Bank of America, N.A. (India Branches)

Basel III Pillar 3 Disclosures

As at Jun 30, 2017

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Table DF-2: Capital Adequacy

I. Qualitative disclosures

The Bank is required to comply with all applicable laws and regulations in India including guidelines issued by RBI and other relevant regulatory bodies.

The Internal Capital Adequacy Assessment Process ("ICAAP") document assesses the capital adequacy for the Bank and details the process by which this assessment is made based on a reference date and looking forward, over a three-year planning horizon ("ICAAP Planning Horizon").

ICAAP establishes a framework for banks to perform a comprehensive assessment of the risks they face and relate capital to those risks. The capital analysis performed by the Bank is expected to encompass all risks, not just the risks captured by the Basel III Pillar 1 minimum regulatory capital calculation. Successful risk identification and measurement requires having a comprehensive process to quantify measure and aggregate these various risks in order to ensure that the Bank's capital resources are sufficient to cushion volatility in earnings due to unexpected losses.

The authority to develop the ICAAP document is delegated to the Finance department. The Bank's Chief Financial Officer ("CFO") is responsible for the production of ICAAP with inputs from Front Line Units ("Businesses "or "Business"), Independent Risk Management and Control Functions. Enterprise-wide functions, including Treasury and Control Function ("TCF") Risk and International Capital Management and Advisory ("ICMA") also review the ICAAP to ensure adequate challenge and consistency with Enterprise practices.

The Bank has established an Internal Capital Guideline ("IGL") and maintains capital levels in excess of this guideline. IGL is set above minimum regulatory requirements to serve as an early warning signal to prompt action and avoid a capital breach.

The ICAAP document is presented to the Asset Liability Committee ("ALCO") and the LMT for final review and approval on an annual basis. The ICAAP is also validated by Corporate Audit periodically, as required under RBI guidelines.

ICAAP is an integral management tool for determining the adequacy of the Bank's capital resources throughout the ICAAP planning horizon. It is also utilized to assess the risks being faced by the Bank and assess the adequacy of BANA India's capital under Baseline as well as Stress Scenarios over the ICAAP Planning Horizon. The ALCO and the LMT are responsible for acting at an early stage to prevent capital from falling below the minimum levels required to support risk characteristics.

Capital Requirements for Pillar 1 risks (i.e. Credit Risk, Market Risk and Operational Risk)

The Bank has adopted Standardized Approach ("SA") for credit risk, Standardized Duration Approach ("SDA") for market risk and Basic Indicator Approach ("BIA") for operational risk for computing its capital requirement.

Under the SA for credit risk, the Bank relies upon the ratings issued by the external credit rating agencies specified by the RBI for assigning risk weights for capital adequacy purposes under the Basel III guidelines. The risk weights applicable for claims against banks, sovereign, corporate and other Assets are as per the Basel III guidelines. In compiling the credit exposures, the Bank does not reduce cash collateral received if any, against credit exposures as eligible credit mitigants, as permitted by the RBI.

Under the SDA for computing the capital requirement for market risk, the Bank has adopted the "duration" method.

The minimum capital requirement for market risk is computed in terms of:

a. "Specific risk" charge for each security, to protect against an adverse movement in the price of an individual security owing to factors related to the individual issuer.
b. "General market risk charge towards interest rate risk in the portfolio, where long and short positions in different securities or instruments can be offset.

Under the BIA, the Bank holds capital for operational risk equal to 15% of average positive gross annual income for the previous three financial years.

II. Quantitative disclosures

INR mm	30-Jun-17	31-Mar-17
Common Equity Tier 1	64,661	54,655
Additional Tier 1	-	-
Tier 2	1,317	1,413
Total Capital Funds	65,978	56,068

Capital requirement and CRAR

INR mm	30-Jun-17	31-Mar-17
Capital requirements for credit risk:		
- Portfolios subject to standardized approach	30,715	24,299
- Securitization exposures	-	-
Capital requirements for market risk:		
Interest rate risk		
- General market risk	5,689	4,645
- Specific risk	-	4
Equity risk		
- General market risk	-	-
- Specific risk	-	-
- Foreign exchange risk (including gold)	1,227	1,227
Capital requirements for operational risk: (Basic indicator approach)	4,061	4,061
Total Capital Requirements	**41,692**	**34,236**
Common Equity Tier I capital ratio	18.22%	18.76%
Tier I capital ratio	18.22%	18.76%
Tier II capital ratio	0.37%	0.48%
Total capital ratio	**18.59%**	**19.24%**

Risk Exposure and Assessment

Risk management is a disciplined approach to identify, analyze, assess and control unacceptable risk to minimize the volatility of financial results, drive sustainable earnings and protect the Bank's brand and reputation. The Bank takes a comprehensive approach to risk management, integrating it with strategic, capital and financial operating plans. Risk management and capital utilization are integral parts of the strategic planning process and are considered throughout the process to align the Business strategies with capital considerations. This holistic approach promotes the risk versus reward analysis needed to make informed strategic and business decisions.

Risk Framework integrates risk management activities in key strategic, capital and financial planning processes, day-to-day business processes and model risk management processes across Businesses.

The front line units have primary responsibility for managing risks inherent in their businesses. The bank employs an effective risk management process, referred to as Identify, Measure, Monitor and Control (IMMC), as part of its daily activities.

Some of the risks that the Bank is exposed to are described below:

- Credit risk is the risk of loss arising from the inability or failure of a borrower or counterparty to meet its obligations. The Bank defines credit exposure to a borrower or counterparty as the loss potential arising from all product classifications, including loans and leases, derivatives and other extensions of credit. The Bank's strong credit risk management system is a function of selective client base and regular monitoring. Exposure is predominantly short term.

- Market risk is the risk of loss due to changes in the market values of the Bank's assets and liabilities caused by changing interest rates, currency exchange rates, and security prices. Key market risk exposures are assessed at both specific and aggregate levels. At the specific level, market risk sensitivities are assessed by evaluating the impact of individual risk factors such as interest rates and foreign exchange. At the aggregate level, market risk is assessed using two key measures, which are Value-at-Risk ("VaR") and Bi-Weekly Maximum Observed Loss ("MoL"). All limit excesses are communicated to senior management for review.

- Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational losses have remained low.

- Strategic risk including business risk is the risk that results from adverse business decisions, inappropriate business plans, ineffective business strategy execution, or failure to respond in a timely manner to changes in the macroeconomic environment, such as business cycles, competitor actions, changing customer preferences, product obsolescence, technology developments and the regulatory environment. BANA India manages strategic risk through the following approaches:
  - Assessment of strategic risk in connection with its strategic and operating plans through the ICAAP process.
  - Assessing earnings and risk profile throughout the year. These are periodically discussed in various governance committees.

- Liquidity risk is the potential inability to meet expected or unexpected cash flow and collateral needs while continuing to support our business and customer needs under a range of economic conditions. The primary objective of liquidity risk management is to ensure that BANA India can meet expected and unexpected cash flow and collateral needs while continuing to support our businesses and customers with the appropriate funding sources, under a range of economic conditions. BANA India maintains a Liquidity

Risk Policy (Branch Supplement) and Contingency Funding Plan for managing its asset and liability position in accordance with the RBI guidelines.

- Reputational risk is the potential that negative publicity regarding an organization's business practices will adversely affect its profitability, operations or customer base or require costly litigation or other measures. It is the potential risk that negative publicity regarding an organization's conduct, or business practices, will adversely affect its profitability, operations or customer base, or require costly litigation or other defensive measures, is by its nature extremely difficult to quantify and lends itself to being mitigated by good governance controls.

- Compliance risk is the risk of legal or regulatory sanctions arising from the failure to comply with requirements of banking and financial services laws, rules and regulations. Compliance is at the core of the Company's culture and is a key component of the risk management discipline

Risk Governance

BANA India has the following senior management level local committees or groups for risk governance.

Local Management Team ("LMT")

The LMT is chaired by the Country Executive Officer of the Bank. It is the primary body which provides strategic direction to the Bank and ensures compliance with regulatory requirements and the internal policies of the Bank. It is responsible for branch governance and oversight of branch operations. It is also responsible for reviewing and approving new business and products. It reviews the country performance with respect to strategic objectives. The LMT holds meetings six times in a financial year or more frequently if required. The LMT reviews and approves the ICAAP on an annual basis or upon any revision in the interim.

Asset Liability Committee ("ALCO")

The ALCO is chaired by the Country Executive Officer of the Bank. The ALCO is responsible for establishing policies and providing directives to manage the structural balance sheet risks arising over time, resulting from the Bank's business activities originating from the changing asset-liability mix. It provides management oversight of balance sheet, capital and liquidity management activities of the Bank. The ALCO holds meetings four times in a financial year or more frequently if required. The ALCO reviews and approves the ICAAP on an annual basis or upon any revision in the interim.

Risk Management Committee ("RMC")

RMC is chaired by the Chief Risk Officer. RMC serves as an oversight body to provide strategic direction for a progressive risk management system and policies & strategy to be followed to mitigate the risks associated with the business. RMC comprises senior management of the Bank and representatives from front line units and relevant control & support functions. RMC meets at least on a quarterly basis.

Customer Service Committee ("CSC")

Customer Service Committee ('CSC') is responsible for activities relating to customer service and client services issues. CSC meets four times in a year. The committee is chaired by Head - Banking Operations.

Audit Council

The Audit Council assists LMT in exercising oversight of the effectiveness of the Bank's system of internal controls and policies and procedures for managing and accessing risk, integrity of the financial statements of the Bank, and compliance by the Bank with legal and regulatory requirements. The Council also provides direct oversight over the audit function. The Audit Council meets at least four times in a year.

Technology Steering Committee ("TSC")

The TSC is chaired by the Chief Information Officer ("CIO"). The Technology Steering Committee (TSC) oversees projects in partnership with the Regional / Global Technology and other Functional teams across the Bank including common infrastructure or other projects cutting across businesses or support groups. The TSC meets at least six times in a year or more frequent, if required.

The TSC is mainly responsible for:

- To assist the Executive Management in implementing Information technology ("IT") Strategy that has been approved by the by global/regional and local management forums,
- Setting project priorities, reviewing critical project status and milestones,
- Monitoring IT governance, risk and controls, and
- Providing regular updates to the India LMT on significant Technology matters.

Regulatory Governance Group ("RGG")

Returns Governance Group (RGG) was formed based on guidance by RBI in 'Approach Paper on Automated Data Flow from Banks' and guidance on Supervisory Program for Assessment of Risk and Capital (SPARC). RGG is the governance body responsible for providing oversight to all regulatory submissions, including Risk Based Supervision. RGG, as required by RBI shall inter-alia comprise of representatives from Compliance, Business, Technology, etc. and perform inter-alia the following roles.

- Act as the owner of all the layers indicated in the end state from the process perspective and in the context of automated submission systems ensure governance around Data Acquisition, Data conversion and Data submission.
- Provide oversight and guidance to Technology Steering Committee, which is currently managing the automation of RBS reports, etc.
- Review and escalation point for Technology Steering Committee for handling change request for any new requirement by Reserve Bank and also handling ad-hoc queries.
- Ensuring governance that the metadata is as per the regulatory definitions.

Table DF-3: Credit Risk: General Disclosures

I. Qualitative disclosures

Robust risk management policies and procedures are laid out in the Global Banking and Markets Core policy. It is supplemented by the Credit Compliance Manual. Written policies, procedures, standards, and guidelines are updated on a regular basis to provide a clear direction to officers for meeting the requirements for which they are accountable. Approval authority is vested via an Approval Grid which takes into account the quantum, internal risk rating and nature of exposure and the position/experience of the approver.

The Bank manages credit risk based on the risk profile of the borrower or counterparty, repayment sources, the nature of underlying collateral, and other support given current events, conditions and expectations. Credit risk management begins with an assessment of the credit risk profile of the borrower or counterparty based on an analysis of their financial position. As part of the overall credit risk assessment of a borrower or counterparty, credit exposures are assigned a risk rating and are subject to approval based on defined credit approval standards. Subsequent to loan origination, risk ratings are monitored on an ongoing basis. If necessary, risk ratings are adjusted to reflect changes in the financial condition and cash flow of a borrower or counterparty.

The Bank has a policy of internal rating on a scale of Risk Rating (“RR”) 1-11, and the RR is continuously monitored with a change in RR as and when it is warranted. Exposures with RR of 8 or more (criticized assets) are subject to intensive scrutiny by the senior management.

Definitions

- **Overdue:** Any amount due to Bank under any credit facility is ‘overdue’ if it is not paid by the due date.

Norms for determining when to classify various types of assets as non-performing

- Term loans are treated as non-performing if the interest and/or installments of principal remain overdue for a period of more than 90 days.

- Cash credits & overdrafts are treated as non-performing if the accounts remain out of order for a period of more than 90 days.

- An account will be treated “out of order” if the outstanding balance remains continuously in excess of the sanctioned limit/drawing power. In case where the outstanding balance is less than the sanctioned limit/drawing power, but there are no credits continuously for 90 days as on balance-sheet date or credits are not enough to cover the interest debited during the same period, these accounts will be treated as out of order.

- Bills purchased/discounted are treated as non-performing if the bill remains overdue and unpaid for a period of more than 90 days.

- Any overdue receivables representing positive mark-to-market value of a foreign exchange and interest rate derivative contracts will be treated as non- performing asset if these remain unpaid for 90 days or more, upon becoming due

- Any other facility will be treated as non-performing if any amount to be received remains overdue for a period of more than 90 days during the financial year

II. Quantitative disclosures

a. Total Gross credit exposures

INR mm	30-Jun 17	31-Mar-17
Fund Based	**223,054**	**262,179**
Non-Fund Based [2]	**54,941**	**57,579**

b. Geographic distribution

	30-Jun-17		31-Mar-17	
INR mm	Domestic	Overseas [3]	Domestic	Overseas [3]
Fund Based	**223,054**	-	**262,179**	-
Non-Fund Based [2]	**54,941**	-	**57,579**	-

[2]Includes market as well as non-market related exposures

[3] As per the clarification given in the guidelines for Pillar 3 disclosures, definition of Overseas and Domestic should be as adopted for segment reporting in compliance with Accounting Standard- 17 issued by ICAI. As the Bank does not have any overseas operations, all exposures are reported under domestic exposures.

c. Distribution of Exposures by sector / industry

INR mm

INR mm					
Sr.no	Particulars	30-Jun-17		31-Mar-17	
		Funded Exposure	Non Funded Exposure*	Funded Exposure	Non Funded Exposure*
1.	**Agriculture & Allied Activities**	-	-	-	-
2.	**Industry (Micro & Small, Medium and Large)**				
a.	Food Processing	4,939	390	3,093	258
b.	Textiles	111	457	416	306
c.	Leather & leather products	106	0	759	0
d.	Paper & paper products	2,277	10	2,433	9
e.	Petroleum, coal products and nuclear fuels	9,086	942	9,084	1,035
f.	Chemicals and chemical products	16,137	1,248	16,764	1,327
g.	Rubber, plastic & their products	-	8	-	22
h.	Glass and glassware	-	-	-	-
i.	Cement & Cement products	-	-	-	-
j.	Basic metal and metal products	4,373	545	3,168	557
k.	Mining and Quarrying	1	184	-	180
l.	Wood and Wood products	-	-	-	-
m.	All Engineering	13,095	8,553	12,771	7,608
n.	Vehicles, vehicle parts and transport equipments	6,385	1,491	5,626	1,933
o.	Gems & Jewellery	-	20	-	109
p.	Construction	-	-	-	-
q.	Infrastructure Others	1,221	543	1,190	761
r.	Power	569	-	58	-
s.	Telecom	9,111	704	8,886	442
t.	Computer Software	1,204	4,248	1,100	4,667
u.	Beverage & Tobacco	9,606	28	10,653	4
v.	Trade	15,144	736	14,071	888
w	Other Industries	1,534	217	1,987	187
x	Others	-	-	-	-
	2. Total	**94,898**	**20,325**	**92,058**	**20,293**
3.	**Services**				
a.	Non Banking Financial Companies	4,306	911	4,669	2,878
b.	Banking and Finance other than NBFCs and MFs	27,195	24,685	28,388	25,016
c.	Transport Operators	3,599	375	4,347	292
d.	Tourism Hotels and Restaurants	-	2	60	2
e.	Professional and Other services	4,799	1,496	4,568	1,170
f.	Other Services	86,717	5,099	126,907	5,881
	3. Total	**126,616**	**32,568**	**168,938**	**35,238**
4.	Sovereign	1,537	2,048	1,178	2,048
5.	Employee Loans	3	-	5	-
	Grand Total	**223,054**	**54,941**	**262,179**	**57,579**

[4] *Includes market as well as non-market related exposures*

Note: Previous year figures have been regrouped and reclassified wherever necessary to confirm to current year's presentation

d. Residual contractual maturity pattern for assets.

As of Jun 30, 2017
INR mm

Particulars	Cash	Advances	Balance with RBI	Balances with other Banks	Fixed Assets	Investments	Other Assets
Next Day	29	1,652	69	9,438	-	84,906	955
2 - 7 days	-	16,348	-	24,890	-	-	-
8-14 days	-	8,031	-	-	-	-	4
15-30 days	-	13,827	3,006	-	-	13,610	-
31 days to 2 month	-	15,686	438	-	-	1,981	-
2-3 months	-	16,247	981	-	-	4,440	34,570
3-6 months	-	22,110	1,044	-	-	4,729	1,864
6 months to 1 year		17,373	82	-	-	372	-
1-3 years	-	19,774	2,327	-	-	10,533	-
3-5 years		627	6	-	-	28	0
5-7 years	-	1	0	-	-	1	-
7-10 years		0	0	-	-	0	-
10-15 years	-	-	-	-	-	-	-
Over 15 years		-	-	-	1,020	-	2,889
TOTAL	**29**	**131,674**	**7,953**	**34,328**	**1,020**	**120,600**	**40,292**

As of March 31, 2017
INR mm

Particulars	Cash	Advances	Balance with RBI	Balances with other Banks	Fixed Assets	Investments	Other Assets
Next Day	26	4,655	3,589	39,733	-	33,150	967
2 - 7 days	-	13,635	-	20,000	-	-	-
8-14 days	-	6,470	-	5,000	-	-	22
15-30 days	-	17,779	2,511	-	-	11,909	-
31 days to 2 month	-	20,286	558	-	-	2,645	-
2-3 months	-	20,233	831	-	-	3,942	52,555
3-6 months	-	18,322	538	-	-	2,551	1,507
6 months to 1 year		15,054	992	-	-	6,469	-
1-3 years	-	19,176	2,552	-	-	12,102	-
3-5 years		896	7	-	-	3,402	0
5-7 years	-	1	0	-	-	1	-
7-10 years		0	0	-	-	0	-
10-15 years	-	-	-	-	-	-	-
Over 15 years		-	-	-	1,048	-	3,337
TOTAL	**26**	**136,508**	**11,578**	**64,733**	**1,048**	**76,171**	**58,388**

e. Amount of NPAs (Gross) – INR 1,100 mm (March 31, 2017 –1,100)

f. Net NPAs – INR NIL mm (March 31, 2017 –NIL)

g. NPA Ratios

- Gross NPA to Gross Advances – 0.83% (March 31, 2017 – 0.80%)

- Net NPA to Net Advances –NIL (March 31, 2017 –NIL)

h. Movement of NPAs (Gross)

INR mm	30-Jun-17	31-Mar-17
Opening balance	1,100	-
Additions during the year	-	1,100
Reductions during the period	-	-
Closing balance	1,100	1,100

i. Movement of provision for NPAs

INR mm	30-Jun-17	31-Mar-17
Opening balance	1,100	-
Provisions made during the year	-	1,100
Write-off	-	-
Write-back of excess provisions	-	-
Closing balance	1,100	1,100

k. Non-Performing Investments: **NIL** (March 31, 2017 – NIL)

l. Provisions for Non-Performing Investments – **NIL** (March 31, 2017 – NIL)

m. Movement of provision for Depreciation on Investments

INR mm	30-Jun-17	31-Mar-17
Opening balance	-	-
Provisions made during the year	-	-
Write-off	-	-
Write-back of excess provisions	-	-
Closing balance	-	-

n. Breakup of Non Performing Assets by major industry or counterparty type

INR mm	30-Jun-17	31-Mar-17
Amount of Non-Performing Assets	1,100	1,100
Specific Provisions	1,100	1,100
General Provisions	-	-
Write offs	-	-

Note – Non Performing Assets reported above are from Iron & Steel Industry.

o. Geographical Distribution of Non Performing Assets

INR mm	30-Jun-17	31-Mar-17
Amount of Non-Performing Assets	**1,100**	**1,100**
Specific Provisions	**1,100**	**1,100**
General Provisions	**-**	**-**
Write offs	**-**	**-**

Note – Non Performing Assets reported above represents domestic exposure.

Table DF-4 - Credit Risk: Disclosures for Portfolios Subject to the Standardized Approach

I. Qualitative disclosures

The Bank adopts the following basis for assignment of risk weights for different categories of counterparties:

a. Scheduled Banks including foreign bank branches in India:
All exposures to scheduled banks for the purpose of Pillar 1 calculation, have been applied a 20% risk weight, since these exposures are made to counterparty banks having overall capital adequacy ratio of 9% and above.

b. Foreign Banks:
Ratings for foreign banks have been sourced from websites of Fitch, Moody's and Standard & Poor's. The bank has applied risk weights relevant to the ratings assigned by international credit rating agencies as prescribed by RBI.

c. Corporates:
Where the obligors have obtained rating of the facility from any of the accredited credit rating agencies viz. Brickwork Ratings India Pvt. Limited, Credit Analysis & Research Limited (CARE), CRISIL Limited, ICRA Limited (ICRA), India Ratings and Research Private Limited (Fitch), SME Rating Agency of India Ltd. (SMERA) as specified by the RBI, the Bank has applied the risk weights relevant to the ratings assigned by the credit rating agencies. Where the obligors have not obtained a rating, the exposures are taken as unrated and 100% risk weights applied.

BANA India does not transfer public issue ratings into comparable assets in the banking book.

II. Quantitative disclosures

a. Total Gross credit exposures

INR mm	30-Jun-17	31-Mar-17
Fund Based		
Below 100% risk weight	**114,530**	**147,843**
100% risk weight	**5,535**	**114,336**
More than 100% risk weight	**102,989**	**-**
Deducted		**-**
Total	**223,054**	**262,179**

INR mm	30-Jun-17	31-Mar-17
Non-Fund Based [5]		
Below 100% risk weight	**29,303**	**29,334**
100% risk weight	**294**	**28,169**
More than 100% risk weight	**25,344**	**76**
Deducted		**-**
Total	**54,941**	**57,579**

[5]Includes market as well as non-market related exposures.
Note: Previous year figures have been regrouped and reclassified wherever necessary to confirm to current year's presentation

Leverage Ratio

As per RBI guideline DBR.No.BP.BC.58/21.06.201/2014-15 issued on January 8, 2015, Banks operating in India are required to make disclosure of the leverage ratio and its components from the date of publication of their first set of financial statements / results on or after April 1, 2015.

As per the instructions the disclosure is required to be made along with the Pillar 3 disclosures.

Quantitative disclosures

INR mm	30-Jun -17	31-Mar-17	31-Dec -16	30-Sep -16
Tier 1 Capital	64,661	54,656	52,870	52,873
Exposure Measure	426,531	444,426	416,916	405,731
Leverage Ratio	15.16	12.30	12.68	13.03