BANK OF CHINA LIMITED INDIA BRANCH
BASEL III: PILLAR 3 DISCLOSURES AS AT 30th JUNE 2021

The capital adequacy framework is applicable to Bank of China Limited India Branch situated in Mumbai for the period ended 30th June 2021.

These are primarily in the context of the disclosure requirements under Annexure 18 - Pillar 3 disclosure requirements of the Reserve Bank of India (RBI) Master Circular - Basel III Capital Regulations dated July 01, 2015. As stated in the said Master Circular, for the quarter ended 30th June 2021, the Bank has made the following Pillar 3 disclosures:

(i) Table DF 2 – Capital Adequacy
(ii) Table DF 3 – Credit Risk: General Disclosure for all Banks;
(iii) Table DF 4 – Credit Risk: Disclosures for portfolios subject to the standardized approach.

1. Capital Adequacy (DF-2) Qualitative Disclosures

The Bank's capital management approach is to ensure that it maintains a strong capital base to support its business growth and to meet regulatory capital requirements at all times. The bank's Capital Funds are broadly classified as Tier 1 and Tier 2. The bank has well defined Internal Capital Adequacy Assessment Process (ICAAP) which covers methodology and information on the on-going assessment of the Bank's key risks, measurement and mitigation of risks. It also provides overview of current and future capital requirements of the Bank based on growth projections and assessment of these risks. The focus of ICAAP includes Bank's capital planning, assessment and management of material risks and adequacy of capital under normal and stress conditions.

The Bank has adopted Standardized Approach for Credit Risk, Basic Indicator Approach (BIA) for Operational Risk and Standardized Duration Approach for Market risk for computing CRAR in line with guidelines of the Reserve Bank of India.

Summary information on the terms and conditions of the main features of all capital instruments especially eligible for Tier 1 and Tier 2:

- Tier 1 capital: - Consists of funds from HO for the purpose of meeting capital adequacy norms.
- Tier 2 Capital: - Capital comprises of general loss provisions on standard assets, country risks and un-hedged foreign currency exposures.

Internal capital planning exercise will be carried as and when required to ensure adequacy of capital at the times of changing economic conditions, even at time of economic recession. The Bank wide risk appetite is translated in terms of the targeted CRAR ratio. In capital planning Bank will review:

- ✓ Current capital requirement of bank
- ✓ The targeted and sustainable capital in terms of business strategy, policy and risk appetite.
- ✓ The future capital planning is done on a three year outlook.

Quantitative disclosures	As at 30th June 2021 (Amount in INR'000)
Capital requirements for credit risk (I):	**150,313***
Portfolios subject to standardized approach	150,313
Securitization exposures	Nil
Capital requirements for market risk (II):	**109,233***
Standardized duration approach;	
Interest rate risk	25,702
Foreign exchange risk (including gold)	83,531
Equity risk	Nil
Capital requirements for operational risk (III):	**27,366***
Basic Indicator Approach	27,366
The Standardized Approach (if applicable)	Nil
Total capital requirement (I + II + III)	**286,912**
Total capital funds of the Bank (Tier I + Tier II)	**2,904,975**
Total risk weighted assets	**2,318,477**
Common Equity Tier I Capital (CET1)	125.02%
Tier I Capital ratio	125.02%
Tier II Capital ratio	0.28%
Total Capital ratio	**125.30%**

* The above disclosure is as per the Basel III guidelines wherein the minimum capital requirement is considered as 12.375% (minimum capital ratio of 9% plus 1.875% of capital conversion buffer plus 1.5% of additional buffer on account of BOC being a GSIB).

Risk Exposure and Assessment:

General qualitative disclosure for risk area identified as under, risk management objectives and policies, processes and techniques used by the Bank to identify, measure, monitor and control the following risks as material to its nature of operations:

- Credit Risk

General Qualitative Disclosures:

Risk Management and Internal Control Committee ("RMICC"): Adequate measurement and management of risks in various business operations and timely remedial measures are performed through the RMICC, which meets at least once every quarter. The RMICC regularly oversees the Bank's risk management policies / practices under various risks viz. Credit, Operational, and Market risk. The committee assesses and monitors the level of risk under various functions and initiates appropriate mitigation measures wherever necessary.

2. Credit Risk [table DF 3]

Credit risk is the risk of loss arising from failure of counterparties to meet their financial or contractual obligations to BOC India when due. The Credit risk faced by the Bank arises mainly from corporate advances, exposure to debt securities and settlement balances with market counter-parties.

BOC India maintains a credit risk management framework (policies) that clearly define roles and responsibilities, working procedures, limits and key controls. It is based on BOC's comprehensive global risk management policies / guidelines.

Credit Risk Rating

Credit risk team assesses the customer's credit worthiness and monitors the quality of loan portfolio periodically. It monitors credit risk on Bank-wide basis and ensures compliance with approved risk parameters and prudential limits.

The Bank's internal credit rating plays a vital role in decision making and monitoring of customers. BOC India follows the Bank's global rating system to internally rate customers. Internal ratings are assigned to customers based on various qualitative and quantitative risk parameters modelled in the system.

Note: For credit risk weighted assets computation, the bank uses external ratings assigned by domestic credit rating agencies (like CRISIL, ICRA, CARE, etc.) accredited by the Reserve Bank of India.

Concentration Risk

Concentration risk is managed by maintaining acceptable headroom and ongoing monitoring of exposures to ensure adherence to regulatory limits for single / group borrowers and inter-bank exposures.

Credit Monitoring

Ongoing exposure monitoring and periodic assessment of customers' business / financial performance enables business units and credit risk team to identify and report problem in relation to any loans on prompt basis. Reports are received from business units regularly, which are evaluated and escalated to senior credit authorities for appropriate credit decisioning.

Quantitative disclosure as per table DF 3 Total

a) Total gross credit exposures including Geographic distribution of exposures (Amount in INR'000s)

Particulars	Domestic	Overseas	Total
Fund Based Exposure	525,000	NIL	**525,000**
Non Fund Based Exposure (Non-market related off-balance sheet exposures)	NIL	1,414,406	**1,414,406**

Note: Non Fund Based Gross Credit Exposure is the Amount before application of Credit Conversion Factors for computation of Credit Equivalent Amounts.

b) Industry type distribution of exposures. (Amount in INR'000s)

Type of Industry	Funded			Non Funded
	Standard	NPA	Total	Total
Manufacturing of electronic valves, etc. (Mobile phone batteries)	25,000	NIL	25,000	NIL
Non-Banking Financial Services	500,000	NIL	500,000	NIL
Banking	NIL	NIL	NIL	1,414,406

c) Residual contractual maturity break down of assets(Amount in INR '000s)

Maturity Pattern	Day 1	2-7 days	8-14 days	15-30 days	31days to 2 mnths	2 mnths to 3 mnths	3 mnths to 6 mnths	6 mnths to 1 year	1 to 3 yrs	3-5 yrs	Over 5 yrs	Total
Cash and balance with RBI and other Banks	1,016,724	316,871	NIL	84,654	NIL	612,746	NIL	NIL	NIL	NIL	2,000	**2,032,995**
Loans and Advances	NIL	NIL	NIL	NIL	NIL	NIL	NIL	25,000	500,000	NIL	NIL	**525,000**
Investments	1,450,209	NIL	NIL	NIL	NIL	NIL	NIL	NIL	357,882	NIL	NIL	**1,808,091**

d) Amount of NPAs (Gross) -NIL
e) Net NPAs -NIL
f) NPA Ratios -NIL
g) Movement of NPAs (Gross) -NIL
h) Movement of provisions for NPAs -NIL
i) Amount of Non-Performing Investments -NIL
j) Amount of provisions held for non-performing investments -NIL
k) Movement of provisions for depreciation on investments -NIL

3. Credit Risk: Disclosures for Portfolios subject to Standardised Approach:

DF-4 External Ratings

The Bank has adopted the standardised approach of the new capital adequacy framework for computation of capital for credit risk. The Bank has assigned risk weights to different classes of assets as prescribed by RBI.

As at 30th June 2021, the Bank considered external rating of its facility to one borrower counterparty out of total two borrowers (since the other counterparty was not externally rated by any accredited rating agency as of Jun-21).
For non-market related off-balance sheet exposures, the Bank considered external credit ratings of counter-guarantee issuing foreign banks.

Quantitative disclosures	**Amount in INR'000**
a) For exposure amounts after risk mitigation subject to the standardised approach, amount of the Bank's outstanding (rated and unrated) in the following three major risk buckets as well as those that are deducted:	
· Below 100% risk weight	500,000
· 100% risk weight	
· More than 100% risk weight	25,000 *
· Deducted	NIL

Note: The above calculations are for loans & advances only and represents closing balance as at 30th June 2021.