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

Basel III Pillar 3 Disclosures

As at June 30, 2015

Bank of America

Bank of America

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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 the ICAAP with inputs from the primary businesses ("Businesses"), and Governance and Control Functions ("GCFs") including Risk Management and Compliance. Based on inputs from businesses and the Local Management Team ("LMT") Finance prepares financial projections and forecasts the RWA over the ICAAP Planning Horizon. This determines the projected capital requirements for ICAAP purposes. The stress scenarios and methodology adopted for developing the ICAAP document are reviewed by senior management. Enterprise-wide functions, including Enterprise Stress Testing ("EST"), Balance Sheet & Capital Management ("BS&CM") and CFO Risk also review and approve the ICAAP..

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 (General market risk charge) 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 (General market risk charge), 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 -15	31-Mar-15
Common Equity Tier 1	40,572	40,570
Additional Tier 1	-	-
Tier 2*	1,291	1,222
Total Capital Funds	41,863	41,792

** Amounts reflected under Jun-2015 are inclusive of incremental provision for Unhedged Foreign currency exposures (UFCE) of corporate clients*

Capital requirement and CRAR

INR mm	**30-Jun -15**	**31-Mar-15**
Capital requirements for credit risk:		
- Portfolios subject to standardised approach	19,677	17,527
- Securitisation exposures	1	2
Capital requirements for market risk:		
Interest rate risk		
- General market risk	4,904	6,402
- Specific risk	11	130
Equity risk		
- General market risk	-	-
- Specific risk (INR 81k)	0	0
- Foreign exchange risk (including gold)	925	925
Capital requirements for operational risk: (Basic indicator approach)	2,894	2,572
Total Capital Requirements	**28,342**	**27,559**
Common Equity Tier I capital ratio	14.28%	14.72%
Tier I capital ratio	14.28%	14.72%
Tier II capital ratio	0.45%	0.44%
Total capital ratio	**14.73%**	**15.16%**

- *The risk weighted assets for operational risk, market risk and credit value adjustment (credit risk) as on June 30,2015 have been computed at 12.5 times the capital charge as against 11.11 times as on March 31, 2015, based on revised RBI BASEL III Capital guidelines.*

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 Bank employs a simple but effective risk management process, referred to as IMMR: Identify and measure, Mitigate and control, Monitor and test, Report and review. This process builds on employees' regular tasks and ensures a solid knowledge base for mitigating risk.

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 losses stem from delay/outright default due to inability or unwillingness of a customer to meet commitments on financial transactions.

- 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. Market risk is inherent in the Bank's operations and arises from both trading and non-trading positions. Trading exposures represent positions taken in a wide range of financial instruments and markets which expose the Bank to various risks, such as interest rate, foreign exchange and issuer credit risk.

- Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. It includes the following event types: internal fraud; external fraud; employment practices and workplace safety; clients, products, and business practices; damage to physical assets; business disruption and system failures; and execution, delivery and process management.

- Strategic 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.

- Liquidity risk is the potential inability to meet contractual and contingent financial obligations, both on- or off-balance sheet, as they become due. The fundamental objective of liquidity risk management is to ensure that the Bank can meet all of its financial obligations across market cycles and through periods of financial stress.

- 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 of the Bank to comply with requirements of banking and financial services laws, rules and regulations.

- Interest Rate Risk in the Banking Book refers to the potential adverse financial impact on the Bank's net interest income from changes in interest rates. Due to the fundamental nature of its business, the Bank carries various interest sensitive assets and liabilities in its balance sheet.

- Credit concentration risk arises due to imperfect diversification of credit exposures in two ways. One, by having very large exposures to a small set of obligors due to which, default by a big customer could result in a huge loss. Second type of concentration is due to excessive exposure to a particular industry sector. It is observed that defaults in a particular industry sector are generally correlated.

Risk Reporting

Effective risk reporting is critical to provide a clear understanding of current and emerging risks, as well as how these risks align with overall risk appetite and ability to quickly and effectively act upon them. The Bank achieves transparency in risk reporting by understanding the current risk profile; leveraging data, information and analytics; and by reporting actionable insights and recommendations to appropriate levels of the Bank.

Risk Governance

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

Local Management Team ("LMT")

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.

Asset Liability Committee ("ALCO")

It 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.

Risk Management Committee ("RMC")

The RMC is responsible for strategizing action to put in place a progressive risk management system, policy and strategy to be followed so as to mitigate the risk associated with the business. The RMC reviews the market risk and credit portfolio along with the limits assigned and the utilization of the limits. The RMC analyses the overall portfolio trends, changes in risk ratings, concentrations in sectors and groups and broad issues including Operational Risks, Risk arising out of operations and technology.

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, Asia standards and various ongoing guidance notes. 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.

The Bank has an advanced Information Technology ("IT") infrastructure. All credit filing and credit approvals are done electronically and all policies are stored electronically on the intranet. Ongoing tracking/ monitoring is done electronically through internal systems like Enterprise Credit Risk Information System ("ECRIS") and Credit Studio.

Tight credit risk management controls as above have ensured strong credit risk management process as demonstrated by NIL non-performing assets ("NPA") as of June 30, 2015. The Bank's strong credit risk management process is reflected in the selective client base, stringent and regular monitoring and conservative Criticized Asset policy. As a result of these processes, Bank is able to start tracking potential problem assets in the initial stage itself and can manage early exit, resulting in low NPAs.

Definitions

- **Impaired assets:** Bank assesses at each balance sheet date whether there is any indication that an asset may be impaired because of external/ internal factors. If any such indication exists, Bank estimates the recoverable amount of the asset. If such recoverable amount of the asset is less than the carrying amount, the carrying amount is reduced to the recoverable amount and the reduction is recognized as an impairment loss in the Profit and Loss account.

- **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

- The amount receivable on credit card account will be treated as NPA if the minimum amount due, as mentioned in the statement, is not paid fully within 90 days from the next statement date with the gap between two statements should not being more than a month

II. Quantitative disclosures

a. Total Gross credit exposures

INR mm	30-Jun -15	31-Mar-15
Fund Based	**128,946**	**155,648**
Non-Fund Based [2]	**106,288**	**110,627**

b. Geographic distribution

	30-Jun -15		31-Mar-15	
INR mm	Domestic	Overseas [3]	Domestic	Overseas [3]
Fund Based	**128,946**	-	**155,648**	-
Non-Fund Based [2]	**106,288**	-	**110,627**	-

[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

Sr.no	Particulars	30-Jun-15		31-Mar-15	
		Funded Exposure	Non Funded Exposure*	Funded Exposure	Non Funded Exposure*
1.	**Agriculture & Allied Activities**			-	-
2.	**Industry (Micro & Small, Medium and Large)**				
a	Mining and Quarrying	94	244	1,524	240
b	Food Processing	3,778	101	2,957	271
c	Beverage & Tobacco	5,784	10	2,862	9
d	Textiles	66	502	69	206
e	Leather & leather products	695	0	664	0
f	Wood and Wood products	-	-	-	-
g	Paper & paper products	2,452	17	2,415	12
h	Petroleum, coal products and nuclear fuels	5,601	1,327	5,438	1,733
i	Chemicals and chemical products	5,632	941	6,442	977
j	Rubber, plastic & their products	-	-	-	-
k	Glass and glassware	-	-	-	-
l	Cement & Cement products	-	-	-	-
m	Basic metal and metal products	12,423	1,094	15,601	966
n	All Engineering	11,290	7,952	12,031	8,130
o	Vehicles, vehicle parts and transport equipments	5,526	1,437	5,121	1,932
p	Gems & Jewellery	-	98	-	33
q	Construction	129	-	126	-
r	Infrastructure	535	2,149	530	2,254
s	Other Industries	3,253	1,512	1,028	223
	2. Total	**57,258**	**17,384**	**56,807**	**16,988**
3.	**Services**				
a.	Non Banking Financial Companies	7,451	10,652	2,435	10,266
b	Transport Operators	1	471	34	206
c.	Tourism Hotels and Restaurants	1,000	1	1,000	1
d.	Trade	13,573	344	13,077	390
e.	Computer Software	1,240	2,921	1,279	2,842
f	Professional and Other services	2,775	56	2,690	51
g	Other Services	43,958	73,881	74,897	79,307
	3. Total	**69,999**	**88,326**	**95,413**	**93,062**
4.	**Sovereign**	**1,684**	**577**	**3,423**	**577**
5.	**Employee Loans**	**5**	**-**	**5**	**-**
	Grand Total	**128,946**	**106,288**	**155,648**	**110,627**

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

d. Residual contractual maturity pattern for assets.

As of June 30, 2015
INR mm

Particulars	Cash	Advances	Balance with RBI	Balances with other Banks	Fixed Assets	Investments	Other Assets
Next Day	48	3,152	269	3,805	-	54,927	1,436
2 - 7 days	-	20,676	-	-	-	-	
8-14 days	-	5,889	-	-	-	20	0
15-28 days	-	7,015	1,972	-	-	10,608	-
29 days to 3 month	-	26,536	378	-	-	10,728	24,022
3-6 months	-	8,692	579	-	-	4,888	248
6-12 months	-	16,340	9	-	-	37	-
1-3 years	-	21,344	2,011	-	-	10,807	-
3-5 years	-	-	9	-	-	46	-
Over 5 years	-	2	0	-	502	2	2,797
TOTAL	**54**	**109,646**	**5,226**	**3,805**	**502**	**92,064**	**28,503**

As of March 31, 2015
INR mm

Particulars	Cash	Advances	Balance with RBI	Balances with other Banks	Fixed Assets	Investments	Other Assets
Next Day	54	16,743	4,286	5,470	-	41,433	1,737
2 - 7 days	-	3,774	-	-	-	29,705	
8-14 days	-	8,962	-	-	-	33,289	0
15-28 days	-	10,528	1,011	-	-	6,852	-
29 days to 3 month	-	15,750	842	-	-	7,068	30,347
3-6 months	-	15,141	4	-	-	7,880	870
6-12 months	-	9,253	12	-	-	1,450	-
1-3 years	-	12,384	2,033	-	-	10,927	-
3-5 years	-	98	8	-	-	44	-
Over 5 years	-	2	40	-	483	218	1,542
TOTAL	**54**	**92,636**	**8,236**	**5,470**	**483**	**138,867**	**34,496**

e. Amount of NPAs (Gross) – NIL (March 31, 2015 – 145mm)

f. Net NPAs – NIL (March 31, 2015 – 98mm)

g. NPA Ratios

- Gross NPA to Gross Advances – **NIL** (March 31, 2015 – 0.16%)
- Net NPA to Net Advances – **NIL** (March 31, 2015 – 0.11%)

h. Movement of NPAs (Gross)

INR mm	30-Jun -15	31-Mar-15
Opening balance	**145**	**-**
Additions during the year	**-**	**319**
Reductions during the period	**145**	**174**
Closing balance	**-**	**145**

i. Movement of provision for NPAs

INR mm	30-Jun -15	31-Mar-15
Opening balance	**47**	**-**
Provisions made during the year	**-**	**177**
Write-off	**-**	**130**
Write-back of excess provisions	**47**	**-**
Closing balance	**-**	**47**

k. Non-Performing Investments: **NIL** (March 31, 2015 – NIL)

l. Provisions for Non-Performing Investments – **NIL** (March 31, 2015 – NIL)

m. Movement of provision for Depreciation on Investments

INR mm	30-Jun-15	31-Mar-15
Opening balance	**-**	**-**
Provisions made during the year	**52**	**-**
Write-off	**-**	**-**
Write-back of excess provisions	**-**	**-**
Closing balance	**52**	**-**

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

INR mm	30-Jun-15	31-Mar-15
Amount of Non Performing Assets	**-**	**-**
Specific Provisions	-	**-**
General Provisions	**-**	**-**
Write offs	**-**	**-**

o. Geographical Distribution of Non Performing Assets

INR mm	30-Jun-15	31-Mar-15
Amount of Non Performing Assets	-	-
Specific Provisions	-	-
General Provisions	-	-

Table DF-4 - Credit Risk: Disclosures for Portfolios Subject to the Standardised 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 -15	31-Mar-15
Fund Based		
Below 100% risk weight	**29,248**	**68,037**
100% risk weight	**99,698**	**87,611**
More than 100% risk weight	**-**	**-**
Deducted	**-**	**-**
Total	**128,946**	**155,648**

INR mm	30-Jun -15	31-Mar-15
Non-Fund Based [5]		
Below 100% risk weight	**67,346**	**73,895**
100% risk weight	**38,942**	**36,732**
More than 100% risk weight	**-**	**-**
Deducted	**-**	**-**
Total	**106,288**	**110,627**

[5] *Includes market as well as non-market related exposures.*

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 -15	31-Mar-15	31-Dec-14	30-Sep-14
Tier 1 Capital	40,572	40,570	39,263	39,267
Exposure Measure	335,838	375,016	332,786	309,030
Leverage Ratio	12.08	10.82	11.80	12.70