PILLAR III DISCLOSURE UNDER BASEL-III FRAMEWORK FOR THE NINE MONTHS PERIOD ENDED 31ST DECEMBER, 2014

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

***ALLAHABAD BANK* (Solo)**

Table DF – 2	Capital Adequacy

Qualitative Disclosures

- 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 address 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.

Quantitative Disclosures

Capital Requirements for Various Risks (₹ in Millions)

S. No	Types of Risk	Capital Requirement
A	**Credit Risk**	**113850**
A.1	For non-sec portfolio	**113850**
A.2	For Securitized portfolio	0.00
B	**Market Risk**	**6449**
B.1	For Interest Rate Risk	4528
B.2	For Equity Risk	1772
B.3	For Forex Risk (including gold)	149
B.4	For Commodities Risk	-
B.5	For Options risk	-
C	**Operational Risk**	**10095**
C.1	Basic Indicator Approach	10095
C.2	Standardized Approach if applicable	-
D	**Total Capital Requirement**	**130394**
E	**Total Risk Weighted Assets**	**1448821**
G	**Common Equity Tier 1**	**107480**
H	**Tier 1**	**109878**
I	**Total Capital**	**145222**
J	**Total Capital Ratio**	**10.02%**

Table DF – 3	Credit Risk: General Disclosure

a) The general qualitative disclosure requirement with respect to credit risk, including:

- **Definition of past due and impaired (for accounting purposes)**

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

a. 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"

b. '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'**.

c. 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.

d. 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. Any credit facility availed by the issuer is NPA in the books of the bank, investment in any of the securities issued by the same issuer is 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.

- **Discussion of the Bank's Credit Risk Management Policy**

1. Credit Risk Management Policies:

1.1. 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.

1.2. 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.

1.3. 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.

1.4. 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.

2. Architecture and Systems of the Bank:

2.1. 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.

2.2. 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.

3. Credit Appraisal / Internal Rating:

3.1. 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.

3.2. 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.

3.3. 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.

3.4. The Bank follows a well defined multi layered discretionary power structure for sanction of loans. As advised by the ministry 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

(Amount ₹ in Millions)

SL No	Exposure Type	Domestic (Outstanding)	Overseas (Outstanding)	Total
1.	Fund Based	1381710	82622	**1464332**
2.	Non-Fund Based	175043	282	**175325**
3.	**Total**	**1556753**	**82904**	**1639657**

B. Industry type distribution of exposures

(Amount ₹ in Millions)

S. No.	Industry	Funded Outstanding
1	Mining and Quarrying	950
2	Food Processing	30150
3	Beverage & Tobacco	3850
4	Textiles	51190
5	Leather & Leather Products	920
6	Wood & Wood Products	1270
7	Paper & Paper Products	5800
8	Petroleum, Coal Products and Nuclear Fuels	9230
9	Chemicals and Chemical Products	35270
10	Rubber, Plastic & their Products	4230

S. No.	Industry	Funded Outstanding
11	Glass and Glassware	660
12	Cement and Cement Products	10040
13	Basic Metal and Metal Products	84210
14	All Engineering	47640
15	Vehicles, Vehicle Parts and Transport Equipment	4170
16	Gems & Jewellery	11220
17	Construction	30870
18	Infrastructure	244580
19	Other Industries	38170
Industry (Total of Small, Medium and Large Scale)		**614420**

Credit Exposure of industries where outstanding exposure is more than 5% of the Total Gross Credit Exposure of the Bank is as follows:

(Amount ₹ in Millions)

S. No.	Industry	Funded Outstanding	% of Gross Credit
1.	**Power**	140730	9.60
2.	**Iron and Steel**	76850	5.24

C. Residual Contractual Maturity Breakdown of Assets

(Amount ₹ in Millions)

Buckets	Cash & RBI Balances	Bank Balances	Net Advances	Net Investment
Next day	16419	13153	9117	54832
2 – 7 days	1771	1576	18203	3308
8 –14 days	931	0	15761	2403
15 – 28 days	2271	11662	26152	1358
29 days – 3 months	8587	18554	82465	7823
>3 months – 6 months	7780	630	83400	52446
> 6months – 1 year	8586	0	168801	33440
>1 year – 3 years	18277	2214	423353	77115
> 3 years – 5 years	10911	9005	161800	140869
> 5 years	12798	0	445120	181535
Total	**88331**	**56794**	**1434172**	**555129**

D. Movement of NPAs and Provision for NPAs

(Amount ₹ in Millions)

S. No.	Particulars	Amount
A.	**Amount of NPAs (Gross)**	**80124**
A. 1	Substandard	38464
A. 2	Doubtful 1	22928

S. No.	Particulars	Amount
A. 3	Doubtful 2	18631
A. 4	Doubtful 3	79
A. 5	Loss	22
B	**Net NPAs**	**55778**
C	**NPA Ratios**	
C. 1	Gross NPAs to Gross Advances	**5.46%**
C. 2	Net NPAs to Net Advances	**3.89%**
D	**Movement of NPAs (Gross)**	
D. 1	Opening balance	80680
D. 2	Additions	36240
D. 3	Reductions	36796
D. 4	**Closing balance**	**80124**
E	**Movement of provisions for NPAs**	
E. 1	Opening balance	24633
E. 2	Provisions made during the period	2606
E. 3	Write-off	2893
E. 4	Write-back of excess provisions	0
E. 5	Closing Balance	24346

E. NPIs and Movement of Provision for Depreciation on NPI-Position

(Amount ₹ in Millions)

S. No.	Particulars	Amount
A.	**Amount of Non-Performing Investments**	**254**
B	Amount of Provision held for Non Performing Investments	134
C	**Net Non Performing Investments**	**120**
D	**Movement of provisions for depreciation on investments**	
D. 1	Opening balance	134
D. 2	Provisions made during the period	0
D. 3	Write-off	0
D. 4	Write-back of excess provisions	0
D. 5	**Closing Balance**	**134**

Table DF – 4	Credit Risk: disclosures for portfolios subject to the standardized approach

Qualitative Disclosures

- Under Standardized Approach the Bank accepts rating of all RBI approved ECRA (External Credit Rating Agency) namely CARE, CRISIL, India Ratings, ICRA, SMERA 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 ECRA 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:

Quantitative Disclosures

(Amount ₹ in Millions)

Details of Gross Credit Risk Exposure (Fund based and Non-fund based) based on Risk-Weight (After application of Risk Mitigants)

SL No	Risk Weight	Funded	Non Funded
1	Below 100% risk weight	681116	49,043
2	100% risk weight	363125	47,460
3	More than 100% risk weight	284271	20,603
4	Deduction from capital funds	0	0