Disclosures (Consolidated basis) under Pillar 3 in terms of New Capital Adequacy Framework (Basel III) of Reserve Bank of India as on 31.12.2016

DF 2. Capital Adequacy

(a) 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. Bank has a well-defined Internal Capital Adequacy Assessment Process (ICAAP) policy to comprehensively evaluate and document all risks and to provide appropriate capital so as to evolve a fully integrated risk/ capital model for regulatory capital.

In line with the guidelines of the Reserve Bank of India, the Bank has adopted Standardized Approach for Credit Risk, Basic Indicator Approach for Operational Risk and Standardized Duration Approach for Market Risk for computing CRAR.

The capital requirement is affected by the economic environment, regulatory requirement and by the risk arising from bank's activities. Capital Planning exercise of the bank is carried out every year to ensure the adequacy of capital at the times of changing economic conditions, even at the time of economic recession. In capital planning process the bank reviews:

- Current capital requirement of the bank
- The targeted and sustainable capital in terms of business strategy, policy and risk appetite.

The future capital planning is done on a three-year outlook and is revised on an annual basis. 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 and the same is submitted to RBI also.

(All amount in INR Lakhs)

(b) Capital requirements for credit risk:

• Portfolios subject to Standardized approach: Rs. 3263522.84

• Securitizations exposures: Nil

(c) Capital requirements for market risk:

- Interest rate risk: Rs 175795.41
- Foreign exchange risk (including gold): Rs. 8765.84
- Equity risk: Rs. 86213.59

(d) Capital requirements for operational risk:

• Basic Indicator Approach. Rs. 316906.07

• The Standardized Approach (if applicable): NA

(e) Common Equity Tier 1, and Total Capital ratios:

• Bank of Baroda (Consolidated Basis):

Common Equity Tier I capital to Total RWA: 9.69%

Tier I capital to Total RWA: 10.45%

Total capital ratio for Bank of Baroda: 12.90%

Retained earnings for three months ended 31st December 2016 have not been included in computation of the Capital ratios.

DF 3. General disclosures in respect of Credit Risk

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

NON PERFORMING ASSETS (NPA): A non-performing asset (NPA) is a loan or an advance where:

I. Interest and/ or installment of principal remain overdue for a period of more than 90 days in respect of a term loan,

II. The account remains 'out of order' in respect of an Overdraft/Cash Credit (OD/CC),

III. The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted,

IV. The installment of principal or interest thereon remains overdue for two crop seasons for short duration crops,

V. The installment of principal or interest thereon remains overdue for one crop season for long duration crops.

An OD/CC account is treated as **'out of order'** if the outstanding balance remains continuously in excess of the sanctioned limit/drawing power for more than 90 days. 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 and/or charges debited during the same period, these accounts are treated as **'out of order'**.

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

Our bank has adopted the following relaxations in Prudential Norms on Income Recognition and Asset Classification.

RBI, in its recent guidelines vide DBR.No.BP.BC.37/21.04.048/2016-17, has been decided to provide an additional 60 days beyond what is applicable for the concerned regulated entity (RE) for recognition of a loan account as substandard in the following cases.

i. Running working capital accounts (OD/CC)/crop loans, with any bank, the sanctioned limit whereof is 1 crore or less;

ii. Term loans, whether business or personal, secured or otherwise, the original sanctioned amount whereof is 1 crore or less, on the books of any bank or any NBFC, including NBFC (MFI). This shall include housing loans and agriculture loans.

   Note: The limits at (i) and (ii) above are mutually exclusive limits applicable to respective category of loans.

iii. Loans sanctioned by banks to NBFC (MFI), NBFCs, Housing Finance Companies, and PACs and by State Cooperative Banks to DCCBs.

<u>Non Performing Investments (NPI):</u>

In respect of securities, where interest/principal is in arrears, the Bank does not reckon income on the securities and makes appropriate provisions for the depreciation in the value of the investment.

A non-performing investment (NPI), similar to a non-performing advance (NPA), is one where:

(i) Interest/ installment (including maturity proceeds) is due and remains unpaid for more than 90 days.

(ii) This applies mutatis-mutandis to preference shares where the fixed dividend is not paid.

(iii) In the case of equity shares, in the event the investment in the shares of any company is valued at Re.1 per company on account of the non-availability of the latest balance sheet in accordance with the Reserve Bank of India instructions. Those equity shares are also reckoned as NPI.

(iv) If any credit facility availed by the issuer is NPA in the books of the bank, investment in any of the securities, including preference shares issued by the same issuer would also be treated as NPI and vice versa. However, if only the preference shares are classified as NPI, the investment in any of the other performing assets issued by the same issuer may not be treated as NPA.

(v) The investments in debentures / bonds which are deemed to be in the nature of advance are subjected to NPI norms as applicable to investments.

Non Performing Assets of the Bank is further classified in to three categories as under:

► **Substandard Assets**

A substandard asset is one which has remained NPA for a period less than or equal to 12 months.

► **Doubtful Assets**

An asset would be classified as doubtful if it has remained in the substandard category for 12 months.

► **Loss Assets**

A loss asset is one where loss has been identified by the bank or by internal or external auditors or the RBI inspection. In loss assets realizable value of security available is less than 10% of balance outstanding/ dues.

Strategies and Processes:

The bank has a well-defined Loan Policy & Investment Policy covering the important areas of credit risk management as under:

- Exposure ceilings to different sectors of the economy, different types of borrowers and their group and industry
- Fair Practice Code in dispensation of credit
- Discretionary Lending Powers for different levels of authority of the bank
- Processes involved in dispensation of credit – pre-sanction inspection, rejection, appraisal, sanction, documentation, monitoring, and recovery & Fixation of pricing.

The Credit Risk philosophy, architecture and systems of the bank are as under:

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 incline and 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:

- A Sub-Committee of Directors 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 and to monitor Bank's Enterprise-wide Risk Management function on a regular basis.
- 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:-

(b) Total Gross Credit Risk Exposure:

(Amount in INR Lakhs)

Particulars	Fund Based	Non-Fund Based
Total Gross Credit Risk : (Exposure)	45128031.47	9916096.08

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

(Amount in INR Lakhs)

Particulars	Fund Based	Non-Fund Based
Total Gross Credit Risk : (Exposure) (Domestic + Domestic Subsidiaries)	32615015.74	8323853.43
Total Gross Credit Risk : (Exposure) (Overseas + Overseas Subsidiaries)	12513015.73	1592242.65

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

(Amount in INR Lakhs)

Industry	Funded Exposure	Non Funded Exposure	Total
1 A Mining and Quarrying	807663.84	99536.28	907200.12
2A.1 Coal	226760.36	19605.26	246365.62
3A.2 Other	580903.48	79931.02	660834.50
4B. Food Processing	224779.90	18205.69	242985.59
5B.1 Sugar	14286.14	572.71	14858.85
6B.2 Edible Oils and Vanaspati	54675.93	171.11	54847.04
7B.3 TEA	510.31	0.00	510.31
8B.4 Coffee	954.84	0.00	954.84
9B.5 Others	154352.68	17461.87	171814.55
10C.Bevarages	91787.89	18682.03	110469.92
11C.1 Tobacco and tobacco products	39644.36	11077.83	50722.19
12C.2 Others	52143.54	7604.20	59747.73
13D. Textiles	1610684.95	341494.34	1952179.29
14D.1 Cotton Textile	775380.33	72527.88	847908.22
15D.2 Jute Textile	21944.99	4639.22	26584.21
16D.3 Handicraft/Khadi	34773.59	5200.08	39973.68
17D.4 Silk	24094.42	10475.32	34569.74
18D.5 Woolen	40894.47	1466.27	42360.74
19D.6 Others	713597.15	247185.56	960782.70
20Out of D to spinning Mills	0.00	0.00	0.00
21E.Leather and Leather products	44067.34	5922.61	49989.95
22F.Wood and Wood products product	78844.01	11462.12	90306.12
23G.Paper and Paper products	204598.60	60772.23	265370.83
24H.Petroleum	331438.05	171811.81	503249.86
25I.Chemicals and Chemical Products	1454423.27	429364.32	1883787.59
26I1. Fertilizers	204716.45	160323.06	365039.51
27I.2 Drugs and Pharmaceuticals	392007.40	61147.34	453154.74
28I.3 Petro-Chemicals	200599.22	49882.99	250482.22
29I.4 Other	657100.20	158010.93	815111.13
30J.Rubber Plastic and their Products	455298.56	126772.45	582071.02
31K.Glass and Glassware	148222.18	84692.51	232914.69
32L.Cement and Cement Products	152185.54	39848.76	192034.30
33M.Basic Metal and Metal Products	2288321.68	716984.40	3005306.08
34M.1 Iron and Steel	1802070.69	554661.65	2356732.34
35M.2 Other Metal and Metal Products	486250.99	162322.75	648573.74
36N.All Engineering	936150.67	997594.04	1933744.71
37N.1 Electronics	100069.57	99317.29	199386.87
38N.2 Other Engg	836081.10	898276.74	1734357.84
39O.Vehicles,vehicle parts and	375904.26	79225.51	455129.77

Industry	Funded Exposure	Non Funded Exposure	Total
Transport Equipment			
40P.Gems and Jewellery	196174.26	3780.88	199955.14
41Q.Construction	1062782.44	197316.20	1260098.64
42R.Infrastructure	3504231.23	1283446.25	4787677.49
43R.1 Transport	747486.04	446981.09	1194467.13
44R.1.1 Railways	12957.25	310.37	13267.62
45R.1.2 Roadways	501176.03	416156.52	917332.55
46R.1.3 Aviation	43034.83	6250.25	49285.08
47R.1.4 Waterways	12723.16	2603.27	15326.43
48R.1.5 Others Transport	177594.77	21660.67	199255.44
49R.2 Energy	1731175.38	379786.79	2110962.17
50R.2.1 Electricity gen-trans—distri	1680568.09	379331.96	2059900.04
51R.2.1.1 of which state electricity Board	0.00	0.00	0.00
52R.2.2 Oil	7.50	0.00	7.50
53R.2.3 Gas/LNG (STORAGE AND PIPELINE)	407.35	454.83	862.19
54R.2.4 OTHER	50192.44	0.00	50192.44
55R.3 Telecommunication	369698.96	199174.49	568873.46
56R.4 Others	655870.85	257503.89	913374.74
57R.4.1 Water Sanitation	48648.03	76164.81	124812.84
58R.4.2 Social and Commercial Infrastructure	41402.84	24789.73	66192.56
59R.4.3 Others	565819.99	156549.35	722369.34
60S Other Industries	1983336.33	751029.28	2734365.61
All Industries	15950895.02	5437941.70	21388836.72
Residuary other advances	29177136.45	4478154.38	33655290.84
61T.1 Education Loan	208539.86	0.67	208540.53
62T.2 Aviation Sector	223224.78	226899.80	450124.58
T.3 Other residuary Advances	28745371.81	4251253.91	32996625.72
Total Loans & Advances	**45128031.47**	**9916096.08**	**55044127.55**

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

(Amount in INR Lakhs)

INDUSTRY	Exposure amt. (in Lks.)	% of Total Domestic Exposure
Infrastructure	4787677.49	8.70%
Basic Metal and Metal Products	3005306.08	5.46%

(e) Residual maturity breakdown of assets: (Amount in INR lakhs)

Time Bucket	1 D	2-7 D	8-14 D	15-30 D	31-2 M	2 - 3 M	3 - 6 M	6 - 12 M	1 - 3 Y	3 - 5 Y	Over 5 Y	TOTAL
Cash and Balance with Central Banks	493357	5642	3626	118394	86894	117586	239970	393002	966142	236573	883713	3544899
Balances with Banks & Money at call & short notice	191818	1250210	980824	1277445	1601111	1781116	1416352	869190	17497	30086	39314	9454962
Advances	601251	608229	626392	952164	1284404	1873367	3219508	2472122	11788990	3992505	8393927	35812858
Investments	6307944	208983	1511032	771021	45870	256308	440882	546316	1341676	2151456	5322700	18904189
Fixed assets	0	0	0	0	0	0	0	600	212	0	609894	610706
Other assets	160887	46637	28842	29576	51382	48311	51049	23802	81133	52431	2129358	2703407
Total	7755256	2119701	3150716	3148600	3069661	4076688	5367760	4305032	14195650	6463051	17378905	71031021

(Amount in INR lakhs)

Sr. No.	Asset Category	Total
(f)	**NPAs (Gross):**	4323879.18
	Substandard	980940.76
	Doubtful 1	1281189.97
	Doubtful 2	1259510.61
	Doubtful 3	343351.04
	Loss	458886.80
(g)	Net NPA's	1927332.59
	Provision	2396546.59
(h)	**NPA Ratios**	
	Gross NPAs to gross advances	11.31%
	Net NPAs to net advances	5.38%
(i)	**Movement of NPA(Gross)**	
	Opening balance	**4088824.52**
	Additions	1112576.34
	Reductions	877521.68
	Closing balance	**4323879.18**
(j)	**(i) Specific Provision**	
	Opening balance	**2134282.58**
	Provision made during the year	577917.47
	Write off (Deduction & Exch Diff)	315658.04
	Write back of excess provision	4.58
	Closing balance	**2396546.59**

Sr. No.	Asset Category	Total
	(ii) General Provision	
	Opening balance	**432114.00**
	Provision made during the year	54556.00
	Write off	
	Write back of excess provision	27391.00
	Closing balance	**459279.00**
	Write-Offs and Recoveries	
	(iii) Write-offs that have been booked directly to the income statement	3302.29
	(iv) Recoveries that have been booked directly to the income statement	4804.34
	Non Performing Investments	
(k)	Amount of Non-Performing Investments	71233.19
(l)	Amount of provisions held for non-performing investment	56713.90
(m)	**Movement of provisions for depreciation on investments**	
	Opening balance	113262.79
	Provisions made during the period	10182.26
	Write-off	0.00
	Write-back of excess provisions	5292.88
	Closing balance	118152.17
(n)	**By major Industry and Counter party type**	
	1 Basic Metals & Metal Products 2 Infrastructure 3 mining & Quarying 4 Textiles 5 Vehicles, vechicle parts and Transport Equipments	983697.39 286336.17 228153.06 178805.24 119533.85
	ii) Specific provision of the above mentioned 5 industries	662539.44
	iii) a- Specific provisions during the current period	73054.68
	iii) b- Write offs during the current period	226370.00
(o)	Amt. of Gross NPAs provided separately by significant geographical areas including specific provisions	

<table>
<tr><th>Sr. No.</th><th>Asset Category</th><th>Total</th></tr>
<tr><td></td><td></td><td><table><tr><td></td><td>Gross NPA</td></tr><tr><td></td><td></td></tr><tr><td>Dom</td><td>3449763.57</td></tr><tr><td>Dom subsidiary</td><td>17483.14</td></tr><tr><td>Intl</td><td>814475.72</td></tr><tr><td>Intl subsidiary</td><td>42156.75</td></tr></table></td></tr>
<tr><td></td><td>Specific Provisions</td><td><table><tr><td></td><td>Specific Provision</td></tr><tr><td>Dom</td><td>1870580.74</td></tr><tr><td>Dom subsidiary</td><td>13542.76</td></tr><tr><td>Intl</td><td>492962.19</td></tr><tr><td>Intl subsidiary</td><td>19460.90</td></tr></table></td></tr>
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DF 4. Credit Risk: Disclosures for Portfolios Subject to the Standardized Approaches

Under Standardized Approach the bank accepts rating of all RBI approved ECAI (External Credit Assessment Institution) namely CARE, CRISIL, India Rating, ICRA, SMERA (SME Rating Agency of India Ltd.) and Brickwork India Pvt. Ltd for domestic credit exposures. For overseas credit exposures the bank accepts rating of Standard & Poor, Moody's and Fitch.

The bank encourages Corporate and Public Sector Entity (PSE) borrowers to solicit credit ratings from ECAI and has used these ratings for calculating risk weighted assets wherever such ratings are available. The exposure amounts after risk mitigation subject to Standardized Approach (rated and unrated) in the following three major risk buckets are as under:

(Amount in INR Lakhs)

Category of Risk Weight	TOTAL
Below 100% risk weight	29,298,155.54
100% risk weight	16,500,160.53
More than 100 % risk weight	5,828,338.95
CRM DEDUCTED	3,417,472.54
Total Exposure (FB+NFB)	55,044,127.55

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

LEVERAGE RATIO AS ON 31.12.2016		
BANK OF BARODA (GROUP)		
DF-17 Summary Comparison of Accounting Assets Vs. Leverage Ratio Exposure Measure		
Sr. No.	**Item**	**Rs. (in Lakhs)**
1	Total Consolidated Assets as per published financial statements	71,031,016.56
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation.	35,196.40
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	453,414.83
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)	5,033,736.54
7	Other adjustments	
8	**Leverage ratio exposure**	**76,482,971.53**

DF-18 - Leverage Ratio Common disclosure template

		(In Rs. Lakhs)
	Leverage Ratio Common Disclosure Template	**Dec-16**
	Item	**Leverage Ratio Framework**
On-Balance sheet Exposures		
1	On-Balance sheet items (excluding derivatives and SFTs, but including collateral)	71,031,016.56
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	-35,196.40
3	**Total On-balance sheet exposures**	70,995,820.16
Derivative Exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	106,033.79
5	Add-on amounts for PFE associated with all derivatives transactions	347,381.04

		(In Rs. Lakhs)
	Leverage Ratio Common Disclosure Template	**Dec-16**
	Item	**Leverage Ratio Framework**
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**	453,414.83
	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	14,847,032.62
18	(Adjustments for conversion to credit equivalent amounts)	-9,813,296.09
19	**Off-Balance sheet items**	5,033,736.54
	Capital and total exposures	
20	**Tier 1 capital**	4,180,900.37
21	**Total Exposures**	76,482,971.53
	Leverage ratio	
22	**Basel III leverage ratio**	**5.47%**