PILLAR III DISCLOSURE UNDER BASEL-III FRAMEWORK FOR THE QUARTER ENDED JUNE 30th, 2016 (CONSOLIDATED)

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**	**1,26,675**
A.1	For non- securitized portfolio	1,26,675
A.2	For Securitized portfolio	-
B	**MARKET RISK**	**10,767**
B.1	For Interest Rate Risk	6,911
B.2	For Equity Risk	3,790
B.3	For Forex Risk (including gold)	66
B.4	For Commodities Risk	-
B.5	For Options risk	-
C	**OPERATIONAL RISK**	**14,097**
C.1	Basic Indicator Approach	14,097
C.2	Standardized Approach if applicable	-
D	**TOTAL CAPITAL REQUIREMENT**	**1,51,539**

*Capital requirement is computed at 9.625%.

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 0.625%, a minimum Tier I capital ratio of 7.0% and a minimum total capital ratio of 9.625% as of June 30th, 2016. The Bank's position in this regard is as follows:

PARTICULARS	STANDALONE	CONSOLIDATED
COMMON EQUITY TIER I (CET 1)	7.94%	8.07%
TIER 1 CRAR	8.05%	8.18%
TOTAL CRAR	**10.58%**	**10.71%**

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),
- **III.** 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,
- **IV.** 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.
- **V.** The bill remains overdue and unpaid for a period of more than 90 days in the case of bills purchased and discounted,
- **VI.** The installment of principal or interest thereon remains unpaid for two crop seasons beyond the due date for short duration crops,
- **VII.** The installment of principal or interest thereon remains unpaid for one crop season beyond the due date for long duration crops.
- **VIII.** 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.
- **IX.** 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.
- **X.** 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. 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 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	1,453,280	104,553	**1,557,833**
2.	Non-Fund Based	174,892	-	**174,892**
3.	**Total**	**1,628,172**	**104,553**	**1,732,725**

B. INDUSTRY TYPE DISTRIBUTION OF EXPOSURES (OUTSTANDING)

(₹ in Millions)

S. No.	Industry	FUND BASED	NON FUND BASED
1	Mining and Quarrying	7,630	5,695
2	Food Processing	29,930	12,261
3	Beverage & Tobacco	3,452	28
4	Textiles	51,540	3,631
5	Leather & Leather Products	1,618	25
6	Wood & Wood Products	1,607	35
7	Paper & Paper Products	7,856	1,599
8	Petroleum, Coal Products and Nuclear Fuels	8,623	3,287
9	Chemicals and Chemical Products	44240	1,552
10	Rubber, Plastic & their Products	5,686	2,830
11	Glass and Glassware	689	258
12	Cement and Cement Products	13,010	3,067
13	Basic Metal and Metal Products	99,540	8,843
14	All Engineering	41,860	11,148
15	Vehicles, Vehicle Parts and Transport Equipment	10,145	537
16	Gems & Jewellery	10,430	3,431
17	Construction	33,680	32,862
18	Infrastructure	197,290	19,058
19	Other Industries	38,433	1,897
Industry (Total of Small, Medium and Large Scale)		**607,259**	**112,044**

Exposures to industries in excess of 5% of total gross credit of the Bank as on June 30, 2016

(₹ in Millions)

S. No.	Industry	% of Gross Credit
1.	Infrastructure	**12.66**
1.1	Out of which: Power	7.20
2.	Basic Metal and Metal Products	**6.39**
2.1	Out of Which: Iron and Steel	5.43

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	14,822	23,235	8,215	42,877	-	1,500	90,649
2 – 7 days	1,743	-	17,969	14,005	-	1,900	35,617
8 –14 days	1,322	-	9,936	8,947	-	2,700	22,905
15 – 30 days	1,433	9,116	30,869	7,854	-	3,200	52,472

Buckets	Cash & RBI Balances	Bank Balances	Advances	Investments	Fixed Assets	Other Assets	Grand Total
31 days and upto 2 months	1,825	6,415	32,810	17,227	-	3,800	62,077
More than 2 months and upto 3 months	1,459	1,688	56,263	15,815	-	3,900	79,125
More than 3 months and upto 6 months	5,763	10,129	84,139	33,845	-	5,109	138,985
More than 6 months and upto 1 year	9,957	6,753	129,732	54,093	-	6,220	206,755
More than 1 year and upto 3 years	20,674	9,005	451,496	122,012	-	5,562	608,749
More than 3 years and upto 5 years	11,834	22,793	219,952	73,078	-	7,295	334,952
More than 5 years	20,479	-	452,300	145,619	32,435	7,943	658,776
Total	**91,311**	**89,134**	**1493,681**	**535372**	**32,435**	**49,129**	**2,291,062**

D. NON PERFORMING ASSETS (NPA) AND ITS MOVEMENT

(₹ in Millions)

S. No.	Particulars	Amount
A.	**Amount of Gross NPA**	**192,086**
A. 1	Substandard	84,074
A. 2	Doubtful 1	45,749
A. 3	Doubtful 2	51,956
A. 4	Doubtful 3	8,779
A. 5	Loss	1,528
B	**Net NPA**	**129,764**
C	**NPA Ratios**	
C. 1	Gross NPAs to Gross Advances	**12.33%**
C. 2	Net NPAs to Net Advances	**8.69%**
D	**Movement of Gross NPA**	
D. 1	Opening balance as on 1st April, 2016	153,846
D. 2	Additions	50,868
D. 3	Reductions	12628
D. 4	Closing balance as on 30th June 2016	**192,086**

E. MOVEMENT OF SPECIFIC & GENERAL PROVISION

(₹ in Millions)

Movement of provisions	Specific Provisions#	General Provisions@
Opening balance as on 1st April, 2016	**50,921**	**12,915**
Provisions made during the quarter	15784	128
Write-off	430	-
Write-back of excess provisions	-	179
Adjustments/Transfers between provisions*	3953	-
Closing Balance as on 30th June 2016	**62322**	**12,864**

#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	315

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**	**959**
B	Amount of Provision held for Non Performing Investments	**410**
C	**Movement of provisions for depreciation on investments**	
C. 1	Opening balance as on **1st April, 2016**	3762
C. 2	Provisions made during the period	-
C. 3	Write-off	-
C. 4	Write-back of excess provisions	325
C. 5	**Closing balance as on 30th June 2016**	**3437**

H. GEOGRAPHIC DISTRIBUTION OF NPA & PROVISIONS

(₹ in Millions)

SL No	Particulars	Domestic	Overseas	Total
1.	Gross NPA	187,694	4,392	**192,086**
2.	Provisions for NPA	61,372	950	**62,322**
3.	Provisions for Standard Advances	12,474	390	**12,864**

I. INDUSTRY WISE NPA AND PROVISIONS

(₹ in Millions)

Industry	As on June 30, 2016			For quarter ended June 30, 2016	
	Gross NPA	Provisions for		Write-offs	Provisions for NPA
		NPA	Standard Advances		
Mining and Quarrying	2,606	671	15	-	105
Food Processing	3,117	826	519	59	-
Beverage & Tobacco	452	85	28	8	8
Textiles	18,447	7,013	243	13	607
Leather & Leather Products	67	22	13	0	-
Wood & Wood Products	107	27	4	5	-
Paper & Paper Products	1,701	417	78	4	-
Petroleum, Coal Products and Nuclear Fuels	224	73	34	-	8
Chemicals and Chemical Products	7,393	4,291	471	54	946
Rubber, Plastic & their Products	854	296	17	3	7
Cement and Cement Products	567	170	58	1	-
Glass and Glassware	35	11	3	-	-
Basic Metal and Metal Products	60,689	17,218	148	983	7,724
All Engineering	3,276	1273	383	35	-
Vehicles, Vehicle Parts and Transport Equipment	579	120	38	11	4
Gems & Jewellery	1,446	355	34	-	72
Construction	10,995	3,401	381	448	946
Infrastructure	11,824	2,929	1,601	586	-
Other Industries	1,958	761	488	293	597
Total	**1,26,337**	**39,959**	**4,556**	**2,505**	**11,024**

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 (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	8,50,693	72,872
2	100% risk weight	4,81,570	60,227
3	More than 100% risk weight	2,25,570	41,793
4	Deduction from capital funds	-	-
5	**Total Exposure**	**15,57,833**	**1,74,892**

TABLE DF – 18	LEVERAGE RATIO COMMON DISCLOSURE TEMPLATE (for quarterly reporting)

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

(₹ in millions)

Particulars	June 30, 2016	Mar 31, 2016	Dec 31, 2015	Sep 30, 2015
Tier 1 capital	1,28,790	1,35,795	1,22,007	1,23,630
Exposure Measure	24,67,959	25,37,694	24,46,513	24,12,442
Leverage Ratio	**5.22%**	**5.35%**	**4.99%**	**5.12%**