Disclosures (on solo basis) under Pillar 3 in terms of New Capital Adequacy Framework (Basel III) of Reserve Bank of India as on 31.12.2013

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. The policy of the bank is to maintain capital as prescribed in the ICAAP Policy (minimum 12% Capital Adequacy Ratio or as decided by the Bank from time to time). 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.

(b) Capital requirements for credit risk:

• Portfolios subject to Standardized approach: Rs. 2671813.16 Lks

• Securitizations exposures: Nil

(c) Capital requirements for market risk:

- Interest rate risk: Rs. 126818.67 Lks

- Foreign exchange risk (including gold): Rs. 2025.00 Lks

- Equity risk: Rs. 101595.01 Lks

(d) Capital requirements for operational risk:

• Basic Indicator Approach. Rs.194792.94 Lks

• The Standardized Approach (if applicable): NA

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

• Bank of Baroda (Solo Basis):

Common Equity Tier I capital to Total RWA: 8.35%

Tier I capital to Total RWA: 8.72%

Total capital ratio for Bank of Baroda: 12.01%

Retained earnings for the nine month ended 31st December 2013 have not been included in computation of the Capital ratios.

DF 3. General disclosures in respect of Credit Risk

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 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.

<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 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:

► **Sub standard Assets**

A sub standard 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 sub standard 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:

(Amt in Lks)

Particulars	Fund Based	Non-Fund Based
Total Gross Credit Risk : (Outstanding Gross Advances)	35961373.59	6463757.38

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

(Amt in Lks)

Particulars	Fund Based	Non-Fund Based
Total Gross Credit Risk : (Outstanding Gross Advances) (Domestic)	24332103.07	5023694.68
Total Gross Credit Risk : (Outstanding Gross Advances) (Overseas)	11629270.52	1440062.70

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

INDUSTRY	Funded Bal (Lks)	Non-Funded Bal (Lks)	Total (LKS)
1 A Mining and Quarrying	131423.10	92271.83	223694.93
2A.1 Coal	22986.17	11216.00	34202.17
3A.2 Other	108436.93	81055.83	189492.76

4B. Food Processing	704082.40	124211.73	828294.13
5B.1 Sugar	154708.27	748.34	155456.61
6B.2 Edible Oils and Vanaspati	96390.95	92670.43	189061.38
7B.3 TEA	6758.58	226.47	6985.05
8B.4 Coffee	875.52	0.00	875.52
9B.5 Others	445349.08	30566.49	475915.58
10C.Bevarages	60201.73	7446.75	67648.48
11C.1 Tobacco and tobacco products	22423.99	5342.07	27766.05
12C.2 Others	37777.74	2104.69	39882.43
13D. Textiles	1295056.92	188242.19	1483299.11
14D.1 Cotton Textile	606202.25	42572.53	648774.77
15D.2 Jute Textile	16402.15	4328.64	20730.80
16D.3 Handicraft/Khadi	29553.84	1913.30	31467.14
17D.4 Silk	25307.36	1564.85	26872.20
18D.5 Woolen	42130.96	2008.85	44139.81
19D.6 Others	575460.36	135854.02	711314.39
20Out of D to spinning Mills	343141.16	31315.33	374456.49
21E.Leather and Leather products	48714.43	4501.82	53216.25
22F.Wood and Wood products products	55375.78	10701.37	66077.15
23G.Paper and Paper products	166384.42	41401.50	207785.93
24H.Petroleum	226737.80	318820.25	545558.04
25I.Chemicals and Chemical Products	810696.27	268233.17	1078929.44
26I1. Fertilizers	112860.44	111968.03	224828.47
27I.2 Drugs and Pharmaceuticals	254407.64	34859.57	289267.21
28I.3 Petro-Chemicals	79061.01	23957.05	103018.06
29I.4 Other	364367.17	97448.53	461815.70
30J.Rubber Plastic and their Products	343105.78	74039.90	417145.68
31K.Glass and Glassware	112451.75	30119.63	142571.38
32L.Cement and Cement Products	148218.95	12259.85	160478.80
33M.Basic Metal and Metal Products	1581271.64	384418.04	1965689.68
34M.1 Iron and Steel	1261705.05	286344.33	1548049.38
35M.2 Other Metal and Metal Products	319566.58	98073.71	417640.30
36N.All Engineering	738314.35	523968.26	1262282.61
37N.1 Electronics	154280.19	51790.23	206070.42
38N.2 Other Engg	584034.16	472178.03	1056212.19
39O.Vehicles,vehicle parts and Transport Equipments	143337.54	75624.49	218962.02
40P.Gems and Jwellery	169190.67	2883.44	172074.11
41Q.Construction	607121.97	103914.73	711036.70
42R.Infrastructure	3295648.03	767266.42	4062914.45
43R.1 Transport	808544.50	232651.41	1041195.90

44R.1.1 Railways	1535.98	88.89	1624.87
45R.1.2 Roadways	633291.47	200964.09	834255.56
46R.1.3 Aviation	55306.44	1144.56	56451.00
47R.1.4 Waterways	45694.95	2780.91	48475.85
48R.1.5 Others Transport	72715.66	27672.96	100388.62
49R.2 Energy	1773115.95	309755.89	2082871.84
50R.2.1 Electricity gen-trans--distri	1772914.10	304472.95	2077387.05
51R.2.1.1 of which state electricity Board	520168.70	20999.99	541168.69
52R.2.2 Oil	0.00	0.00	0.00
53R.2.3 Gas/LNG (STORAGE AND PIPELINE	201.86	5282.94	5484.79
54R.2.4 OTHER	0.00	0.00	0.00
55R.3 TELECOMMUNICATION	513765.80	109314.89	623080.70
56R.4 OTHERS	200221.78	115544.23	315766.01
57R.4.1 WATER SANITATION	13390.44	49948.58	63339.03
58R.4.2 Social and Commercial Infrastructure	38096.07	16114.22	54210.29
59R.4.3 Others	148735.27	49481.43	198216.70
60S Other Industries	224320.92	60542.39	284863.30
All Industries	**10861654.42**	3090867.77	13952522.20
Residuary other advances(not included above)	13470448.65	1932826.91	15403275.55
Total Loans & Advances	**24332103.07**	**5023694.68**	**29355797.75**

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

(Amt in Lks)

INDUSTRY	**Exposure amt. (in Lks.)**	**% of Total Domestic Exposure**
Iron and Steel	1548049.38	5.27%
Electricity gen-trans--distri	2077387.05	7.08%

f. Residual maturity breakdown of assets: (Amt in Lks)

	Advances				**Investment**			**Other Foreign CCY Assets**				
Time Bucket	**Domestic Rupee**	**Domestic Fgn CCY**	**Intl**	**Total (A)**	**Domestic**	**Intl**	**Total (B)**	**Domestic**	**Intl**	**Total ©**	**Total Assets(A+B+C)**	**%age**
1 D	157305	10070	171278	338653	1528507	13874	1542380	13170	1600351	1613521	3494554	**6.28%**

2-7 D	158782	8835	420890	588507	134779	114	134893	556863	1201531	1758394	2481793	**4.46%**
8-14 D	464407	15097	586685	1066189	20461	4311	24772	0	182968	182968	1273929	**2.29%**
15-28 D	251853	72859	903419	1228131	70850	6586	77436	30903	496934	527837	1833403	**3.29%**
29-90 D	2676227	174423	2473782	5324433	459806	24238	484043	512982	1880030	2393011	8201487	**14.73 %**
3 - 6 M	1320524	180052	2241387	3741964	417696	14514	432210	0	766714	766714	4940888	**8.87%**
6 - 12 M	2209566	2720	766607	2978892	190905	54172	245076	30903	1490201	1521103	4745072	**8.52%**
1 - 3 Y	7958882	70251	2596673	10625806	744270	202041	946311	0	111737	111737	11683854	**20.98 %**
3 - 5 Y	2199339	376	625166	2824881	1048468	179539	1228007	0	9909	9909	4062797	**7.30%**
Over 5 Y	5835864	0	691300	6527164	6353427	52396	6405823	0	38331	38331	12971318	**23.29 %**
TOTAL	**23232749**	**534684**	**11477186**	**35244619**	**10969167**	**551785**	**11520952**	**1144819**	**7778707**	**8923527**	**55689096**	**100.00 %**

(f) Amount of NPAs (Gross):

Sr. No.	Asset Category	Amount in Rs. Lks (Domestic)	Amount in Rs. Lks (Intl)	Amount in Rs. Lks (Total)
(f)	**NPAs (Gross):**	**990657.32**	**201919.00**	**1192576.32**
	Substandard	373952.09	72130.00	446082.09
	Doubtful 1	422407.72	110416.00	532823.72
	Doubtful 2	114883.52	9323.00	124206.52
	Doubtful 3	21440.49	5340.00	26780.49
	Loss	57973.50	4710.00	62683.5
(g)	**Net NPAs**	**543580.89**	**118328.00**	**661908.89**
	Total			
(h)	**NPA Ratios**			
	Gross NPAs to gross advances	4.07%	1.74%	
	Net NPAs to net advances	2.29%	1.04%	
(i)	**Movement of NPA(Gross)**			
	Opening balance	655082.33	143176.00	798258.33
	Additions	495312.78	76329.00	571641.78
	Reductions	159737.79	17586.00	177323.79
	Closing balance	**990657.32**	**201919.00**	**1192576.32**

(j)	**Movement of provisions for NPAs**			
	Opening balance	342929.58	35352.00	378281.58
	Provision made during the year	198901.86	59650.00	258551.86
	Write off (Deduction & Exch Diff)	3462.00	6038.00	9500.00
	Write back of excess provision	91293.01	5373.00	96666.01
	Closing balance	**447076.43**	**83591.00**	**530667.43**
	Non Performing Investments			
(k)	Amount of Non-Performing Investments	**14581.14**	**27164.00**	**41745.14**
(l)	Amount of provisions held for non-performing investment	**12060.89**	**21391.00**	**33451.89**
(m)	**Movement of provisions for depreciation on investments**			
	Opening balance	11506.42	11863.00	23369.42
	Provisions made during the period	697.01	7884.00	8581.01
	Write-back	142.54	0.00	142.54
	Exchange Diff	0.00	1644.00	1644.00
	Closing balance	**12060.89**	**21391.00**	**33451.89**

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, Fitch (India), 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

Category of Risk Weight	**TOTAL (Amt In Lks)**
Below 100% risk weight	21736936.84
100% risk weight	13529861.64
More than 100 % risk weight	3236448.92
CRM DEDUCTED	3921883.57
Total Exposure (FB+NFB)	**42425130.97**