.3
Market risk							
Exposure to foreign exchange risk and gold price risk	Internal models approach, where (A) is derived as (B) / 8%	–	7,240.6	579.2	–	15,783.5	1,262.7
Operational risk	Advanced measurement approach, where (A) is derived as (B) / 8%	–	2,250.0	180.0	–	2,250.0	180.0
Total			**19,100.6**	**1,528.0**		29,439.3	2,355.2

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 2009**	31 March 2009
Tier 1 capital	11,350.9	11,049.5
Less: expected loss	(4.3)	(13.9)
Tier 1 capital net of expected loss (A)	**11,346.6**	11,035.6
Total risk-weighted assets (B)	19,100.6	29,439.3
Tier 1 capital ratio (A) / (B)	**59.4%**	37.5%

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 the impairment which is reflected in the Bank's financial statements. Note 2c provides details of the impairment provision. The expected loss is deducted from the Bank's Tier 1 capital in accordance with the requirements of the Basel II Framework.

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 as such 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 limited 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.

The following tables represent the exposure of the Bank to default risk, without taking account of any collateral held or other credit enhancements available to the Bank. 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.

Gold and gold deposits exclude gold held in custody, and accounts receivable do not include unsettled liability issues, because these items do not represent credit exposures of the Bank. 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 shown at their notional amounts.

A financial asset is considered past due when a counterparty fails to make a payment on the contractual due date. As at 30 September 2009, no financial assets were considered past due (31 March 2009: nil).

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.

A. Default risk by asset class and issuer type

As at 30 September 2009

SDR millions	Sovereigns and central banks	Public sector	Banks	Corporate	Securitisation	Total
On-balance sheet exposures						
Cash and sight accounts with banks	917.6	–	47.6	–	–	965.2
Gold and gold loans	–	–	1,773.5	122.3	–	1,895.8
Treasury bills	91,360.7	–	–	–	–	91,360.7
Securities purchased under resale agreements	3,630.0	–	56,079.5	230.8	–	59,940.3
Loans and advances	3,351.7	358.9	9,028.0	–	–	12,738.6
Government and other securities	22,097.9	5,064.0	14,160.8	8,058.3	2,247.5	51,628.5
Derivatives	63.3	48.8	8,166.0	1.6	–	8,279.7
Accounts receivable	135.6	–	363.4	–	–	499.0
Total on-balance sheet exposure	**121,556.8**	**5,471.7**	**89,618.8**	**8,413.0**	**2,247.5**	**227,307.8**
Commitments						
Undrawn unsecured facilities	2,501.3	–	–	–	–	2,501.3
Undrawn secured facilities	6,577.5	–	–	–	–	6,577.5
Total commitments	**9,078.8**	**–**	**–**	**–**	**–**	**9,078.8**
Total exposure	**130,635.6**	**5,471.7**	**89,618.8**	**8,413.0**	**2,247.5**	**236,386.6**

As at 31 March 2009

SDR millions	Sovereigns and central banks	Public sector	Banks	Corporate	Securitisation	Total
On-balance sheet						
Cash and sight accounts with banks	884.6	–	9.5	21.1	–	915.2
Gold and gold loans	–	–	2,672.1	138.3	–	2,810.4
Treasury bills	96,421.9	–	–	–	–	96,421.9
Securities purchased under resale agreements	4,691.5	–	32,970.0	932.9	–	38,594.4
Loans and advances	7,542.6	502.0	10,468.1	–	–	18,512.7
Government and other securities	20,437.1	11,889.9	19,161.3	1,849.3	2,426.1	55,763.7
Derivatives	102.0	49.9	13,597.2	–	–	13,749.1
Accounts receivable	–	–	722.5	11.0	–	733.5
Total on-balance sheet exposure	130,079.7	12,441.8	79,600.7	2,952.6	2,426.1	227,500.9
Commitments						
Undrawn unsecured facilities	234.5	–	–	–	–	234.5
Undrawn secured facilities	8,412.3	–	–	–	–	8,412.3
Total commitments	8,646.8	–	–	–	–	8,646.8
Total exposure	138,726.5	12,441.8	79,600.7	2,952.6	2,426.1	236,147.7

B. Default risk by geographical region

In the table below, the Bank has allocated exposures to regions based on the country of incorporation of each legal entity.

As at 30 September 2009

SDR millions	Africa and Europe	Asia-Pacific	Americas	International institutions	Total
On-balance sheet exposures					
Cash and sight accounts with banks	919.2	1.1	44.9	–	965.2
Gold and gold loans	1,263.6	324.8	307.4	–	1,895.8
Treasury bills	43,214.9	47,492.6	653.2	–	91,360.7
Securities purchased under resale agreements	56,125.1	2,995.3	819.9	–	59,940.3
Loans and advances	9,010.6	2,135.9	1,233.2	358.9	12,738.6
Government and other securities	32,365.4	3,976.3	9,207.2	6,079.6	51,628.5
Derivatives	5,748.2	76.0	2,455.5	–	8,279.7
Accounts receivable	73.2	72.4	353.4	–	499.0
Total on-balance sheet exposure	**148,720.2**	**57,074.4**	**15,074.7**	**6,438.5**	**227,307.8**
Commitments					
Undrawn unsecured facilities	2,311.6	189.7	–	–	2,501.3
Undrawn secured facilities	310.4	6,267.1	–	–	6,577.5
Total commitments	**2,622.0**	**6,456.8**	**–**	**–**	**9,078.8**
Total exposure	**151,342.2**	**63,531.2**	**15,074.7**	**6,438.5**	**236,386.6**

As at 31 March 2009

SDR millions	Africa and Europe	Asia-Pacific	Americas	International institutions	Total
On-balance sheet					
Cash and sight accounts with banks	882.9	0.4	31.9	–	915.2
Gold and gold loans	2,087.9	345.1	377.4	–	2,810.4
Treasury bills	45,541.2	43,128.2	7,752.5	–	96,421.9
Securities purchased under resale agreements	33,522.9	4,273.9	797.6	–	38,594.4
Loans and advances	13,573.1	2,417.3	2,278.7	243.6	18,512.7
Government and other securities	32,430.8	5,750.7	11,008.1	6,574.1	55,763.7
Derivatives	9,835.8	185.4	3,727.9	–	13,749.1
Accounts receivable	232.5	119.0	382.0	–	733.5
Total on-balance sheet exposure	138,107.1	56,220.0	26,356.1	6,817.7	227,500.9
Commitments					
Undrawn unsecured facilities	33.5	201.0	–	–	234.5
Undrawn secured facilities	1,039.8	7,372.5	–	–	8,412.3
Total commitments	1,073.3	7,573.5	–	–	8,646.8
Total exposure	139,180.4	63,793.5	26,356.1	6,817.7	236,147.7

C. Default risk by counterparty / issuer rating

The ratings shown reflect the Bank's internal ratings expressed as equivalent external ratings. The table shows that the vast majority of the Bank's exposure is rated equivalent to A– or above.

As at 30 September 2009

SDR millions	AAA	AA	A	BBB	BB and below	unrated	Total
On-balance sheet exposures							
Cash and sight accounts with banks	920.1	43.4	1.2	0.5	–	–	965.2
Gold and gold loans	–	402.7	1,370.9	122.2	–	–	1,895.8
Treasury bills	31,101.4	52,125.4	8,133.9	–	–	–	91,360.7
Securities purchased under resale agreements	250.8	12,703.0	45,490.3	1,112.3	383.9	–	59,940.3
Loans and advances	1,497.3	2,856.1	6,867.2	221.5	1,296.5	–	12,738.6
Government and other securities	32,167.2	12,367.1	7,015.4	78.8	–	–	51,628.5
Derivatives	70.9	717.2	7,435.0	7.3	49.3	–	8,279.7
Accounts receivable	–	425.8	–	–	63.2	10.0	499.0
Total on-balance sheet exposures	**66,007.7**	**81,640.7**	**76,313.9**	**1,542.6**	**1,792.9**	**10.0**	**227,307.8**
Percentages	*29.0%*	*35.9%*	*33.6%*	*0.7%*	*0.8%*		*100.0%*
Commitments							
Unsecured	2,311.6	–	–	189.7	–	–	2,501.3
Secured	202.3	2,329.4	2,922.9	459.5	663.4	–	6,577.5
Total commitments	**2,513.9**	**2,329.4**	**2,922.9**	**649.2**	**663.4**	**–**	**9,078.8**
Total exposure	**68,521.6**	**83,970.1**	**79,236.8**	**2,191.8**	**2,456.3**	**10.0**	**236,386.6**

As at 31 March 2009

SDR millions	AAA	AA	A	BBB	BB and below	Unrated	Total
On-balance sheet exposures							
Cash and sight accounts with banks	883.3	4.6	5.8	0.4	–	21.1	915.2
Gold and gold loans	–	685.9	1,986.2	138.3	–	–	2,810.4
Treasury bills	38,974.5	48,490.5	8,956.9	–	–	–	96,421.9
Securities purchased under resale agreements	328.6	18,359.8	19,816.9	89.1	–	–	38,594.4
Loans and advances	4,482.1	3,403.7	7,322.8	167.5	3,136.6	–	18,512.7
Government and other securities	32,972.5	13,715.2	8,988.2	87.8	–	–	55,763.7
Derivatives	383.8	1,999.4	11,268.0	–	97.9	–	13,749.1
Accounts receivable	397.7	–	221.5	103.3	–	11.0	733.5
Total on-balance sheet exposures	78,422.5	86,659.1	58,566.3	586.4	3,234.5	32.1	227,500.9
Percentages	*34.5%*	*38.1%*	*25.8%*	*0.2%*	*1.4%*	–	*100.0%*
Commitments							
Unsecured	–	–	–	234.5	–	–	234.5
Secured	–	2,432.9	4,178.5	1,572.3	228.6	–	8,412.3
Total commitments	–	2,432.9	4,178.5	1,806.8	228.6	–	8,646.8
Total exposure	78,422.5	89,092.0	62,744.8	2,393.2	3,463.1	32.1	236,147.7

D. Credit risk mitigation and collateral

As at	30 September 2009		31 March 2009	
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	45,609.4	45,857.5	33,625.0	33,725.5
Advances	1,359.4	2,618.8	3,136.5	5,013.4
Derivatives	2,388.2	3,122.6	4,957.3	4,542.4
Total collateral obtained	**49,357.0**	**51,598.9**	41,718.8	43,281.3

The above table shows the collateral obtained and provided by the Bank. It excludes transactions which have yet to settle (on which neither cash nor collateral has been exchanged). The Bank obtains collateral as part of reverse repurchase agreements and collateral agreements for certain derivatives. The Bank accepts as collateral sovereign debt, supranational debt and US agency securities.

The Bank grants facilities to customers which are secured against either deposits made with the Bank or units held by customers in funds managed by the Bank. As at 30 September 2009, the total amount of undrawn facilities which could be drawn down subject to collateralisation by the customer was SDR 6,577.5 million (March 2009: SDR 8,412.3 million).

E. Minimum capital requirements for credit risk

Exposures 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 for the majority of its exposures.

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 derivatives. The EAD for derivatives is calculated using an approach consistent with the internal model 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 effect of collateral obtained giving consideration to market price volatility, remargining and revaluation frequency.

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 of 30 September 2009 includes SDR 5,334.8 million for interest rate contracts (March 2009: SDR 7,024.8 million) and SDR 1,251.3 million for FX and gold contracts (March 2009: SDR 5,108.0 million).

As at 30 September 2009

Internal rating grades expressed as equivalent external rating grades	Amount of exposure *SDR millions*	Exposure-weighted PD %	Exposure-weighted average LGD %	Exposure-weighted average risk weight %	Risk-weighted assets *SDR millions*
AAA	64,220.3	0.005	31.6	2.6	1,684.5
AA	80,251.4	0.02	25.5	3.4	2,765.7
A	76,736.4	0.05	14.2	4.3	3,312.6
BBB	2,616.2	0.24	12.1	8.7	226.9
BB and below	2,028.0	8.67	5.8	23.3	471.5
Total	**225,852.3**				**8,461.2**

As at 31 March 2009

Internal rating grades expressed as equivalent external rating grades	Amount of exposure *SDR millions*	Exposure-weighted PD %	Exposure-weighted average LGD %	Exposure-weighted average risk weight %	Risk-weighted assets *SDR millions*
AAA	73,642.3	0.005	30.8	2.4	1,803.0
AA	86,205.5	0.02	25.4	3.6	3,109.3
A	59,283.3	0.05	23.9	6.9	4,119.8
BBB	2,384.0	0.29	14.6	11.2	267.8
BB and below	3,502.6	7.08	7.6	23.3	814.9
Total	225,017.7				10,114.8

F. Securitisation exposures

The Bank only 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.

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

As at 30 September 2009

SDR millions	External rating	Amount of exposures	Risk weight	Risk-weighted assets
Residential mortgage-backed securities	AAA	497.2	20%	99.4
Securities backed by credit card receivables	AAA	972.0	20%	194.4
Securities backed by other receivables (government-sponsored)	AAA	776.8	20%	155.4
Total		**2,246.0**		**449.2**

As at 31 March 2009

SDR millions	External rating	Amount of exposures	Risk weight	Risk-weighted assets
Residential mortgage-backed securities	AAA	649.3	20%	129.9
Securities backed by credit card receivables	AAA	1,176.8	20%	235.3
Securities backed by other receivables (government-sponsored)	AAA	737.9	20%	147.6
Total		2,564.0		512.8

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 120 tonnes (March 2009: 120 tonnes). These gold investment assets are held in custody or placed on deposit with commercial banks. At 30 September 2009, the Bank's gold position was SDR 2,428.5 million (March 2009: SDR 2,358.0 million), approximately 16% of its equity (March 2009: 17%).

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 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 2009

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	(5.8)	(7.8)	(6.3)	(17.3)	(24.2)	(13.5)	(41.0)
Japanese yen	1.1	(2.7)	(7.5)	(11.9)	(15.4)	(5.9)	0.1
Pound sterling	0.1	(1.0)	(6.3)	(7.9)	(12.2)	(5.0)	(0.1)
Swiss franc	0.2	(0.3)	(0.4)	(0.6)	(0.7)	(1.6)	3.3
US dollar	2.6	(7.9)	(28.5)	(17.4)	(24.6)	(14.9)	(34.3)
Other currencies	(1.4)	(0.9)	(6.1)	(5.7)	0.3	–	–
Total	**(3.2)**	**(20.6)**	**(55.1)**	**(60.8)**	**(76.8)**	**(40.9)**	**(72.0)**

As at 31 March 2009

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	(5.4)	(5.5)	(11.9)	(16.5)	(24.0)	(15.1)	(13.9)
Japanese yen	1.0	(1.3)	(6.6)	(11.3)	(14.6)	(5.1)	(1.7)
Pound sterling	0.2	(1.3)	(3.6)	(12.9)	(8.7)	(1.7)	(1.9)
Swiss franc	(0.1)	(0.2)	(0.6)	(0.6)	(0.7)	(1.4)	2.7
US dollar	(0.6)	(7.6)	(41.5)	(13.8)	(29.1)	(22.6)	(29.3)
Other currencies	(0.1)	(6.0)	(1.2)	(10.8)	(0.8)	–	–
Total	(5.0)	(21.9)	(65.4)	(65.9)	(77.9)	(45.9)	(44.1)

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 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 2009

SDR millions	SDR	USD	EUR	GBP	JPY	CHF	Gold	Other currencies	Total
Assets									
Cash and sight accounts with banks	–	45.0	205.2	2.1	–	703.4	–	9.5	965.2
Gold and gold loans	–	11.7	–	–	–	–	32,824.3	–	32,836.0
Treasury bills	–	653.2	42,520.3	533.2	47,492.6	–	–	161.4	91,360.7
Securities purchased under resale agreements	–	819.9	46,011.4	10,113.7	2,995.3	–	–	–	59,940.3
Loans and advances	359.0	6,429.6	5,087.3	470.4	4.2	132.0	–	256.1	12,738.6
Government and other securities	–	22,697.3	22,686.6	3,507.8	1,595.5	31.6	–	1,109.7	51,628.5
Derivative financial instruments	9,252.8	97,811.8	(58,302.8)	34.5	(41,115.3)	9.0	–	589.7	8,279.7
Accounts receivable	0.1	6,104.4	137.6	701.0	72.4	8.9	–	13.8	7,038.2
Land, buildings and equipment	177.0	–	–	–	–	12.0	–	–	189.0
Total assets	**9,788.9**	**134,572.9**	**58,345.6**	**15,362.7**	**11,044.7**	**896.9**	**32,824.3**	**2,140.2**	**264,976.2**
Liabilities									
Currency deposits	(1,829.0)	(127,366.9)	(36,213.1)	(12,642.0)	(2,689.6)	(873.1)	–	(2,150.7)	(183,764.4)
Gold deposits	–	(7.3)	–	–	–	–	(30,395.8)	–	(30,403.1)
Derivative financial instruments	(9,236.1)	(34.0)	(13.0)	(4.3)	(5.1)	–	–	(0.4)	(9,292.9)
Accounts payable	–	(1,323.1)	(16,966.0)	(1,429.3)	(6,570.3)	–	–	–	(26,288.7)
Other liabilities	–	(104.5)	(0.4)	–	–	(229.3)	–		(334.2)
Total liabilities	**(11,065.1)**	**(128,835.8)**	**(53,192.5)**	**(14,075.6)**	**(9,265.0)**	**(1,102.4)**	**(30,395.8)**	**(2,151.1)**	**(250,083.3)**
Net currency and gold position	**(1,276.2)**	**5,737.1**	**5,153.1**	**1,287.1**	**1,779.7**	**(205.5)**	**2,428.5**	**(10.9)**	**14,892.9**
Adjustment for gold investment assets	–	–	–	–	–	–	(2,428.5)	–	(2,428.5)
Net currency position	**(1,276.2)**	**5,737.1**	**5,153.1**	**1,287.1**	**1,779.7**	**(205.5)**	**–**	**(10.9)**	**12,464.4**
SDR neutral position	1,276.2	(5,502.9)	(5,189.8)	(1,257.4)	(1,790.4)	–	–	–	(12,464.4)
Net currency exposure on SDR neutral basis	**–**	**234.2**	**(36.7)**	**29.7**	**(10.7)**	**(205.5)**	**–**	**(10.9)**	**–**

As at 31 March 2009

SDR millions	SDR	USD	EUR	GBP	JPY	CHF	Gold	Other currencies	Total
Assets									
Cash and sight accounts with banks	–	28.9	175.2	6.4	–	696.2	–	8.5	915.2
Gold and gold loans	–	19.1	–	–	–	–	25,397.1	–	25,416.2
Treasury bills	–	7,752.5	43,738.8	1,802.4	43,128.2	–	–	–	96,421.9
Securities purchased under resale agreements	–	797.6	27,986.9	5,536.0	4,273.9	–	–	–	38,594.4
Loans and advances	243.7	8,999.5	7,619.1	1,077.5	4.0	443.5	–	125.4	18,512.7
Government and other securities	–	27,233.4	22,706.3	2,704.9	1,437.8	30.6	–	1,650.7	55,763.7
Derivative financial instruments	21.0	65,576.9	(12,368.7)	370.2	(41,023.4)	191.4	–	981.7	13,749.1
Accounts receivable	0.1	3,719.7	959.8	988.6	110.1	11.1	–	33.1	5,822.5
Land, buildings and equipment	183.1	–	–	–	–	7.9	–	–	191.0
Total assets	447.9	114,127.6	90,817.4	12,486.0	7,930.6	1,380.7	25,397.1	2,799.4	255,386.7
Liabilities									
Currency deposits	(2,015.5)	(134,278.9)	(41,524.2)	(11,597.5)	(3,935.6)	(1,220.8)	–	(2,649.7)	(197,222.2)
Gold deposits	–	(13.0)	–	–	–	–	(23,039.1)	–	(23,052.1)
Derivative financial instruments	2.2	26,485.3	(34,192.0)	2,970.0	(1,846.9)	(144.5)	–	(90.9)	(6,816.8)
Accounts payable	–	(532.0)	(10,482.5)	(2,662.2)	(442.3)	–	–	(92.5)	(14,211.5)
Other liabilities	–	(153.3)	(0.4)	–	–	(214.5)	–	–	(368.2)
Total liabilities	(2,013.3)	(108,491.9)	(86,199.1)	(11,289.7)	(6,224.8)	(1,579.8)	(23,039.1)	(2,833.1)	(241,670.8)
Net currency and gold position	(1,565.4)	5,635.7	4,618.3	1,196.3	1,705.8	(199.1)	2,358.0	(33.7)	13,715.9
Adjustment for gold investment assets	–	–	–	–	–	–	(2,358.0)	–	(2,358.0)
Net currency position	(1,565.4)	5,635.7	4,618.3	1,196.3	1,705.8	(199.1)	–	(33.7)	11,357.9
SDR neutral position	1,565.4	(5,472.6)	(4,718.3)	(1,122.7)	(1,609.7)	–	–	–	(11,357.9)
Net currency exposure on SDR neutral basis	–	163.1	(100.0)	73.6	96.1	(199.1)	–	(33.7)	–

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, assuming a 99% confidence interval, a 10-day holding period and a one-year historical observation 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 shows the Bank's minimum capital requirement for market risk and the related risk-weighted assets.

As at	**30 September 2009**			31 March 2009		
		Risk-weighted assets	Minimum capital requirement		Risk-weighted assets	Minimum capital requirement
SDR millions	VaR	(A)	(B)	VaR	(A)	(B)
Market risk, where (A) is derived as (B) / 8%	193.1	7,240.6	**579.2**	420.9	15,783.5	1,262.7

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.

The Bank is managed to preserve a high degree of liquidity so that it can meet the requirements of its customers at all times.

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.

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 2009

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	965.2	–	–	–	–	–	–	–	965.2
Gold and gold loans	30,941.7	0.1	649.1	183.8	284.6	636.6	171.2	–	32,867.1
Treasury bills	8,085.3	38,464.0	17,746.9	20,698.0	–	–	–	–	84,994.2
Securities purchased under resale agreements	31,574.4	8,177.2	2,357.6	–	–	–	–	–	42,109.2
Loans and advances	5,439.3	5,658.9	639.8	4.3	81.6	937.0	–	–	12,760.9
Government and other securities	959.1	3,847.6	3,779.6	8,812.1	12,918.4	15,793.4	8,398.3	777.7	55,286.2
Total	**77,965.0**	**56,147.8**	**25,173.0**	**29,698.2**	**13,284.6**	**17,367.0**	**8,569.5**	**777.7**	**228,982.8**
Liabilities									
Currency deposits									
Deposit instruments repayable at 1–2 days' notice	(7,779.3)	(16,108.3)	(12,461.5)	(11,564.0)	(12,344.3)	(27,881.9)	(5,065.7)	–	(93,205.0)
Other currency deposits	(69,691.3)	(10,282.3)	(1,507.4)	(6,393.9)	–	–	–	–	(87,874.9)
Gold deposits	(29,468.9)	(40.5)	(305.4)	–	(201.3)	(222.7)	(169.6)	–	(30,408.4)
Securities sold short	(1.1)	(2.8)	(4.5)	(7.5)	(10.8)	(22.0)	(29.6)	(89.2)	(167.5)
Total	**(106,940.6)**	**(26,433.9)**	**(14,278.8)**	**(17,965.4)**	**(12,556.4)**	**(28,126.6)**	**(5,264.9)**	**(89.2)**	**(211,656.8)**
Derivatives									
Net settled									
Interest rate contracts	130.6	525.3	493.5	1,126.7	907.4	773.2	104.2	–	4,060.9
Gross settled									
Exchange rate and gold price contracts									
Inflows	37,783.2	48,123.1	17,598.1	17,923.1	–	–	–	–	121,427.5
Outflows	(38,641.8)	(50,128.4)	(18,482.8)	(18,665.3)	–	–	–	–	(125,918.3)
Subtotal	(858.6)	(2,005.3)	(884.7)	(742.2)	–	–	–	–	(4,490.8)
Interest rate contracts – gross settled									
Inflows	111.4	15.4	28.0	453.7	202.2	775.1	604.0	–	2,189.8
Outflows	(122.1)	(19.4)	(57.3)	(544.7)	(231.4)	(948.6)	(731.9)	–	(2,655.4)
Subtotal	(10.7)	(4.0)	(29.3)	(91.0)	(29.2)	(173.5)	(127.9)	–	(465.6)
Total derivatives	**(738.7)**	**(1,484.0)**	**(420.5)**	**293.5**	**878.2**	**599.7**	**(23.7)**	–	**(895.5)**
Total future undiscounted cash flows	**(29,714.3)**	**28,229.9**	**10,473.7**	**12,026.3**	**1,606.4**	**(10,159.9)**	**3,280.9**	**688.5**	**16,431.5**

As at 31 March 2009

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	915.2	–	–	–	–	–	–	–	915.2
Gold and gold loans	22,856.0	458.0	265.1	630.6	375.3	698.4	167.0	–	25,450.4
Treasury bills	17,346.9	48,193.3	15,306.8	15,178.4	–	–	–	–	96,025.4
Securities purchased under resale agreements	25,396.5	240.8	1,444.0	–	–	–	–	–	27,081.3
Loans and advances	9,533.3	7,931.7	804.1	–	–	–	–	–	18,269.1
Government and other securities	3,800.4	7,106.2	3,880.8	4,934.0	12,920.3	17,782.8	9,247.2	921.8	60,593.5
Total	79,848.3	63,930.0	21,700.8	20,743.0	13,295.6	18,481.2	9,414.2	921.8	228,334.9
Liabilities									
Currency deposits									
Deposit instruments repayable at 1–2 days' notice	(11,144.1)	(19,693.4)	(15,143.3)	(20,590.2)	(18,218.1)	(29,301.2)	(7,309.7)	–	(121,400.0)
Other currency deposits	(68,805.4)	(4,635.1)	(1,348.5)	(22.6)	–	–	–	–	(74,811.6)
Gold deposits	(21,768.0)	(200.1)	(216.8)	(296.7)	(195.7)	(216.3)	(165.4)	–	(23,059.0)
Securities sold short	(0.8)	(1.7)	(2.5)	(4.9)	(9.8)	(29.7)	(49.9)	(185.4)	(284.7)
Total	(101,718.3)	(24,530.3)	(16,711.1)	(20,914.4)	(18,423.6)	(29,547.2)	(7,525.0)	(185.4)	(219,555.3)
Derivatives									
Net settled									
Interest rate contracts	(1,304.0)	588.3	940.4	1,049.2	1,483.8	1,486.7	187.4	0.1	4,431.9
Gross settled									
Exchange rate and gold price contracts									
Inflows	29,504.3	53,304.7	8,576.4	10,940.4	–	–	–	–	102,325.8
Outflows	(28,771.1)	(52,297.6)	(8,568.4)	(11,221.9)	–	–	–	–	(100,859.0)
Subtotal	733.2	1,007.1	8.0	(281.5)	–	–	–	–	1,466.8
Interest rate contracts – gross settled									
Inflows	2.8	53.4	320.9	164.5	610.2	665.5	841.1	–	2,658.4
Outflows	(2.1)	(67.1)	(339.2)	(197.2)	(695.6)	(747.4)	(920.3)	–	(2,968.9)
Subtotal	0.7	(13.7)	(18.3)	(32.7)	(85.4)	(81.9)	(79.2)	–	(310.5)
Total derivatives	(570.1)	1,581.7	930.1	735.0	1,398.4	1,404.8	108.2	0.1	5,588.2
Total future undiscounted cash flows	(22,440.1)	40,981.4	5,919.8	563.6	(3,729.6)	(9,661.2)	1,997.4	736.5	14,367.8

The Bank writes options in the ordinary 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 2009	(9.7)	(1.2)	(26.5)	(19.8)	–	–	(1.4)	–	**(58.6)**
As at 31 March 2009	(1.2)	(10.2)	(8.4)	(138.2)	(1.8)	(7.9)	(4.3)	–	(172.0)

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

Credit commitments

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 2009	2,592.3	310.5	2,086.5	2,371.0				1,718.5	**9,078.8**
As at 31 March 2009	33.5	335.0	–	6,601.2	–	–	–	1,677.1	8,646.8

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, the Bank has adopted an approach that is consistent with the advanced measurement approach proposed under the Basel II Framework for the calculation of operational risk-weighted assets. 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 line with the assumptions and key parameters of the Basel II Framework, the calculation of the minimum capital requirement for operational risk does not take reputational risk into account and is determined assuming a 99.9% confidence interval and a one-year time horizon. 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 requirement for operational risk and the related risk weighted assets:

	30 September 2009			31 March 2009		
		Risk-weighted assets	Minimum capital requirement		Risk-weighted assets	Minimum capital requirement
SDR millions	VaR	(A)	(B)	VaR	(A)	(B)
Operational risk, where (A) is derived as (B) / 8%	180.0	2,250.0	**180.0**	180.0	2,250.0	180.0