

Abu Dhabi Commercial Bank PJSC – India Branches

(Incorporated in the U.A.E. with Limited Liability)



Basel III: Pillar III-Disclosures March 31, 2017

1. DF-1 Scope of Application and Capital Adequacy

Qualitative Disclosure

- The name of the top bank in the group, to which these regulations apply Abu Dhabi Commercial Bank PJSC India Branches (ADCB India) is a network of two branches (Mumbai and Bangalore). of Abu Dhabi Commercial Bank (ADCB), a Company with limited liability incorporated in 1985 through the merger of three banks in the Emirate of Abu Dhabi, United Arab Emirates.
- Basis of Consolidation for accounting and regulatory purposes: Not Applicable

Quantitative Disclosure

- The aggregate amount of Capital deficiencies – Nil
- The aggregate amounts of Banks' total interests in Insurance entities – Nil

2. DF-2 Capital Adequacy

2.1. Qualitative Disclosures

The role of capital is to act as a buffer against future un-identified losses, thereby protecting deposits and other creditors. The losses include both expected and unexpected losses. Expected loss is incurred during the normal operations of the Bank and the unexpected loss can occur from any of the risk sources. The amount of capital the Bank would hold, therefore, depends on the loss distribution (whether arising from credit, market or operational or any other kinds of risk), its risk appetite, as well as the risk bearing capacity.

ADCB India maintains more than adequate capital levels considering its business and operational risk profile and takes care of unforeseen contingencies. The capital planning process of the bank ensures that the capital available for the Bank is at all times in line with the risk appetite of the Bank.

ADCBI's ICAAP Management framework, aims to ensure that capital supports business growth. The ICAAP also stipulates that minimum capital of 12.50% shall maintained by Bank, which exceed the minimum statutory requirement of 10.25%.

One of the aims of the ICAAP is to ensure that management adequately identifies and measures the Bank's risks. The process also checks that management takes steps to ensure that the Bank maintains sufficient internal capital relative to its risk profile and that it applies and develops proper risk management systems. Pursuant to regulatory requirements, Reserve Bank of India (RBI) will review and assess the application of ICAAP and the quality of the in-house management procedures of which ICAAP forms an integral part.

2.2. Quantitative Disclosures

2.2.1. Capital Requirements for Credit Risk, Market Risk and Operational Risk

(Rs. in '000)

Capital Adequacy	
<u>Credit Risk</u>	
Total Portfolio subject to credit risk	37,803,003
Capital Requirement under standardised approach	1,319,753
<u>Market Risk</u>	
(i) Interest rate risk	17,774
(ii) Equity position risk	-
(iii) Foreign exchange risk	41,000
Capital Requirement : Total (i+ii+iii)	58,774
<u>Operational Risk</u>	
Capital Requirement under Basic Indicator Approach	96,409
Total Risk Weighted Assets	14,968,533

2.2.2. Capital Adequacy Ratio (CRAR)

CRAR	25.52%
CRAR – Tier 1 Capital (%)	24.64%

3. DF-3 Credit Risk: General Disclosures for All Banks

3.1. Qualitative Disclosures

3.1.1. Overview of policies and procedures

Credit risk reflects the risk of losses because one or more counterparties fail to meet all or part of their obligations towards the Group. Credit risk includes concentration, settlement and underwriting risk.

The Credit Risk Management Framework is summarised as under:

Identification	The Bank endeavours to identify all material risks that may affect it. This is a dynamic process that favours management considerations in the development of new products.
Policies	The Credit policy is designed to be an essential management tool providing readily accessible assistance and support to corporate, trade finance and credit professionals as well as senior management and other interested users.
Measuring and Handling Risk	To ensure measurement gives a fair presentation of underlying portfolios and transactions, continuous monitoring of various models and methods is carried out.
Parameter Applications	In order to capitalise on the Bank's risk appetite, the Bank applies risk based data about customers, industries, countries, etc in the day-to-day handling of customer transactions.
Controls	The Bank has established an independent control environment to monitor and enforce approved policies and limits.
Reporting	The Bank applies a systematic risk reporting at all levels of the organisation and openness in the reporting of risk factors to the Bank's stakeholders.

The key objectives of Bank's Credit Policy are as follows:

Bank's Loan Policy is devised for regulating the Bank's resources towards remunerative means, for directed national priorities and also for achieving uniformity in the lending activity bank wide. This policy is meant to cover the macro and micro issues **at the broad policy level**. Credit deployment is required to be implemented in conjunction with various regulatory and operational guidelines issued from time to time. This Credit/Loan Policy would continue as a "**Credit Risk Policy**" of the Bank.

The objectives of the loan policy would precisely be as follows:

- To ensure credit growth both quantitatively and qualitatively through various channels in line with the common goals and objectives of the Bank.
- To build-up and maintain a well diversified credit portfolio.
- To strengthen the credit delivery system and to instil a sense of credit culture enterprise-wide.
- To strengthen the Credit Risk Management System with parameterization of risk identification, measurement, monitoring and mitigation.
- To set up prudential exposure norms and to address issues of credit concentration.
- To provide for risk based Loan Pricing Policy.
- To comply with various regulatory requirements, more particularly on Exposure norms, Priority Sector norms, Income Recognition and Asset Classification guidelines, Credit Risk Management guidelines etc. of RBI/HO/other authorities.
- To guide officials handling credit to decide whom, why, how much, what rate, what period and with what terms and conditions to lend. How to monitor, follow up, and recover the facility extended.

The Bank has undertaken the following measures for mitigating risk and strategies/processes for monitoring the continuing effectiveness of mitigants:

- Clear definition of acceptable collaterals and factors governing the same
- Ensuring that there is no material positive correlation between borrower and guarantor
- Thorough analysis of strength of collaterals in terms of its legal certainty, enforceability and liquidity
- Creation of minimum stipulations and conditions for acceptance and valuation of collaterals
- Analysis of strength of guarantees in terms of its coverage of risks, enforceability and documentation
- Clearly outline in the policy the cases where insurance cover is required to be taken
- Regular monitoring and valuation of collaterals
- Clear and robust procedure for timely liquidation of collateral for prompt liquidation including those held by a custodian.
- Credit rating of obligors.

3.1.2. Past Due and Impaired Loans

The bank is following guidelines issued by Reserve Bank of India relating to income recognition, asset classification and provisioning of advances.

A non-performing asset (NPA) is a loan or an advance where;

- i. interest and/or instalment 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' 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 instalment of principal or interest thereon remains overdue for two crop seasons for short duration crops,
- v. the instalment of principal or interest thereon remains overdue for one crop season for long duration crops,
- vi. the amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitisation transaction undertaken in terms of guidelines on securitisation dated February 1, 2006.
- vii. in respect of derivative transactions, the overdue receivables representing positive mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment.

In case of interest payments, banks should, classify an account as NPA only if the interest due and charged during any quarter is not serviced fully within 90 days from the end of the quarter.

'Out of Order' status

An account will be 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 Bank's Balance Sheet, or where credits are not enough to cover the interest debited during the same period, such accounts are treated as 'out of order'.

'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.

3.2. Quantitative Disclosures

3.2.1. Total Credit Risk Exposure and Geographic Distribution

(Rs. in 000's)

Geographic Distribution	Domestic	Overseas	Total
Fund Based	24,784,877	720,186	25,505,063
Non-Fund Based	1,651,190	2,938,365	4,589,555
Total	26,436,067	3,658,551	30,094,618

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3.2.2. Industry Type distribution of Exposure: -

(Rs. in '000)

Industry Name	Funded Exposure	Non Funded Exposure	Total Exposure
All Engineering	2,040,656	1,264,829	3,305,485
Aviation Sector	–	1,483,210	1,483,210
Basic Metal and Metal Products	1,510,794	280,000	1,790,794
Chemicals and Chemical Products (Dyes, Paints etc)	450,000	–	450,000
Construction	320,000	–	320,000
Food Processing	1,475,000	–	1,475,000
Infrastructure	2,856,665	150,300	3,006,965
Mining and Quarrying	450,000	–	450,000
NBFCs	3,026,785	–	3,026,785
Other Industries	300,000	–	300,000
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	450,000	7	450,007
Retail Trade	640,494	150,000	790,494
Rubber, Plastic and their Products	450,000	0	450,000
Textiles	902,958	1,920	904,878
Tourism, Hotel and Restaurants	420,000	1,115	421,115
Transport operators	300,000	–	300,000
Residuary other advances (to tally with gross advances)	9,911,711	1,258,174	11,169,885
Total	25,505,063	4,589,555	30,094,618

3.2.3. Residual Contractual Maturity breakdown of Assets

(Rs. in '000)

Maturity Pattern	Cash, Balances with RBI and other Banks	Advances 4.	Investment 5.	Other Assets including Fixed Assets
		(Net)	(Net)	
0-1 day	413,780	73,063	2,318,236	966
2-7 days	2,697,871	9,054,603	154,145	292
8-14 days	9,145	124,927	48,035	18,582
15-28 days	114,277	640,536	600,265	9,429
29 days-3 months	350,493	2,798,950	1,841,031	42,221
3-6 months	44,308	1,980,256	232,738	14,965
6-12 months	98,506	1,205,200	517,420	4,350
1-3 years	170,322	5,761,978	894,652	–
3-5 years	4,096	1,392,904	21,514	–
Over 5 years	42,145	75,721	221,374	758,147
Total	3,944,943	23,108,138	6,849,410	848,952

3.2.4 Amount of Non-Performing Advances (NPAs)

(Rs. in '000)

NPAs (Gross) as on 31.03.2017	
Category	Amount
Sub-Standard	–
Doubtful 1	–
Doubtful 2	230,794
Doubtful 3	–
Loss	282
Total	231,076

3.2.5 NPA Ratios

NPA Ratios as on 31.03.2017	
Gross NPAs to Gross Advances	0.99%
Net NPAs to Net Advances	0.06%

3.2.6 Amount of Net NPAs: Rs. 13,521 thousand.

3.2.7 Movement of NPAs and Movement of Provisions for NPAs

(Rs. in 000)

Movement of NPAs (Gross)		Movement of provisions for NPAs (Gross)	
(i) Opening Balance at the beginning of the year	231,076	(i) Opening Balance at the beginning of the year	217,555
(ii) Additions during the year	–	(ii) Provisions made during the year	–
(iii) Reductions during the year	–	(iii) Write-offs made during the year	–
(iv) Write-offs made during the year	–	(iv) Write-back of excess provisions made during the year	–
Closing Balance as at the end of the year (i+ii-iii-iv)	231,076	Closing Balance as at the end of the year (i+ii-iii-iv)	217,555

3.2.8 Amount of Non-Performing Investments: Nil

Amount of Provisions held for Non-Performing Investments: Nil

Amount of Non-Performing Assets (Application Money): Nil

Amount of Provisions held for Non-Performing Assets (Application Money): Nil

3.2.9 Movement of Provision for Depreciation on Investments –

(Rs. in 000)

Movement of Provision for Depreciation on Investments		
(i)	Opening Balance at the beginning of the year	18,100
(ii)	Provisions made during the year	–
(iii)	Write-offs made during the year	–
(iv)	Write-back of excess provisions made during the year	18,100
	Closing Balance as at the end of the year (i+ii-iii-iv)	–

3.2.10 Movement of General Provision –

(Rs. in 000)

Movement of General Provision*		Amount
(i)	Opening Balance at the beginning of the year	118,846
(ii)	Additions during the year	11,502
(iii)	Reductions during the year	–
(iv)	Write-offs made during the year	–
	Balance as at the Closing end of the year (i+ii-iii-iv)	130,348

* includes provision for Standard Asset, Floating, Sale of NPAs and Country Risk.

4. DF-4 Credit Risk: Disclosures for Portfolios subject to Standardised approach

4.1. Qualitative Disclosures

4.1.1. Ratings

As per the RBI guidelines, the bank has identified CRISIL, ICRA, CARE Brickwork Rating India P. Ltd and Fitch India (Domestic Credit Rating Agencies) and Fitch, Moody’s and S & P (International Rating Agencies) as approved rating agencies, for the purpose of rating the domestic and overseas exposures respectively, whose ratings are used for the purpose of capital calculation.

Currently most of the credit exposures of the bank are rated by aforesaid rating agencies as per RBI guidelines.

Types of exposures for which each agency will be used

- For exposures with a contractual maturity of less than or equal to one year (except cash credit, overdraft and other revolving credits), short-term ratings given by approved rating agencies to be used
- For domestic cash credit, overdraft and other revolving credits (irrespective of the period) and for Term Loan exposures of over one year, long term ratings to be used
- For overseas exposures, irrespective of the contractual maturity, long term ratings given by approved rating agencies to be used

Description of the process used to transfer Public Issue Ratings onto comparable assets in Banking Book

Long-term issue specific ratings (for the bank’s own exposures or other issuance of debt by the same borrower-constituent/ counterparty) or issuer (borrower-constituent/ counterparty) ratings are applied to other unrated exposures of the same borrower-constituent/ counterparty in the following cases:

- If the issue specific rating or issuer rating maps to risk-weight equal to or higher than the unrated exposures, any other unrated exposure on the same counterparty is assigned the same risk weight, if the exposure ranks pari-passu or junior to the rated exposure in all respects
- In cases where the borrower-constituent/ counterparty has issued a debt (which is not a borrowing from the bank) the rating given to that debt is applied to the bank’s unrated exposures, if the bank’s exposure ranks pari-passu or senior to the specific rated debt in all respects and the maturity of unrated bank’s exposure is not later than the maturity of rated debt

4.2. Quantitative Disclosures

4.2.1. Exposure amounts after Risk Mitigation (subject to the standardised approach)

(Rs. in 000)

Sr No.	Exposure amounts after risk mitigation	Amount
1	Below 100% risk weight exposure outstanding	27,356,256
2	100% risk weight exposure outstanding	4,460,893
3	More than 100% risk weight exposure outstanding	427,444
4	Total	32,244,593

5. DF-5 Credit Risk Mitigation: Disclosures for standardised approach.

5.1. Qualitative Disclosures

5.1.1. Types of Credit Risk Mitigants

ADCB uses a variety of financial and non-financial collaterals and guarantees to mitigate the underlying credit risk in its regular lending operations. ADCB India has defined a list of eligible credit risk mitigants and permissible stipulations.

Financial Collateral

- Lien of Fixed Deposits, NSCs, LIC Policy, and Securities issued by Central /State Governments etc.
- Cash Margins for non-funded credit facilities

Non-financial collateral

- Hypothecation of Stocks/Book Debts/Accounts Receivables
- Assignment of Credit Card/Lease Rent receivables
- Equitable mortgage over real estate/property/factory land & building etc

Guarantees

- Bank Guarantees
- Corporate Guarantee
- Personal Guarantee

Others

- Assignment of salary account and terminal benefits in case of staff loans

5.1.2. Valuation

The Bank makes arrangement to conduct an independent valuation of the assets being pledged before acceptance and at defined frequencies depending on the nature of collateral. The valuation is conducted by a team of independent valuation experts or by a team of qualified staff from the Bank depending upon the nature of collateral.

Collateral is valued, wherever possible, at net realisable value, defined as the current market value less any potential realisation costs including but not limited to carrying costs of the repossessed collateral, legal fees or other charges associated with disposing of the collateral.

Bank aims to maintain a level of information about pledges and guarantees that is sufficient for it to regularly estimate the value thereof.

To some extent, the Bank receives guarantees for credit exposures. A large part of these guarantees are provided by enterprises or persons where a group relationship between the borrower and the guarantor exists.

5.1.3. Risk Concentration within the mitigation taken

ADCB uses the above mentioned financial, non-financial collaterals and guarantees to mitigate the underlying credit risk in its regular lending operations.

5.2. Quantitative Disclosures

For credit risk portfolio under the standardised approach, the **total exposure that is covered by eligible financial collateral after application of haircuts is Rs.5,340,857 thousand.**

6. DF-6 Securitisation: Disclosure for standardised approach

The Bank currently does not have any securitised exposures.

7. DF-7 Market Risk in Trading Book

7.1. Qualitative Disclosures

7.1.1. Overview of Policies and Procedures

Market risk of the Bank is defined as the risk to the Bank's earnings and capital due to changes in the market interest rate or prices of securities, foreign exchange, commodities and equities as well as their volatilities.

The salient features of the market risk at the Bank are as under:

- The 'Trading Book' of the Bank comprises primarily of exposures such as bonds held in AFS category and foreign exchange exposures in different currencies.
- Bank has no equities and Commodities exposures as on 31.03.2017
- The Bank has a detailed Treasury Policy covering investments, foreign exchange risk management and derivatives.

The key aspects of the treasury policy are as below:

- **Roles and Responsibilities:** The Bank has Asset Liability Committee (ALCO), which shall be responsible for defining, estimating the market risk inherent in all activities. As regards, Investments, the ALCO shall be responsible for the pattern and composition of investment. The mid-office shall assess the risk independently and is responsible for preparing stress testing scenarios, providing inputs in pricing market risk, performing revaluation and marking to market of market exposures and communicating short term view with regard to market risk profile of the Bank.
- **Valuation and Pricing:** The Bank values its foreign exchange including derivative positions on monthly mark to market basis based on the rates independently sourced from reliable agencies such as stock exchanges, Reuters, Bloomberg. The investments (AFS Category) are valued on a monthly basis. The investments (HFT Category) are valued on a daily basis.
- **Approved Instruments and Currencies:** The Bank has in place an approved list of products for its interest rate and foreign exchange transactions. This provides a comprehensive framework comprising of foreign exchange spot and forward transactions, currency options, cross currency interest rate swaps, interest rate swaps in INR and foreign currency, forward rate agreements (FRAs), REPOs, CDs, CPs, and SLR & Non-SLR securities.
- **Limits:** The Bank has clearly defined limits for different categories of instruments. For foreign exchange risk, the Bank has put in place overnight spot position limits, aggregate gap limits, counterparty limits, trigger limits. For derivatives, the Bank has set exposure limits, trigger limits and tenor limits. As regards Investments, the Bank has set exposure limits, tenor limits, dealing limits, trigger limits, issuer concentration limits, credit rating wise limits, counterparty limits in lines with overall regulatory limits.

7.2. Quantitative Disclosures

7.2.1. Bank's Capital Requirement for Market Risk –

(Rs. in '000)

Risk Category		Capital charge
I.	Interest Rate (a+b)	17,774
	a. General market risk	17,774
	i) Net position (parallel shift)	17,734
	ii) Horizontal disallowance (curvature)	16
	iii) Vertical disallowance (basis)	24
	iv) Options	–
	b. Specific risk	–
II.	Equity (a+b)	–
	a. General market risk	–
	b. Specific risk	–
III.	Foreign Exchange & Gold	41,000
IV.	Total Capital charge for Market risks (I+II+III)	58,774

8. DF-8 Operational Risk

8.1. Qualitative Disclosures

8.1.1. Overview of Policies and Procedures

Operational risk is the risk of losses owing to

- Deficient or erroneous internal procedures and processes;
- Human or system errors; or
- External events, including legal risks.

This implies that operational risk is often associated with specific and one-off events, for instance failure to observe business or working processes, defects or breakdowns of the technical infrastructure, criminal acts, fire and storm damage or litigation.

ADCB is in process of adopting “Sound Practices for the Management and Supervision of Operational Risk” and relevant BASEL II guidelines to strengthen its existing Operational Risk Management Framework. The Bank has a commitment to meeting high ethical and Operational Risk Management standards in the way it conducts its business.

The Bank has an IT and information security framework in place to ensure control over operations. It also has an internal audit framework to monitor adherence to laid-down processes.

Source of Risk	Bank's Current Position
Process	The Bank has a board approved Operational Risk Policy. The Bank has identified Key Risk Indicators (KRIs) and put in place Risk Control Self Assessment (RCSA) process. Bank has initiated an exercise to track and maintain operational loss data.
People	People Risk for the Bank emanates from the limited awareness of inherent risks in underlying activities.
Systems	ADCB India is exposed to risk of system failure, internet related frauds, hacking and phishing attacks. The Bank has a DRP framework in place and is in process of upgrading its IT security framework and setting up BCP framework.
External Events	ADCB India is exposed to the risks arising from external events like external fraud, natural disasters and exigencies like war.

Currently, ADCB has decided to apply the Basic Indicator Approach in the calculation of operational risk as per Basel II guidelines. The decision to adopt other approaches like Standardized Approach or Advanced Measurement Approach (AMA) will be reviewed in due course. The process of the collection of KRIs and RCSA data for AMA of the Operational Risk is already started.

8.2. Quantitative Disclosures

As on 31st March 2017, the Operational Risk Capital Charge for the Bank was Rs.96,409 thousand based on previous 3 year's average gross income.

9. DF-9 Interest rate risk in banking book (IRRBB)

9.1. Qualitative Disclosures

9.1.1. Overview of Policies and Procedures

Interest Rate Risk in Banking Book (IRRBB) refers to the risk of loss in earnings or economic value of the Bank's Banking Book as a consequence of movement in interest rates. Interest rate risk arises from holding assets/liabilities and Off-Balance Sheet [OBS] items with different principal amount, maturity dates or repricing dates thereby creating exposure to changes in levels of interest rates.

Interest Rate Risk is part of the overall ALM (Asset Liability Management) Policy of the bank.

Broad overview of the ALM policy is as below:

- Asset liability committee (ALCO) is responsible for the implementation of interest rate risk management strategy for the Bank. The day-to-day responsibility of risk measurement, monitoring, and evaluation rests with the Credit Risk Committee and the mid-office.
- Continuous monitoring of the interest rate sensitive gap statements across pre defined time buckets for measuring and managing the interest rate risk. The Bank has defined the approach to study interest rate risk via Net Interest Income (NII) and Market Value approach.
- Bank shall use Repricing Gap Approach and Economic Value Approach for Interest Rate Risk Analysis.
- Bank has fixed interest rate gap limits for different time bucket, both for positive and negative interest rate scenarios.

9.2. Quantitative Disclosures - Risk

The Bank assesses its exposure to Interest Rate Risk in Banking Book using the Economic Value of Equity (EVE) approach & **calculate likely drop in Market Value of Equity with 200 bps change in interest rates. The estimated impact of such shock as at the end of the last quarter is as under:-**

For quarter ending, 31st March, 2017

(Rs. In '000)

Particulars	INR & others
Impact on Economic Value of Equity (EVE), based on 200 bps change in interest rates	104,432
Impact on Earnings at Risk (EAR), based on 200 bps change in interest rates	122,678

10. DF-10 General Disclosure for Exposures Related to Counterparty Credit Risk
10.1. Qualitative Disclosures:
Counterparty exposure

Counterparty credit risk in case of derivative contracts arises from the forward contracts. The subsequent credit risk exposures depend on the value of underlying market factors (e.g., interest rates and foreign exchange rates), which can be volatile and uncertain in nature. The Bank has exposure to derivative only in the form of forward foreign exchange transactions at present.

Credit limits for counter party credit exposure

The Bank stipulates limits as per the norms on exposure stipulated by RBI for both fund and non-fund based products including derivatives. Limits are set as a percentage of the capital funds and are monitored. The utilisation against specified limits is reported to the Credit & Risk Committee on a periodic basis. The analysis of the composition of the portfolio is presented to the Credit & Risk Committee on a quarterly basis.

The Bank engages in collateralised borrowing from the RBI. When the Bank borrows from the RBI, collateral is typically statutory liquidity ratio eligible investments. The haircut for all such securities is stipulated by the RBI and is not based on the credit rating of the borrower. Similarly, CCIL's margin requirement is based on maturity and certain other factors but not on the credit ratings of the borrower. In addition, the Bank does not engage in derivative or swap transactions that require the Bank to increase its collateral if the Bank's credit rating is downgraded.

Policies with respect to wrong-way risk exposures

Wrong way risk is defined as an exposure to a counterparty that is adversely correlated with the credit quality of that counterparty. The same is assessed at the time of credit approval stage and recommended to Credit & Risk Committee for approval.

Credit exposures on forward contracts

The Bank enters into the forward contracts in the normal course of business for need of the counterparties, as well as for Bank's risk management needs, including mitigation of interest rate and foreign currency risk. Derivative exposures are calculated according to the current exposures method.

10.2. Quantitative Disclosures:

Credit Exposure as on 31st March, 2017

(Rs. In '000)

Particulars	Notional Amount	Gross positive fair value of contracts	Potential Exposure	Credit equivalent
Forward Contracts	7,821,521	22,558	156,431	178,989

11. DF-11 Composition of Capital
11.1. Qualitative Disclosures

Capital instruments eligible for inclusion in Tier 1 includes local capital funds, capital reserves, statutory reserves and remittable surplus retained in India. Local capital funds comprise the amount brought in India by way of initial capital together with subsequent infusion of capital increased by revenue and other reserves accrued over the years.

11.2. Quantitative Disclosures –
11.2.1. Summary of Capital Funds

(Rs. in '000)

Summary of Capital Funds			
Sr. No.	Components of Tier I Capital	Bank's Amount	Eligible Amount
A.	Common Equity Tier I		
1	Interest Free Funds from HO	2,170,187	2,170,187
2	Statutory Reserves	529,037	529,037
3	Capital Reserves representing surplus arising out of sale proceeds of assets	14,711	14,711
4	Remittable Surplus retained in Indian books (not repatriable)	998,215	998,215
	Common Equity Tier 1 Capital before Regulatory Adjustments	3,712,150	3,712,150
5	Deferred tax asset associate with timing difference	(140,514)	(140,514)
6	Less: Intangible Assets	(24,500)	(24,500)
	Common Equity Tier 1 Capital after Regulatory Adjustments	3,547,136	3,547,136
	Recognition of DTA associate with timing difference	140,514	140,514
	Total Common Equity Tier 1	3,687,650	3,687,650
	Components of Tier II Capital		
1	General Provisions and loss reserves	131,937	131,937
	Total Tier II Capital	131,937	131,937
	Total	3,819,587	3,819,587

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12. DF-12: Composition of Capital: Reconciliation requirements

Reconciliation Requirements

Step 1:

(Rs. in '000)

		Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation
		As on reporting date	As on reporting date
A	Capital & Liabilities		
i	Paid-up Capital	2,170,187	
	Reserves & Surplus	1,675,111	
	Minority Interest	NA	
	Total Capital	3,845,298	
ii	Deposits	28,374,194	
	<i>of which:</i> Deposits from banks	643,154	
	<i>of which:</i> Customer deposits	27,731,040	
	<i>of which:</i> Other deposits (pl. specify)	–	
iii	Borrowings	1,657,000	
	<i>of which:</i> From RBI	–	
	<i>of which:</i> From banks	1,657,000	
	<i>of which:</i> From other institutions & agencies	–	
	<i>of which:</i> Others (pl. specify)	–	
	<i>of which:</i> Capital instruments	–	
iv	Other liabilities & provisions	874,951	
	Total	34,751,443	
B	Assets		
i	Cash and balances with Reserve Bank of India	1,156,934	
	Balance with banks and money at call and short notice	2,788,009	
ii	Investments:	6,849,410	
	<i>of which:</i> Government securities	6,849,410	
	<i>of which:</i> Other approved securities	–	
	<i>of which:</i> Shares	–	
	<i>of which:</i> Debentures & Bonds	–	
	<i>of which:</i> Subsidiaries / Joint Ventures / Associates	–	
	<i>of which:</i> Others (Commercial Papers, Mutual Funds etc.)	–	
iii	Loans and advances	23,108,138	
	<i>of which:</i> Loans and advances to banks	3,808,067	
	<i>of which:</i> Loans and advances to customers	19,300,071	
iv	Fixed assets	93,636	
v	Other assets	755,316	
	<i>of which:</i> Goodwill and intangible assets	–	
	<i>of which:</i> Deferred tax assets	126,352	
vi	Goodwill on consolidation	–	
vii	Debit balance in Profit & Loss account	–	
	Total Assets	34,751,443	

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Step 2

(Rs. in '000)

		Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation
		As on reporting date	As on reporting date
A	Capital & Liabilities		
i	Paid-up Capital	2,170,187	
	<i>of which:</i> Amount eligible for CET1	2,170,187	
	<i>of which:</i> Amount eligible for AT1	–	
	Reserves & Surplus	1,675,111	
	Minority Interest	NA	
	Total Capital	3,845,298	
ii	Deposits	28,374,194	
	<i>of which:</i> Deposits from banks	643,154	
	<i>of which:</i> Customer deposits	27,731,040	
	<i>of which:</i> Other deposits (pl. specify)	–	
iii	Borrowings	1,657,000	
	<i>of which:</i> From RBI	–	
	<i>of which:</i> From banks	1,657,000	
	<i>of which:</i> From other institutions & agencies	–	
	<i>of which:</i> Others (pl. specify)	–	
	<i>of which:</i> Capital instruments	–	
iv	Other liabilities & provisions	874,951	
	<i>of which:</i> DTLs related to goodwill	–	
	<i>of which:</i> DTLs related to intangible assets	–	
	Total	34,751,443	
B	Assets		
i	Cash and balances with Reserve Bank of India	1,156,934	
	Balance with banks and money at call and short notice	2,788,009	
ii	Investments	6,849,410	
	<i>of which:</i> Government securities	6,849,410	
	<i>of which:</i> Other approved securities	–	
	<i>of which:</i> Shares	–	
	<i>of which:</i> Debentures & Bonds	–	
	<i>of which:</i> Subsidiaries / Joint Ventures / Associates	–	
	<i>of which:</i> Others (Commercial Papers, Mutual Funds etc.)	–	
iii	Loans and advances	23,108,138	
	<i>of which:</i> Loans and advances to banks	3,808,067	
	<i>of which:</i> Loans and advances to customers	19,300,071	
iv	Fixed assets	93,636	
v	Other assets	755,316	
	<i>of which:</i> Goodwill and intangible assets <i>Out of which:</i>	–	
	Goodwill	–	
	Other intangibles (excluding MSRs)	–	
	Deferred tax assets	126,352	
vi	Goodwill on consolidation	–	
vii	Debit balance in Profit & Loss account	–	
	Total Assets	34,751,443	

Step 3

Common Equity Tier 1 capital: instruments and reserves			
		Component of regulatory capital reported by bank	Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation from step 2
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	2,170,187	
2	Retained earnings	–	
3	Accumulated other comprehensive income (and other reserves)	1,541,963	
4	<i>Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)</i>	–	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	–	
6	Common Equity Tier 1 capital before regulatory adjustments	3,712,150	
7	Prudential valuation adjustments	–	
8	Goodwill (net of related tax liability)	–	
9	Other Intangibles other than mortgage-servicing rights (net of related tax liability)	(24,500)	
10	Deferred tax asset associate with timing difference	(140,514)	
11	Recognition of DTA associate with timing difference	140,514	
12	Deffered tax assets that rely on future profitability excluding those arising from temporary difference	–	
13	Regulatory adjustments applied to Common Equity Tier 1 and Tier 2	–	
	Common Equity Tier 1 capital (CET1)	3,687,650	

13. DF-13: Main Features of Regulatory Capital Instruments

Disclosure template for main features of regulatory capital instruments		
1	Issuer	N.A
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N.A
3	Governing law(s) of the instrument	N.A
	<i>Regulatory treatment</i>	
4	Transitional Basel III rules	N.A
5	Post-transitional Basel III rules	N.A
6	Eligible at solo/group/ group & solo	N.A
7	Instrument type	N.A
8	Amount recognised in regulatory capital (Rs. in million, as of most recent reporting date)	N.A
9	Par value of instrument	N.A
10	Accounting classification	N.A
11	Original date of issuance	N.A
12	Perpetual or dated	N.A
13	Original maturity date	N.A
14	Issuer call subject to prior supervisory approval	N.A
15	Optional call date, contingent call dates and redemption amount	N.A
16	Subsequent call dates, if applicable	N.A
	<i>Coupons / dividends</i>	N.A
17	Fixed or floating dividend/coupon	N.A
18	Coupon rate and any related index	N.A
19	Existence of a dividend stopper	N.A
20	Fully discretionary, partially discretionary or mandatory	N.A

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21	Existence of step up or other incentive to redeem	N.A
22	Non-cumulative or cumulative	N.A
23	Convertible or non-convertible	N.A
24	If convertible, conversion trigger(s)	N.A
25	If convertible, fully or partially	N.A
26	If convertible, conversion rate	N.A
27	If convertible, mandatory or optional conversion	N.A
28	If convertible, specify instrument type convertible into	N.A
29	If convertible, specify issuer of instrument it converts into	N.A
30	Write-down feature	N.A
31	If write-down, write-down trigger(s)	N.A
32	If write-down, full or partial	N.A
33	If write-down, permanent or temporary	N.A
34	If temporary write-down, description of write-up mechanism	N.A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N.A
36	Non-compliant transitioned features	N.A
37	If yes, specify non-compliant features	N.A

14. DF-14: Full Terms and Conditions of Regulatory Capital Instruments

Instruments	Full Terms and Conditions
N.A	N.A

15. DF-15: Disclosure Requirements for Remuneration

	Qualitative Disclosures	
(a)	Information relating to the composition and mandate of the Remuneration Committee.	<ul style="list-style-type: none"> ADCB India is a branch of ADCB PJSC. There is no separate remuneration committee in India. The annual review of remuneration of India staff is approved at Head Office, under the supervision of ADCB's Board Nomination, Compensation and HR Committee and in consultation with CEO - ADCB, Head Rewards - ADCB, Head of WGB - ADCB, CEO - ADCB, India and HR, India.
(b)	Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy.	<ul style="list-style-type: none"> The Bank in India follows an annual appraisal cycle and remuneration to employees are split into fixed and variable (including shares of ADCB HO) depending on job requirements and is also linked to corporate and personal performance.
(c)	Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks.	<ul style="list-style-type: none"> ADCB has practices and policies in place which promote effective risk-management. The Bank aligns employee's performance to the Bank's strategy.
(d)	Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration.	<ul style="list-style-type: none"> Fixed and variable pay rewards are designed to be performance target based and aligned with shareholders' interests. Performance of all staff is appraised on an annual basis. Fixed Compensation – all employees are eligible for fixed compensation. The broad components of fixed pay are Basic, House Rent Allowance (HRA), Special Allowance, Conveyance, Medical, Leave Travel Allowance Provident Fund, Gratuity etc. Variable compensation – Variable pay largely depends upon performance of the employee, performance of the bank in India as well as the performance of the Bank globally. The variable pay is generally paid to all employees if their performance is rated satisfactory or above. Part of the variable pay by way of grant of shares of ADCB HO to select employees are deferred and vest after three to four years. ADCB seeks to ensure that remuneration packages reflect duties and responsibilities and rewards are linked to corporate and personal performance.
(e)	A discussion of the bank's policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting.	<ul style="list-style-type: none"> As per the current structure – employee's compensation consists of fixed, variable for employees and additionally deferred shares (of ADCB PJSC, HO) for some select employees. These shares are granted at no cost to the employee and vests entirely over a period of three to four years. In case of cessations of employment, due to resignation, dismissal or for any other reason, the unvested deferred shares will be considered as forfeited at the point that notice of cessation of employment is given.⁵
(f)	Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the bank utilizes and the rationale for using these different forms.	<ul style="list-style-type: none"> Presently variable pay is mainly in the form of Cash Awards. Additionally, to ensure long term retention of select employees, some of them are granted shares of ADCB PJSC, HO which vest entirely after three to four years.

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Quantitative Disclosures		2016-17
(g)	Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.	NA
(h)	(i) Number of employees having received a variable remuneration award during the financial year.	9*
	(ii) Number and total amount of sign-on awards made during the financial year.	NIL
	(iii) Details of guaranteed bonus, if any, paid as joining/sign on bonus [#]	NIL
	(iv) Details of severance pay, in addition to accrued benefits, if any [#]	NIL
(i)	(i) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.	Shares of ADCB PJSC HO – (valued at the award price): Rs. 15,410 (For total Count 9 of which Count for Risk Takers is 6)
	(ii) Total amount of deferred remuneration paid out in the financial year.	NIL
(j)	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.	Fixed Pay# : Rs. 51,813 (Count 10) Variable Pay : Rs. 8,698 (Count : 9) Shares of ADCB PJSC HO – (valued at the award price): Rs. 8,782 (For total Count 9 of which Count for Risk Takers is 6)
(k)	(i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and / or implicit adjustments.	NIL
	(ii) Total amount of reductions during the financial year due to ex-post explicit adjustments.	NIL
	(iii) Total amount of reductions during the financial year due to ex-post implicit adjustments.	NIL

Fixed pay for employees includes Basic Salary, House Rent Allowance, Supplementary Allowances, Co contribution to provident fund and other amounts paid during the financial year 2016-2017

* Includes all Treasury employees and other business employees for grades E2, E3 and E4.

\$ FY 2015-16 was the first year in which shares were allotted and no shares have vested in the years FY 2015-16 or FY 2016-17.

16. DF-16: Equities – Disclosure for Banking Book position

(Rs. in '000)

Item	Amount
1 Value disclosed in the balance sheet of investments, as well as the fair value of those investments; for quoted securities, a comparison to publicly quoted share values where the share price is materially different from fair value.	Nil
2 The types and nature of investments, including the amount that can be classified as: <ul style="list-style-type: none"> Publicly traded; and Privately held. 	Nil
3 The cumulative realised gains (losses) arising from sales and liquidations in the reporting period.	Nil
4 Total unrealised gains (losses)	Nil
5 Total latent revaluation gains (losses)	Nil
6 Any amounts of the above included in Tier 1 and/or Tier 2 capital.	Nil
7 Capital requirements broken down by appropriate equity groupings, consistent with the bank's methodology, as well as the aggregate amounts and the type of equity investments subject to any supervisory transition or grandfathering provisions regarding regulatory capital requirements.	N.A.

17. DF-17: Summary Comparison of accounting assets vs. leverage ratio exposure measure

(Rs. in '000)

Item	Amount
1 Total consolidated assets as per published financial statement	34,751,443
2 Adjustment for investment in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	–
3 Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	–
4 Adjustment for derivative financial instruments	649,531
5 Adjustment for securities financing transactions (i.e. repos and similar secured lending)	–
6 Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	5,900,819
7 Other adjustments	(3,498,790)
8 Leverage ratio exposure	37,803,003

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18. DF-18: Leverage ratio common disclosure template

(Rs. in '000)

	Item	Leverage ratio framework
	On-balance sheet exposures	
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	31,277,153
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(24,500)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	31,252,653
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	19,967
5	Add-on amounts for PFE associated with all derivatives transactions	629,564
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	–
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	–
8	(Exempted CCP leg of client-cleared trade exposures)	–
9	Adjusted effective notional amount of written credit derivatives	–
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	–
11	Total derivative exposures (sum of lines 4 to 10)	649,531
	Securities financing transaction exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	–
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	–
14	CCR exposure for SFT assets	–
15	Agent transaction exposures	–
16	Total securities financing transaction exposures (sum of lines 12 to 15)	–
	Other off-balance sheet exposures	
17	Off-balance sheet exposure at gross notional amount	6,920,769
18	(Adjustments for conversion to credit equivalent amounts)	(1,019,950)
19	Off-balance sheet items (sum of lines 17 and 18)	5,900,819
	Capital and total exposures	
20	Tier 1 capital	3,687,650
21	Total exposures (sum of lines 3, 11, 16 and 19)	37,803,003
	Leverage ratio	
22	Basel III leverage ratio (per cent)	9.75%

For **ABU DHABI COMMERCIAL BANK**
India Branches

Sd/-

Darayus Bajan

Chief Executive Officer – India

June 28, 2017