Abu Dhabi Commercial Bank – India Branches

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

ADCB

BALANCE SHEET AS ON MARCH 31, 2013

(Rs '000s)

	Schedule	As on March 31, 2013	As on March 31, 2012
CAPITAL AND LIABILITIES			
Capital	1	**2,170,187**	2,170,187
Reserves and Surplus	2	**1,103,855**	921,874
Deposits	3	**7,042,814**	6,233,681
Borrowings	4	**5,545,360**	2,544,375
Other Liabilities and Provisions	5	**515,334**	324,255
TOTAL		**16,377,550**	12,194,372
ASSETS			
Cash and Balances with Reserve Bank of India	6	**319,531**	318,529
Balances with Banks and Money at Call and Short Notice	7	**8,009,031**	6,298,480
Investments	8	**2,325,953**	2,264,866
Advances	9	**5,198,474**	2,891,916
Fixed Assets	10	**69,339**	92,151
Other Assets	11	**455,222**	328,430
TOTAL		**16,377,550**	12,194,372
Contingent Liabilities	12	**3,935,397**	2,728,064
Bills for Collection		**759,319**	729,296
Significant Accounting policies	17		
Notes to accounts	18		

The accompanying schedules are an integral part of the Balance Sheet

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2013

(Rs '000s)

	Schedule	**Year ended March 31, 2013**	Year ended March 31, 2012
I. INCOME			
Interest Earned	13	**1,175,819**	760,269
Other Income	14	**66,510**	46,667
TOTAL		**1,242,329**	806,936
II. EXPENDITURE			
Interest Expended	15	**694,091**	402,757
Operating Expenses	16	**244,976**	175,699
Provisions and Contingencies (Refer note 14 of Schedule 18)		**121,280**	65,239
TOTAL		**1,060,347**	643,695
III. PROFIT/(LOSS)			
Net Profit for the year		**181,982**	163,241
Profit/(Loss) brought forward		–	–
TOTAL		**181,982**	163,241
IV. APPROPRIATIONS			
Transfer to Statutory Reserves		**45,496**	40,811
Transfer to Investment Reserve Account		**1,376**	–
Remittable Surplus Retained in India for CRAR		**135,110**	122,430
Balance carried over to Balance Sheet		–	–
TOTAL		**181,982**	163,241
Significant Accounting policies	17		
Notes to accounts	18		

The accompanying schedules are an integral part of the Profit and Loss Account

As per our report of even date
For and on behalf of
KHIMJI KUNVERJI & CO.
Chartered Accountants
Firm Reg. No: 105146W

Sd/-
R V Chaniyari
Partner (F-31083)

For
ABU DHABI COMMERCIAL BANK
India Branches

Sd/-
Kavita Venugopal
Chief Executive Officer - India

Place: Mumbai
Date: June 28, 2013

Abu Dhabi Commercial Bank – India Branches

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

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2013

(Rs '000s)

		Year ended March 31, 2013	Year ended March 31, 2012
Cash flows from operating activities			
Net Profit/(Loss) before tax		**327,733**	259,468
Adjustment for :			
Depreciation charge for the year		**22,308**	7,592
Depreciation on investments		**(3,165)**	–
Provision on funded NPA's (Net of Write offs/Write backs)		**(30,916)**	(34,376)
Other Provisions		**9,610**	3,388
Profit on sale of fixed assets		**–**	–
Loss on sale of fixed assets		**2**	97
		325,572	236,169
Adjustments for :			
(Increase)/Decrease in Investments		**(111,392)**	(9,633)
(Increase)/Decrease in Advances		**(2,275,642)**	(1,054,490)
Increase/(Decrease) in Borrowings		**3,000,985**	394,375
Increase/(Decrease) in Deposits		**809,133**	583,990
(Increase)/Decrease in Other Assets		**(86,761)**	(24,996)
Increase/(Decrease) in Other liabilities and provisions		**181,469**	(20,759)
		1,517,793	(131,513)
Income Tax (paid)/refund received		**(128,000)**	(106,522)
Net cash generated from/(used in) operating activities	A	**1,715,365**	(1,866)
Cash Flows from investing activities			
Purchase of fixed assets		**(3,811)**	(29,812)
Proceeds from sale of fixed assets		**2**	194
Net cash generated from/(used in) investing activities	B	**(3,809)**	(29,618)
Cash Flows from financing activities			
Infusion of Funds from Head Office		**–**	1,537,500
Net cash flows generated from financing activities	C	**–**	1,537,500
Net increase/(decrease) in cash and cash equivalents (A+B+C)		**1,711,553**	**1,506,016**
Cash and Cash Equivalents at the beginning of the year		**6,617,009**	5,110,993
Cash and Cash Equivalents at the end of the year		**8,328,562**	6,617,009

(Note: Cash and Cash Equivalents represents Cash and Balance with Reserve Bank of India and Balances with Banks and Money at Call and Short notice)

As per our report of even date
For and on behalf of
KHIMJI KUNVERJI & CO.
Chartered Accountants
Firm Reg. No: 105146W

Sd/-
R V Chaniyari
Partner (F-31083)

For
ABU DHABI COMMERCIAL BANK
India Branches

Sd/-
Kavita Venugopal
Chief Executive Officer - India

Place: Mumbai
Date: June 28, 2013

Abu Dhabi Commercial Bank – India Branches

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

SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON MARCH 31, 2013

(Rs '000s)

	As on March 31, 2013	As on March 31, 2012
SCHEDULE 1 - CAPITAL		
I. Capital		
i) Opening Balance	**2,170,187**	632,687
ii) Capital Infusion during the year (Refer Note 17 of Schedule 18)	–	1,537,500
TOTAL	**2,170,187**	2,170,187
II. Amount (Face Value) of Deposit kept in the form of securities with the Reserve Bank of India u/s 11 (2) (b) of the Banking Regulation Act, 1949	412,500	412,500
SCHEDULE 2 – RESERVES AND SURPLUS		
I. Statutory Reserves		
i) Opening Balance	**340,726**	299,915
ii) Additions during the year	**45,496**	40,811
	386,222	340,726
II. Capital Reserves		
Balance as per last Balance Sheet	**14,711**	14,711
ii) Additions during the year	–	–
	14,711	14,711
III. Investment Reserve Account		
i) Opening Balance	**213**	213
ii) Additions during the year	**1,376**	–
	1,589	213
IV. Remittable Surplus retained in India for CRAR		
i) Opening Balance	**434,664**	312,235
ii) Additions during the year	**135,110**	122,430
	569,774	434,665
V. Revenue and Other Reserves		
i) Opening Balance	**131,559**	131,559
ii) Additions during the year	–	–
	131,559	131,559
VI. Balance in Profit and Loss Account	–	–
TOTAL	**1,103,855**	921,874
SCHEDULE 3 – DEPOSITS		
A) I. Demand Deposits		
i) From banks	**48,565**	39,326
ii) From others	**1,039,545**	578,194
	1,088,110	617,520
II. Savings Bank Deposits	**869,610**	898,621
III. Term Deposits		
i) From banks	**50,000**	–
ii) From others	**5,035,094**	4,717,540
	5,085,094	4,717,540
TOTAL	**7,042,814**	6,233,681
B) I. Deposits of branches in India	**7,042,814**	6,233,681
TOTAL	**7,042,814**	6,233,681

(Rs '000s)

	As on March 31, 2013	As on March 31, 2012
SCHEDULE 4 - BORROWINGS		
I. Borrowings in India		
i) Reserve Bank of India	**341,100**	100,000
ii) Other banks	**3,250,000**	2,190,000
iii) Other institutions and agencies	–	–
II. Borrowings outside India	**1,954,260**	254,375
TOTAL (I & II)	**5,545,360**	2,544,375
Secured Borrowings included in I & II above	**341,100**	100,000
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I. Bills payable	**140,902**	70,287
II. Inter-Office adjustments (Net)	–	101
III. Interest accrued	**164,530**	120,327
IV. Deferred Tax Liability (Net)	**30,965**	17,214
V. Others [includes provision towards standard assets Rs. 21,186 thousand (previous year Rs.11,926 thousands)]	**178,937**	116,326
TOTAL (I to V)	**515,334**	324,255
SCHEDULE 6 – CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand (including foreign currency notes)	**8,126**	6,226
II. Balances with Reserve Bank of India		
i) In Current Account	**311,405**	312,303
ii) In Other Accounts	–	–
TOTAL (I & II)	**319,531**	318,529
SCHEDULE 7– BALANCES WITH BANKS AND MONEY AT CALL & SHORT NOTICE		
I. In India		
i) Balances with banks		
a) In Current Accounts	**138,004**	83,845
b) In Other Deposit Accounts	**7,000,000**	6,200,000
ii) Money at call and short notice		
a) With banks (including with RBI under LAF)	**750,000**	–
b) With other institutions	–	–
TOTAL	**7,888,004**	6,283,845
II. Outside India		
i) In Current Accounts	**121,027**	14,635
ii) In Other Deposit Accounts	–	–
iii) Money at call and short notice (Including with H.O.)	–	–
TOTAL	**121,027**	14,635
TOTAL (I + II)	**8,009,031**	6,298,480

Abu Dhabi Commercial Bank – India Branches

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

ADCB

SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON MARCH 31, 2013

(Rs '000s)

	As on March 31, 2013	As on March 31, 2012
SCHEDULE 8 – INVESTMENTS		
I. Investments in India (Book Value)	**2,348,451**	2,299,019
Less: Provision for Depreciation	**(22,498)**	(34,153)
Net Investments in India	**2,325,953**	2,264,866
Break-up:-		
i) Government securities	**2,151,053**	1,905,966
ii) Others (includes deposit with NHB & SIDBI)	**174,900**	358,900
TOTAL	**2,325,953**	2,264,866
II. Investments outside India	–	–
TOTAL (I +II)	**2,325,953**	2,264,866
(Refer Note 18 of Schedule 18)		
SCHEDULE 9 – ADVANCES		
A) i) Bills purchased and discounted	**2,085,361**	1,244,465
ii) Cash credits, overdrafts and loans repayable on demand	**1,905,792**	762,989
iii) Term loans	**1,207,321**	884,462
TOTAL	**5,198,474**	2,891,916
B) i) Secured by tangible assets*	**2,700,691**	1,793,225
ii) Covered by Bank/ Government Guarantees	**2,225,940**	1,098,691
iii) Unsecured	**271,843**	–
TOTAL	**5,198,474**	2,891,916
C) I. Advances in India		
i) Priority Sectors	**1,270,590**	611,320
ii) Public Sector	–	–
iii) Banks	**1,000,000**	–
iv) Others	**2,927,884**	2,280,596
TOTAL	**5,198,474**	2,891,916
II. Advances outside India	–	–
TOTAL	**5,198,474**	2,891,916

* (Includes Advances against Book debts)

(Rs '000s)

	As on March 31, 2013	As on March 31, 2012
SCHEDULE 10 - FIXED ASSETS		
I. Premises		
i) At cost as on March 31 of the preceding year	**56,576**	56,576
ii) Additions during the year	–	–
iii) Deductions during the year	–	–
iv) Depreciation to date (Refer Note 29 of Schedule 18)	**(12,998)**	–
TOTAL	**43,578**	56,576
II. Other Fixed Assets (including furniture and fixtures)		
i) At cost as on March 31 of the preceding year	**75,944**	51,607
ii) Additions during the year	**4,125**	29,595
iii) Deductions during the year	**(69)**	(5,259)
iv) Depreciation to date	**(54,239)**	(44,995)
TOTAL	**25,761**	30,948
III. Capital Work in Progress	–	4,627
GRAND TOTAL (I to III)	**69,339**	92,151
SCHEDULE 11 – OTHER ASSETS		
I. Inter-office adjustments (net)	**61**	–
II. Interest accrued	**149,977**	103,782
III. Tax paid in advance/tax deducted at source (net of provisions)	**102,036**	106,036
IV. Stationery and stamps	–	3
V. Others	**203,148**	118,609
TOTAL (I to V)	**455,222**	328,430
SCHEDULE 12 – CONTINGENT LIABILITIES		
I. Liability on account of outstanding forward exchange contracts	**2,830,340**	1,644,164
II. Guarantees given on behalf of constituents:		
a) In India	**499,461**	484,001
b) Outside India	**272,784**	269,488
III. Acceptances, endorsements and other obligations	**79,597**	56,126
IV. Other items for which the Bank is contingently liable: Income tax/Interest tax disputed and in appeal not provided for is estimated at	**253,215**	274,285
TOTAL	**3,935,397**	2,728,064

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2013

(Rs '000s)

	Year ended March 31, 2013	Year ended March 31, 2012
SCHEDULE 13 – INTEREST EARNED		
I. Interest/discount on advances/bills	**365,274**	234,002
II. Income on investments	**192,088**	165,837
III. Interest on balances with Reserve Bank of India and other inter-bank funds	**618,457**	355,465
IV. Others	**–**	4,965
TOTAL (I to IV)	**1,175,819**	760,269
SCHEDULE 14 – OTHER INCOME		
I. Commission, exchange and brokerage	**25,085**	20,716
II. Profit/(Loss) on sale/ redemption of investments	**–**	37
III. Profit/(Loss) on revaluation of investments	**–**	–
IV. Profit/(Loss) on sale of land, building and other assets	**(2)**	(97)
V. Net profit on exchange transactions	**38,017**	25,976
VI. Miscellaneous income	**3,410**	35
TOTAL (I to VI)	**66,510**	46,667

(Rs '000s)

	Year ended March 31, 2013	Year ended March 31, 2012
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on deposits	**504,857**	309,645
II. Interest on Reserve Bank of India and Inter-bank borrowings	**189,234**	93,112
III. Others	**–**	–
TOTAL (I to III)	**694,091**	402,757
SCHEDULE 16 - OPERATING EXPENSES		
I. Payments to and provisions for employees	**138,920**	96,190
II. Rent, taxes and lighting	**17,642**	22,684
III. Printing and stationery	**1,319**	1,248
IV. Advertisement and publicity	**987**	311
V. Depreciation on bank's property (Refer Note 29 of Schedule 18)	**22,308**	7,592
VI. Auditors' fees and expenses	**495**	423
VII. Law charges	**3,578**	873
VIII. Postages, telegrams, telephones, etc.	**5,497**	4,336
IX. Repairs and maintenance	**17,467**	12,229
X. Insurance	**6,135**	5,201
XI. Other expenditure (includes Technical and Consultancy Services INR 20,413 ('000 previous year INR 15,407 ('000))	**30,628**	24,612
TOTAL (I to XI)	**244,976**	175,699

SCHEDULE 17 - ACCOUNTING POLICIES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2013.

I. BACKGROUND

The accompanying financial statements comprise the accounts of the India branches of Abu Dhabi Commercial Bank (referred to as 'the Bank'), which is incorporated and registered in United Arab Emirates with limited liability.

II. ACCOUNTING POLICIES

1. Accounting Convention

The accompanying financial statements have been prepared in accordance with the requirements prescribed under the Third Schedule of the Banking Regulation Act, 1949, circulars and guidelines issued by Reserve Bank of India (RBI) from time to time. These are drawn up using the generally accepted accounting principles on accrual system of accounting and follow the historical cost convention basis and also conform to the statutory provisions and practices prevailing within the Banking Industry in India as also Accounting Standards ('AS') prescribed by the Companies (Accounting Standards) Rules, 2006, to the extent applicable.

2. Use of Estimates

The preparation of financial statements requires the management to make estimates and assumptions that are considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of financial statements and the reported income and expense during the reported period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in the financial statements.

3. Change in Accounting Policy

Bank has changed the accounting policy of valuing the Treasury bills at carrying cost to align it with RBI guidelines which was shown at cost in earlier years, and the same has no impact on Profit and Loss Account.

4. Transactions Involving Foreign Exchange

4.1. Foreign Currency Assets, Liabilities and Contingent Liabilities on account of guarantees, acceptances, endorsements and other outstanding are translated at the balance sheet date at rates notified by the Foreign Exchange Dealers' Association of India (FEDAI). Foreign Exchange Positions including spot and forward contracts are revalued monthly at the rates notified by the FEDAI. The resultant gain or loss is recognized in the Profit and Loss Account.

4.2. Item of Income and Expenditure in foreign currency are translated at the exchange rates prevailing on the date of the transactions.

4.3. In case of foreign currency deposits, which have been swapped, the swap cost is treated as Interest (period) cost and amortized over the period of transactions as per Accounting Standard (AS) 11 'The effect of changes in Foreign Exchange rates'.

5. Investments

5.1. Classification

In accordance with the guidelines for investments laid down by the Reserve Bank of India (RBI), the Bank classifies its investments into the following categories:

i. Held to Maturity

ii. Available for Sale

iii. Held for Trading

5.2. Valuation

5.2.1. Held to Maturity

Investments under this category are carried at acquisition cost, unless it is more than the face value, in which case the premium is amortized over the period remaining till maturity. Diminution other than temporary, if any, in the value of such investment is determined and provided for on each investment individually.

Investments transferred from AFS/HFT to HTM category are valued at lower of acquisition cost, book value or market value on the date of transfer and the depreciation, if any, on such transfer is provided for as per RBI guidelines. These investments are valued net of depreciation unless the same is higher than the face value in which case the excess is amortized over the period remaining till maturity.

5.2.2. Available for Sale and Held for Trading:

Investments under these categories except for Treasury Bills are marked to market. Net appreciation, if any, under each of the six classifications under which investments are presented in the Balance Sheet, is ignored and net depreciation is provided for category wise. In addition, further provision is made for depreciation based on management's estimate of potential depreciation. Treasury Bills are valued at carrying cost.

5.3. Cost of Investments excludes broken period interest paid on acquisition of Investments which is charged to Profit and Loss Account.

5.4. The market value of investments is ascertained based on the price of security as available from the trades/quotes on the Stock Exchange or prices declared by the Primary Dealers Association of India (PDAI) jointly with the Fixed Income Money Market and Derivatives Association of India (FIMMDA).

5.5. Market value of investments, where current quotations are not available is determined as per the norms laid down by the RBI which are as under:

5.5.1. Value of unquoted Government securities is derived based on the yield-to maturity (YTM) rate for Government securities of equivalent maturity put out by FIMMDA/PDAI.

5.5.2. Value of unquoted bonds, debentures and preference shares where interest/dividend is received regularly, is derived based on the YTM rate for Government securities as suitably marked up for credit risk applicable to the credit rating of the instrument.

5.5.3. Value of unquoted bonds, preference shares and debentures where dividend/interest is not received regularly, is derived on the basis of valuation and provisioning norms prescribed by the RBI.

5.5.4. Values of equity shares that are not quoted on the Stock Exchange are valued at break up value, which is ascertained from the latest available Balance Sheet.

5.5.5. Units of Mutual Funds are valued at the latest repurchase price/Net Asset Value declared by the respective Mutual Funds.

5.6. Repo/Reverse repo transactions (including under Liquidity Adjustment Facility (LAF) with RBI) if any, are accounted for as collateralised lending and borrowing transactions in accordance with RBI guidelines and correspondingly the expense and income thereon is treated as interest.

6. Advances

6.1. Advances are classified into performing and non-performing as per the prudential norms on asset classification laid down by the RBI. Specific provision for 'Non Performing Advances' is made on the basis of provisioning requirement under the prudential norms as laid down by the RBI, and is deducted from Advances. General provision on "Standard Assets" and for "Country Risk" at rates specified by RBI are included in 'Other Liabilities and Provisions'.

6.2. In addition to the provision made as per para 6.1 above, further provision is made for 'Non Performing Advances' based on Management's estimate of potential exposure, wherever necessary.

7. Fixed Assets

7.1. Fixed assets are stated at historical cost less accumulated depreciation.

7.2. Depreciation on premises is provided for on Straight Line Method at 1.63% per annum.

7.3. Depreciation on computers (Hardware & Software) is provided for on Straight Line Method at 33 1/3% per annum.

7.4. Depreciation on certain Furniture and Fittings is provided for on Straight Line Method at the rate of 25% per annum.

7.5. Depreciation on assets other than the above is provided for, using the Written Down Value method, subject to the minimum rates prescribed in Schedule XIV of Companies Act, 1956.

7.6. The Bank assesses at each balance sheet date whether there is any indication that an asset may be impaired and provides for impairment loss, if any, in the profit and loss account.

8. Operating Lease Transactions

Leases, where the lessor effectively retains substantially all the risks and benefits of the ownership are classified as operating lease. Operating lease payments are recognised as an expense in the Profit and Loss Account on a straight line basis over the lease term.

9. Revenue Recognition

Income/Expenditure are accounted for on accrual basis except in case of Non Performing Assets, where income is recognized on actual realization in terms of RBI guidelines. Incomes from services that are subject to service tax are accounted net of service tax.

Commission received on Guarantees/Letter of Credit issued is amortized on a straight-line basis over the period of the Guarantees/Letter of Credit. Other fees and commission income are recognized on accrual basis.

10. Employee Benefits

10.1. Provident Fund

The Bank operates a Provident Fund Scheme to which it contributes an amount on monthly basis at a determined rate. The contribution is made to a Trust established by the Bank for this purpose and such contribution is charged to the Profit and Loss Account.

10.2. Gratuity

The Bank operates a Gratuity Fund Scheme and the contributions are made to the Trust established for this purpose. The Bank makes contributions to the Fund based on actuarial valuation carried out by an independent external actuary using the projected unit credit method. The contribution payable/paid is charged to the Profit and Loss Account.

10.3. Compensated Absences

All eligible employees of the Bank are entitled to compensated absences which are provided for on the basis of an independent external actuarial valuation carried out at balance sheet date using the projected unit credit method. The Bank does not separately fund such absences.

10.4. Short-term employee benefits such as medical insurance, performance award, leave travel allowance etc. are recognized as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.

10.5. All actuarial gain/loss are recognized in Profit and Loss account.

11. Net Profit/(Loss)

The net profit/(loss) disclosed in the Profit and Loss account is after provision for:

i. taxes on income (including deferred tax) and wealth tax
ii. advances
iii. shortfall in the value of investments
iv. depreciation on fixed assets
v. Other usual and necessary provisions

12. Provision For Taxation

Income tax expense comprises of the current tax, the net change in the deferred tax asset and the deferred tax liability during the year. Current tax is determined on the basis of the provisions of the Income Tax Act, 1961. The Bank accounts for deferred taxes in accordance with provision of AS 22 'Accounting for Taxes'. Deferred taxation is provided on timing differences between the accounting income and taxable income for the year using tax rates and laws substantially enacted as on the Balance Sheet date. Deferred tax assets are recognized to the extent there is certainty that they will be realized and are reviewed for appropriateness of their carrying value at each Balance Sheet date.

13. Provisions, Contingent Assets And Contingent Liabilities

The Bank estimates provisions when it has a present obligation as a result of past event(s) and it is probable that an outflow of resources embodying economic benefit to settle the obligation will be required and a reliable estimate can be made of such an obligation. Contingent Assets are not recognized in the Financial Statements. A disclosure of Contingent Liability is made when there is:

i) A possible obligation, arising from a past event(s), the existence of which will be confirmed by occurrence or non-occurrence of one or more uncertain future events not within the control of the Bank or

ii) Any present obligation that arises from past events but is not recognized because:

a. it is not probable that an outflow of resource embodying economic benefits will be required to settle the obligation;

b. A reliable estimate of the amount of obligation cannot be made.

SCHEDULE 18 - NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2013.

(Rs 000's)

1. Business Ratios:

		2012-13	2011-12
i.	Interest income as a percentage to working funds	**9.03%**	8.70%
ii.	Non-interest income as a percentage to working funds	**0.51%**	0.53%
iii.	Operating profit as a percentage to working funds	**2.33%**	2.61%
iv.	Return on assets	**1.40%**	1.87%
v.	Business (Deposits + Advances) per Employee	**271,801**	163,508
vi.	Profit per Employee	**3,568**	3,401

2. Lending to sensitive sectors are as under: (Rs 000's)

2.1 Exposure to real estate sector

a)	**Direct exposure :**	**50,022**	26,222
	i) Residential mortgages	**50,022**	26,222
	– of which Individual Housing Loans eligible for inclusion in Priority Sector	–	–
	ii) Commercial Real Estate (including NFB limits Rs. NIL)	–	–
	iii) Investment in Mortgage Backed Securities and other securitised exposures:	–	–
	a. Residential		
	b. Commercial Real Estate		
b)	**Indirect exposure :**	**174,900**	174,900
	Fund based and non-fund based exposures on National Housing Bank and Housing Finance Companies	**174,900**	174,900
	Total Real Estate exposure	**224,922**	201,122

2.2 Exposure to capital market (Rs 000's)

i)	Investments made in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt	–	–
ii)	Advances against shares, bonds, debentures or other securities or on clean basis to individuals for investment in equity shares (including IPO''s/ESOPS),convertible bonds or convertible debentures, units of equity oriented mutual funds	–	–
iii)	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security	**53,050**	92,994

iv)	Advances for any other purposes to the extent secured by collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/ convertible bonds/convertible debentures/units of equity oriented mutual funds does not fully cover the advances	–	–
v)	Secured and unsecured advances to stockbrokers & guarantees issued on behalf of stockbrokers and market makers	–	–
vi)	Loans sanctioned to corporates against the security of shares/ bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources.	–	–
vii)	Bridge loans to companies against expected equity flows/issues	–	–
viii)	Underwriting commitments taken up in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds	–	–
ix)	Financing to stockbrokers for margin trading	–	–
x)	All exposures to venture capital funds (both registered & unregistered)	–	–
	Total Exposure to Capital Market	**53,050**	92,994

2.3 The risk category wise exposure and the provisions held as required under Country Risk Management are as follows:

(Rs. 000's)

Risk category	**Exposure (31-03-2013)**	**Provision Held**	Exposure (31-03-2012)	Provision Held
Insignificant	**199,902**	–	209,303	94
Low	**349,182**	**779**	178,553	335
Moderate	**43,585**	–	47,442	–
Total	**592,669**	**779**	435,298	429

In terms of RBI circular the provision is made only for those countries where the net funded exposure is 1% or more of total assets.

(Rs. 000's)

3.	**Asset Quality:**	**2012-13**	2011-12
3.1	**Provision for Standard Assets as at year end**	**21,186**	11,926
3.2	**Percentage of Net Non Performing Assets to Net Advances**	**Nil**	Nil
3.3	**Movement in Non Performing Advances (Gross)**		
	Balance as at the beginning of the year	**31,198**	127,483
	Add: Additions during the year	**282**	3,789
	Less: Reductions during the year		
	Upgradations	–	(54,381)
	Recoveries	**(31,198)**	(35,813)
	Write-offs	–	(9,880)
	Balance as at the end of the year	**282**	31,198
3.4	**Movement in provision for Non Performing Advances (excluding provision for Standard Advances)**		
	Balance as at the beginning of the year	**31,198**	75,362
	Add: Provisions made during the year	**282**	19,982
	Less: Write-off/Write back of excess provision during the year	**(31,198)**	(64,146)
	Balance as at the end of the year	**282**	31,198
3.5	**Provision Coverage Ratio**	**100.00%**	100.00%
3.6	**Movement in Non Performing Advances (Net)**		
	Balance as at the beginning of the year	–	52,121
	Add: Additions during the year	–	–
	Less: Reductions during the year	–	(52,121)
	Balance as at the end of the year	–	–

(Rs. 000's)

		2012-13	2011-12
4.	**Movement in Floating Provisions**	**2012-13**	2011-12
	Balance as at the beginning of the year	**13,482**	13,482
	Add: Additions during the year	–	–
	Less: Draw down during the year	–	–
	Balance as at the end of the year	**13,482**	13,482

5. **Details of Loan assets subject to restructuring during the year**

During the year, the Bank has not subjected any Loans/Assets to restructuring.

6. **Details of financial assets sold during the year to Securitisation/Reconstruction Company (SC/RC) for Asset**

During the year, the Bank has not transferred any Assets to any SC/RC.

7. **Non-performing financials assets purchased / sold during the year**

During the year the Bank has not purchased or sold any Non Performing Asset.

8. **Concentration of Deposits, Advances, Exposures and NPAs:**

(Rs. 000's)

		2012-13	2011-12
a)	**Concentration of Deposits**		
	Total Deposits of 20 largest depositors	**3,688,363**	3,430,552
	Percentage of deposits of 20 largest depositors to total deposits of the Bank	**52.37.%**	55.03%
b)	**Concentration of Advances**		
	Total Advances to 20 largest Borrowers	**3,447,704**	3,803,890
	Percentage of advances to 20 largest Borrowers to total advances of the Bank	**96.09%**	93.53%
c)	**Concentration of Exposures**		
	Total Exposure to 20 largest Borrowers/Customers	**3,447,704**	3,803,890
	Percentage of Exposures to 20 largest Borrowers/Customers to total Exposure of the Bank on Borrowers/Customers	**95.49%**	93.01%
d)	**Concentration of NPAs**		
	Total Exposure to top 4 NPA accounts	**282**	31,198

9. **Sector-wise NPAs:**

	Sector	**Percentage of NPAs to Total Advances in that sector** 2012-13	2011-12
a)	Agriculture & Allied Activities	**0.00%**	0.00%
b)	Industry (Micro & Small, Medium and Large)	**0.00%**	0.00%
c)	Services	**0.00%**	4.70%
d)	Personal Loans	**0.25%**	0.00%

10. **Overseas Assets, NPAs and Revenue:**

As the Bank is a branch of a foreign bank, this disclosure is considered not applicable.

		2012-13	2011-12
11.	**Off Balance sheet SPVs sponsored**	**Nil**	Nil
12.	**Unsecured Advances against Intangible securities**	**Nil**	Nil

(Rs. 000's)

		2012-13	2011-12
13.	**Fees received in respect of Bancassurance business**	**2012-13**	2011-12
–	For selling Mutual Fund products	**411**	60
–	For selling Insurance Products	**Nil**	Nil

(Rs. 000's)

14. Provisions and Contingencies debited to the Profit and Loss Account include:

		2012-13	2011-12
i.	Write Back of Provision for Non-Performing Funded Advances (Net)	**(30,916)**	(44,256)
ii.	Bad Debts written-off	–	9,880
iii.	Provisions for Country Risk	**350**	137
iv.	Write back of Provision for Depreciation on Investments (Net)	**(3,165)**	–
v.	Provision for Deferred Tax (Net)	**13,751**	41,227
vi.	Provision for Current Tax	**132,000**	55,000
vii.	Provisions for Standard Assets	**9260**	3,251
	Total	**121,280**	65,239

15. Capital Adequacy

The capital adequacy ratio of the Bank, calculated as per RBI guidelines (New Capital Adequacy Framework) generally referred to as Basel – II is set out below:

		2012-13	2011-12
i.	CRAR - Tier I Capital (%)	**65.91%**	80.00%
ii.	CRAR - Tier II Capital (%)	**0.91%**	0.88%
iii.	CRAR - Total Capital (%)	**66.82%**	80.88%
iv.	Amount of subordinated debt raised as Tier-II capital		
v.	Amount raised by issue of IPDI	–	–
vi.	Amount raised by issue of Upper Tier II instruments	–	–

16. Draw-down from Reserves

The Bank has not drawn down any amount from the Reserves during the current and previous year.

17. During the year the Bank has received Rs. Nil (Previous year Rs. 1,537,500 thousands) from its Head Office as infusion of Capital.

18. Classification of Net Investments under various categories is as under:

(Rs. 000's)

	2012-13	2011-12
Held to Maturity	1,799,823	1,142,170
Available for Sale	526,130	1,122,696
Held for Trading	–	–
Total	**2,325,953**	2,264,866

Investments include securities costing Rs. 104,918 thousands (Previous year Rs. 77,981 thousands) pledged with CCIL for margin requirements.

Investments include securities amounting Rs. 300,000 thousands (Previous year Rs. 283,810 thousands) kept as margin with Reserve Bank of India towards Real Time Gross Settlement (RTGS).

Investment include securities of face value Rs. 412,500 thousands (Previous year Rs. 412,500 thousands) kept with Reserve Bank of India u/s 11(2) (b) of Banking Regulation Act, 1949.

(Rs. 000's)

19. Movement in Provision for depreciation on Investment	**2012-13**	2011-12
Balance as at the beginning of the year	**34,153**	34,153
Add: Provisions made during the year	–	–
Less: Write back of excess provision during the year*	**(11,655)**	–
Balance as at the end of the year	**22,498**	34,153

* Includes write back of provisions on Securitisation Receipts Rs. Nil (Previous Year Rs. Nil)

20. Movement in Non-Performing Non SLR Investments is as under:

(Rs. 000's)

	2012-13	2011-12
Opening Balance	**22,498**	22,498
Additions during the year	–	–
Reductions during the year	–	–
Closing Balance *	**22,498**	22,498
Total Provisions held	**22,498**	22,498

*Represents investment in securitisation receipts.

21. Issuer composition of Non-SLR investments is as under:

As at March 31, 2013 (Rs. 000's)

Sr.No (1)	**Issuer (2)**	**Amount (3)**	**Extent of private placement (4)**	**Extent of 'below investment grade' securities (5)**	**Extent of 'unrated' securities (6)**	**Extent of 'unlisted' securities (7)**
1	**PSUs**	–	–	–	–	–
2	**Financial Institutions**	**174,900**	**174,900**	–	–	**174,900**
3	**Banks**	–	–	–	–	–
4	**Private Corporates**	–	–	–	–	–
5	**Subsidiaries/Joint Ventures**	–	–	–	–	–
6	**Others**	**22,498**	**22,498**	**22,498**	**22,498**	**22,498**
7	**Provision held towards depreciation**	**(22,498)**				
	Total	**174,900**				

As at March 31, 2012 (Rs. 000's)

Sr.No (1)	Issuer (2)	Amount (3)	Extent of private placement (4)	Extent of 'below investment grade' securities (5)	Extent of 'unrated' securities (6)	Extent of 'unlisted' securities (7)
1	PSUs	–	–	–	–	–
2	Financial Institutions	358,900	358,900	–	–	358,900
3	Banks	–	–	–	–	–
4	Private Corporates	–	–	–	–	–
5	Subsidiaries/Joint Ventures	–	–	–	–	–
6	Others	22,498	22,498	22,498	22,498	22,498
7	Provision held towards depreciation	(22,498)				
	Total	358,900				

22. Sale or transfer to/from HTM Category

During the year there is no Sale or transfer to/from HTM Category.

23. Repo transactions

The particulars of Repo transactions including LAF with RBI are as under:

(Face Value Rs. 000's)

Particulars	**Minimum outstanding during the year**	**Maximum outstanding during the year**	**Daily average outstanding during the year**	**As at year end**
Securities sold under repo				
i. Government securities	52,500 (50,000)	105,000 (412,700)	719.18 (54,642)	– (105,000)
ii. Corporate debt securities	– (–)	– (–)	– (–)	– (–)
Securities purchased under reverse repo				
i. Government securities	50,000 (52,500)	787,500 (1,265,900)	18,296 (61,777)	787,500 (–)
ii. Corporate debt securities	– (–)	– (–)	– (–)	– (–)

Previous years' figures are shown in brackets.

24. During the year, there was no penalty imposed on the Bank by the Reserve Bank of India. (Previous Year Rs. 152 thousands)

25. During the year, the Bank had not exceeded the Prudential Exposure Limits for Individual Borrower.

The Bank has not exceeded the Prudential Exposure Limits for Group Borrowers during the year under reference.

26. Maturity Profile:

As at March 31, 2013 (Rs. 000's)

Maturity Pattern	**Deposits**	**Borrowings**	**Advances (Net)**	**Investment (Net)**	**Foreign Currency Assets(*)**	**Foreign Currency Liabilities(*)**
0-1 day	**96,262**	**–**	**30,727**	**–**	**9,602**	**919**
2-7 days	**191,713**	**738,565**	**148,137**	**–**	**147,257**	**502,833**
8-14 days	**821,462**	**271,425**	**1,121**	**149,775**	**94**	**283,710**
15-28 days	**39,320**	**1,151,420**	**1,164,334**	**72,136**	**11,004**	**659,609**
29days- 3 months	**432,305**	**2,150,550**	**629,180**	**99,164**	**12,635**	**619,835**
3-6 months	**1,441,459**	**1,233,400**	**1,140,618**	**86,758**	**636,194**	**220,127**
6-12 months	**995,561**	**–**	**1,422,127**	**105,248**	**275,819**	**375,711**
1-3 years	**3,013,049**	**–**	**568,430**	**187,949**	**15,377**	**359,882**
3-5 years	**11,683**	**–**	**54,655**	**491,775**	**–**	**–**
Over 5years	**–**	**–**	**39,145**	**1,133,148**	**–**	**–**
Total	**7,042,814**	**5,545,360**	**5,198,474**	**2,325,953**	**1,107,982**	**3,022,626**

As at March 31, 2012 (Rs. 000's)

Maturity Pattern	Deposits	Borrowings	Advances (Net)	Investment (Net)	Foreign Currency Assets(*)	Foreign Currency Liabilities(*)
0-1 day	25,563	–	19,115	5,063	54,645	3,748
2-7 days	140,394	340,000	150,304	404,232	2,103	23,175
8-14 days	167,424	–	207,274	32,838	6,138	50,411
15-28 days	45,185	254,375	155,687	28,983	2,407	263,928
29days- 3 months	1,233,358	1,000,000	900,173	317,273	6,451	100,186
3-6 months	405,899	950,000	206,097	108,971	2,995	210,152
6-12 months	2,096,697	–	239,498	701,759	–	361,170
1-3 years	2,112,163	–	883,962	489,454	14,724	203,766
3-5 years	5,670	–	118,598	176,288	–	–
Over 5years	1,328	–	11,208	5	–	–
Total	6,233,681	2,544,375	2,891,916	2,264,866	89,463	1,216,536

Classifications of Assets and Liabilities under the different maturity buckets are complied by Management based on the guidelines issued by the RBI and are based on the same assumptions as used by the Bank for compiling the return submitted to the RBI and which have been relied upon by the auditors.

(*) Foreign Currency Assets and Liabilities exclude off-Balance Sheet Assets and Liabilities.

27. Customer Complaints

		2012-13	2011-12
1.	No. of complaints pending at the beginning of the year	**–**	–
2.	No. of complaints received during the year	**5**	4
3.	No. of complaints redressed during the year	**5**	4
4.	No. of complaints pending at the end of the year	**–**	–

The above details have been based on information provided by the Management.

Awards passed by the Banking Ombudsman

1.	No. of unimplemented awards at the beginning of the year	–	–
2.	No. of awards passed by the Banking Ombudsman during the year	–	–
3.	No. of awards implemented during the year	–	–
4.	No. of unimplemented awards at the end of the year	–	–

The above details have been based on information provided by the Management.

28. Disclosures on Derivatives

28.1 Forward Rate Agreement/Interest Rate Swap

The Bank has not dealt with any Forward Rate Agreement (FRA)/Interest Rate Swaps (IRS). Hence the disclosure on the same and risk exposure on derivatives is not applicable.

28.2 Exchange Traded Interest Rate Derivatives

The Bank does not deal in Exchange Traded Interest Rate Derivatives. Hence the disclosure on the same is not applicable.

28.3 Qualitative Disclosures

The Bank has very limited exposure to derivatives trading namely through forward foreign exchange contracts.

1) The structure and organization for management of risk in derivatives trading:

Treasury operation is segregated into three different departments viz. front office, mid-office and back office. The primary role of front office is to conduct business, that of mid-office is to ensure compliance in accordance with set norms and policies and that of back office is to process/settle the transactions.

The Bank has in place policies and procedures, which have been approved by the Head Office and the Management Committee (MANCOM) in India to ensure adherence to various risk parameters and prudential limits.

2) The scope and nature of risk measurement, risk reporting and risk monitoring systems:

a) Risk Measurement:

For forward foreign exchange contracts, risk is measured through a daily report called, Value at Risk (VaR), which computes VaR on the forex gaps using FEDAI VaR factors.

b) Risk Reporting and Risk monitoring systems:

The Bank has the following reports/systems in place, which are reviewed by the top management:

(i) VaR.
(ii) Net open position
(iii) AGL/IGL
(iv) Stop loss limits
(v) Bankline limits

3) Policies for hedging and/or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/mitigants:

The Bank has the following policy papers in place, approved by its Head Office and the Management Committee (MANCOM) in India.

a) Treasury policy and
b) Asset – Liability Management (ALM) Policy

The Bank monitors the hedges/mitigants on a continuous basis through daily and monthly reports that are reviewed by the dealing room/top management.

4) Accounting policy: All outstanding derivative transactions are booked as Off Balance Sheet items. The trading positions are revalued on a Marked to Market basis whereas the hedging deals follow the accrual basis of accounting.

28.4 Quantitative Disclosure

(Rs. 000's)

Sr. No	Particulars	Currency swaps (Forward Foreign exchange contracts) 2012-13	2011-12
1	Derivatives (Notional Principal Amount)		
	a) For hedging	2,388,540	729,884
	b) For trading	441,800	914,280
2	Marked to Market Positions (Net)		
	a) Asset (+)	8,465	7,397
	b) Liability (-)	(24,490)	(3,699)
3	Credit Exposure	57,347	40,280
4	Likely impact of one percentage change in interest rate (100*PV01)	Not Applicable	Not Applicable
	a) on hedging derivatives		
	b) on trading derivatives		
5	Maximum and Minimum of 100*PV01 observed during the year	Not Applicable	Not Applicable
	a) on hedging		
	b) on trading		

29. During the year, the Bank has charged depreciation on premises aggregating Rs. 12,998 thousands, including depreciation pertaining to prior period Rs. 12,706 thousands.

30. Employee's Benefits

The following table sets out the status of the defined benefit Gratuity Plan as required under AS 15 (Revised 2005):

(Rs. 000's)

Particulars	**2012-13**	2011-12
Change in the present value of defined benefit obligation		
Present value of defined benefit obligation at the beginning of year	53,425	54,692
Interest Cost	4,541	4,512
Current Service Cost	4,486	3,999
Benefit Paid	(5,820)	(12,107)
Actuarial (Gain)/loss on obligations	576	2,329
Closing value of defined benefit obligation at the end of the year	**57,208**	**53,425**
Change in Plan Assets		
Opening Fair value of plan assets at the beginning of year	53,430	44,115
Expected Return on plan assets	4,542	3,639
Contribution by Employer	8,150	17,257
Benefit Paid	(5,820)	(12,107)
Actuarial Gain/(loss) on obligations	77	526
Closing Fair value of plan assets at the end of the year	**60,379**	**53,430**
Reconciliation of present value of obligation and fair value of plan assets		
Present Value of Funded obligation at the end of year	57,208	53,425
Fair Value of plan assets at the end of the year	60,379	53,430
Deficit/(Surplus)	(3,171)	(5)
Unrecognized Past Service Cost	–	–
Liability/(Asset) recognized in the Balance Sheet	**(3,171)**	(5)
Amount Recognised in the Balance sheet		
Liabilities	–	–
Assets	3,171	5
Net Liability/(Asset) recognised in Balance sheet	3,171	(5)
Net Cost recognised in the Profit and Loss Account		
Current Service Cost	4,486	3,999
Interest Cost	4,541	4,512
Expected Return on Plan Assets	(4,542)	(3,639)
Net Actuarial (Gain)/Loss recognized in the year	499	1,803
Past Service Cost	–	–
Expenses Recognized in the Profit and Loss Account	**4,984**	**6,675**
Reconciliation of expected return and actual return on Plan Assets		
Expected Return on Plan Assets	4,542	3,639
Actuarial Gain/(Loss) recognized in the year	77	526
Actual Return on Plan Assets	4,619	**4,165**
Movement in the Net Liability/Asset recognized in the Balance Sheet		
Opening Net Liability/(Asset) as at the beginning of the year	(5)	10,577
Expenses Recognized in the Profit and Loss Account	4,984	6,675
Contributions	(8,150)	(17,257)
Closing Net Liability/(Asset) as at the end of the year	(3,171)	(5)

Investment under Plan Assets of Gratuity Fund as at year end are as follows :

Category of Assets	**% of Plan Assets**	
	2012-13	2011-12
Central Government Securities	0.25%	0.25%
State Government Securities	0.00%	0.00%
Public Sector Bonds	0.00%	0.00%
Bank Deposits	0.22%	0.35%
Others (including with Life Insurance Corporation of India)	99.53%	99.40%
Total	**100.00%**	100.00%

Principal Actuarial assumptions :		
Discount Rate	8.25%	8.50%
Expected Rate of Return on Plan Asset	8.70%	8.50%
Salary Escalation	10.00%	10.00%
Attrition rate	2.00%	2.00%

The expected return on plan assets is determined based on the assumptions made by Bank at the beginning of the year based on its existing portfolio.

(Rs. 000's)

Compensated Absences:	**2012-13**	2011-12
The actuarial liability of compensated absences of encashable accumulated privilege leave as at year end is	4,157	9,831
Principal Actuarial assumptions :		
Discount Rate	8.25%	8.50%
Salary Escalation	10.00%	10.00%
Attrition Rate	2.00%	2.00%

Estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment Market. Such estimates are long term and are not based on limited past experience/immediate future.

The Bank has contributed an amount of Rs. 5,707 thousands to the provident fund during the year.

Unamortized Pension and Gratuity Liabilities:

There are no unamortized pension and gratuity liabilities and hence no disclosure is made in this respect.

31. Related Party Disclosures

In terms of AS 18 on ' Related Party Disclosures' and the related guidelines issued by RBI, the details pertaining to Related Parties are as under:

Parent: Abu Dhabi Commercial Bank P.J.S.C., Abu Dhabi – Head office.

Ultimate Parent: Government of Abu Dhabi through Abu Dhabi Investment Council

Subsidiaries of Head Office: Al Dhabi Brokerage Services L.L.C., Abu Dhabi Risk and Treasury Solutions L.L.C, Abu Dhabi Commercial Properties L.L.C., Abu Dhabi Commercial Engineering Services L.L.C., ADCB Holdings (Cayman) Limited, ADCB Holdings (Labuan) Limited, ADCB Holdings (Malaysia) Sdn Bhd, ADCB Finance (Cayman) Limited, Abu Dhabi Commercial Islamic Finance P.S.C., ACB LTIP (IOM) Limited, Abu Dhabi Commercial Property Development L.L.C., Abu Dhabi Commercial Properties Consultancy L.L.C. , Abu Dhabi Commercial Finance Solutions L.L.C., Abu Dhabi Commercial Investment Services L.L.C., Abu Dhabi Commercial Bank UK Limited, Abu Dhabi Commercial Projects Services L.L.C., Kinetic Infrastructure Development L.L.C., Al Reem Infrastructure Development L.L.C., ADCB Fund Management S.A.R.L., Al Nokhitha Investments Feeder Fund, MSCI UAE Index Feeder Fund, ADCB MSCI Arabian Markets Index Feeder Fund, ADCB Services FZ-L.L.C., ACB LTIP (IOM) Limited, ADCB Islamic Finance (Cayman) Limited.

Key Management Personnel:

Name	**Period**	**Designation**
Mr. Mathew Thomas	until November 21, 2012	Country Manager – India
Ms. Kavita Venugopal	from November 22, 2012	Chief Executive Officer – India

Related parties are identified by the Management and relied upon by the auditors.

Transactions with Related Parties:

In terms of the RBI circular guidelines regarding disclosure of related party transactions where there is only one entity in any category of related parties, particulars of such transactions have not been disclosed. There have been no transactions with subsidiaries of Head Office.

32. There is no material impairment of assets and as such there is no provision required in terms of AS-28 "Impairment of Assets" issued by the ICAI.

33. Disclosures in respect of Leases

The Bank has entered into operating leases for its Premises and Vehicles. The total of future minimum lease payments under non-cancelable operating leases as determined by the lease agreements for each of the following periods are as follows:

(Rs.000's)

	2012-13	2011-12
Not Later than one year	**3,931**	3,185
Later than one year and not later than 5 years	**1,546**	567
Later than five years	–	–
Lease payments charged to Profit and Loss Account	**13,520**	19,806

34. The major components of Deferred Tax Asset and Liability are as under:

(Rs.000's)

	2012-13	2011-12
Deferred Tax Asset		
Depreciation	–	1,511
Employee Benefits	**1,903**	3,105
Provision for Non-Performing Assets	**122**	10,379
Unabsorbed Losses	–	0
Others	**2,953**	694
Total	**4,978**	15,689
Deferred Tax Liability		
Interest on securities	**25,093**	32,903
Depreciation	**10,850**	–
Total	**35,943**	32,903
Net Deferred Tax Asset/(Liability)	**(30,965)**	(17,214)

35. Segment Reporting

Based on the RBI guidelines, the Bank has identified/classified its entire operations into following primary segments:

1. Treasury Operations 2. Corporate/Wholesale Banking 3. Retail Banking

Treasury operations consist of entire investment portfolio and foreign exchange operations. Corporate/Wholesale Banking operations comprise lending activity including trade finance to borrowers other than those in retail operations. Retail Banking operations comprise of depository activities, portfolio investment activities, lending activity to individuals and small and medium sized enterprises as also mobilization of deposits. The Bank does not have any other banking operation. All items which cannot be allocated under any of the above are classified under Unallocated Segment. The Bank operates only in domestic segment and hence information with regard to geographical segments is not given.

The present accounting/information system does not support the capturing and extraction of the data in respect of the aforesaid segments separately. Based on the present internal organizational and management reporting structure and the nature of risk and returns, the existing segments have been grouped accordingly.

Information about Primary Business Segments is as under:

Business Segments/Particulars	Treasury Operations	Corporate/ Wholesale Banking	Retail Banking	Total
	2012-13	2012-13	2012-13	2012-13
Results	174,712	151,355	134,989	461,056
Unallocated expenses				(133,324)
Operating Profit				327,732
Income Tax including deferred tax				(145,750)
Extraordinary Profit/(Loss)				–
Net Profit				181,982
<u>Other Information</u>				
Segment Assets	11,179,244	4,235,894	278,425	15,693,563
Unallocated assets				683,987
Total Assets				16,377,550
Segment Liabilities	5,643,925	–	6,944,249	12,588,174
Unallocated liabilities				515,334
Total Liabilities				13,103,508

Business Segments/Particulars	Treasury Operations	Corporate/ Wholesale Banking	Retail Banking	Total
	2011-12	2011-12	2011-12	2011-12
Results	119,835	140,929	92,371	353,135
Unallocated expenses				(93,667)
Operating Profit				259,468
Income Tax including deferred tax				(96,227)
Extraordinary Profit/(Loss)				–
Net Profit				163,241
Other Information				
Segment Assets	8,274,688	3,136,071	198,312	11,609,071
Unallocated assets				585,301
Total Assets				12,194,372
Segment Liabilities	2,580,517	–	6,197,539	8,778,056
Unallocated liabilities				324,255
Total Liabilities				9,102,311

In allocation of some items of expenses/income and asset/liabilities, certain estimates and assumptions have been made by the management, which have been relied upon by the auditors.

36. Letters of Comfort

The Bank has not issued any Letters of Comfort during the year and there are no Letters of Comfort outstanding as at the year end. (Previous Year Nil)

37. Description of Contingent liability in Schedule 12

1. Liability on account of outstanding forward exchange contracts:

   The Bank enters into forward rate agreement with inter-bank participants on its own account and for its customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. The notional amounts of financial instruments such as foreign exchange contracts provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in market rates or prices relative to their terms.

2. Guarantees given on behalf of constituents, Acceptances, Endorsements and other obligations:

   As a part of its commercial banking activities the Bank issues documentary credit and guarantees on behalf of its customers. Documentary credits such as letters of credit enhance the credit standing of the customers of the Bank. Guarantees generally represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfill its financial or performance obligations.

3. Claims against banks not acknowledged as debt:

   The Bank is in dispute for various taxation matters for which appeals are pending. In Bank's view, based on various appellate decisions on identical issues, it is not probable that financial outflow in respect of the said amounts under settlement will be required.

38. Disclosure on Remuneration

Qualitative Disclosures		
(a)	Information relating to the composition and mandate of the Remuneration Committee.	• 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.
(b)	Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy.	• The Bank in India follows an annual appraisal cycle and remuneration to employees are split into fixed and variable 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.	• ADCB has practices and policies in place which promote effective risk-management. The Bank aligns employee's performance to the Bank's strategy.

	Qualitative Disclosures	
(d)	Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration.	• 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. • 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.	• As per the current structure – employees compensation consists of fixed and variable components with no deferrals.
(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.	• Presently variable pay is only in the form of Cash Awards.

(Rs. 000's)

	Quantitative Disclosures	2012-13
(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. (ii) Number and total amount of sign-on awards made during the financial year. (iii) Details of guaranteed bonus, if any, paid as joining/sign on bonus (iv) Details of severance pay, in addition to accrued benefits, if any.	**5 *** **1#** **Nil** **Nil**
(i)	(i) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms. (ii) Total amount of deferred remuneration paid out in the financial year.	**Nil** **Nil**
(j)	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.	• Fixed Pay : 41,647 (Count:9) • Variable Pay : 4,104 (Count :5)
(k)	(i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments. (ii) Total amount of reductions during the financial year due to ex- post explicit adjustments. (iii) Total amount of reductions during the financial year due to ex- post implicit adjustments.	Nil Nil Nil

* Amounts disclosed represents variable pay paid during the year ended March 31, 2013 for services rendered by the risk takers during the year March 31, 2012, since the bonus for the year ended March 31, 2013 has not yet been allocated and accordingly, the variable component for the risk takers is yet to be determined.

\# Since there is only one Key Management personnel, particular of such transaction is not disclosed to ensure confidentiality.

39. Disclosures relating to Securitisation

There are no SPV's sponsored by the Bank and hence there are no securitised assets as per books of SPVs. There are no exposures retained by the bank as on the date of Balance sheet to comply with the minimum retention requirements (MRR).

40. The Bank has not entered into any Credit default swaps transactions during the year.

41. Micro, Small and Medium Enterprises Development Act, 2006 **(MSMED)**

To the extent of the information received by the Bank from its vendors, there are no transactions with "suppliers" as defined under the Micro, Small and Medium Enterprises Development Act, 2006 during the financial year, hence the disclosures as required under the said Act are not applicable. This has been relied upon by the Auditors.

42. Transfer Pricing

The Bank has a comprehensive system of maintenance of information and documents required by transfer pricing legislation under section 92-92F of the Income Tax Act, 1961. The management is of the opinion that international transactions are at arm's length so that the above legislation will not have material impact on the financial statements, particularly on the amount of tax expense and that of provision of taxes.

43. Previous year's figures have been regrouped/rearranged wherever necessary to conform to current year's presentation.

As per our attached report of even date.

For **Khimji Kunverji & Co**
Chartered Accountants
Firm Reg. No: 105146W

Sd/-
R V Chaniyari
Partner (F- 31083)

Mumbai
June 28, 2013

Signatures to Schedules 1 to 18

For **ABU DHABI COMMERCIAL BANK**
India Branches

Sd/-
Kavita Venugopal
Chief Executive Officer – India

Auditor's Report on the Financial Statements
[Under Section 30 of the Banking Regulation Act, 1949]

To
The Chief Executive Officer
Abu Dhabi Commercial Bank, Indian Branches

Report on the Financial Statements

1 We have audited the accompanying financial statements of the Abu Dhabi Commercial Bank, Indian Branches ('the Bank') which comprises the Balance Sheet as at March 31, 2013 and the Profit and Loss Account and the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2 Management is responsible for the preparation of these financial statements that gives true and fair view of financial position, financial performance and cash flows of the bank in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 211 of the Companies Act, 1956 and circulars and guidelines by Reserve Bank of India from time to time. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3 Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6 In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 1956, in the manner so required for the banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) In the case of the Balance Sheet, of the state of affairs of the Bank as at March 31, 2013;

(b) In the case of the Profit and Loss Account, of the profit for the year ended on that date; and

(c) In the case of the Cash Flow Statement, of cash flows for the year ended on that date.

Report on Other Legal and Regulatory Matter

7 The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 211 of the Companies Act, 1956.

8 We report that:

(a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;

(b) The transactions of the Bank, which have come to our notice, have been within the powers of the Bank;

(c) The financial accounting systems of the Bank are centralized and therefore, accounting returns for the purpose of preparing financial statements are not required to be submitted by the branches.

9 In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 to the extent they are not inconsistent with the accounting policies prescribed by RBI.

10 We further report that:

(i) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;

(ii) In our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books;

(iii) The requirement of Section 274(1)(g) of the Companies Act, 1956 are not applicable considering the Bank is a branch of Abu Dhabi Commercial Bank incorporated in United Arab Emirates with limited liability.

For **Khimji Kunverji & Co**
Chartered Accountants
FRN - 105146W

Sd/-
R V Chaniyari
Partner (F-31083)

Mumbai
June 28, 2013

1. DF-1 Scope of Application

Qualitative Disclosure

a. The name of the top bank in the group, to which these regulations apply – Abu Dhabi Commercial Bank (ADCB India).

Abu Dhabi Commercial Bank 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.

b. Basis of Consolidation for accounting and regulatory purposes: Not Applicable

Quantitative Disclosure

c. The aggregate amount of Capital deficiencies – NIL

d. The aggregate amounts of Banks' total interests in Insurance entities – NIL

2. DF-2 Capital Structure

2.1. 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.

2.2. Quantitative Disclosures

2.2.1. Summary of Capital Funds

(Rs. in Lakhs)

Summary of Capital Funds			
Sr. No.	**Components of Tier I Capital**	**Bank's Amount**	**Eligible Amount**
1	Paid up share capital	21,702	21,702
2	Statutory Reserves	3,862	3,862
3	Disclosed Free Reserves	1,316	1,316
4	Capital Reserves representing surplus arising out of sale proceeds of assets	147	147
5	Remittable Surplus (not repatriable)	5,698	5,698
6	Less : Deductions	(50)	(50)
	Total Tier I Capital		**32,675**
Sr. No.	**Components of Tier II Capital**		
1	General Provisions and loss reserves	451	451
	Total Tier II Capital		**451**
	Total		**33,126**

3. DF-3 Capital Adequacy

3.1. 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 the Bank's capital should exceed the minimum statutory requirement .

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.

3.2. Quantitative Disclosures

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

(Rs. in Lakhs)

Capital Adequacy	
Credit Risk	
Total Portfolio subject to credit risk	167,780
Capital Requirement under standardised approach	3,878
Market Risk	
(i) Interest rate risk	15
(ii) Equity position risk	–
(iii) Foreign exchange risk	135
Capital Requirement : Total (i+ii+iii)	**150**
Operational Risk	
Capital Requirement under Basic Indicator Approach	434
Total Risk Weighted Assets	**49,578**

3.2.2. Capital Adequacy Ratio (CRAR)

CRAR	66.82%
CRAR – Tier 1 Capital (%)	65.91%

4. DF-4 Credit Risk: General Disclosures

4.1. Qualitative Disclosures

4.1.1. 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.

4.1.2. 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.

Non-performing assets (NPAs)

An asset becomes non-performing when it ceases to generate income for the Bank. With effect from March 31, 2006, a non-performing asset is an advance where:

- Interest and/or installment of principal remain 'overdue' for a period of more than 90 days in respect of a Term Loan,
- The account remains 'out of order' for a period of more than 90 days, in respect of an Overdraft/Cash Credit (OD/CC)
- The bill remains 'overdue' for a period of more than 90 days in the case of bills purchased and discounted,
- Any amount to be received remains 'overdue' for a period of more than 90 days in respect of other accounts.
- A loan granted for short duration crops is treated as NPA, if the installment of principal or interest thereon remains overdue for two crop seasons and a loan granted for long duration crops is treated as NPA, if installment of principal or interest thereon remains overdue for one crop season.
- An account would be classified as NPA only if the interest 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.

4.2. Quantitative Disclosures

4.2.1. Total Credit Risk Exposure and Geographic Distribution

(Rs. in Lakhs)

Geographic Distribution of Exposures			
	Domestic	Overseas	**Total**
Fund Based	51,988	–	**51,988**
Non-fund Based	5,757	2,761	**8,518**
Total Gross Credit Exposure	**57,745**	**2,761**	**60,506**

4.2.2. Industry Type distribution of Exposure:

(Rs. in Lakhs)

Industry Type Distribution of Exposures (Gross)		
Industry Name	**Fund Based Exposure**	**Non Fund Based Exposure**
Other Textiles	554	–
Chemicals, Dyes, Paints etc	3,692	–
Glass & Glassware	131	610
Iron and Steel	4,009	14
Other Metal & Metal Products	137	–
All Engineering others	4,345	4,663
Automobile including Trucks	81	–
Gems and Jewellery	21	37
Construction	639	214
Infrastructure Transport Roadways	3,823	1,241
Other Infrastructure	300	–
Other Industries	17,059	568
Residuary Advances	17,197	1,171
Total	**51,988**	**8,518**

4.2.3. Residual Contractual Maturity breakdown of Assets

(Rs. in Lakhs)

Maturity Pattern	Cash, Balances with RBI and other Banks	Advances (Net)	Investment (Net)	Other Assets including Fixed Assets
0-1 day	2,659	307	–	752
2-7 days	7,635	1,482	–	30
8-14 days	247	11	1,498	239
15-28 days	157	11,643	721	91
29 days- 3 months	5,590	6,292	992	45
3-6 months	8,242	11,406	868	196
6-12 months	57,713	14,221	1,052	895
1-3 years	807	5,684	1,879	–
3-5 years	4	547	4,918	–
Over 5 years	232	392	11,332	2,998
Total	**83,286**	**51,985**	**23,260**	**5,246**

4.2.4. Amount of Non-Performing Assets (NPAs)

(Rs. in Lakhs)

NPAs (Gross) as on 31.03.2013	
Category	Amount
Sub-Standard	3
Doubtful 1	–
Doubtful 2	–
Doubtful 3	–
Loss	–
Total	**3**

4.2.5. NPA Ratios

NPA Ratios as on 31.03.2013	
Gross NPAs to Gross Advances	0.01%
Net NPAs to Net Advances	0.00%

4.2.6. Amount of Net NPAs: Nil

4.2.7. Movement of NPAs and Movement of Provisions for NPAs

(Rs. in Lakhs)

Movement of NPAs (Gross)		Movement of provisions for NPAs (Gross)	
(i) Opening Balance at the beginning of the yr	312	(i) Opening Balance at the beginning of the yr	312
(ii) Additions during the yr	3	(ii) Provisions made during the yr	3
(iii) Reductions during the yr	312	(iii) Write-offs made during the yr	–
(iv) Write-offs made during the yr	–	(iv) Write-back of excess provisions made during the yr	312
Closing Balance as at the end of the yr (i+ii-iii-iv)	3	Closing Balance as at the end of the yr (i+ii-iii-iv)	3

4.2.8. Amount of Non-Performing Investments: 225 Lakhs

Amount of Provisions held for Non-Performing Investments: 225 Lakhs

4.2.9. Movement of Provision for Depreciation on Investments

(Rs. in Lakhs)

Movement of Provision for Depreciation on Investments		
(i)	Opening Balance at the beginning of the yr	342
(ii)	Provisions made during the yr	–
(iii)	Write-offs made during the yr	–
(iv)	Write-back of excess provisions made during the yr	117
Closing Balance as at the end of the yr (i+ii-iii-iv)		225

5. DF-5 Credit Risk: Disclosures for Portfolios subject to Standardised approach

5.1. Qualitative Disclosures

5.1.1. Ratings

As per the RBI guidelines, the bank has identified CARE, CRISIL, ICRA, 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

5.2. Quantitative Disclosures

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

(Rs. in Lakhs)

Sr No.	Exposure amounts after risk mitigation	Amount
1	Below 100% risk weight exposure outstanding	153,538
2	100% risk weight exposure outstanding	12,640
3	More than 100% risk weight exposure outstanding	376
4	**Total**	**166,554**

6. DF-6 Credit Risk Mitigation

6.1. Qualitative Disclosures

6.1.1. 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, Shares, units of mutual funds 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

6.1.2. Valuation

The Credit and Risk Committee 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.

6.1.3. 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.

6.2. 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. 282 Lakh**s.

7. DF-7 Securitisation: disclosure for standardised approach

The Bank currently does not have any securitised exposures.

8. DF-8 Market Risk in Trading Book

8.1. Qualitative Disclosures

8.1.1. 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.
- Majority of investments are in 'Held to Maturity' category.
- 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 (all AFS Category) are valued on a monthly 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.

8.2. Quantitative Disclosures

8.2.1. Bank's Capital Requirement for Market Risk

(Rs. in Lakhs)

Risk Category	Capital charge
I. Interest Rate (a+b)	**14.62**
a. General market risk	14.62
i) Net position (parallel shift)	14.07
ii) Horizontal disallowance (curvature)	0.35
iii) Vertical disallowance (basis)	0.20
iv) Options	–
b. Specific risk	–
II. Equity (a+b)	**–**
a. General market risk	–
b. Specific risk	–
III. Foreign Exchange & Gold	**135.00**
IV. Total Capital charge for Market risks (I+II+III)	**149.62**

9. DF-9 Operational Risk

9.1. Qualitative Disclosures

9.1.1. 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
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.

9.2. Quantitative Disclosures

As on 31st March 2013, the Operational Risk Capital Charge for the Bank was **Rs. 434 Lakhs** based on previous 3 year's average gross income.

10. DF-10 Interest rate risk in banking book (IRRBB)

10.1. Qualitative Disclosures

10.1.1. 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 Risk Evaluation 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

10.2. Quantitative Disclosures

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 2013,

(Rs. in Lakhs)

Particulars	**INR & others**
Impact on Economic Value of Equity (EVE), based on 200 bps change in interest rates	134
Impact on Earnings at Risk (EAR), based on 200 bps change in interest rates	157

For **ABU DHABI COMMERCIAL BANK**
India Branches

Sd/-
Kavita Venugopal
Chief Executive Officer – India

June 28, 2013