PILLAR III DISCLOSURE (CONSOLIDATED) UNDER BASEL-III FRAMEWORK FOR THE NINE-MONTH PERIOD ENDED DEC 31, 2017

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.

(Rs. in Millions)

S.No.	Capital Requirements for Various Risks	Capital Requirement*
A	**CREDIT RISK**	**129,134**
A.1	For non- securitized portfolio	129,134
A.2	For Securitized portfolio	-
B	**MARKET RISK**	**15,926**
B.1	For Interest Rate Risk	10,778
B.2	For Equity Risk	5,072
B.3	For Forex Risk (including gold)	76

S.No.	Capital Requirements for Various Risks	Capital Requirement*
B.4	For Commodities Risk	-
B.5	For Options risk	-
C	**OPERATIONAL RISK**	**15,257**
C.1	Basic Indicator Approach	15,257
C.2	Standardized Approach if applicable	-
D	**TOTAL CAPITAL REQUIREMENT**	**160,317**

*Capital requirement is computed at 10.25%.

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% with CCB of 1.25%, a minimum Tier I capital ratio of 7.0% and a minimum total capital ratio of 10.25% as of December 31, 2017. The Bank's position in this regard as on December 31, 2017 is as follows:

PARTICULARS	STANDALONE	CONSOLIDATED
COMMON EQUITY TIER I (CET 1)	7.33%	7.51%
TIER 1 CRAR	8.38%	8.57%
TOTAL CRAR	**11.27%**	**11.46%**

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. Either Interest and/ or installment of principal dues 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),

a. If the regular/ad-hoc limits are not reviewed/ renewed within 180 days from the due date of review/renewal or sanctioning of adhoc limit,

b. If the stock statements are not submitted continuously for a period of 90 days and limits/ drawings are allowed on such irregular drawing power continuously for 90 days.

III. The bill remains overdue and unpaid 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. An account is classified as NPA only if the interest due &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"

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 for 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'**.

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 four tier system of credit rating process for the loan proposals sanctioned at Head Office Level, three tier system at FGM office/ Zonal Office level and two tier system at 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, FGMO & HO Level. ZLCC AGM/DGM/GM 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 MD & CEO and MCBOD (Management Committee of the Board) headed by MD& CEO. A structure named New Business Group (NBG) headed by MD& CEO 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

(Rs. in Millions)

Sl. No.	Exposure Type	Domestic	Overseas	Total
1.	Fund Based	18,55,231	1,28,096	**19,83,327**
2.	Non-Fund Based	2,99,480	0	**2,99,480**
3.	**Total**	**21,54,711**	**1,28,096**	**22,82,807**

B. INDUSTRY TYPE DISTRIBUTION OF EXPOSURES

(Rs. in Millions)

S. No.	Industry	FUND BASED	NON FUND BASED
1	Mining and Quarrying	14,454	9,054
2	Food Processing	31,952	24,017
3	Beverage & Tobacco	4,291	220
4	Textiles	64,377	4,980
5	Leather & Leather Products	2,084	2
6	Wood & Wood Products	3,116	2,689
7	Paper & Paper Products	12,537	1,618
8	Petroleum, Coal Products and Nuclear Fuels	7,954	4,312
9	Chemicals and Chemical Products	57,136	7,864
10	Rubber, Plastic & their Products	7,284	4,985
11	Glass and Glassware	1,357	539
12	Cement and Cement Products	10,870	3,733
13	Basic Metal and Metal Products	105,200	31,690
14	All Engineering	45,023	32,005
15	Vehicles, Vehicle Parts and Transport Equipment	11,251	1,899
16	Gems & Jewellery	14,453	3,784
17	Construction	35,959	77,949
18	Infrastructure	227,265	40,403
19	Other Industries	35,202	931
Industry (Total of Small, Medium and Large Scale)		**6,91,764**	**252,673**

Exposures to industries in excess of 5% of total Funded & Non Funded of the Bank as on Dec 31, 2017

(Rs. in Millions)

S. No.	Industry	% of Funded & Non Funded Exposure
1.	Infrastructure	11.73
1.1	Out of which: Power	5.57
2.	Basic Metal and Metal Products	6.00
2.1	Out of Which: Iron and Steel	4.90

C. RESIDUAL CONTRACTUAL MATURITY BREAKDOWN OF ASSETS

(Rs. in Millions)

Buckets	Cash & RBI Balances	Bank Balances	Advances	Investments	Fixed Assets	Other Assets	Grand Total
Next day	6,821	23,045	6,707	200,658	-	2,200	**239,431**
2 – 7 days	1,385	7,410	20,389	13,725	-	3,100	**46,009**
8 –14 days	543	-	12,527	4,094	-	4,100	**21,265**

Buckets	Cash & RBI Balances	Bank Balances	Advances	Investments	Fixed Assets	Other Assets	Grand Total
15 – 30 days	1,075	1,597	17,881	6,262	-	5,266	**32,081**
Over 1 month – 2 months	1,111	3,194	42,529	5,747	-	5,239	**57,820**
Over 2 months – 3 months	918	6,388	29,224	7,510	-	5,500	**49,540**
Over 3 months – 6 months	4,197	-	66,651	29,505	-	7,100	**107,454**
Over 6 months – 1 year	5,757	-	199,451	38,241	-	7,900	**251,349**
Over 1 year – 3 years	27,623	28,453	504,285	149,837	-	9,313	**719,512**
Over 3 years – 5 years	13,857	13,347	141,981	68,130	-	10,076	**247,391**
Over 5 years	25,433	-	479,781	132,650	31,500	10,645	**680,010**
Total	**88,721**	**83,433**	**1,521,407**	**656,360**	**31,500**	**70,439**	**2,451,860**

D. NON PERFORMING ASSETS (NPA) AND ITS MOVEMENT

(Rs. in Millions)

S. No.	Particulars	Amount
A.	**Amount of Gross NPA**	**2,32,608**
A. 1	Substandard	42,720
A. 2	Doubtful 1	84,921
A. 3	Doubtful 2	80,592
A. 4	Doubtful 3	17,764
A. 5	Loss	6,610
B	**Net NPA**	**136,465**
C	**NPA Ratios**	
C. 1	Gross NPAs to Gross Advances	**14.38%**
C. 2	Net NPAs to Net Advances	**8.97%**
D	**Movement of Gross NPA**	
D. 1	**Opening balance at the beginning of the year**	**206,878**
D. 2	Additions during the period	80,545
D. 3	Reductions during the period	54,816
D. 4	**Closing balance as at end of the period**	**232,608**

E. MOVEMENT OF SPECIFIC & GENERAL PROVISION

(Rs. in Millions)

Movement of provisions	Specific Provisions#	General Provisions@
Opening balance at the beginning of the year	**72,543**	**13,859**
Provisions made during the period	51,744	
Write-off during the period	22,741	
Write-back of excess provisions during the period	5,404	3,047
Adjustments/Transfers between provisions during the period*	-	(11)
Closing Balance as at end of the period	**96,143**	**10,801**

#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

(Rs. 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	5,232

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

(Rs. in Millions)

S. No.	Particulars	Amount
A.	**Amount of Non-Performing Investments**	**4,173**
B	Amount of Provision held for Non Performing Investments	2,136
C	**Movement of provisions for depreciation on investments**	
C. 1	Opening balance **at the beginning of the year**	**5,759**
C. 2	Provisions made during the period	9,057
C. 3	Write-off during the period	-
C. 4	Write-back of excess provisions during the period	2,026
C. 5	**Closing balance as at end of the period**	**12,790**

H. GEOGRAPHIC DISTRIBUTION OF NPA & PROVISIONS

(Rs. in Millions)

SL No	Particulars	Domestic	Overseas	Total
1.	Gross NPA	231,200	1,408	**232,608**
2.	Provisions for NPA	94,756	802	**95,558**
3.	Provisions for Standard Advances	10,256	545	**10,801**

I. AGEING OF PAST DUE LOANS

(Rs. in Millions)

SL No	Particulars as on 31st Dec, 2017	Domestic	Overseas	Total
1.1	31-90 days	-	-	**-**
1.2	91-365 days	41,312	326	**41,637**
1.3	1-2 years	84,921	114	**85,035**
1.4	2-4 years	80,592	969	**81,561**
1.5	Over 4 years	24,375		**24,375**
1.6	**Total**	2,31,200	1,409	**2,32,608**

J. INDUSTRY WISE NPA AND PROVISIONS

(Rs. in Millions)

Industry	As on Dec 31, 2017			For quarter ended Dec 31, 2017	
	Gross NPA	Provisions for NPA	Provisions for Standard Advances	Write-offs	Provisions for NPA
Mining and Quarrying	4,091	1,850	8	3	339
Rubber, Plastic & their Products	410	88	17	2	35
Glass and Glassware	6	2	2	-	0
Cement and Cement Products	1,278	456	29	8	3
Basic Metal and Metal Products	57,854	23,310	139	3,763	3,368
All Engineering	20,546	5,289	74	107	1,764
Vehicles, Vehicle Parts and Transport Equipment	7,525	2,901	30	0	794
Gems & Jewellery	1,625	381	25	2	35

Industry	As on Dec 31, 2017			For quarter ended Dec 31, 2017	
	Gross NPA	Provisions for		Write-offs	Provisions for NPA
		NPA	Standard Advances		
Construction	15,324	5,416	134	10	2,662
Infrastructure	16,093	6,210	1,515	2	1,849
Food Processing	5,482	2,028	271	43	601
Beverage & Tobacco	564	165	11	60	5
Textiles	18,307	13,885	323	30	1,295
Leather & Leather Products	425	142	3	1	115
Wood & Wood Products	126	33	13	339	3
Paper & Paper Products	3,350	1,027	122	50	59
Petroleum, Coal Products and Nuclear Fuels	2,840	1,177	118	22	14
Chemicals and Chemical Products	8,456	6,590	239	33	1,578
Other Industries	2,467	650	72	394	97
Total	**166,769**	**71,600**	**3,145**	**4,864**	**14,616**

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 theRBI, 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')
• INFOMERICS Valuation and Rating Pvt Ltd.('INFOMERICS')	

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

<u>Quantitative Disclosures</u>

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

(Rs. in Millions)

Sl No	Risk Weight	Fund Based	Non Fund Based
1	Below 100% risk weight	975,541	111,532
2	100% risk weight	463,111	56,021
3	More than 100% risk weight	179,268	48,162
4	Deduction from capital funds		
5	**Total**	**1,617,920**	**215,715**

TABLE DF – 18	LEVERAGE RATIO COMMON DISCLOSURE TEMPLATE

The leverage ratio act as a credible supplementary measure to the risk based capital requirement. The Bank is required to maintain a minimum leverage ratio of 4.5%. The Bank's leverage ratio, calculated in accordance with the RBI guidelines under consolidated framework is as follows:

LEVERAGE RATIO DISCLOSURE

(Rs. in millions)

Particulars	Dec 31, 2017	Sep 30, 2017	Jun 30, 2017	Mar 31, 2017
Tier 1 capital	1,33,977	135,950	134,195	1,35,099
Exposure Measure	26,79,056	2,622,322	2,566,815	25,83,722
Leverage Ratio	5.00%	5.18%	5.23%	5.23%