

BANK OF CHINA LIMITED INDIA BRANCH
BASEL III: PILLAR 3 DISCLOSURES AS AT 31st December 2024

The capital adequacy framework is applicable to Bank of China Limited India Branch situated in Mumbai for the period ended 31st December 2024.

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 regulation dated April 01, 2024. As stated in the said Master Circular, for the quarter ended 31st December 2024, the Bank has made the following Pillar 3 disclosures:

- (i) Table DF 1 – Scope of Application
- (ii) Table DF 2 – Capital Adequacy
- (iii) Table DF 3 – Credit Risk: General Disclosure for all Banks
- (iv) Table DF 4 – Credit Risk: Disclosures for portfolios subject to the standardized approach
- (v) Table DF 18 – Leverage Ratio

1. Scope of Application (DF - 1)

Qualitative Disclosures:

- a) List of group entities considered for consolidation: Not Applicable
- b) List of group entities not considered for consolidation both under the accounting and regulatory scope of consolidation: Not Applicable

Quantitative Disclosures:

- a) List of group entities considered for consolidation: Not Applicable
- b) The aggregate amount of capital deficiencies in all subsidiaries which are not included in regulatory scope of consolidation: Not Applicable
- c) The aggregate amounts (e.g. current book value) of the bank's total interests in insurance entities, which are risk weighted: Not Applicable
- d) Any restrictions and impediments on transfer of funds or regulatory capital within the banking group. There are no restrictions or impediments on transfer of funds or regulatory capital within the banking group.

The Bank does not have any subsidiary in India which requires to be consolidated in line with AS21 (Consolidated Financial Statements).

2. 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 Process (ICAAP) which covers methodology and information on the on-going assessment of the Bank's key risk, measurement and mitigation of risks. It also provides overview of current and future capital requirements of 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 31st December 2024 (Amount in INR'000)
Capital requirements for credit risk (I):	130,960
Portfolios subject to standardized approach	130,960
Securitization exposures	-
Capital requirements for market risk (II):	48,263
Standardized duration approach;	
Interest rate risk	-
Foreign exchange risk (including gold)	48,263
Equity risk	-
Capital requirements for operational risk (III):	95,807
Basic Indicator Approach	95,807
The Standardized Approach (if applicable)	-
Total capital requirement (I + II + III)	275,029
Total capital funds of the Bank (Tier I + Tier II)	2,879,064
Total risk weighted assets	2,115,609
Common Equity Tier I Capital (CET1)	136.09%
Tier I Capital ratio	135.43%
Tier II Capital ratio	0.66%
Total Capital ratio	136.09%

*The above disclosure is as per the Basel III guidelines wherein the minimum capital requirement is 13% (minimum capital ratio of 9% plus 2.5% of capital conversion buffer plus 1.5% of additional buffer applicable to BOC on account of being classified as GSIB).

Risk Exposure and Assessment:

General qualitative disclosure for each 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
- Market Risk
- Operational Risk
- Liquidity Risk
- Interest Rate Risk

General Qualitative Disclosures:

Risk Management and Internal Control Committee (“RMICC”): Adequate risk management and measurement 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.

3. 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

Exposure monitoring and assessment of customers’ business / financial performance on periodic basis enables business units and credit risk team to identify and report problem in relation to any loans on a prompt basis. Reports are received from business units on regular basis, which are evaluated and escalated to senior credit authorities for taking necessary action.

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	1,616,667	NIL	1,616,667
Non Fund Based Exposure (Non-market related off-balance sheet exposures)	NIL	555,258	555,258

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

Type of Industry	Funded			Non Funded
	Standard	NPA	Total	Total
Non-Banking Financial Services	916,667	NIL	916,667	NIL
Wholesale Trade	500,000	NIL	500,000	NIL
Mfg. of Insulated Wire Cables	200,000	NIL	200,000	NIL
Banking	NIL	NIL	NIL	555,258

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

Maturity Pattern	Day - 1	2-7 Days	8-14 Days	15-30 Days	31 days to 2 months	2 months and upto 3 months	Over 3 Months and upto 6 months	6 months to 1 year	Over 1 Year and upto 3 years	Over 5 years	Total
Cash and balance with RBI and other Banks	621,736	NIL	NIL	34,881	NIL	NIL	NIL	NIL	NIL	26,850	683,467
Loans and Advances	NIL	NIL	NIL	NIL	NIL	NIL	700,000	NIL	916,666.67	NIL	1,616,667
Investments	NIL	NIL	NIL	NIL	NIL	NIL	550,866	353,199	698,714	NIL	1,602,779

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

4. Credit Risk: Disclosures for Portfolios subject to Standardised Approach: DF-4 External Ratings

The Bank has adopted the standardized 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 31st December 2024, the Bank considered external rating for three borrowers' facility while one was unrated.

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 a Bank's outstanding (rated and unrated) in the following three major risk buckets as well as those that are deducted:	
• Below 100% risk weight	1,416,667
• 100% risk weight	NIL
• More than 100% risk weight	200,000
• Deducted	NIL

*** Note: The above tabulation is for loans & advances only and represents closing balance as at 31st December 2024.**

DF-18: Leverage ratio common disclosure template (Rs.in 000s)

Sr. No.	Leverage ratio framework			
		31st Dec 2024	30th Sep 2024	30th Jun 2024
On-Balance sheet exposure				
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	4,035,593	3,908,908	3,879,041
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	Nil	Nil	Nil
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	4,035,593	3,908,908	3,879,041
Derivative exposure				
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	Nil	Nil	Nil
5	Add-on amounts for PFE associated with all derivatives transactions	Nil	Nil	Nil
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	Nil	Nil	Nil
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	Nil	Nil	Nil
8	(Exempted CCP leg of client-cleared trade exposures)	Nil	Nil	Nil
9	Adjusted effective notional amount of written credit derivatives	Nil	Nil	Nil
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	Nil	Nil	Nil
11	Total derivative exposures (sum of lines 4 to 10)	Nil	Nil	Nil
Securities financing transaction exposures				
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	Nil	Nil	Nil
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	Nil	Nil	Nil
14	CCR exposure for SFT assets	Nil	Nil	Nil
15	Agent transaction exposures	Nil	Nil	Nil
16	Total securities financing transaction exposures (sum of lines 12 to 15)	Nil	Nil	Nil
Other off-balance sheet exposures				
17	Off-balance sheet exposure at gross notional amount	555,258	381,437	743,611
18	(Adjustments for conversion to credit equivalent amounts)	(175,912)	(162,668)	(287,022)
19	Off-balance sheet items (sum of lines 17 and 18)	379,345	218,770	456,589
Capital and total exposures				
20	Tier 1 capital	2,865,169	2,929,273	2,826,833
21	Total exposures (sum of lines 3, 11, 16 and 19)	4,414,938	4,127,678	4,335,631
Leverage ratio				
22	Basel III leverage ratio (20/21*100)	64.90%	70.97%	65.20%