PILLAR III DISCLOSURE UNDER BASEL-III FRAMEWORK (STANDALONE) FOR THE QUARTER ENDED 30th June' 2015

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

ALLAHABAD BANK

Table DF – 2	Capital Adequacy

1. CAPITAL ADEQUACY

1.1. 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.

1.2. 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**	**118348**
A.1	For non-sec portfolio	118348
A.2	For Securitized portfolio	0.00
B	**Market Risk**	**9281**
B.1	For Interest Rate Risk	7241
B.2	For Equity Risk	1985
B.3	For Forex Risk (including gold)	55

S. No.	Capital Requirements for Various Risks	Capital Requirement
B.4	For Commodities Risk	-
B.5	For Options risk	-
C	**Operational Risk**	**10953**
C.1	Basic Indicator Approach	10953
C.2	Standardized Approach if applicable	-
D	**Total Capital Requirement**	**138582**

Capital Adequacy Ratio	Standalone	Consolidated
COMMON EQUITY TIER I (CET 1)	7.38%	7.55%
TIER 1 CRAR	7.51%	7.68%
TOTAL CRAR	10.22%	10.34%

Table DF – 3	Credit Risk: General Disclosure

2. Definition of past due and impaired (for accounting purposes)

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

2.1. 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"

2.2. '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'**.

2.3. 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.

2.4. 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.** 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.

3. Bank's Credit Risk Management Policy

3.1. 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.

3.2. 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.

3.3. 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.

3.4. 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.

4. Architecture and Systems of the Bank

4.1. 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.

4.2. 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.

5. Credit Appraisal / Internal Rating

5.1. 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.

5.2. 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.

5.3. 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.

5.4. 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	1431527	78743	**1510270**
2.	Non-Fund Based	241031	12264	**253295**
3.	**Total**	**1692882**	**91364**	**1784246**

B. Industry type distribution of exposures

(Amount ₹ in Millions)

S. No.	Industry	Funded Outstanding	Non-Funded Outstanding
1	Mining and Quarrying	1000	199
2	Food Processing	28860	14268
3	Beverage & Tobacco	2740	43
4	Textiles	51090	4084
5	Leather & Leather Products	620	6
6	Wood & Wood Products	1620	198

S. No.	Industry	Funded Outstanding	Non-Funded Outstanding
7	Paper & Paper Products	5360	1803
8	Petroleum, Coal Products and Nuclear Fuels	12120	7392
9	Chemicals and Chemical Products	43620	6668
10	Rubber, Plastic & their Products	4520	540
11	Glass and Glassware	500	245
12	Cement and Cement Products	11490	504
13	Basic Metal and Metal Products	95200	20839
14	All Engineering	37860	22172
15	Vehicles, Vehicle Parts and Transport Equipment	4200	49
16	Gems & Jewellery	10910	3062
17	Construction	31160	40617
18	Infrastructure	254010	41418
19	Other Industries	45260	23516
Industry (Total of Small, Medium and Large Scale)		**641960**	**187623**

As on 30th June 2015, the Bank's exposure to the industries stated below was more than 5% of the total gross credit exposure (outstanding):

(Amount ₹ in Millions)

S. No.	Industry	% of Gross Credit
1.	**Infrastructure**	16.82
1.1	**Out of which: Power**	9.44
2.	**Basic Metal and Metal Products**	6.30
2.1	**Out of Which: Iron and Steel**	5.87

C. Residual Contractual Maturity Breakdown of Assets

(Amount ₹ in Millions)

Buckets	Cash & RBI Balances	Bank Balances	Net Advances	Net Investment
Next day	11438	11628	14643	43116
2 – 7 days	2305	1909	14734	14080
8 –14 days	931	955	10720	5006
15 – 28 days	1074	1909	20934	6425
29 days – 3 months	7745	8910	101577	41912
>3 months – 6 months	6118	3182	76650	38340
> 6months – 1 year	9900	20034	130300	61961
>1 year – 3 years	17800	0	432777	99415
> 3 years – 5 years	10252	15243	197009	73041
> 5 years	17659	0	476998	121865
Total	**85222**	**63770**	**1476342**	**505161**

D. NPAs and its Movements

(Amount ₹ in Millions)

S. No.	Particulars	Amount
A.	**Amount of NPAs (Gross)**	**79874**
A. 1	Substandard	28227
A. 2	Doubtful 1	26145
A. 3	Doubtful 2	25345
A. 4	Doubtful 3	155
A. 5	Loss	2
B	**Net NPAs**	**54207**
C	**NPA Ratios**	
C. 1	Gross NPAs to Gross Advances	**5.29%**
C. 2	Net NPAs to Net Advances	**3.67%**

S. No.	Particulars	Amount
D	**Movement of NPAs (Gross)**	
D. 1	**Opening balance as on 1st April 2015**	**83579**
D. 2	Additions	7240
D. 3	Reductions	10945
D. 4	**Closing balance as on 30th June 2015**	**79874**

E. Movement of Specific & General Provision

(Amount ₹ in Millions)

Movement of provisions	Specific Provisions#	General Provisions@
Opening balance as on 1st April 2015	**23089**	**12384**
Provisions made during the quarter	5210	584
Write-off	149	-
Write-back of excess provisions	-	-
Adjustments/Transfers between provisions*	3142	-
Closing Balance as on 30th June 2015	**25008**	**12968**

#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

(Amount ₹ 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	334.50

G. NPIs and Movement of Provision for Depreciation on Investments

(Amount ₹ in Millions)

S. No.	Particulars	Amount
A.	**Amount of Non-Performing Investments**	**711**
B	Amount of Provision held for Non Performing Investments	342
C	**Movement of provisions for depreciation on investments**	
C. 1	Opening balance as on 1st April 2015	**2978**
C. 2	Provisions made during the quarter	1813
C. 3	Write-off	-
C. 4	Write-back of excess provisions	80
C. 5	**Closing balance as on 30th June 2015**	**4712**

H. Industry wise NPA and provisions

(Amount ₹ in Millions)

Industry	As on June 30, 2015			For quarter ended June 30, 2015	
	Gross NPA	Provisions for NPA	Provisions for Standard Advances	Write-offs	Provisions for NPA
Mining and Quarrying	73	20	4	-	2
Food Processing	499	148	113	10	18
Beverage & Tobacco	80	20	11	-	2
Textiles	9473	3337	166	40	408
Leather & Leather Products	76	14	2	3	2
Wood & Wood Products	67	17	6	1	4
Paper & Paper Products	941	369	18	4	116
Petroleum, Coal Products and Nuclear Fuels	353	126	47	374	51
Chemicals and Chemical Products	5259	1574	153	34	204
Rubber, Plastic & their Products	848	243	15	27	48

Industry	As on June 30, 2015			For quarter ended June 30, 2015	
	Gross NPA	Provisions for		Write-offs	Provisions for NPA
		NPA	Standard Advances		
Cement and Cement Products	932	302	42	5	103
Basic Metal and Metal Products	5222	1801	360	46	605
All Engineering	5352	1684	129	80	357
Vehicles, Vehicle Parts and Transport Equipment	230	-	16	-	45
Gems & Jewellery	506	197	42	311	6
Construction	2682	416	114	1	115
Infrastructure	9801	2787	977	3	133
Other Industries	5307	1433	173	4	103
Total	**47701**	**14473**	**2388**	**941**	**2322**

I. Geography Wise NPA & Provisions

(Amount ₹ in Millions)

SL No	Particulars	Domestic	Overseas	Total
1.	Gross NPA	79015	860	**79875**
2.	Provisions for NPA	24632	377	**25009**
3.	Provisions for Standard Advances	12619	349	**12968**

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

6. Standardised approach

6.1. The Bank has used the Standardised Approach under the RBI's Basel III capital regulations for its credit portfolio. Credit rating agencies

7. Credit Rating Agencies

7.1. 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’)
- Credit Rating Information Services of India Limited (‘CRISIL’)
- ICRA Limited (‘ICRA’)
- India Ratings and Research Private Limited (earlier known as Fitch India)
- Brickwork Ratings India Private Limited (‘Brickwork’)
- SMERA Ratings Limited (‘SMERA’)

7.2. 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

8. For exposure amounts after risk mitigation subject to the standardized, the Bank’s outstanding (rated and unrated) in three major risk buckets as well as those that are deducted, are as follows:

(Amount ₹ in Millions)

Details of Credit Risk Exposure based on Risk-Weight (after application of risk mitigants*)			
Sl No	**Risk Weight**	**Funded**	**Non Funded**
1	Below 100% risk weight	687978	39668
2	100% risk weight	396386	22472
3	More than 100% risk weight	276163	27332
4	Deduction from capital funds	0	0
5	**Total Exposure**	**1360527**	**89472**

*Includes recognized collateral and netting.