Disclosures (on solo basis) under Pillar 3 in terms of New Capital Adequacy Framework (Basel III) of Reserve Bank of India as on 31.12.2014

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 12.5% 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. 2849472.63 Lks

• Securitizations exposures: Nil

(c) Capital requirements for market risk:

- Interest rate risk: Rs. 106553.48 Lks

- Foreign exchange risk (including gold): Rs. 2614.33 Lks

- Equity risk: Rs. 41110.84 Lks

(d) Capital requirements for operational risk:

• Basic Indicator Approach. Rs.217262.43 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: 9.09%

Tier I capital to Total RWA: 9.41%

Total capital ratio for Bank of Baroda: 12.42%

Retained earnings for the nine month ended 31st December 2014 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.

Non Performing Investments (NPI):

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)	40297732.67	6680708.32

(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)	26806584.60	5374516.58
Total Gross Credit Risk : (Outstanding Gross Advances) (Overseas)	13491148.07	1306191.74

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

All figures in Rs Lacs

Industry	Funded Bal	Non Funded Bal	Total
1 A Mining and Quarrying	198828.59	88569.74	287398.33
2A.1 Coal	30991.00	14430.90	45421.90
3A.2 Other	167837.59	74138.84	241976.43
4B. Food Processing	743842.60	184092.49	927935.09
5B.1 Sugar	160939.97	8786.87	169726.84
6B.2 Edible Oils and Vanaspati	79080.33	126257.56	205337.89
7B.3 TEA	7383.55	271.37	7654.92
8B.4 Coffee	1360.21	0.00	1360.21
9B.5 Others	495078.54	48776.69	543855.23
10C.Bevarages	73778.72	8636.81	82415.53
11C.1 Tobacco and tobacco products	29994.55	3610.06	33604.61
12C.2 Others	43784.17	5026.75	48810.92
13D. Textiles	1471369.99	173320.98	1644690.97
14D.1 Cotton Textile	661765.50	40917.68	702683.18
15D.2 Jute Textile	19512.76	6421.30	25934.06
16D.3 Handicraft/Khadi	38560.22	2118.05	40678.27
17D.4 Silk	21062.95	3022.61	24085.55
18D.5 Woolen	43889.02	1315.69	45204.71
19D.6 Others	686579.55	119525.65	806105.20
20Out of D to spinning Mills	345135.66	20382.73	365518.39
21E.Leather and Leather products	38377.22	4232.17	42609.39
22F.Wood and Wood products products	59540.35	11715.14	71255.49
23G.Paper and Paper products	175283.64	32452.06	207735.70
24H.Petroleum	195032.65	275564.20	470596.85
25I.Chemicals and Chemical Products	919987.52	269239.48	1189227.00
26I1. Fertilizers	160737.24	132801.64	293538.88
27I.2 Drugs and Pharmaceuticals	284173.24	28598.27	312771.51
28I.3 Petro-Chemicals	87225.76	27182.06	114407.82
29I.4 Other	387851.27	80657.52	468508.79
30J.Rubber Plastic and their Products	363896.19	63947.29	427843.48
31K.Glass and Glassware	136414.26	29545.06	165959.32
32L.Cement and Cement Products	142928.29	12962.08	155890.37
33M.Basic Metal and Metal Products	1785002.46	493137.24	2278139.70
34M.1 Iron and Steel	1367842.83	390915.00	1758757.83
35M.2 Other Metal and Metal Products	417159.63	102222.24	519381.87
36N.All Engineering	882487.14	529580.70	1412067.84

37N.1 Electronics	215615.44	63454.16	279069.60
38N.2 Other Engg	666871.70	466126.54	1132998.24
39O.Vehicles,vehicle parts and Transport Equipments	149593.09	76952.82	226545.91
40P.Gems and Jwellery	183821.81	8987.79	192809.60
41Q.Construction	917126.92	149258.11	1066385.03
42R.Infrastructure	3559188.36	731717.51	4290905.87
43R.1 Transport	870770.20	257238.25	1128008.45
44R.1.1 Railways	1367.32	101.13	1468.45
45R.1.2 Roadways	697943.23	207608.49	905551.72
46R.1.3 Aviation	51024.59	1498.51	52523.10
47R.1.4 Waterways	46213.36	4989.74	51203.10
48R.1.5 Others Transport	74221.70	43040.38	117262.08
49R.2 Energy	1987971.64	245698.73	2233670.37
50R.2.1 Electricity gen-trans--distri	1987411.33	244464.79	2231876.12
51R.2.1.1 of which state electricity Board	507617.52	20448.51	528066.03
52R.2.2 Oil	17.51	8.75	26.26
53R.2.3 Gas/LNG (STORAGE AND PIPELINE	542.80	1225.18	1767.98
54R.2.4 OTHER	0.00	0.00	0.00
55R.3 TELECOMMUNICATION	406098.48	106028.11	512126.59
56R.4 OTHERS	294348.04	122752.42	417100.46
57R.4.1 WATER SANITATION	60210.52	51219.31	111429.82
58R.4.2 Social and Commercial Infrastructure	64869.92	14081.94	78951.86
59R.4.3 Others	169267.60	57451.18	226718.78
60S Other Industries	230688.54	45066.93	275755.47
All Industries	12227188.34	3188978.61	15416166.94
Residuary other advances	14579396.26	2185537.97	16764934.23
61T.1 Education Loan	209018.44	296.83	209315.27
62T.2 Aviation Sector	208620.44	146100.05	354720.49
T.3 Other residuary Advances	14162857.78	2039141.09	16201998.87
Total Loans & Advances	26806584.60	5374516.58	32181101.18

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	1758757.83	5.47%
Electricity gen-trans—distri	2233670.37	6.94%

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	181055	50480	234031	465566	2868304	38252	2906556	142628	2314542	2457170	5829291	**6.28%**
2-7 D	184501	33246	720839	938586	-266339	62	-266277	25214	1106315	1131529	1803839	**4.46%**
8-14 D	297691	15184	727664	1040538	78	4908	4986	0	774805	774805	1820330	**2.29%**
15-28 D	376057	60096	944157	1380310	33279	10376	43655	0	664846	664846	2088811	**3.29%**
29-90 D	3275575	162066	3777334	7214976	483859	32271	516131	1227291	1461445	2688737	10419844	**14.73%**
3 - 6 M	1395028	133517	2244272	3772816	547547	69728	617274	22062	1053844	1075906	5465996	**8.87%**
6 - 12 M	2052449	60787	867738	2980973	337997	41686	379683	15759	1126300	1142059	4502715	**8.52%**
1 - 3 Y	12737786	63466	2123565	14924817	749380	230733	980114	0	86341	86341	15991272	**20.98%**
3 - 5 Y	2825887	398	908431	3734715	1051626	217347	1268973	0	10219	10219	5013907	**7.30%**
Over 5 Y	2185465	584	723704	2909753	6693580	77734	6771314	0	35754	35754	9716821	**23.29%**
TOTAL	**25511493**	**579823**	**13271734**	**39363050**	**12499311**	**723098**	**13222409**	**1432955**	**8634412**	**10067366**	**62652825**	**100.00%**

(f) Amount of NPAs (Gross):

Sr. No.	**Asset Category**	**Amount in Rs. Lks (Total)**
(f)	**NPAs (Gross):**	**1545296.28**
	Substandard	488820.98
	Doubtful 1	490472.04
	Doubtful 2	423997.06
	Doubtful 3	48963.02
	Loss	93043.18
(g)	Net NPA’s	**829125.01**
	Total	
(h)	**NPA Ratios**	
	Gross NPAs to gross advances	**3.85%**
	Net NPAs to net advances	**2.11%**

(i)	**Movement of NPA(Gross)**	
	Opening balance	1187589.69
	Additions	702132.59
	Reductions	344426.00
	Closing balance	**1545296.28**
(j)	**Movement of provisions for NPAs**	
	Opening balance	585067.92
	Provision made during the year	242070.64
	Write off (Deduction & Exch Diff)	110013.32
	Write back of excess provision	953.97
	Closing balance	**716171.27**
	Non Performing Investments	
(k)	Amount of Non-Performing Investments	56003.91
(l)	Amount of provisions held for non-performing investment	42825.09
(m)	**Movement of provisions for depreciation on investments**	
	Opening balance	102990.70
	Provisions made during the period	23387.21
	Write-off	0.03
	Write-back of excess provisions	44149.34
	Closing balance	82228.54

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	26196707.08
100% risk weight	14870562.27
More than 100 % risk weight	3825536.70
CRM DEDUCTED	4468128.89
Total Exposure (FB+NFB)	**49360934.94**