PILLAR III DISCLOSURE UNDER BASEL-III FRAMEWORK (STANDALONE) FOR THE NINE MONTH PERIOD ENDED DECEMBER 31st, 2015

Name of the head of the banking group to which the framework applies:

ALLAHABAD BANK

TABLE DF – 2	CAPITAL ADEQUACY

CAPITAL ADEQUACY

- The Bank carries out regular assessment of its Capital requirements to maintain a comfortable Capital to Risk Weighted Assets Ratio (CRAR) and to cushion against the risk of losses against any unforeseen events so as to protect the interest of all stakeholders. The Bank carries out the exercise of Capital Planning on an annual basis to review the capital required to carry out its activities smoothly in the future. Also, the Bank has well defined Internal Capital Adequacy Assessment Process (ICAAP) to comprehensively assess all risks and maintain necessary additional capital.

- 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, as per the guidelines of RBI.

(₹ in Millions)

S. No.	Capital Requirements for Various Risks	Capital Requirement
A	**CREDIT RISK**	**120,308**
A.1	For non- securitized portfolio	120,308
A.2	For Securitized portfolio	**-**
B	**MARKET RISK**	**10,736**
B.1	For Interest Rate Risk	8,079
B.2	For Equity Risk	2,602
B.3	For Forex Risk (including gold)	55
B.4	For Commodities Risk	-
B.5	For Options risk	-
C	**OPERATIONAL RISK**	**10,953**
C.1	Basic Indicator Approach	10,953
C.2	Standardized Approach if applicable	-
D	**TOTAL CAPITAL REQUIREMENT**	**141,997**

COMMON EQUITY TIER 1 (CET1), TIER 1 AND TOTAL CAPITAL RATIOS

- The minimum capital requirements under Basel III will be phased-in as per the guidelines prescribed by RBI. Accordingly, the Bank is required to maintain a minimum CET1 capital ratio of 5.5%, a minimum Tier I capital ratio of 7.0% and a minimum total capital ratio of 9.0% as of December 31, 2015. The Bank's position in this regard is as follows:

PARTICULARS	STANDALONE	CONSOLIDATED
COMMON EQUITY TIER I (CET 1)	7.27%	7.46%
TIER 1 CRAR	7.40%	7.59%
TOTAL CRAR	**10.38%**	**10.57%**

TABLE DF – 3	CREDIT RISK: GENERAL DISCLOSURE

1. DEFINITION OF PAST DUE AND IMPAIRED (FOR ACCOUNTING PURPOSES)

The Bank follows Reserve Bank of India regulations, which are summed up below.

1.1. NON-PERFORMING ASSETS

An asset, including a leased asset, becomes non-performing when it ceases to generate income for the bank.

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’ for 90 days as indicated below, 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 unpaid for two crop seasons beyond the due date for short duration crops,
- **V.** The installment of principal or interest thereon remains unpaid for one crop season beyond the due date for long duration crops.
- **VI.** The amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitization transaction undertaken in terms of guidelines on securitization dated February 1, 2006.
- **VII.** Bank should classify an account as NPA only if the interest charged during any quarter is not serviced fully within 90 days from the end of the quarter.
- **VIII.** A loan for infrastructure/non-infrastructure project will be classified as NPA during any time before commencement of commercial operations as per record of recovery (90 days overdue) unless it is restructured and becomes eligible for classification as “Standard Asset”
- **IX.** A loan for an infrastructure project will be classified as NPA if it fails to commence commercial operations within two years from original DCCO, even if it is regular as per record of recovery, unless it is restructured and becomes eligible for classification as “Standard Asset”
- **X.** A loan for a non-infrastructure project will be classified as NPA if it fails to commence commercial operations within one year from original DCCO, even if it is regular as per record of recovery, unless it is restructured and becomes eligible for classification as “Standard Asset”

1.2. 'OUT OF ORDER' STATUS

An account is treated as **'out of order'** if the outstanding balance remains continuously in excess of the sanctioned limit/drawing power. 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'**.

1.3. OVERDUE

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.

1.4. NON PERFORMING INVESTMENTS

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, the investments in any of the securities issued by the same issuer is also treated as NPI and vice versa.
- **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.

2. BANK'S CREDIT RISK MANAGEMENT POLICY

2.1. The Bank has put in place a well-structured Credit Risk Management Policy duly approved by the Board. The Policy document defines organizational structure, role and responsibilities and the processes whereby the Credit Risks carried by the Bank can be identified, quantified, managed and controlled within the framework which the Bank considers consistent with its mandate and risk tolerance limits.

2.2. Credit Risk is monitored by the Bank account wise and compliance with the risk limits / exposure cap approved by the Board is ensured. The quality of internal control system is also monitored and in-house expertise has been built up to tackle all the facets of Credit Risk.

2.3. The Bank has taken earnest steps to put in place best Credit Risk Management practices. In addition to Credit Risk Management Policy, the Bank has also framed Board approved Lending Policy, Investment Policy, Country Risk Management Policy, Recovery Management Policy etc. which form integral part in monitoring of credit risk and ensures compliance with various regulatory requirements, more particularly in respect of Exposure norms, Priority Sector norms, Income Recognition and Asset Classification guidelines, Capital Adequacy, Credit Risk Management guidelines etc. of RBI/other Statutory Authorities.

2.4. Besides, the Bank has also put in place a Board approved policy on Credit Risk Mitigation & Collateral Management which lays down the details of securities and administration of such securities to protect the interests of the Bank. These securities act as mitigants against the credit risk to which the Bank is exposed.

3. ARCHITECTURE AND SYSTEMS OF THE BANK

3.1. A Sub-Committee of Board of Directors termed as Risk Management Committee (RMC) has been constituted to specifically oversee and co-ordinate Risk Management functions in the bank.

3.2. A Credit Risk Management Committee of executives has been set up to formulate and implement various credit risk strategies including lending policy and to monitor Bank's Risk Management functions on a regular basis.

4. CREDIT APPRAISAL / INTERNAL RATING

4.1. The Bank manages its credit risk by continuously measuring and monitoring of risks at each obligor (borrower) and portfolio level. The Bank has robust internally developed credit risk grading / rating modules and well-established credit appraisal / approval processes.

4.2. The internal risk rating / grading modules capture quantitative and qualitative issues relating to management risk, business risk, industry risk, financial risk and project risk. The data on industry risk is constantly updated based on market conditions.

4.3. The rating for every borrower is reviewed. As a measure of robust credit risk management practices, the bank has implemented a three tier system of credit rating process for the loan proposals sanctioned at Head Office Level and two tier system at Zonal Office/ Branch level which includes validation of rating independent of credit department. For the proposals falling under the powers of Bank's Head Office, the validation of ratings is done at Risk Management Department.

4.4. The Bank follows a well defined multi layered discretionary power structure for sanction of loans. Various committees have been formed at ZO & HO Level. ZLCC AGM/DGM headed by Zonal Head, FGMLCC headed by Field General Manager, HLCC GM headed by GM (Credit), HLCC ED headed by ED (Executive Director), CAC headed by CMD and MCBOD (Management Committee of the Board) headed by CMD. A structure named New Business Group (NBG) headed by CMD has been constituted at Head Office level for considering in-principle approval for taking up fresh credit proposals above a specified cut-off point.

QUANTITATIVE DISCLOSURES

A. GROSS CREDIT RISK EXPOSURE

(₹ in Millions)

Sl No	Exposure Type	Domestic (Outstanding)	Overseas (Outstanding)	Total
1.	Fund Based	1,437,212	94,602	1,531,814
2.	Non-Fund Based	249,605	327	249,932
3.	**Total**	**1,686,817**	**94,929**	**1,781,746**

B. INDUSTRY TYPE DISTRIBUTION OF EXPOSURES (OUTSTANDING)

(₹ in Millions)

S. No.	Industry	FUND BASED	NON FUND BASED
1	Mining and Quarrying	1,010	150
2	Food Processing	28,560	1,076
3	Beverage & Tobacco	3,000	28
4	Textiles	48,120	5,095
5	Leather & Leather Products	690	18
6	Wood & Wood Products	1,610	203
7	Paper & Paper Products	5,860	2,013
8	Petroleum, Coal Products and Nuclear Fuels	23,690	7,837
9	Chemicals and Chemical Products	37,940	6,534
10	Rubber, Plastic & their Products	4,210	359
11	Glass and Glassware	700	274
12	Cement and Cement Products	11,420	681
13	Basic Metal and Metal Products	87480	21,610
14	All Engineering	39700	23,499
15	Vehicles, Vehicle Parts and Transport Equipment	4,170	69
16	Gems & Jewellery	10,740	2,928
17	Construction	29,570	42,765
18	Infrastructure	238,370	39,227
19	Other Industries	50,330	31,793
Industry (Total of Small, Medium and Large Scale)		**627,170**	**186,157**

Exposures to industries in excess of 5% of total gross credit of the Bank as on Dec 31, 2015

(₹ in Millions)

S. No.	Industry	% of Gross Credit
1.	Infrastructure	**15.56%**
1.1	Out of which: Power	8.94%
2.	Basic Metal and Metal Products	**5.71%**
2.1	Out of Which: Iron and Steel	5.19%

C. RESIDUAL CONTRACTUAL MATURITY BREAKDOWN OF ASSETS

(₹ in Millions)

Buckets	Cash & RBI Balances	Bank Balances	Advances	Investments	Fixed Assets	Other Assets	Grand Total
Next day	10,705	10,936	13,890	69,249	-	1,300	**106,080**
2 – 7 days	1,986	-	16,335	14,068	-	1,800	**34,189**
8 –14 days	1,106	3,308	11,682	5,946	-	2,400	**24,442**
15 – 28 days	1,206	10,916	28,557	6,480	-	3,098	**50,256**
29 days – 3 months	7,909	16,539	77,902	42,560	-	5,324	**150,233**
3 months – 6 months	5,971	4,860	83,899	36,725	-	5,800	**137,254**
6months – 1 year	7,667	9,923	138,477	56,036	-	6,316	**218,419**
1 year – 3 years	18,588	-	432,081	114,361	-	6,866	**571,896**
3 years – 5 years	11,134	28,455	203,974	67,559	-	6,754	**317,877**
5 years	18,600	-	483,400	120,863	14,523	7,184	**644,572**
Total	**84,871**	**84,936**	**1,490,199**	**533,848**	**14,523**	**46,843**	**2,255,219**

D. NON PERFORMING ASSETS (NPA) AND ITS MOVEMENT

(₹ in Millions)

S. No.	Particulars	Amount
A.	**Amount of Gross NPA**	**98021**
A. 1	Substandard	39655
A. 2	Doubtful 1	21535
A. 3	Doubtful 2	34406
A. 4	Doubtful 3	896
A. 5	Loss	1529
B	**Net NPA**	**63075**
C	**NPA Ratios**	
C. 1	Gross NPAs to Gross Advances	**6.40%**
C. 2	Net NPAs to Net Advances	**4.23%**
D	**Movement of Gross NPA**	
D. 1	Opening balance as on 1st Oct 2015	79858
D. 2	Additions	31283
D. 3	Reductions	13120
D. 4	Closing balance as on 31st Dec 2015	**98021**

E. MOVEMENT OF SPECIFIC & GENERAL PROVISION

(₹ in Millions)

Movement of provisions	Specific Provisions#	General Provisions@
Opening balance as on 1st Oct 2015	**25584**	**13759**
Provisions made during the quarter	14951	
Write-off during the quarter	6049	
Write-back of excess provisions	-	2222
Adjustments/Transfers between provisions*	-	5
Closing Balance as on 31st Dec 2015	**34486**	**11542**

#Represents provisions for NPA,

@Represents provisions for Standard Advances

*Amount utilized towards sale of NPAs and transfer to PWO account.

F. Details of write offs and recoveries that have been booked directly to the income statement

(₹ in Millions)

Write offs that have been booked directly to the income statement	-
Recoveries (in written-off) that have been booked directly to the income statement	523

G. NON PERFORMING INVESTMENTS (NPI) AND MOVEMENT OF PROVISION FOR DEPRECIATION ON INVESTMENTS

(₹ in Millions)

S. No.	Particulars	Amount
A.	**Amount of Non-Performing Investments**	**702**
B	Amount of Provision held for Non Performing Investments	344
C	**Movement of provisions for depreciation on investments**	
C. 1	Opening balance as on **01st Oct 2015**	3221

S. No.	Particulars	Amount
C. 2	Provisions made during the quarter	1174
C. 3	Write-off during the quarter	-
C. 4	Write-back of excess provisions	-
C. 5	**Closing balance as on 31st Dec 2015**	**4395**

H. GEOGRAPHIC DISTRIBUTION OF NPA & PROVISIONS

(₹ in Millions)

SL No	Particulars	Domestic	Overseas	Total
1.	Gross NPA	96,113	1,908	**98,021**
2.	Provisions for NPA	34099	387	**34,486**
3.	Provisions for Standard Advances	11012	530	**11,542**

I. INDUSTRY WISE NPA AND PROVISIONS

(₹ in Millions)

Industry	As on Dec 31, 2015			For quarter ended Dec 31, 2015	
	Gross NPA	Provisions for		Write-offs	Provisions for NPA
		NPA	Standard Advances		
Mining and Quarrying	508	207	2	-	8
Food Processing	879	235	69	-	23
Beverage & Tobacco	191	44	11	-	0
Textiles	8,121	2,525	776	-	96
Leather & Leather Products	97	20	20	-	3
Wood & Wood Products	67	23	6	-	6
Paper & Paper Products	602	214	72	-	29
Petroleum, Coal Products and Nuclear Fuels	3,046	785	83	-	16
Chemicals and Chemical Products	5,752	3,139	453	2	1,396
Rubber, Plastic & their Products	1,114	645	12	3,784	2,487
Cement and Cement Products	533	170	54	-	47
Basic Metal and Metal Products	13,246	4,205	1,306	21	64
All Engineering	2,120	871	338	0	253
Vehicles, Vehicle Parts and Transport Equipment	522	94	15	-	3
Gems & Jewellery	645	218	40	-	1
Construction	2,883	447	323	179	179
Infrastructure	16,091	4,301	3,447	-	164
Other Industries	690	323	685	-	4
Total	**57,107**	**18,466**	**7,713**	**3,986**	**4,779**

TABLE DF – 4	CREDIT RISK: DISCLOSURES FOR PORTFOLIOS SUBJECT TO THE STANDARDIZED APPROACH

STANDARDISED APPROACH

The Bank has used the Standardized Approach under the RBI's Basel III capital regulations for its credit portfolio.

CREDIT RATING AGENCIES

The Bank is using the ratings assigned by the following domestic external credit rating agencies, approved by the RBI, for risk weighting claims on domestic entities:

• Credit Analysis and Research Limited ('CARE')	• India Ratings and Research Private Limited
• Credit Rating Information Services of India Limited ('CRISIL')	• Brickwork Ratings India Private Limited ('Brickwork')
• ICRA Limited ('ICRA')	• SMERA Ratings Limited ('SMERA')

The Bank is using the ratings assigned by the following international credit rating agencies, approved by the RBI, for risk weighting claims on overseas entities:

- Fitch Ratings
- Moody's
- Standard & Poor's

Quantitative Disclosures

The Bank's outstanding advances (rated and unrated) in three major risk buckets are as follows:

(₹ in Millions)

Sl No	Risk Weight	Fund Based	Non Fund Based
1	Below 100% risk weight	824,893	70,952
2	100% risk weight	444,535	67,271
3	More than 100% risk weight	262,386	43,638
4	Deduction from capital funds	-	-
5	**Total Exposure**	**1,531,814**	**181,861**

Table DF – 18	Leverage ratio common disclosure template (for Quarterly reporting)

(₹ in Millions)

	Item	Dec-15	Sep-15	Jun-15
Capital and total exposures				
1.	Tier 1 capital	118,939	120,562	117,730
2.	Total exposures	2,440,611	2,415,054	2,385,159
Leverage ratio				
3.	Basel III leverage ratio	**4.87%**	**4.99%**	**4.94%**