Bank of Baroda

Disclosures (on consolidated basis) under Pillar 3 in terms of New Capital Adequacy Framework (Basel III) of Reserve Bank of India As on 31.12.2018

DF 2. Capital Adequacy

Qualitative Disclosures:

(a) A summary discussion of the Bank's approach to assessing the adequacy of its capital to support current and future activities:

Bank maintains capital to cushion the risk of loss in value of exposure, businesses etc. so as to protect the interest of depositors, general creditors and stake holders against any unforeseen losses.

The Bank has a comprehensive Internal Capital Adequacy Assessment Process ("ICAAP"). The Bank's ICAAP Policy covers the capital assessment processes of the Bank to support current and future activities and related risks. The ICAAP also covers a report on the capital projections for a period of 3 years.

Under ICAAP, the Bank assesses all kinds of material risks, in addition to the Credit Risk, Market Risk and Operational Risks it is exposed to during the course of its business and therefore, factors these while assessing / planning capital:

- Credit Concentration Risk
- Business & strategic Risk
- Interest Rate Risk in the Banking Book
- Liquidity Risk
- Settlement Risk
- Currency induced Credit Risk
- Reputation Risk
- Group Risk
- Counterparty Credit Risk
- Pension Obligation Risk
- Country Risk

Capital planning under ICAAP also takes into account the demand for capital from businesses for their growth plans and ensures that the Group on an aggregate basis as well as the major legal entities on a standalone basis are sufficiently capitalized for the specified time horizon and hold sufficient capital buffers to withstand stress condition.

Further, the Bank has put in place a Board approved Stress Testing Policy which forms an integral part of the Bank's ICAAP. Stress Testing involves the use of various techniques to assess the Bank’s potential vulnerability to extreme but plausible stressed business conditions. These relate to the impact on the Bank’s profitability and capital adequacy. Stress tests are conducted on a quarterly basis in order to assess the impact on capital adequacy of the Bank. The ICAAP document along with the stress test results are submitted to the Enterprise Risk Management Committee and to the Risk Management Committee of the Board on quarterly basis and to the Board annually, for their review and guidance. The stress tests are used in conjunction with the Bank’s business plans for the purpose of capital planning in the ICAAP. The Bank also performs Reverse Stress testing across key risk areas to test the stress levels at which capital falls below the internal capital threshold.

The Bank has a Board approved risk appetite statement, inter-alia stating that the Bank will maintain a capital adequacy ratio that is at least 1% above the minimum regulatory requirement. At the same time, Bank has a policy to maintain capital to take care of the future growth in business so that the minimum capital required is maintained on continuous basis. On the basis of the estimation bank raises capital in Tier-1 or Tier-2 with due approval of its Board of Directors. The Capital Adequacy position of the Bank is reviewed by the Board of the Bank on quarterly basis.

Bank of Baroda

Quantitative Disclosures:

Capital requirements for various risk categories as at 31st December, 2018

Rs. in Lakhs

Items	**Amount**
(b) **Capital requirements for credit risk**	
Portfolios subject to standardized approach	4045079.57
Securitization exposures	NIL
(c) **Capital requirements for market risk**	
Standardized duration approach;	
Interest rate risk	169862.24
Foreign exchange risk (including gold)	6988.44
Equity risk	76173.82
(d) **Capital requirements for operational risk**	
Basic Indicator Approach	395595.96
The Standardized Approach (if applicable)	NA

(e) Capital Adequacy Ratios	**Consolidated**	**Standalone**
Common Equity Tier I	9.74%	8.65%
Tier I	10.90%	9.86%
Total CRAR	12.62%	11.67%

DF 3. General disclosures in respect of Credit Risk

Qualitative Disclosures

a. The policy of the bank for classifying bank's loan assets is as under:

PAST DUE AND IMPAIRED ASSETS OF THE BANK:

The Non- Performing Assets (NPA) and Non- Performing Investments (NPI) of the bank as per the IRAC norms of RBI are classified under past due and impaired assets.

THE CREDIT RISK PHILOSOPHY, ARCHITECTURE AND SYSTEMS OF THE BANK:

Credit Risk Philosophy:

- To optimize the risk and return envisaged in order to see that the Economic Value Addition to Shareholders is maximized and the interests of all the stakeholders are protected alongside ensuring corporate growth and prosperity with safety of bank's resources.

- To regulate and streamline the financial resources of the bank in an orderly manner to enable the various channels to achieve the common goal and objectives of the Bank.
- To comply with the national priorities in the matter of deployment of institutional finance to facilitate achieving planned growth in various productive sectors of the economy.
- To instill a sense of credit culture enterprise-wide and to assist the operating staff.
- To provide need-based and timely availability of credit to various borrower segments.
- To strengthen the credit management skills namely pre-sanction, post-sanction monitoring, supervision and follow-up measures so as to promote a healthy credit culture and maintain quality credit portfolio in the bank.
- To deal with credit proposals more effectively with quality assessment, speedy delivery, in full compliance with extant guidelines.
- To comply with various regulatory requirements, more particularly on Exposure norms, Priority Sector norms, Income Recognition and Asset Classification guidelines, Capital Adequacy, Credit Risk Management guidelines etc. of RBI/other Authorities.

Architecture and Systems of the Bank:

- Risk Management Committee of the Board has been constituted by the Board to specifically oversee and co-ordinate Risk Management functions in the bank.
- Credit Policy Committee has been set up to formulate and implement various credit risk strategy including lending policies.
- Formulating policies on standards for credit proposals, financial covenants, rating standards and benchmarks.
- Credit Risk Management cells deal with identification, measurement, monitoring and controlling credit risk within the prescribed limits.
- Enforcement and compliance of the risk parameters and prudential limits set by the Board/regulator etc.,

- Laying down risk assessment systems, developing MIS, monitoring quality of loan portfolio, identification of problems and correction of deficiencies.
- Evaluation of Portfolio, conducting comprehensive studies on economy, industry, test the resilience on the loan portfolio etc.,
- Improving credit delivery system upon full compliance of laid down norms and guidelines.

The Scope and Nature of Risk Reporting and / or Measurement System:

The Bank has in place a robust credit risk rating system for its credit exposures. An effective way to mitigate credit risks is to identify potential risks in a particular asset, maintain healthy asset quality and at the same time impart flexibility in pricing assets to meet the required risk-return parameters as per the bank's overall strategy and credit policy.

The bank's robust credit risk rating system is based on internationally adopted frameworks and global best practices and assists the bank in determining the Probability of Default and the severity of default, among its loan assets and thus allows the bank to build systems and initiate measures to maintain its asset quality.

Quantitative Disclosures in respect of Credit Risk:

Credit exposure include term loans, working capital facilities (i.e. funded facilities like Cash Credit, Demand Loans, Adhoc limits, Credit Substitutes, Non-funded facilities like Letter of Credits, Acceptances and Bank Guarantees) and current exposure for derivatives.

b. Total Gross Credit Risk Exposure (Consolidated) :

(Rs. in Lakhs)

Particulars	Fund Based Exposure	Non-Fund Based Exposure
Total Gross Credit Risk	62940670.67	9588253.79

c. **Geographic distribution of exposures, (Fund based and Non-fund based separately)**

The Global Credit Exposure Management Policy 2018 of the Bank defines the exposure management measures. Exposure includes credit exposure (funded and non-funded credit limits), investment exposure (including underwriting and similar commitments) and derivatives exposure which includes MTM and Potential Future exposure as per current exposure method

(Rs. in Lakhs)

Particulars	Fund Based Exposure	Non-Fund Based Exposure
Total Gross Credit Risk : (Domestic Operations + Domestic Subsidiaries)	49261975.36	8823160.72
Total Gross Credit Risk : (Overseas Operations + Overseas Subsidiaries)	13678695.31	765093.07

d. Industry type distribution of exposures (Consolidated) (Fund based and Non-fund based separately):

(Rs. in Lakhs)

Industry	FB Exposure	NFB Exposure	Total
A. Mining and Quarrying	1055232.40	79710.44	1134942.83
A.1 Coal	168517.53	14549.08	183066.61
A.2 Other	886714.86	65161.36	951876.22
B. Food Processing	1695227.37	148099.16	1843326.52
B.1 Sugar	197033.91	3668.16	200702.07
B.2 Edible Oils and Vanaspati	169462.79	89953.96	259416.75
B.3 TEA	23864.79	609.03	24473.82
B.4 Coffee	3431.11	0.20	3431.31
B.5 Others	1301434.77	53867.80	1355302.57
C. Beverages	38605.32	4852.46	43457.78
C.1 Tobacco and tobacco products	21270.86	1362.63	22633.49
C.2 Others	17334.45	3489.83	20824.29
D. Textiles	2265695.50	273389.95	2539085.45
D.1 Cotton Textile	1125254.58	47655.58	1172910.17
D.2 Jute Textile	21139.94	2652.45	23792.39
D.3 Handicraft/Khadi/Silk/Wollen	63507.38	6670.69	70178.08
D.4 Other Textiles	1055793.60	216411.22	1272204.82
E. Leather and Leather products	48014.22	4658.60	52672.81
F. Wood and Wood products products	102651.22	12305.15	114956.37
G. Paper and Paper products	225723.35	15491.95	241215.30
H. Petroleum	570061.89	716970.26	1287032.14
I. Chemicals and Chemical Products	3203036.31	564032.51	3767068.83
I.1 Fertilizers	473268.88	222840.50	696109.38
I.2 Drugs and Pharmaceuticals	746092.42	122504.87	868597.29
I.3 Petro-Chemicals	955448.12	95792.63	1051240.74
I.4 Other	1028226.90	122894.51	1151121.41
J. Rubber Plastic and their Products	494718.08	119528.46	614246.54
K. Glass and Glassware	61957.62	7125.63	69083.25
L. Cement and Cement Products	159194.85	73279.18	232474.03
M. Basic Metal and Metal Products	2932103.36	525263.90	3457367.26
M.1 Iron and Steel	2386103.57	436207.69	2822311.26
M.2 Other Metal and Metal Products	545999.79	89056.21	635056.00
N. All Engineering	1079758.40	1065811.96	2145570.36
N.1 Electronics	64125.29	36884.67	101009.96

Industry	FB Exposure	NFB Exposure	Total
N.2 Other Engineering	1015633.12	1028927.28	2044560.40
O. Vehicles, Vehicle parts and Transport Equipments	675942.23	17328.42	693270.65
P. Gems and Jewellery	538767.18	40927.73	579694.91
Q. Construction	972627.70	1416183.89	2388811.59
R. Infrastructure	4555422.83	1139552.32	5694975.14
R.1 Transport	789759.11	68598.65	858357.77
R.1.1 Railways	76788.23	166.24	76954.47
R.1.2 Roadways	649750.86	63124.41	712875.27
R.1.3 Aviation	0.00	0.00	0.00
R.1.4 Waterways	32186.69	2610.00	34796.69
R.1.5 Others Transport	31033.34	2698.00	33731.34
R.2 Energy	2541436.08	793543.51	3334979.59
R.2.1 Non-Renewable Energy	2166497.98	509591.05	2676089.04
R 2.2 Renewable Energy (Solar, Wind, Hydel)	374938.10	283952.45	658890.55
R.3 TELECOMMUNICATION	710725.08	152537.93	863263.02
R.4 OTHERS	513502.54	124872.22	638374.77
R.4.1 WATER SANITATION	68635.16	605.90	69241.06
R.4.2 Social and Commercial Infrastructure	31304.53	283.37	31587.90
R.4.3 Others	413562.85	123982.95	537545.81
S. Other Industries	618612.18	53384.41	671996.59
All Industries	21293352.00	6277896.36	27571248.36
Residuary other advances	41647318.67	3310357.43	44957676.10
T.1 Education Loan	370641.60	15058.00	385699.60
T.2 Aviation Sector	1277696.61	314334.12	1592030.73
T.3 Other residuary Advances	39998980.46	2980965.32	42979945.78
Total	**62940670.67**	**9588253.79**	**72528924.46**

Credit exposure in industries where exposure is more than 5% of the total credit exposure of the bank (Consolidated) are as follows:

Sr. No.	Industry	Exposure Amount (Rs. in Lakhs)	% of Total Credit Exposure
1	Infrastructure	5694975.14	7.85%
2	Chemicals and Chemical Products	3767068.83	5.19%

e. **Residual maturity breakdown of Assets:** **(Rs. in Lakhs)**

Time Bucket	Cash and Balance with Central Banks	Balances with Banks & Money at call & short notice	Advances	Investments	Fixed assets	Other assets	Total
1 D	14,48,901.81	21,24,990.32	7,26,318.50	56,93,748.59	-	84,577.48	**1,00,78,536.70**
2-7 D	1,308.51	10,91,253.97	8,07,277.79	79,444.04	-	61,213.40	**20,40,497.70**
8-14 D	4,504.55	2,76,787.45	8,99,935.84	22,621.32	-	4,787.13	**12,08,636.30**
15-30 D	44,469.79	6,76,062.32	7,83,599.31	1,20,393.89	-	22,811.46	**16,47,336.76**
31-2 M	45,353.22	5,09,921.45	16,45,555.44	1,51,935.46	-	44,142.72	**23,96,908.29**
2-3 M	49,463.43	5,11,668.42	11,86,930.19	3,51,980.92	-	19,925.98	**21,19,968.94**
3 - 6 M	94,562.47	4,57,621.12	24,34,666.85	5,43,446.48	-	32,208.56	**35,62,505.49**
6 - 12 M	1,93,556.92	**4,39,647.28**	22,15,593.94	8,19,507.36	-	1,17,028.75	**37,85,334.27**
1 - 3 Y	3,62,341.78	7,750.73	2,30,55,301.73	27,15,625.74	-	1,55,125.42	**2,62,96,145.42**
3 - 5 Y	74,068.15	2,81,413.27	46,40,112.29	22,21,190.31	-	74,977.76	**72,91,761.79**
Over 5 Y	3,08,529.83	1,18,291.74	80,25,047.07	69,37,154.86	5,44,863.12	23,82,475.60	**1,83,16,362.23**
TOTAL	**26,27,060.46**	**64,95,408.08**	**4,64,20,338.98**	**1,96,57,048.97**	**5,44,863.12**	**29,99,274.26**	**7,87,43,993.88**

Sr. No.	Asset Category	Amount Rs. in Lakhs (Total)
(f)	**Amount of NPAs (Gross)**	5395290.62
	Substandard	1144221.07
	Doubtful 1	1026846.05
	Doubtful 2	1703058.54
	Doubtful 3	605476.27
	Loss	915688.69
(g)	**Amount of NPAs (Net)**	1944618.29
(h)	**NPA Ratios**	
	Gross NPAs to Gross Advances	11.12%
	Net NPAs to Net Advances	4.31%
(i)	**Movement of NPA (Gross)**	
	Opening balance	5706024.22
	Additions	1094973.50
	Reductions	1457537.10
	Any Other Adjustment (Exchange Diff.)	+ 51830.00
	Closing Balance	5395290.62
(j)	**Specific Provision**	
	Opening balance	3335727.86
	Provision made during the year	1002514.28
	Write off / Write-back of excess provisions	924932.07

Sr. No.	Asset Category	Amount Rs. in Lakhs (Total)
	Any Other Adjustment (Exchange Diff.)	+ 36183.84
	Closing Balance	3449493.91
	Write-offs that have been booked directly to income statement	49865.74
	Recoveries that have been booked directly to income statement	200811.37
(k)	**General Provision**	
	Opening balance	330123.92
	Provision made during the year	2511.07
	Write off / Write-back of excess provisions	11063.62
	Closing Provision	321571.37
	Non Performing Investments	
(l)	Amount of Non-Performing Investments	168315.12
(m)	Amount of provisions held for non-performing investment	151293.62
(n)	**Movement of provisions for depreciation on investments**	
	Opening balance	184676.18
	Provisions made during the period	112484.29
	Write off/ Write-back of excess provisions	67406.73
	Closing balance	229753.74
(o)	**By Major Industry or Counterparty Type**	
		NPA amount of top 5 Industries
	ii) Specific provision of the above mentioned 5 industries	1374572
	iii) a- Specific provisions during the current period	62033
	iii)b- Write offs during the current period	NIL

NPA amount of top 5 Industries:

Infrastructure	16.67%	944542.89
Basic Metal and Metal Products	11.22%	635813.09
Construction	5.51%	312237.52
Textiles	5.22%	295693.92
Mining and Quarrying	4.53%	256398.38

Sr. No.	Asset Category	Amount Rs. in Lakhs (Total)
(p)	Amt. of Gross NPAs provided separately by significant geographical areas including specific provisions	

	Gross NPA
Domestic Operations	4540838.00
Domestic Subsidiary	33571.34
International Operations	777590.00
International Subsidiary	43291.28

Sr. No.	Asset Category	Amount Rs. in Lakhs (Total)
	Specific Provisions	

	Specific Provision
Domestic Operations	2759367.43
Domestic Subsidiary	13460.33
International Operations	650004.00
International Subsidiary	26662.15

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

Under Standardized Approach the Bank accepts rating of all RBI approved ECAI (External Credit Assessment Institution) namely CARE, CRISIL, Fitch (India), ICRA, ACUITE, Brickwork India Pvt Ltd and INFOMERICS for domestic credit exposures to corporates, PSEs, NBFC-AFC/IFC . For overseas credit exposures the Bank accepts rating of Standard & Poor, Moody's and Fitch.

The Bank assigns risk weight on the basis of long-term and short-term rating of the borrower, as appropriate for the transaction. The issue/issuer ratings of the ECAI's are considered for the borrowers and the risk weights are then derived on a case by case basis in accordance with the rules laid down by RBI as part of the New Capital Adequacy Framework.

The key aspects of the Bank's external ratings application framework are as follows:

1. The Bank uses only those ratings that have been solicited by the counterparty. Foreign sovereign and foreign bank exposures are risk-weighted based on issuer ratings assigned to them.

2. The Bank encourages Corporate and Public Sector Entity (PSE) borrowers to solicit credit ratings from the RBI approved ECAI and uses these ratings for calculating Risk weighted assets wherever such ratings are available.
3. The RBI guidelines outline specific conditions for facilities that have multiple ratings. In this context, the lower rating, where there are two ratings and the second-lowest rating where there are three or more ratings are used for a given facility.

4. The Bank ensures that the external rating of the facility/borrower has been reviewed at least once by the ECAI during the previous 15 months and is in force on the date of its application.

5. As per RBI guidelines dated 25 August 2016, claims on corporates, AFCs, and NBFC-IFCs having aggregate exposure from banking system of more than 100 crore which were rated earlier and subsequently have become unrated are risk weighted at 150%.

6. When a borrower is assigned a rating that maps to a risk weight of 150%, then this rating is applied on all the unrated facilities of the borrower and risk weighted at 150%.

The exposure amounts after risk mitigation subject to Standardized Approach (rated and unrated) in the three major risk buckets are as under:

Category of Risk Weight	**TOTAL (Rs. in Lakhs)**
Below 100% risk weight	4,13,45,870.34
100% risk weight	1,89,07,531.03
More than 100 % risk weight	52,83,387.97
CRM Deducted*	69,92,135.13
Total Exposure (FB+NFB)	**7,25,28,924.46**

** CRM also includes provisions on NPA account*

DF-17- Summary Comparison of accounting assets vs Leverage Ratio exposure measure

The leverage ratio has been calculated using the definitions of capital and total exposure. The Bank's leverage ratio, calculated in accordance with the RBI guidelines under consolidated framework is as follows:

LEVERAGE RATIO AS ON 31.12.2018		
BANK OF BARODA (GROUP)		
DF-17 Summary Comparison of Accounting Assets Vs. Leverage Ratio Exposure Measure		
Sr. No.	Item	(In Rs. Millions)
1	Total Consolidated Assets as per published financial statements	77,72,814.94
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.	28,465.47
4	Adjustments for derivative financial instruments	78,369.84
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	
6	Adjustment for off balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposure)	6,28,843.42
7	Other adjustments	
8	**Leverage ratio exposure**	**84,51,562.73**

DF-18 - Leverage Ratio Common disclosure template

		(Rs. in Millions)
	Leverage Ratio Common Disclosure Template	**Dec-18**
	Item	**Leverage Ratio Framework**
On-Balance sheet Exposures		
1	On-Balance sheet items (excluding derivatives and SFTs, but including collateral)	77,72,814.94
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	-28,465.47
3	**Total On-balance sheet exposures**	77,44,349.47

		(Rs. in Millions)
	Leverage Ratio Common Disclosure Template	**Dec-18**
		Derivative Exposures
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	31,432.24
5	Add-on amounts for PFE associated with all derivatives transactions	46,937.60
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-
7	(Deductions of receivables assets for cash variation margin in derivatives transactions)	-
8	(Exempted CCP leg of client-cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deduction for written credit derivatives)	-
11	**Total derivative exposures**	78,369.84
	Securities Financing Transaction Exposures	
12	Gross SFT assets (with mo recognition of netting), after adjusting for sale accounting transactions	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	CCR exposure for SFT assets	-
15	Agent transaction exposures	-
16	**Total securities financing transaction exposure**	-
	Other off-balance sheet exposures	
17	Off-balance sheet exposure at gross notional amount	19,24,349.16
18	(Adjustments for conversion to credit equivalent amounts)	-12,95,505.74
19	**Off-Balance sheet items**	6,28,843.42
	Capital and total exposures	
20	**Tier 1 capital**	4,70,347.90
21	**Total Exposures**	84,51,562.73
	Leverage ratio	
22	**Basel III leverage ratio**	**5.57%**