Bank of India, Johannesburg Branch

Pillar 3 Disclosure Report for the Bank of India, South African operations (Johannesburg Branch) - March, 2015

Bank of India, Johannesburg branch is a South African registered branch of a foreign Bank i.e. Bank of India, a Government of India owned Bank. Bank of India, Johannesburg branch (hereinafter referred to as “the Branch”) is incorporated as an external company under the requirements of the Companies Act of South Africa.

The purpose of this document is to disclose both qualitative and quantitative information regarding the Branch’s capital adequacy position, risk profile and risk management practices in terms of the Basel III requirements under Regulation 43 of the regulations relating to banks. In terms of Regulation 43(1)(e)(iii) of regulations relating to banks, the Branch is required to make accurate assessment and disclosure of the banks financial condition, including its capital adequacy position and financial performance, business activities, risk profile and risk management practices. This announcement meets the disclosure in terms of Pillar 3 of the Basel III.

As prescribed by Regulation 43 this report is verified and approved internally in line with the Bank's disclosure policy.

Business Profile

The Bank of India, Johannesburg branch started its operation on the 12th of September, 2012 in Johannesburg as a duly incorporated Branch of the Bank of India.

The Bank of India (hereinafter referred to as “ the Bank”) is a government-owned commercial bank in India that offers a broad range of banking products and services to corporate and retail customers. The head office of the Bank is located in Mumbai, India. The Government of India is the Bank’s largest shareholder with 64.43% ownership of the issued shares. The Bank was originally established as a private commercial bank in Mumbai in September 1906 and remained under private ownership and control until July 1969 when it was nationalized and became government-owned. Although the Bank began as a local Mumbai operation, it rapidly expanded to establish a presence both in India and abroad. Currently, the Bank is the third largest bank in India in terms of total assets among nationalized banks according to the Reserve Bank of India (“RBI”) Annual Report 2014.

Restrictions on transfer of funds or regulatory capital

There are currently no restrictions or other major impediments on the transfer of funds or capital within the Branch.

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Risk Management

1. Credit risk

A robust risk management framework is necessary for the long-term financial health of the Branch. Credit Risk Management encompasses identification, measurement, monitoring and control of the credit risk exposures. The Branch has identified various types of credit risk at a generic level in the *Credit Risk Management* policy.

The Credit Risk Management framework outlined in the Branch's approved and applied policies is built on three distinct building blocks namely *Policy & Strategy, Organizational Set up and operations /Systems*.

Policy and Strategy
The Branch has been following a conservative risk philosophy, which has steered the Branch through difficult times. However the Branch has an open policy regarding new and unexplored areas and new opportunities are not lost sight of. The important aspects of this philosophy are embodied in the internal circulars and are periodically codified in the form of Manual of Instructions.

The business objectives and the strategy of the Branch is decided taking into account the profit considerations, the level of various risks faced, level of capital, market scenario and competition. The Branch is always conscious of its asset quality and earnings and hence judiciously matches profit maximisation with risk control.

The *Credit Risk Management* policy and significant credit risk related policies like *Credit Policy*, and *Credit Monitoring Policy* are approved and periodically reviewed by the Board of Directors. The *Credit Policy* covers various areas of credit like Client*ele, Marketing, Segmented Approach to Lending, Credit Delivery, Credit Thrust, Tenure of Credit, Credit Acquisition, Risk Rating (including risk acceptance criteria), Pricing, Credit appraisal, Assessment of Limits, Exposure Norms, Industry Norms, Collateral and Margins, Review of Relationship, Scheme of Delegation, Statutory and other Restrictions and Documentation*.

The *Credit Risk Management* policy for the Johannesburg Branch /International Operations are in place, with each centre having its own credit policy dovetailed to maintaining and enhancing the *Credit Risk Management* policy.

Organizational Set up
The organisational structure of the Branch for Credit Risk Management function has the Board of Directors at the Apex levels that have the overall oversight of management of risks. The Risk Management Committee of the Board (R. Com) which is the sub-committee of the Board headed by the Chairman & Managing Director and whose members also include heads of Credit, Market & Operational Risk Management Committees, devises the policy and strategy for integrated risk management including credit risk.

The main functions includes implementation of credit risk management policy approved by the Board, monitoring credit risk on a Bank wide basis, recommending to the board for its approval all policies relating to credit matters including delegation of credit, prudential limits on large credit exposures, portfolio management, etc.

The Risk Management Department headed by the Chief Risk Officer of General Manger rank, measures, controls and manages credit risk on Bank wide basis within the limits set by the Board and enforces compliance with risk parameters set by Board/R. Com/M.Com. The Credit Monitoring Department headed by a General Manager, monitors the quality of loan portfolio, identifies problems and takes steps to correct deficiencies. Loan review/credit audit is undertaken by the Credit Audit function on a regular basis.

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The following table details the governance structure specifically applied throughout the Bank:

Board of Directors
Government appointed Chairman
Government appointed Managing Director & CEO
Government appointed Executive Directors
Various Committee's as per guidelines of Reserve Bank of India, SEBI, Government of India
General Managers heading different Departments, Centre of Foreign Branches. Branch Manager (CEO of a Branch)
Managers (Manager Credit, Operations, IT, Compliance , Forex) etc Officers

Operations/Systems/Processes

The Branch has proactive Credit Risk Management practices like consistent standards for the credit origination, maintenance and documentation for all credit exposures including off balance sheet items, periodic individual obligor reviews, periodic inspections and collateral management systems.

Credit risk limits including obligor limits and concentration limits by industry, systems and procedures for monitoring financial performance of customers and for controlling outstanding within limits are followed. Checks and balances are in place for extension of credit viz. separation of credit risk management from credit sanction, vetting of new products and systems from risk angle by the CRMC, multiple credit approvers, system of assigning risk rating, vetting of ratings, mechanism to price facilities depending on the risk grading of the customer, Credit Risk Evaluation committee for vetting credit proposals from risk angle, credit process audit, post sanction pre disbursement review and post sanction review systems and an independent audit and risk review function.

Proposals for investments are subjected to credit risk analysis, detailed appraisal and rating. As a matter of entry level, minimum ratings/quality standards, industry, maturity, duration, issue-wise limits are stipulated for investments to mitigate the adverse impact of concentration and risk of liquidity. Investment exposure is taken into consideration while computing exposure to a customer/group**.** A suitable framework is in place to provide a centralized overview on the aggregate exposure on other Branch's and half-yearly reviews are undertaken at a single point. In-country exposures are monitored on half yearly basis.

A diversified portfolio of risk assets is maintained and a system to conduct regular analysis of the portfolio so as to ensure ongoing control of risk concentrations is in place. A conservative policy for provisioning in respect of non-performing advances is followed. Management Information System (MIS) is being upgraded with introduction of Credit Risk Management System, which would enhance the capabilities of the Branch to manage and measure the credit risk inherent in all on- and off-balance sheet activities.

The following tools are used for credit risk management/ mitigation

- **Credit Approving Authority – Delegation of Powers**
  The Branch has a well-defined scheme of risk based delegation of powers with a multi- tier risk based approving system, which is reviewed periodically and revised as and when necessary to meet the compulsions of business environment. The delegation of powers is linked to the rating of the borrower with powers for sanction of higher limits to better-rated customers. As per Ministry of Finance Guidelines, Credit Committees with sanctioning authority have been formed at various administrative levels to exercise delegation of powers. At present, all credit proposals falling beyond the delegated authority of the General Manager are being routed through "The Risk Evaluation Committee" of General Managers, to bring in an element of independence and off site evaluation of risks perceived in credit proposals.

- **Prudential Limits**
  Prudential limits on various aspects of credit/investment like Single Borrower limits and Borrower Group limits are in place and specified in the credit management policy for the Johannesburg Branch of Bank of India.

- **Risk Rating/Pricing**
  The Branch has introduced rating models for various segments, which serve as a single point indicator of diverse risk factors of a counter party and support credit and pricing decisions.

- **Credit Audit/Loan Review Mechanism (LRM)**
  Credit Audit/LRM is an effective tool for constantly evaluating the quality of loan book and to bring about qualitative improvements in credit administration.

Risk Measurement
At present Credit Risk is assessed through risk rating at the individual borrower level and through Risk Weighting of the Assets at the portfolio level and capital is maintained based on Risk Weights. The Bank has migrated to the Standardised approach under the New Capital Adequacy Framework (Basel III).

Risk Reporting System
All credit related policies are cleared by the Bank's CRMC (which is the operational level committee for credit risk) before submission to the appropriate authorities for approval.

Risk Review
Audit – Credit Risk Management systems, procedures and tools are also subjected to internal audit for ensuring effectiveness.

The Johannesburg Executive Committee is ultimately responsible for the governance of risk and capital within the Branch. In discharging this duty, it is supported by key management committees (i.e. Asset and Liability Management Committee (ALCO) and the Risk Management Committee (RMC)) which are responsible for overseeing the processes, strategies and systems for managing risk and ensuring that capital is adequate to support the Branch's scale, complexity and strategic objectives. Risk is measured and managed on the basis of specific policies for the Johannesburg Branch and generic policies of the Bank in tune with the relevant laws and regulations applied in country.

Branch's total exposure after netting of Credit Risk Mitigation and Total Risk weighted exposure:

	Total Credit PRE CRM exposure 31st March, 2015 ZAR'000	**Total Credit Post CRM exposure 31st March, 2015 ZAR'000**	**Total Risk weighted Exposure 31st March, 2015 ZAR'000**
Corporate	244,450	163,101	144,093
Public sector entities	-	-	-
Sovereign	1,882	1,882	0
Banks	127,413	127,413	46,962
Retail	244	61	61
Total	**373,989**	**292,457**	**191,116**

Disclosures for portfolios subject to the standardised approach
Currently, the Johannesburg Branch of the Bank of India applies the standardised approach.

For portfolios under the standardized approach:
- Names of Credit Rating agencies used, plus reasons for any changes ;
- Types of exposure for which each agency is used; and
- A description of the process used to transfer public issue ratings on to comparable assets in the banking book.

The Bank has approved using the general rating of the following credit rating agencies for risk weighting under the standardized approach for *CRAR* calculations *CRISIL, ICRA, INDIA RATINGS, BRICKWORK, SMERA*, and *CARE* for domestic claims and *S&P FITCH and Moody's* for claims on non-resident corporates, foreign banks and foreign sovereigns.

The ratings of all these agencies are being used for all exposures subjected to rating for risk weighting purposes under the standardized approach for CRAR calculations under Basel-III.

The process used to transfer public issue ratings on to comparable assets in the banking book is as per regulatory requirements of RBI. The public ratings published by the rating agencies on their website are used for this purpose. Only, ratings which are in force as per monthly bulletin of the concerned rating agency and which have been reviewed at least once during the previous 15 months are used.

For all the exposures on a particular counterparty, bank uses the rating of only one agency, even though these exposures are rated by more than one with exception being where each of the exposures is rated by only one of the approved rating agencies.

To be eligible for risk-weighting purposes, it is ensured that the external credit assessment takes into account and reflects the entire amount of credit risk exposure the bank has with regard to all payments owed to it. Even while extending an issuer or an issue specific rating to any other exposure on the same counterparty it is extended to the entire amount of credit risk exposure i.e., both principal and interest. External assessments for one entity within a corporate group is not used to risk weight other entities within the same group.

For assets that have contractual maturity less than or equal to one year, short term ratings are used while for other assets, long term ratings are used. For Cash Credit exposures long term ratings are taken.

Where an issuer has a long-term exposure with an external long term rating that warrants a risk weight of 150%, all unrated claims on the same counterparty whether short-term or long-term, also receive a 150% risk weight, except in cases where credit risk mitigation techniques are used for such claims. Similar is the case with short-term rating.

The long-term ratings assigned by the approved rating agencies are directly mapped to the risk weights under the Standardized Approach for long-term exposures. On the contrary, the unrated short-term claim on counter-party attracts a risk weight of at least one level higher than the risk weight applicable to the rated short-term claim on that counter-party. Issue-specific short-term ratings are used to derive risk weights for claims arising from the rated facility against banks and a corporate's short-term rating is not used to support a risk weight for an unrated long-term claim.

If there are two ratings accorded by eligible credit rating agencies, which map into different risk weights, the higher risk weight is applied. If there are three or more ratings accorded by eligible credit rating agencies with different risk weights, the ratings corresponding to the two lowest risk weights are referred to and the higher of those two risk weights are applied, i.e., the second lowest risk weight.

The RW of the investment claim is based on specific rating by a chosen credit rating agency, where the claim is not an investment in a specific assessed issue:

- the rating applicable to the specific debt (where the rating maps into a risk weight lower than that which applies to an unrated claim) is applied to the bank’s un- assessed claim only if this claim ranks pari passu or senior to the specific rated debt in all respects and the maturity of the un-assessed claim is not later than the maturity of the rated claim, except where the rated claim is a short term obligation.
- if either the issuer or single issue has been assigned a rating which maps into a risk weight equal to or higher than that which applies to unrated claims, an unrated claim on the same counterparty, is assigned the same risk weight as is applicable to the rated exposure, if this claim ranks pari passu or junior to the rated exposure in all respects.

The Johannesburg Branch of the Bank of India is responsible for implementing credit policies, procedures and lending guidelines to meet local requirements while conforming to Bank’s Standards. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the branch’s portfolio, could result in losses that are different from those provided for at the statement of reporting date. Management therefore carefully manages its exposure to credit risk.

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The Branch structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower and/or borrower's group, and to geographical and industry segments as per specific credit policy for Johannesburg Branch. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on- and off- exposure of Credit Risk policy of the branch.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and Capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and guarantees. All the assets of the Branch is geographically distributed in South Africa only.

The Branch has a well-defined Collateral Management policy, which provides the controlling framework to ensure collateral is used optimally. This is a key component in mitigating the credit risks inherent in lending. The Branch accepts both tangible and intangible securities.

For collateral to be valid and enforceable the Branch ensures that the assets accepted as collateral are marketable, legally enforceable and can be taken control of if necessary .It is also ensured that the market value of the asset is readily determinable or can be reasonably established and verified. For internal control purposes, the Branch has a list of types of assets acceptable as collateral and the maximum loan to value ratio for each of these assets taken as primary security. The Branch also takes into account statutory restriction while taking collaterals.

The collaterals are obtained in the form of Branch's own Term Deposit receipts, Legal Mortgage over Immovable properties, Hypothecation charge over movable assets of the company, Pledge of shares etc.

A breakdown of loans and advances per industry as at 31 March 2015 is disclosed below:

Industry Type Distribution of Exposures	**Fund Based Outstanding 31st March, 2015 ZAR'000**	**Non Fund Based Outstanding 31st March, 2015 ZAR'000**
Mining and Quarrying	8,049	-
Gems & Jewellery	58,064	-
Other Industries	307,876	-
Total	**373,989**	-

Geographical Distribution of Exposures	**Fund Based Outstanding 31st March, 2015 ZAR'000**	**Non Fund Based Outstanding 31st March, 2015 ZAR'000**
Domestic operations*	373,989	-
International operations	-	-
Total	**373,989**	-

* Domestic operations comprise all operations within the borders of the Republic of South Africa.

Past due and impaired

Non-performing assets

An asset, including a leased asset, becomes non-performing when it ceases to generate income for the Branch.

A non-performing asset (NPA) is a loan or an advance where;

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- Interest and/ or instalment of principal remain overdue for a period of more than 90 days in respect of a term loan;
- the account remains “out of order” as indicated below, in respect of an Overdraft/Cash Credit (OD/CC);
- the bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted;
- the instalment of principal or interest thereon remains overdue for two crop seasons for short duration crops,
- The instalment of principal or interest thereon remains overdue for one crop season for long duration crops;
- The amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitization transaction undertaken in terms of guidelines on securitization dated February 1, 2006;
- Branch should classify an account as NPA only if the interest charged during any quarter is not serviced fully within 90 days from the end of the quarter;
- A loan for infrastructure/non-infrastructure project will be classified as NPA during any time before commencement of commercial operations as per record of recovery (90 days overdue) unless it is restructured and becomes eligible for classification as “Standard Asset”;
- A loan for an infrastructure project will be classified as NPA if it fails to commence commercial operations within two years from original DCCO, even if it is regular as per record of recovery, unless it is restructured and becomes eligible for classification as “Standard Asset”;
- A loan for a non-infrastructure project will be classified as NPA if it fails to commence commercial operations within twelve months from original DCCO, even if it is regular as per record of recovery, unless it is restructured and becomes eligible for classification as “Standard Asset”.

Out of Order' status

An account is treated as 'out of order' if the outstanding balance remains continuously in excess of the sanctioned limit/drawing power. In cases where the outstanding balance in the principal operating account is less than the sanctioned limit/drawing power, but there are no credits continuously for 90 days as on the date of Balance Sheet or credits are not enough to cover the interest debited during the same period, these accounts are treated as 'out of order'.

Overdue

Any amount due to the Branch under any credit facility is “overdue‟ if it is not paid on the due date fixed by the Branch.

The following table discloses the general allowances for loans and advances of the Johannesburg Branch of Bank of India:

Non-performing assets	Impaired Loans		Specific Impairment		Portfolio Impairment*	
	31st March 2015	31st March 2014	31st March 2015	31st March 2014	31st March 2015	31st March 2014
	ZAR’000	ZAR’000	ZAR’000	ZAR’000	ZAR’000	ZAR’000
Credit Impairment*	2,487	1,655	-	-	2,487	1,655

*Provision made on standard advances and loans. These provisions are not made against a specific industry, but on a total portfolio basis.

The reconciliation of the impairment can be assessed as follows:

Non-performing assets	Impaired Loans	
	31st March 2015	31st March 2014
	ZAR’000	ZAR’000
Opening balance	1,655	249
Additional provision	832	1,406
Closing balance*	2,487	1,655

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2. Capital adequacy and capital structure

The Branch is subject to minimum capital requirements as defined in the Banks Act and Regulations pertaining to Branches.

The Branch's relevant committees (Risk Management Committee) considers the various risks faced by the Branch and analyses the need to hold capital against these risks whilst taking account of the regulatory requirements.

The objective of the Branch's capital management approach is to ensure the maintenance of sound capital ratios, taking all the above requirements into account, whilst producing appropriate returns to shareholders.

The capital of the Branch consists entirely of Tier 1 capital.

Capital adequacy and the use of regulatory capital are monitored by the Branch continuously, employing techniques based on the guidelines developed by the Bank of India Head-Office, Basel Committee, as implemented by the South African Reserve Bank (SARB).

The Branch maintains a capital adequacy ratio of above the minimum level agreed with the SARB which takes into account the risk profile of the Branch.

The Branch adhered to the minimum required capital adequacy ratio as at the 31 March 2015 with a total Tier 1 capital adequacy of 118.53%, exceeding minimum regulatory requirements.

The Regulatory Capital comprises:

- Tier 1 capital: share capital, general Branch reserve, statutory reserve, retained earnings and reserves created by appropriations of retained earnings.

Regulatory Capital and Risk Weighted assets:

Regulatory Capital Structure	**31st March 2015**	**31st March 2014**
	ZAR'000	**ZAR'000**
Directly issued qualifying common share capital ^	250,000	250,000
Retained earnings – unappropriated profits	20,220	9,139
Regulatory deductions against primary capital	-	-
Total common equity tier 1 capital after regulatory adjustments	**250,000**	**250,000**
Tier 2 capital & General provisions	-	-
Total qualifying capital & reserve funds	**250,000**	**250,000**
Composition of risk weighted assets	**31st March 2015**	**31st March 2014**
	ZAR'000	**ZAR'000**
Credit Risk*	191,116	196,406
Operational Risk**	17,692	13,798
Market Risk***	-	-
Other Risk***	2,093	2,493
Total Risk weighted Assets	**210,901**	**212,697**

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Base minimum required capital and reserve funds	31st March 2015	31st March 2014
	ZAR'000	**ZAR'000**
Credit Risk*	19,112	19,640
Operational Risk**	1,769	1,379
Market Risk***	-	-
Other Risk***	209	249
Total Base minimum required capital and reserve funds	**21,090**	**21,269**

Composition of Capital to risk weighted assets ratio (CRAR)	31st March 2015	31st March 2014
	ZAR'000	**ZAR'000**
Common Tier 1	118.53%	117.53%
Total Capital Ratio	118.53%	117.53%

*Risk Weighting Assets and required regulatory capital in terms of credit risk are measured using the standardised approach;
**Risk Weighting Assets and required regulatory capital in terms of operational risk are measured using the basic approach; and
***Risk Weighting Assets and required regulatory capital in terms of market risk are measured using the standardised approach.

^ The issued common share capital relates to contributed capital of R250mil advanced by Bank of India –Head Office, on incorporation of the Johannesburg Branch as an external company under the South African Companies Act.

The following table discloses the Branch's accounting asset value when compared against the leverage ratio:

	Item	ZAR R'000
1	Total consolidated assets as per published financial statements	374,146
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
4	Adjustments for derivative financial instruments	-
5	Adjustment for securities financing transactions (ie repos and similar secured lending)	-
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off- balance sheet exposures)	-
7	Other adjustments	-
8	**Leverage ratio exposure**	**374,146**

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The following table discloses the Branch's Liquidity Coverage Ratio required disclosure:

			(Amount in ZAR'000)
		TOTAL UNWEIGHTED VALUE (average)	**TOTAL WEIGHTED VALUE (average)**
HIGH QUALITY LIQUID ASSETS			
1	Total high quality liquid assets (HQLA)		1,907
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which :	177	18
3	Stable deposits		
4	Less stable deposits	177	18
5	Unsecured wholesale funding, of which :	1,193	119
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks		
7	Non-operational deposits (all counterparties)	1,193	119
8	Unsecured debt		
9	Secured wholesale funding		
10	Additional requirements, of which :	2,820	282
11	Outflows related to derivative exposures and other collateral requirements		
12	Outflows related to loss of funding on debt products		
13	Credit and liquidity facilities	2,820	282
14	Other contractual funding obligations		
15	Other contingent funding obligations		
16	**TOTAL CASH OUTFLOWS**		419
CASH INFLOWS			
17	Secured lending (eg reverse repos)		
18	Inflows from fully performing exposures		
19	Other cash inflows	74,328	72,945
20	**TOTAL CASH INFLOWS**	74,328	72,945
			TOTAL ADJUSTED VALUE
21	**TOTAL HQLA**		1,907
22	**TOTAL NET CASH OUTFLOWS**		104
23	**LIQUIDITY COVERAGE RATIO (%)**		1,834%

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The following table discloses composition of Branch's capital as on 31.03.2015 as per Directive3/2015 in terms of section 6 (6) of the Bank's Act 94 of 1990 relating to composition of Pillar 3 capital disclosure requirements:

(Amount in ZAR'000)

Basel III common disclosure template to be used during the transition of regulatory adjustments (i.e. from 1 June 2013 to 1 January 2018)			AMOUNTS SUBJECT TO PRE – BASEL III TREATMENT
	Common Equity Tier 1 capital : Instruments and reserves		
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	250000	
2	Retained earnings	20220	
3	Accumulated other comprehensive income (and other reserves)	0	
4	Directly issues capital subject to phase out from CET1 (only applicable to non-joint stock companies)	0	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	0	0
6	**Common Equity Tier 1 capital before regulatory adjustments**	250000	
	Common Equity Tier 1 capital : regulatory adjustments		
7	Prudential valuation adjustments	0	0
8	Goodwill (net of related tax liability)	0	0
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	0	0
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	0	0
11	Cash-flow hedge reserve	0	0
12	Shortfall of provisions to expected losses	0	0
13	Securitisation gain on sale	0	0
14	Gains and losses due to changes in own credit risk on fair valued liabilities	0	0
15	Defined-benefit pension fund net assets	0	0
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	0	0
17	Reciprocal cross-holdings in common equity	0	0
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	0	0
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	0	0
20	Mortgage servicing rights (amount above 10% threshold)	0	0
21	Deferred tax assets arising from temporary differences (amount above 10%b threshold, net of related tax liability)	0	0
22	Amount exceeding the 15% threshold	0	0
23	of which : significant investments in the common stock of financials	0	0
24	of which : mortgage servicing rights	0	0
25	of which : deferred tax assets arising from temporary differences	0	0
26	National specific regulatory adjustments	0	0

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	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	0	
	OF WHICH :	0	
	OF WHICH	0	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	0	
28	Total regulatory adjustments to Common equity Tier 1	0	
29	Common Equity Tier 1 capital (CET1)	250000	
	Additional Tier 1 capital : instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	0	
31	of which : classified as equity under applicable accounting standards	0	
32	of which : classified as liabilities under applicable accounting standards	0	
33	Directly issued capital instruments subject to phase out from Additional Tier 1	0	
34	Additional Tier 1 instruments (and CET1 instruments not included in line 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	0	
35	of which : instruments issued by subsidiaries subject to phase out	0	
36	**Additional Tier 1 capital before regulatory adjustments**		
	Additional Tier 1 capital : regulatory adjustments		
37	Investments in own Additional Tier 1 instruments	0	0
38	Reciprocal cross-holdings in Additional Tier 1 instruments	0	0
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	0	0
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	0	0
41	National specific regulatory adjustments	0	0
	REGULATORY ADJUSTMENTS APPLIED TO ADDITIONAL TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	0	
	OF WHICH :	0	
	OF WHICH :	0	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	0	
43	**Total regulatory adjustments to Additional Tier 1 capital**	0	
44	**Additional Tier 1 capital (AT1)**	0	
45	**Tier 1 capital (T1 = CET1 + At1)**	250000	
	Tier 2 capital and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	0	
47	Directly issued capital instruments subject to phase out from Tier 2	0	
48	Tier 2 instruments (and CET1 and AT1 instruments not included in lines 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	0	
49	of which : instruments issued by subsidiaries subject to phase out	0	
50	Provisions	0	
51	Tier 2 capital before regulatory adjustments	0	
	Tier 2 capital : regulatory adjustments		
52	Investments in own Tier 2 instruments	0	0
53	Reciprocal cross-holdings in Tier 2 instruments	0	0
54	Investments in the capital of banking, financial and insurance	0	0

	entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)		
55	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	0	0
56	National specific regulatory adjustments	0	
	REGULATORY ADJUSTMENTS APPLIED TO ADDITIONAL TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	0	
	OF WHICH :	0	
	OF WHICH :	0	
57	**Total regulatory adjustments to Tier 2 capital**	0	
58	**Tier 2 capital (T2)**	0	
59	**Total capital (TC = T1 + T2)**	250000	
	RISK WEIGHTED ASSTES IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	0	
	OF WHICH :	0	
	OF WHICH :	0	
60	Total risk weighted assets	210901	
	Capital ratios		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	118.53%	
62	Tier 1 (as a percentage of risk weighted assets)	118.53%	
63	Total capital (as a percentage of risk weighted assets)	118.53%	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of risk weighted assets)	6.50%	
65	of which : capital conservation buffer requirement	0%	
66	of which : bank specific countercyclical buffer requirement	0%	
67	of which : G-SIB buffer requirement	0%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	118.53%	
	National Minima (if different from Basel 3)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	6.50%	
70	National Tier 1 minimum ratio	8.00%	
71	National total capital minimum ratio	10.00%	
	Amounts below the threshold for deductions (before risk weighting)		
72	Non-significant investments in the capital of other financials	0	
73	Significant investments in the common stock of financials	0	
74	Mortgage servicing rights (net of related tax liability)	0	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	0	
	Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	0	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	0	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	0	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	0	
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements	0	
81	Amount excluded from CET1 due to cap (excess over cap after	0	

	redemptions and maturities)	
82	Current cap on At1 instruments subject to phase out arrangements	0
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	0
84	Current cap on T1 instruments subject to phase out arrangements	0
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0

The following table discloses the main features of the disclosure template:

Disclosure template for main features of regulatory capital requirements		
1	Issuer	NA
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	NA
3	Governing law(s) of the instrument	NA
	Regulatory treatment	
4	Transitional Basel III rules	NA
5	Post-transitional Basel III rules	NA
6	Eligible at solo/group/group & solo	NA
7	Instrument type (types to be specified by each jurisdiction)	NA
8	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	NA
9	Par value of instrument	NA
10	Accounting classification	NA
11	Original date of issuance	NA
12	Perpetual or dated	NA
13	Original maturity date	NA
14	Issue call subject to prior supervisory approval	NA
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA
	Coupons/dividends	
17	Fixed or floating dividend/coupon	NA
18	Coupon rate and any related index	NA
19	Existence of a dividend stopper	NA
20	Fully discretionary, partially, discretionary or mandatory	NA
21	Existence of step up or other incentive to redeem	NA
22	Noncumulative or cumulative	NA
23	Convertible or non-convertible	NA
24	If convertible, conversion trigger (s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA

30	Write-down feature	NA
31	If write-down, write-down trigger (s)	NA
32	If write-down, full or partial	NA
33	If write-down, permanent or temporary	NA
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	NA
36	Non-compliant transitioned features	NA
37	If yes, specify non-compliant features	NA

3. Market Risk

The Johannesburg Branch of the Bank of India has not been provided with an Authorised Dealer Licence from the South African Reserve Bank, thus these policies, processes and related activities are not operational within the Branch, and have accordingly not been disclosed.

4. Operational Risk.

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the Branch's processes, personnel, technology and infrastructure, and from external factors other than credit, market, liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risk arises from all the Branch's activities.

The Branch adopts best practices in Risk Management. Operational risk is the risk of both financial and non-financial loss arising from ineffective internal processes.

The Branch assesses and identifies operational risks inherent in all the material products, processes and systems under different Business Lines on an ongoing basis. All new products, activities and systems are being first routed through the New Product Group and then through Committee on Operational Risk Management (CORM).

All policies are approved by the Board only after clearance by the Risk Management Committee of the Board (R Com). The Chief Risk Officer implements the directives of R.Com and overseas day-to-day Operational Risk Management functions. The responsibility is supported by the development of overall standards for management of operational risks in the following areas:

- Appropriate segregation of duties;
- Reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Development of contingency plans;
- Training and professional development; and
- Ethical and business standards.

Operational Risk Capital Charge is calculated through Basic Indicator Approach.

The table below provides details of operational risk capital requirement of the Branch:

	Regulatory capital requirement		**Risk weighted exposure equivalent amount**	
	31st March 2015	**31st March 2014**	**31st March 2015**	**31st March 2014**
	ZAR'000	**ZAR'000**	**ZAR'000**	**ZAR'000**
Operational Risk	1,415	1,103	17,693	13,798
Total	**1,415**	**1,103**	**17,693**	**13,798**

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5. Interest Rate Risk (Banking Book)

Interest rate risk in the banking book ('IRRBB') is defined as the exposure of non-trading products to interest rates. Interest rate risk in non-trading portfolios arises principally from mismatches between the future yield on assets and their funding cost, as a result of interest rate changes. ALCO is required to regularly monitor all such behavioural assumptions and interest rate risk positions, to ensure they comply with interest rate risk limits set by the Branch.

The Branch is exposed to various risks associated with the effect of fluctuation in the prevailing levels of market interest rates on its financial position and cash flow. The Branch has the discretion to change the rates on deposits, loans and advances in line with changes in market trend. These measures minimize the Branch's exposure to interest rate risk.

Banking book includes all advances and investments held in Held to Maturity (HTM) portfolio. The Branch reviews the interest rate risk on a monthly basis, Interest Rate Sensitivity statement is prepared with various time buckets, having regard to the rate sensitivity as well as residual maturity of different assets and liabilities.

6. Liquidity Risk

Liquidity risk is the risk that the Branch does not have sufficient financial resources to meet its obligations as they fall due or will have to do so at an excessive cost. This risk arises from mismatches in the timing of cash flows.

Funding risk (a form of liquidity risk) arises when the liquidity needed to fund illiquid assets positions cannot be obtained at the expected terms and when required.

The management of liquidity and funding is primarily undertaken locally in the branch in compliance with practices and limits set by the Branch.

These limits will vary according to the depth and liquidity of the market that the Branch operates in. The Branch is required to be self-sufficient .The Branch employs a number of measures to monitor liquidity risk.

A contingency funding plan is in place to meet the emergencies. The plan is tested on a quarterly basis. Stress Testing is also done on a quarterly basis to assess possible loss to Branch if there is any liquidity crisis and if funds are to be raised from the market to meet the contingencies.

The following table discloses the liquidity risk of the Brach, taking into account the maturity of both assets and liabilities:

Contractual balance sheet mismatch	Next day to 1 month	More than 1 month to 2 months	More than 2 months to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	1 year to 2 years	2 years to 5 years	More than 10 years	Non contractual	Total
Contractual maturity of assets	191 469	12 679	19 021	57 968	63 429	9 289	19 497	0	461	373 813
Contractual maturity of liabilities	12 589	10 082	17 010	1 098	71 408	0	0	0	261 626	373 813
Surplus/ (shortfall)	**178 880**	**2 597**	**2 011**	**56 870**	**-7 979**	**9 289**	**19 497**	**0**	**-261 165**	**0**

7. Securitisation and Re-Securitisation

Currently, the Johannesburg Branch of the Bank of India does not have any securitisation and re-securitisation activities which require disclosure.

8. Remuneration

BANK OF INDIA (B0I) considers its staff, both within India and at its overseas Offices, as a very vital asset and has been following just and mutually beneficial policies and procedures in the personnel area.

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The Branch has followed, and will continue to follow a policy of recruiting, employing and promoting individuals best qualified for any position by reason of education, training, experience and personal character without regard to race, creed, colour, national origin, age, sex etc.

Reserve bank of India in consultation with Government of India decides remuneration policy of all public sector banks applicable for its regular employees who are posted to its overseas offices. The Bank's board of directors in India is responsible for the remuneration policy and its periodical review. The Bank's board of directors approved the remuneration policy applicable for its India based regular employees posted to its overseas offices which is also applicable to its Johannesburg branch.

A separate Board approved policy "The Human Resources Development Policy" applicable for South African locally recruited employees is also in place, taking into considerationinteralia, the provisions under various labour legislations in South Africa, requirements of Bank of India Johannesburg branch, and designed to be market competitive in order to motivate, aid staff retention, improve individual and corporate performance and align employee behaviour in tune with Bank's corporate vision and mission.

The remuneration figures are applied in conjunction with the prescribed laws and regulations applicable to the Johannesburg Branch in terms of the relevant South African law.

No guaranteed bonus awards, sign-on award or severance payments were made to employees during the period. No unrestricted or deferred remuneration exists within the Bank.