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 30.06.2020

Table 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. 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 both regulatory and economic capital. Capital planning under ICAAP 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. Moreover stress testing is a key element of the ICAAP and an integral tool in the Risk Management framework that provides management a better understanding of how portfolios perform under adverse economic conditions. The Bank performs Reverse Stress testing across key risk areas to test the stress levels at which capital falls below the internal capital threshold.

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 on a five-year outlook.

The capital plan is revised on an annual basis. The policy of the Bank is to maintain capital as prescribed in the ICAAP Policy (Desired minimum 12.50% 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.

Quantitative Disclosures:

Capital requirements for various risk categories as at 30th June 2020

Rs. in Crore

(b) Capital requirements for Credit Risk	
Portfolios subject to Standardized Approach	55,570.35
Securitization exposures	NIL

(c) Capital requirements for Market Risk	
Using Standardized Duration Approach	
Interest rate risk	4,560.76
Foreign exchange risk (including gold)	59.14
Equity position risk	1,313.63

(d) Capital requirements for Operational Risk	
Measured using Basic Indicator Approach	6,907.28
Measured using the Standardized Approach (if applicable)	NA

(e) Capital Adequacy Ratios	**Consolidated**	**Standalone**
Common Equity Tier I	9.98%	9.08%
Tier I	11.20%	10.33%
Total CRAR	13.66%	12.84%

Table DF 3. General Disclosure in respect of Credit Risk

Qualitative Disclosures:

a. The policy of the Bank for classifying its 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.

- **DISCUSSION OF THE BANK'S CREDIT RISK MANAGEMENT POLICY 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:

a. Risk Management Committee of the Board:

- It has been constituted by the Board to specifically oversee and co-ordinate Risk Management functions in the Bank.

b. Credit Policy Committee (CPC):

- CPC 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.

c. Credit Risk Management Cell:

- It deals 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 / 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

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 Credit, Acceptances and Bank Guarantees) and current exposure for derivatives.

b. Total Gross Credit Exposure

(Rs. in Crs)

Particulars	Fund Based Exposure	Non-Fund Based Exposure	Total Exposure
Total Gross Credit Exposure	**9,68,415.34**	**1,40,293.34**	**11,08,708.68**

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

(Rs. in Crs)

Particulars	Fund Based Exposure	Non-Fund Based Exposure	Total Exposure
Total Gross Credit Exposure : (Domestic Operations + Domestic Subsidiaries)	8,03,182.61	1,22,677.46	9,25,860.07
Total Gross Credit Exposure : (Overseas Operations + Overseas Subsidiaries)	1,65,232.73	17,615.88	1,82,848.61
Total Gross Credit Exposure	**9,68,415.34**	**1,40,293.34**	**11,08,708.68**

Note: 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.

d. **Consolidated Industry type distribution of exposures including investment (Fund based and Non-fund based exposure shown separately):**

(Rs. in Crs)

Industry	FB Exposure	NFB Exposure	Total Exposure
A. Mining and Quarrying	**10,655.85**	**1,189.28**	**11,845.13**
A.1 Coal	1,408.24	173.57	1,581.82
A.2 Other	9,247.61	1,015.71	10,263.32
B. Food Processing	**18,136.08**	**3,572.60**	**21,708.68**
B.1 Sugar	2,224.59	39.76	2,264.35
B.2 Edible Oils and Vanaspati	2,787.83	2,005.00	4,792.83
B.3 TEA	266.31	24.85	291.16
B.4 Coffee	6.21	0.00	6.21
B.5 Others	12,851.13	1,502.98	14,354.11
C. Beverages	**633.75**	**54.06**	**687.81**
C.1 Tobacco and tobacco products	427.40	44.80	472.20
C.2 Others	206.35	9.26	215.61
D. Textiles	**26,309.43**	**4,441.97**	**30,751.40**
D.1 Cotton Textile	11,463.06	536.73	11,999.79
D.2 Jute Textile	170.11	41.85	211.96
D.3 Handicraft/ Khadi /Silk/Wollen	524.37	10.05	534.42
D.4 Other Textile	14,151.89	3,853.34	18,005.23
E. Leather and Leather products	1,183.69	70.92	1,254.61
F. Wood and Wood products products	1,441.67	259.88	1,701.55
G. Paper and Paper products	3,602.71	173.48	3,776.20
H. Petroleum	17,902.33	10,538.30	28,440.63
I. Chemicals and Chemical Products	**41,079.08**	**10,641.69**	**51,720.77**
I.1 Fertilizers	6,172.00	4,121.57	10,293.57
I.2 Drugs and Pharmaceuticals	11,558.55	1,812.32	13,370.87
I.3 Petro-Chemicals	9,497.22	2,058.75	11,555.97
I.4 Other	13,851.32	2,649.05	16,500.37
J. Rubber Plastic and their Products	6,621.05	1,716.57	8,337.62
K. Glass and Glassware	580.90	77.97	658.87
L. Cement and Cement Products	2,869.01	774.35	3,643.36
M. Basic Metal and Metal Products	**37,992.07**	**10,172.01**	**48,164.08**
M.1 Iron and Steel	32,605.17	9,361.79	41,966.96
M.2 Other Metal and Metal Products	5,386.90	810.22	6,197.12
N. All Engineering	**17,309.85**	**18,613.55**	**35,923.40**
N.1 Electronics	791.62	150.42	942.04
N.2 Other Engineering	16,518.23	18,463.13	34,981.36
O. Vehicles, Vehicle parts and Transport Equipment's	6,548.05	251.67	6,799.72
P. Gems and Jewellery	4,711.24	306.46	5,017.71
Q. Construction	17,206.55	27,573.36	44,779.91
R. Infrastructure	**93,798.43**	**13,445.80**	**1,07,244.23**
R.1 Transport	**16,161.48**	**752.38**	**16,913.86**
R.1.1 Railways	1,737.46	62.56	1,800.02
R.1.2 Roadways	13,160.29	667.40	13,827.69
R.1.3 Aviation	687.91	4.33	692.24

Industry	FB Exposure	NFB Exposure	Total Exposure
R.1.4 Waterways	417.54	-	417.54
R.1.5 Others Transport	158.28	18.10	176.37
R.2 Energy	**46,224.52**	**6,806.93**	**53,031.45**
R.2.1 Non-Renewable Energy	41,467.82	4,737.24	46,205.06
R.2.2 Renewable Energy (Solar, Wind, Hydel)	3,232.90	746.03	3,978.93
R.2.3 Oil & Gas (Storage & Pipeline)	1,523.80	1,323.66	2,847.46
R.4 Others	**31,412.43**	**5,886.49**	**37,298.92**
R.4.1 Telecommunication	14,194.03	4,701.63	18,895.66
R.4.2 Water Sanitation	11,534.62	586.09	12,120.72
R.4.3 Social and Commercial Infrastructure	1,420.42	66.20	1,486.62
R.4.4 Other Infrastructure	4,263.36	532.56	4,795.92
R.4.5 Other Industries	11,281.48	1,162.40	12,443.88
S. All Industries	**3,19,863.21**	**1,05,036.34**	**4,24,899.55**
Residuary other advances	**6,48,552.13**	**35,257.00**	**6,83,809.13**
T.1 Aviation Sector	9,948.12	3,569.80	13,517.92
T.2 NBFC	1,14,387.00	222.25	1,14,609.25
T.3 Other residuary Advances	5,24,217.01	31,464.95	5,55,681.96
Total Exposure	**9,68,415.34**	**1,40,293.34**	**11,08,708.68**

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 Crs)	% of Total Credit Exposure
1	NBFC	1,14,609.25	10.34%
2	Infrastructure	1,07,244.23	9.67%

Residual Contractual Maturity breakdown of Assets: **(Rs. in Crs)**

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	24,392	32,324	5,605	59,813	0	472	**1,22,606**
2-7 D	4	1,274	2,928	1,882	0	168	**6,256**
8-14 D	4	342	3,801	147	0	89	**4,383**
15-30 D	1,470	1,166	5,573	1,168	0	315	**9,692**
31-2 M	374	2,415	14,073	1,446	0	517	**18,825**
2-3 M	370	457	48,154	2,938	0	507	**52,426**
3 - 6 M	728	1,861	41,752	4,778	0	367	**49,486**
6 - 12 M	1,524	3,052	45,814	5,588	0	552	**56,530**
1 - 3 Y	8,869	26,283	3,79,986	38,325	0	2,357	**4,55,820**
3 - 5 Y	696	5,198	86,267	56,892	0	1,326	**1,50,379**
Over 5 Y	3,315	2	69,031	1,14,157	8,863	53,766	**2,49,137**
TOTAL	**41,747**	**74,374**	**7,02,985**	**2,87,134**	**8,863**	**60,437**	**11,75,540**

Amount in Crs

(f)	**Amount of NPAs (Gross)**	**70,124.11**
	Substandard	13,518.75
	Doubtful 1	12,379.04
	Doubtful 2	14,831.92
	Doubtful 3	11,340.92
	Loss	18,053.48

(g)	**Net NPA** **(After adjusting General Provision of Nainintal Bank)**	**19,830.59**

•

(h)	**NPA Ratios**	**(Amount in Crs)**
	Gross NPAs to Gross Advances	9.31%
	Net NPAs to Net Advances	2.82%

(i)	**Movement of NPA (Gross)**	**(Amount in Crs)**
	Opening balance	**70,364.77**
	Additions	3,023.15
	Reductions	3,251.26
	Any Other Adjustment (Exchange Diff.)	-12.55
	Closing Balance	**70,124.11**

(j)	**Movement of Provisions**		**(Amount in Crs)**
		General Provision	**Specific Provision**
	Opening balance	**7,677.63**	**48,324.70**
	Provision made during the year	1,762.22	4,176.23
	Write off	0.00	2,271.84
	Write-back of excess provisions	0.87	0.00
	Any Other Adjustment (Exchange Diff.)	3.44	-12.37
	Closing Balance	**9,442.42**	**50,216.70**
	Write-offs that have been booked directly to income statement		118.46
	Recoveries that have been booked directly to income statement		97.06

	Non Performing Investments	**(Amount in Crs)**
(k)	Amount of Non-Performing Investments	3,088.34
(l)	Amount of provisions held for non-performing investment	2,563.83

Amount in Crs

(m)	Movement of provisions for depreciation on investments	
	Opening balance	**3,433.39**
	Provisions made during the period	534.50
	Write off	-
	Write-back of excess provisions	490.39
	Closing balance	**3,477.50**

Amount in Crs

(n)	NPA by major Industries	

Industry	% to Total NPA balance Oustanding	NPA balance Outstanding
Infrastructure	16.45%	11,535.22
Basic Metal and Metal Products	10.14%	7,112.34
All Engineering	8.85%	6,208.81
Textiles	5.53%	3,875.22
Construction	4.40%	3,081.32

	i) Specific provision of the above mentioned 5 industries	18,899.35
	ii) a- Specific provisions during the current period	435.06
	ii)b- Write offs during the current period	61.19
(o)	Amt. of Gross NPAs broken down by significant geographical areas	

	Gross NPA
Domestic Operations	58,455.53
Domestic Subsidiary	568.58
International Operations	10,676.48
International Subsidiary	423.52

Specific Provision for the above

	Provision
Domestic Operations	41,638.30
Domestic Subsidiary	307.00
International Operations	8,043.86
International Subsidiary	227.54

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 rating corresponding to the two lowest risk weights should be referred to & the higher of those two risk weights should be applied i.e. second lowest risk weights.
4. As per RBI guidelines dated 25 August 2016, claims on corporates, AFCs, and NBFC-IFCs having aggregate exposure from Banking system of more than Rs. 100 crore which were rated earlier and subsequently have become unrated are risk weighted at 150%.
5. As per RBI guidelines dated 25 August 2016 & their subsequent clarification dated 06 June 2019, claims on unrated Corporates/ AFCs/NBFC-IFCs having aggregate exposure of more than Rs. 200 crores from the banking system are risk weighted at 150% starting from current FY 2019-20 and onwards.
6. 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.

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

Amount in Crores

Category of Risk Weight	TOTAL
Below 100% risk weight	7,74,449.92
100% risk weight	2,24,871.22
More than 100 % risk weight	1,09,387.54
CRM Deducted*	1,07,855.93
Total Exposure including CRM (FB+NFB)	**11,08,708.68**

** 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 30.06.2020		
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	1,16,42,978.90
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 recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure.	90,253.50
4	Adjustments for derivative financial instruments	72,189.13
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)	8,02,883.48
7	Other adjustments	
8	Leverage ratio exposure	1,24,27,798.00

DF-18 - Leverage Ratio Common disclosure template

(Rs. in Millions)

	Leverage Ratio Common Disclosure Template	June-20
	Item	**Leverage Ratio Framework**
	On-Balance sheet Exposures	
1	On-Balance sheet items (excluding derivatives and SFTs, but including collateral)	1,16,42,978.90
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	-90,253.50
3	**Total On-balance sheet exposures**	1,15,52,725.40
		Derivative Exposures
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	24,730.77
5	Add-on amounts for PFE associated with all derivatives transactions	47,458.36
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**	72,189.13
	Securities Financing Transaction Exposures	
12	Gross SFT assets (with no 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	-
	Leverage Ratio Common Disclosure Template	**June-20**
15	Agent transaction exposures	-
16	**Total securities financing transaction exposure**	-
	Other off-balance sheet exposures	
17	Off-balance sheet exposure at gross notional amount	26,26,872.35
18	(Adjustments for conversion to credit equivalent amounts)	-18,23,988.87
19	**Off-Balance sheet items**	8,02,883.48
	Capital and total exposures	
20	**Tier 1 capital**	6,70,334.24
21	**Total Exposures**	1,24,27,798.00
	Leverage ratio	
22	**Basel III leverage ratio**	**5.39%**

Leverage Ratio (Solo)

Capital and total exposures	
Tier 1 capital	5,94,213.74
Total Exposures	1,20,64,550.63
Leverage ratio	
Basel III leverage ratio	**4.93%**