

Abu Dhabi Commercial Bank – Indian Operations

(Incorporated in the United Arab Emirates with Limited Liability)



<i>BALANCE SHEET AS ON MARCH 31, 2010</i>			<i>PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010</i>				
<i>(Rs '000s)</i>			<i>(Rs '000s)</i>				
Schedule	As on March 31, 2010	As on March 31, 2009	Schedule	Year ended March 31, 2010	Year ended March 31, 2009		
CAPITAL AND LIABILITIES			I. INCOME				
Capital	1	632,687	632,687	Interest Earned	13	410,989	477,986
Reserves and Surplus	2	676,452	600,209	Other Income	14	32,771	53,212
Deposits	3	5,229,023	5,086,162	TOTAL		443,760	531,198
Borrowings	4	0	0				
Other Liabilities and Provisions	5	216,375	235,326	II. EXPENDITURE			
TOTAL		6,754,537	6,554,384	Interest Expended	15	200,841	200,201
ASSETS			III. PROFIT/(LOSS)				
Cash and Balances with Reserve Bank of India	6	335,042	555,653	Operating Expenses	16	131,326	131,485
Balances with Banks and Money at Call and Short Notice	7	2,228,866	2,401,181	Provisions and Contingencies		35,350	35,870
Investments	8	2,457,456	1,947,012	TOTAL		367,517	367,556
Advances	9	1,523,921	1,373,145	IV. APPROPRIATIONS			
Fixed Assets	10	62,321	65,094	Transfer to Statutory Reserves		19,061	40,911
Other Assets	11	146,931	212,299	Transfer to Investment Reserve Account		213	0
TOTAL		6,754,537	6,554,384	Remittable Surplus Retained in India for CRAR		56,969	116,080
Contingent Liabilities	12	1,524,570	2,424,884	Balance carried over to Balance Sheet		0	0
Bills for Collection		699,341	1,275,413	TOTAL		76,243	156,991
Accounting policies and Notes on accounts	17			Accounting policies and Notes on accounts	17		
The Schedules referred to above form an integral part of the Balance Sheet			The schedules referred to above form an integral part of the Profit and Loss Account				

As per our report of even date

For and on behalf of
BORKAR & MUZUMDAR
Chartered Accountants

Sd/-
Dilip Muzumdar
Partner

Place: Mumbai
Date: June 18, 2010

For
ABU DHABI COMMERCIAL BANK
Indian Operations

Sd/-
Anthony D'Souza
Country Manager - India

Abu Dhabi Commercial Bank – Indian Operations

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CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2010

(Rs '000s)

	Year ended March 31, 2010	Year ended March 31, 2009
Cash flows from operating activities		
Net Profit/(Loss) before tax	117,232	247,522
Adjustment for :		
Depreciation charge for the year	3,100	3,866
Depreciation on investments	(1,110)	4,158
Provision on funded NPA's (Net of Write offs/ Write backs)	(3,249)	(37,836)
Other Provisions	(1,372)	1,467
Profit on sale of fixed assets	(15)	(24)
Loss on sale of fixed assets	62	5
	<u>114,648</u>	<u>219,158</u>
Adjustments for :		
(Increase)/Decrease in Investments	(509,294)	(334,518)
(Increase)/Decrease in Advances	(147,527)	285,561
Increase/(Decrease) in Borrowings	0	(300,000)
Increase/(Decrease) in Deposits	142,861	947,521
(Increase)/Decrease in Other Assets	62,150	(45,757)
Increase/(Decrease) in Other liabilities and provisions	(17,619)	(25,263)
Income Tax (paid)/refund received	(37,771)	(23,417)
	<u>(392,552)</u>	<u>723,285</u>
Net cash generated from / (used in) operating activities	A	
Cash Flows from investing activities		
Purchase of fixed assets	(394)	(2,794)
Proceeds from sale of fixed assets	20	50
	<u>(374)</u>	<u>(2,744)</u>
Net cash generated from / (used in) investing activities	B	
Cash Flows from financing activities		
Infusion of Funds from Head Office	0	0
	<u>0</u>	<u>0</u>
Net cash flows generated from financing activities	C	
Net increase/(decrease) in cash and cash equivalents (A+B+C)	(392,926)	720,541
Cash and Cash Equivalents at the beginning of the year	2,956,834	2,236,293
Cash and Cash Equivalents at the end of the year	<u>2,563,908</u>	<u>2,956,834</u>
(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
BORKAR & MUZUMDAR
Chartered Accountants

Sd/-
Dilip Muzumdar
Partner

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SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON MARCH 31, 2010

	(Rs '000s)		(Rs '000s)	
	As on March 31, 2010	As on March 31, 2009	As on March 31, 2010	As on March 31, 2009
SCHEDULE 1 - CAPITAL				
I. Capital				
i) Start-up Capital	2,000	2,000		
ii) Amount received from Head office (Refer Note III.25)	630,687	630,687		
TOTAL	<u>632,687</u>	<u>632,687</u>		
II. Amount (Face Value) of Deposit kept in the form of securities with the Reserve Bank of India u/s 11 (2) of the Banking Regulation Act, 1949	<u>312,500</u>	<u>262,500</u>		
SCHEDULE 2 – RESERVES AND SURPLUS				
I. Statutory Reserves				
i) Opening Balance	260,308	219,397		
ii) Additions during the year	19,061	40,911		
	<u>279,369</u>	<u>260,308</u>		
II. Capital Reserves				
Balance as per last Balance Sheet	14,711	14,711		
III. Investment Reserve Account				
i) Opening Balance	0	0		
ii) Appropriated from Profit and Loss Account	213	0		
	<u>213</u>	<u>0</u>		
IV. Remittable Surplus retained in India for CRAR				
i) Opening Balance	193,631	77,551		
ii) Add: Transfer from Profit & Loss Account	56,969	116,080		
	<u>250,600</u>	<u>193,631</u>		
V. Revenue and Other Reserves				
Balance as per last Balance Sheet	131,559	131,559		
VI. Balance in Profit and Loss Account	0	0		
TOTAL	<u>676,452</u>	<u>600,209</u>		
SCHEDULE 3 – DEPOSITS				
A) I. Demand Deposits				
i) From banks	12,044	8,425		
ii) From others	820,740	1,062,051		
	<u>832,784</u>	<u>1,070,476</u>		
II. Savings Bank Deposits	1,160,076	1,099,146		
III. Term Deposits				
i) From banks	0	0		
ii) From others	3,236,163	2,916,540		
	<u>3,236,163</u>	<u>2,916,540</u>		
TOTAL	<u>5,229,023</u>	<u>5,086,162</u>		
B) I. Deposits of branches in India	5,229,023	5,086,162		
II. Deposits of branches outside India	0	0		
TOTAL (I + II)	<u>5,229,023</u>	<u>5,086,162</u>		
SCHEDULE 4 - BORROWINGS				
I. Borrowings in India				
i) Reserve Bank of India	0	0		
ii) Other banks	0	0		
iii) Other institutions and agencies	0	0		
II. Borrowings outside India	0	0		
TOTAL	<u>0</u>	<u>0</u>		
Secured Borrowings included in I & II above	0	0		
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS				
I. Bills payable	20,692	28,711		
II. Inter-Office adjustments (Net)	254	0		
III. Interest accrued	71,102	83,173		
IV. Deferred Tax Liability	2,323	20,014		
V. Others (including provisions)	122,004	103,428		
TOTAL	<u>216,375</u>	<u>235,326</u>		
SCHEDULE 6 – CASH AND BALANCES WITH RESERVE BANK OF INDIA				
I. Cash in hand	5,740	6,571		
(including foreign currency notes)				
II. Balances with Reserve Bank of India				
i) In Current Account	329,302	549,082		
ii) In Other Accounts	0	0		
TOTAL	<u>335,042</u>	<u>555,653</u>		
SCHEDULE 7 – BALANCES WITH BANKS AND MONEY AT CALL & SHORT NOTICE				
I. In India				
i) Balances with banks				
a) In Current Accounts	10,406	14,814		
b) In Other Deposit Accounts	0	2,000,000		
ii) Money at call and short notice				
a) With banks (including with RBI under LAF)	1,950,000	250,000		
b) With other institutions	0	0		
TOTAL	<u>1,960,406</u>	<u>2,264,814</u>		
II. Outside India				
i) In Current Accounts	110,705	44,655		
ii) In Other Deposit Accounts	0	0		
iii) Money at call and short notice (Including with H.O.)	157,755	91,712		
TOTAL	<u>268,460</u>	<u>136,367</u>		
TOTAL (I + II)	<u>2,228,866</u>	<u>2,401,181</u>		

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SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON MARCH 31, 2010

		(Rs '000s)		(Rs '000s)	
	As on March 31, 2010	As on March 31, 2009		As on March 31, 2010	As on March 31, 2009
SCHEDULE 8 – INVESTMENTS			SCHEDULE 10 - FIXED ASSETS		
I. Investments in India (Book Value)	2,492,960	1,983,665	I. Premises		
Less: Provision for Depreciation	(35,504)	(36,653)	i) At cost as on March 31 of the preceding year	58,497	58,497
Net Investments in India	2,457,456	1,947,012	ii) Additions during the year	0	0
Break-up:-			iii) Deductions during the year	0	0
i) Government securities	1,794,593	1,426,267	iv) Depreciation to date	(1,131)	(1,089)
ii) Other approved securities	2,463	14,837	TOTAL	57,366	57,408
iii) Shares	0	0	II. Other Fixed Assets (including furniture and fixtures)		
iv) Debentures and Bonds	0	29,508	i) At cost as on March 31 of the preceding year	82,536	80,228
v) Subsidiaries and/or Joint Ventures	0	0	ii) Additions during the year	394	2,794
vi) Others (includes deposit with SIDBI & NHB)	660,400	476,400	iii) Deductions during the year	(469)	(486)
TOTAL	2,457,456	1,947,012	iv) Depreciation to date	(77,506)	(74,850)
II. Investments outside India	0	0	TOTAL	4,955	7,686
TOTAL (I+II)	2,457,456	1,947,012	GRAND TOTAL (I + II)	62,321	65,094
SCHEDULE 9 – ADVANCES			SCHEDULE 11 – OTHER ASSETS		
A) i) Bills purchased and discounted	630,551	723,070	I. Inter-office adjustments (net)	0	0
ii) Cash credits, overdrafts and loans repayable on demand	586,695	441,866	II. Interest accrued	23,570	63,718
iii) Term loans	306,675	208,209	III. Tax paid in advance/tax deducted at source (net of provisions)	20,344	41,253
TOTAL	1,523,921	1,373,145	IV. Stationery and stamps	1	2
B) i) Secured by tangible assets*	868,364	617,806	V. Others	103,016	107,326
ii) Covered by Bank/ Government Guarantees	624,410	739,378	TOTAL	146,931	212,299
iii) Unsecured	31,147	15,961	SCHEDULE 12 – CONTINGENT LIABILITIES		
TOTAL	1,523,921	1,373,145	I. Liability on account of outstanding forward exchange contracts	973,273	1,812,944
C) I. Advances in India			II. Guarantees given on behalf of constituents:		
i) Priority Sectors	364,915	342,292	a) In India	52,034	85,864
ii) Public Sector	0	0	b) Outside India	229,616	200,908
iii) Banks	526,655	0	III. Acceptances, endorsements and other obligations	14,146	30,276
iv) Others	632,351	1,030,853	IV. Other items for which the Bank is contingently liable:		
TOTAL	1,523,921	1,373,145	Income tax/Interest tax disputed and in appeal not provided for is estimated at	255,501	294,892
II. Advances outside India	0	0	TOTAL	1,524,570	2,424,884
TOTAL	1,523,921	1,373,145			
* (Includes Advances against Book debts)					

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SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

	(Rs '000s)			(Rs '000s)	
	Year ended March 31, 2010	Year ended March 31, 2009		Year ended March 31, 2010	Year ended March 31, 2009
SCHEDULE 13 – INTEREST EARNED			SCHEDULE 15 - INTEREST EXPENDED		
I. Interest/discount on advances/bills	122,606	175,739	I. Interest on deposits	199,773	195,473
II. Income on investments	100,776	119,969	II. Interest on Reserve Bank of India and Inter-bank borrowings	1,068	4,728
III. Interest on balances with Reserve Bank of India and other inter-bank funds	122,996	162,048	III. Others	0	0
IV. Others (includes Interest on Income Tax refunds)	64,611	20,230	TOTAL	200,841	200,201
TOTAL	410,989	477,986	SCHEDULE 16 - OPERATING EXPENSES		
SCHEDULE 14 – OTHER INCOME			I. Payments to and provisions for employees	69,260	54,067
I. Commission, exchange and brokerage	18,476	18,411	II. Rent, taxes and lighting	15,320	13,729
II. Profit on sale/redemption of investments	125	850	III. Printing and stationery	2,128	1,949
Less: Loss on sale/redemption of investments	0	(119)	IV. Advertisement and publicity	389	478
III. Profit/(Loss) on revaluation of investments	0	0	V. Depreciation on bank's property	3,100	3,866
IV. Profit on sale of land, buildings and other assets	15	24	VI. Directors' fees, allowances and expenses	0	0
Less: Loss on sale of land, building and other assets	(62)	(5)	VII. Auditors' fees and expenses	408	380
V. Net profit on exchange transactions	14,217	27,034	VIII. Law charges	277	1,938
VI. Income earned by way of dividends etc. from subsidiaries/company and joint ventures abroad/in India	0	0	IX. Postages, telegrams, telephones, etc.	4,709	4,487
VII. Miscellaneous income (Including Recoveries in Bad Debts written off Rs. Nil) (Previous Year Rs. 4,000 Thousands)	0	7,017	X. Repairs and maintenance	10,218	8,617
TOTAL	32,771	53,212	XI. Insurance	4,987	4,716
			XII. Other expenditure (Includes Bad Debts Written off of Rs. Nil) (Previous year Rs. 15,799 Thousands)	20,530	37,258
			TOTAL	131,326	131,485

SCHEDULE 17 - ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2010.

I. BACKGROUND

The accompanying financial statements comprise of the accounts of the Indian branches of Abu Dhabi Commercial Bank ('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 generally accepted accounting principles on the historical cost basis and 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.

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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 estimated. Any revision to accounting estimates is recognized prospectively in the financial statements.

2. Transactions Involving Foreign Exchange

- 2.1. Foreign Currency Assets, Liabilities and Contingent Liabilities on account of guarantees, acceptances, endorsements and other outstandings 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 recognised in the Profit and Loss Account.
- 2.2. Income and Expenditure items in foreign currency are translated at the exchange rates ruling on the date of the transactions.
- 2.3. In case of those 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 FEDAI guidelines.

3. Investments

3.1. 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

3.2. Valuation

3.2.1. 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

3.2.2. 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. In addition, further provision is made for depreciation based on management's estimate of potential depreciation. Treasury Bills are valued at cost.

- 3.3. Cost of Investments excludes broken period interest paid on acquisition of Investments.
- 3.4. 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).
- 3.5. 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:
 - 3.5.1. 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.
 - 3.5.2. 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.
 - 3.5.3. 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.
 - 3.5.4. 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.
 - 3.5.5. Units of Mutual Funds are valued at the latest repurchase price/Net Asset Value declared by the respective Mutual Funds.
- 3.6. Repo/Reverse repo transactions (other than under Liquidity Adjustment Facility (LAF) with RBI) if any, are accounted for as outright sale and purchase transactions in accordance with RBI guidelines. The difference between the clean price of the first and the second leg is recognised as interest income/expense over the period of transaction. Repo/Reverse repo transactions under LAF with RBI are disclosed as borrowing/lending transactions and correspondingly the expense and income thereon are treated as interest.

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4. Advances

- 4.1. Advances are classified into performing and non-performing in terms of 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 is included in 'Other Liabilities and Provisions'.
- 4.2. In addition to the provision made as per para 4.1 above, further provision is made for 'Non Performing Advances' based on Management's estimate of potential exposure, wherever necessary.

5. Fixed Assets

- 5.1. Fixed assets other than Tenancy Rights are stated at historical cost less accumulated depreciation.
- 5.2. Tenancy rights included under premises are carried at historical cost.
- 5.3. Depreciation on computers is provided for on Straight Line Method at 33 $\frac{1}{3}$ % per annum.
- 5.4. Depreciation on certain Furniture and Fittings is provided for on Straight Line Method at the rate of 25% per annum.
- 5.5. Depreciation on assets other than above is provided for, using the Written Down Value method, subject to the minimum rates prescribed in Schedule XIV of Companies Act, 1956.
- 5.6. 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.

6. Lease Transactions

Lease payments for assets taken on operating lease are recognised as an expense in the Profit and Loss Account on a straight line basis over the lease term.

7. Revenue Recognition

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

8. Employee Benefits

8.1. Provident Fund

The Bank operates a Provident Fund Scheme to which it contributes an amount on monthly basis at a determined rate (currently 12% of employee's basic salary). The contribution is remitted to a Trust established by the Bank for this purpose and such contribution is charged to the Profit and Loss Account. All employees of the Bank are eligible to receive benefits under the Provident Fund. Interest is payable to the members of such trust at a rate which shall not be lower than the statutory rate of interest declared by the Central Government. Shortfall if any, between the interest earned by the trust and the minimum amount to be distributed is provided for in the year to which it relates.

8.2. Gratuity

The Bank operates a Gratuity Fund Scheme and the contributions are remitted to the Trust established for this purpose. The trust in turn deploys majority of the funds with the Life Insurance Corporation of India, which also administers the scheme and determines the contribution premium required to be paid by the Bank. The Bank provides for gratuity to all its employees. The benefit is in the form of lump sum payments to vested employees on retirement, resignation, death while in employment or on termination of employment for an amount equivalent to 30 days basic salary payable for each of the first five completed years of service and 45 days basic salary payable for each of the balance completed years of service. Vesting occurs on completion of five years of service. 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.

8.3. Leave Encashment

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.

- 8.4. 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.

9. 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), fringe benefit tax and wealth tax
- ii. advances
- iii. shortfall in the value of investments
- iv. depreciation on fixed assets
- v. other usual and necessary provisions.

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10. 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. 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.

11. Provisions, Contingent Assets And Contingent Liabilities

The Bank establishes 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.

III. NOTES ON ACCOUNTS

	As on March 31, 2010	As on March 31, 2009
1. Percentage of Net Non Performing Assets to Net Advances	0.19%	0.00%
2. Business Ratios:		
i. Interest income as a percentage to working funds	6.09%	7.01%
ii. Non – interest income as a percentage to working funds	0.49%	0.78%
iii. Operating profit as a percentage to working funds	1.65%	2.92%
iv. Return on assets	1.13%	2.40%
v. Business (Deposits + Advances) per Employee (Rs 000's)	154,263	175,998
vi. Profit per Employee (Rs 000's)	1,860	4,196
		(Rs. 000's)
3. Lending to sensitive sectors are as under:		
• Details of exposure to real estate sector		
a) Direct exposure :	8,687	154,520
i) Residential mortgages	8,687	10,135
- of which Individual Housing Loans eligible for inclusion in Priority Sector	0	57
ii) Commercial real estate (including NFB limits Rs. NIL)	0	144,385
iii) Investment in mortgage backed securities (MBS)	0	0
And other securitised exposures:		
a. Residential		
b. Commercial real estate		
b) Indirect exposure :	0	0
Fund based and non-fund based exposures on National Housing Bank (NHB) and housing finance companies (HFCs)		
Total Real Estate exposure	8,687	154,520
• Details of exposure to capital market		
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	0	0
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	50	0
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	107,578	94,974
iv) 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.	0	0

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v)	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	9,129	12,873
vi)	Secured and unsecured advances to stockbrokers & guarantees issued on behalf of stockbrokers and market makers	0	0
vii)	Bridge loans to companies against expected equity flows/issues	0	0
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	0	0
ix)	Financing to stockbrokers for margin trading	0	0
x)	All exposures to venture capital funds (both registered & unregistered) deemed to be on par with equity and hence reckoned for capital market exposure	0	0
	Total Exposure to Capital Market	116,757	107,847
		2009-10	2008-09
4.	Provision for Standard Assets as at year end	8,675	8,675
5.	Movement in Funded Non – Performing Advances (Gross)		
	Balance as at the beginning of the year	141,309	194,944
	Add: Additions during the year	3,935	7,482
	Less: Reductions during the year		
	Upgradations	0	0
	Recoveries	(4,342)	(45,322)
	Write-offs	0	(15,795)
	Balance as at the end of the year	140,902	141,309
6.	Movement in provision for Funded Non Performing Advances (excluding provision for Standard Advances)		
	Balance as at the beginning of the year	141,309	194,944
	Add: Provisions made during the year	1,092	748
	Less: Write-off/Write back of excess provision during the year	(4,342)	(54,383)
	Balance as at the end of the year	138,059	141,309
7.	Provision Coverage Ratio	97.98%	100.00%
8.	Movement in Funded Non – Performing Advances (Net)		(Rs. 000's)
		2009-10	2008-09
	Balance as at the beginning of the year	0	0
	Add: Additions during the year	2,843	6,734
	Less: Reductions during the year	0	(6,734)
	Balance as at the end of the year	2,843	0
9.	Movement in Floating Provisions		
	Balance as at the beginning of the year	13,482	13,482
	Add: Additions during the year	0	0
	Less: Draw down during the year	0	0
	Balance as at the end of the year	13,482	13,482
10.	Details of Loan Assets subject to Restructuring		
	Standard Loan assets		
	No. of Borrowers	2	0
	Amount Outstanding	96,163	0
	- of which under CDR	0	0
	- of which under SME Debt restructuring	0	0
	- of which Others	96,163	0
	Sacrifice (diminution in the fair value)	92	0

(There are no sub-standard or doubtful loan assets subjected to restructuring)

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11.	Details of financial assets sold during the year to Securitisation/ Reconstruction Company (SC/RC) for Asset Reconstruction are as follows:		
a.	Number of Accounts	Nil	Nil
b.	Aggregate Value (Net of Provisions) of accounts sold to SC/RC	0	0
c.	Aggregate consideration	0	0
d.	Additional consideration realized in respect of accounts transferred in earlier years	Nil	Nil
e.	Aggregate gain/(loss) over net book value	0	0
12.	Non-performing financial assets purchased/sold during the year		
a.	Purchased	0	0
b.	Sold		
-	Number of accounts sold	0	0
-	Aggregate outstanding (before provision but net of write offs)	0	0
-	Aggregate consideration received	0	0
13.	Movement in provision for depreciation on Investments		
	Balance as at the beginning of the year	36,653	35,168
	Add: Provisions made during the year	0	5,893
	Less: Write back of excess provision during the year	(1,149)	(4,408)
	Balance as at the end of the year	35,504	36,653
			(Rs. 000's)
14.	Provisions and Contingencies debited to the Profit and Loss Account include:	2009-10	2008-09
i.	Provision for Non-Performing Funded Advances	(3,249)	(53,635)
ii.	Provisions / (Write back of Provision) for Standard Assets / Country Risk	(1,372)	1,467
iii.	Provision for Depreciation on Investments (Net)	(1,110)	4,158
iv.	Provision for/ (Reversal of) Deferred Tax (Net)	(17,691)	3,430
v.	Provision for Current Tax	58,680	80,000
vi.	Provision for Fringe Benefits Tax	0	450
vii.	Provision for Head Office Expenses	0	0
viii.	Other Provisions/Write backs (Net)	92	0
	Total	35,350	35,870

15. Capital Adequacy

The capital adequacy ratio of the Bank, calculated under the RBI guidelines for Basel – I & Basel – II is set out below.

(Rs. Lakhs)

	March 31, 2010		March 31, 2009	
	Basel – II	Basel – I	Basel – II	Basel – I
i. Tier I Capital	13,089.26	13,049.20	12,328.97	12,298.59
ii. Tier II Capital	293.03	293.03	237.49	237.49
Total Capital	13,382.29	13,342.23	12,566.46	12,536.08
Total Risk Weighted Assets and Contingencies	29,879.04	26,209.48	26,417.02	23,091.23
Capital Adequacy Ratio				
i. Capital Adequacy Ratio - Tier I Capital	43.81%	49.79%	46.67%	53.26%
ii. Capital Adequacy Ratio - Tier II Capital	0.98%	1.12%	0.90%	1.03%
Total Capital Adequacy Ratio	44.79%	50.91%	47.57%	54.29%

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

(Rs. 000's)

Risk category	Exposure (31-03-2010)	Provision Held	Exposure (31-03-2009)	Provision Held
Insignificant	200,983	55	44,523	0
Low	205,697	165	156,309	154
Moderate	69,996	0	160,940	1,438
High	0	0	0	0
Very High	0	0	0	0
Restricted	0	0	0	0
Off-credit	0	0	0	0
Total	476,676	220	361,772	1,592

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.

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17. Drawdown from Reserves

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

18. During the financial year under review, no penalty was imposed on the Bank by RBI.

19. Concentration of Deposits, Advances, Exposures and NPAs:

(Amount in Rs. Crores)

		March 31, 2010
a) Concentration of Deposits		
Total Deposits of 20 largest depositors		265.07
Percentage of deposits of 20 largest depositors to total deposits of the Bank		50.69%
b) Concentration of Advances		
Total Advances to 20 largest Borrowers		255.50
Percentage of advances to 20 largest Borrowers to total advances of the Bank		93.64%
c) Concentration of Exposures		
Total Exposure to 20 largest Borrowers/Customers		256.77
Percentage of Exposures to 20 largest Borrowers/Customers to total Exposure of the Bank on Borrowers / Customers		93.29%
d) Concentration of NPAs		
Total Exposure to top 4 NPA accounts		14.09

20. Sector-wise NPAs:

Sector	Percentage of NPAs to Total Advances in that sector
a) Agriculture & Allied Activities	0.00%
b) Industry (Micro & Small, Medium and Large)	12.30%
c) Services	0.99%
d) Personal Loans	0.00%

21. Overseas Assets, NPAs and Revenue:

(Amount in Rs. Crores)

Particulars	March 31, 2010
Total Assets	24.18
Total NPAs	Nil
Total Revenue	0.08

22. Off Balance sheet SPVs sponsored

Nil

23. Total Advances against Intangible securities

Nil

24. Fees received in respect of Bancassurance business

Rs. 0.51 Lakhs

25. Amount received from Head office **Rs. 630,687 thousands** (Previous year Rs. 630,687 thousands) included in Capital represents amount remitted by Bank's Head Office to meet the cost of acquisition of residential premises deposits/advance license fees of Bank premises at Mumbai/Bangalore, other preliminary expenses, to meet CRAR requirement of RBI and for meeting provisioning norms on NPA's.

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

(Rs. 000's)

	As on March 31, 2010	As on March 31, 2009
Held to Maturity	707,235	523,235
Available for Sale	1,750,221	1,423,777
Held for Trading	0	0
Total	<u>2,457,456</u>	<u>1,947,012</u>

Investments include securities costing **Rs.28,830 thousands** (Previous year Rs. 27,900 thousands) pledged with CCIL for margin requirements.

Investments include securities amounting **Rs. 267,048 thousands** (Previous year Rs. 255,036 thousands) kept as margin with Reserve Bank of India towards Real Time Gross Settlement (RTGS).

Investment include securities of face value **Rs. 312,500 thousands** (Previous year Rs. 262,500 thousands) kept with Reserve Bank of India u/s 11(2)(b) of Banking Regulation Act, 1949.

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

As at March 31, 2010

(Rs. 000's)

Sr.No	Issuer	Amount	Extent of private placement (% of Col. 3)	Extent of 'below investment grade' securities (% of Col. 3)	Extent of 'unrated' securities (% of Col. 3)	Extent of 'unlisted' securities (% of Col. 3)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Public Sector Undertakings	0	0	0	0	0
2	Financial Institutions	660,400	100%	0	0	100%
3	Banks	0	0	0	0	0
4	Private Corporates	0	0	0	0	0
5	Subsidiaries/Joint Ventures	0	0	0	0	0
6	Others	23,849	100%	100%	0	100%
7	Provision held towards depreciation	(23,849)				
	Total	660,400				

As at March 31, 2009

(Rs. 000's)

Sr.No	Issuer	Amount	Extent of private placement (% of Col. 3)	Extent of 'below investment grade' securities (% of Col. 3)	Extent of 'unrated' securities (% of Col. 3)	Extent of 'unlisted' securities (% of Col. 3)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Public Sector Undertakings	0	0	0	0	0
2	Financial Institutions	506,400	100%	0	0	100%
3	Banks	0	0	0	0	0
4	Private Corporates	0	0	0	0	0
5	Subsidiaries/Joint Ventures	0	0	0	0	0
6	Others	24,506	100%	100%	0	100%
7	Provision held towards depreciation	(24,998)				
	Total	505,908				

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

(Rs. 000's)

	2009-10	2008-09
Opening Balance	24,506	28,688
Additions during the year	Nil	Nil
Reductions during the year	(657)	(4,182)
Closing Balance *	23,849	24,506
Total Provisions held	23,849	24,506

* Represents investment in securitisation receipts.

29. Maturity Profile:

As at March 31, 2010

(Rs. Lakhs)

Maturity Pattern	Deposits	Borrowings	Advances (Net)	Investment (Net)	Foreign Currency Assets (*)	Liabilities (*)
0-1 day	1,165	0	6	0	1,125	0
2-7 days	1,525	0	176	0	898	185
8-14 days	3,195	0	1,039	0	680	453
15-28 days	419	0	765	5,219	0	120
29 days- 3 months	3,797	0	4,483	11,762	0	979
3-6 months	3,902	0	1,625	481	0	2,521
6-12 months	9,053	0	217	0	0	2,763
1-3 years	29,205	0	6,786	5,249	0	3,005
3-5 years	29	0	128	0	0	0
Over 5 years	0	0	14	1,864	0	0
Total	52,290	0	15,239	24,575	2,703	10,026

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As at March 31, 2009

(Rs. Lakhs)

Maturity Pattern	Deposits	Borrowings	Advances (Net)	Investment (Net)	Foreign Currency Assets(*)	Liabilities(*)
0-1 day	44	0	13	521	1,374	0
2-7 days	859	0	692	326	0	94
8-14 days	3,551	0	338	367	0	1,583
15-28 days	448	0	469	131	0	150
29 days- 3 months	4,145	0	2,992	1,439	0	1,397
3-6 months	5,158	0	4,286	1,440	0	2,911
6-12 months	15,102	0	369	4,528	0	4,178
1-3 years	21,550	0	3,362	8,967	0	468
3-5 years	2	0	202	1	0	0
Over 5 years	3	0	1,008	1,750	313	0
Total	50,862	0	13,731	19,470	1,687	10,781

In compiling information of Maturity Pattern, certain estimates and assumptions have been made by the management, which have been relied upon by the auditors.

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

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

(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 purchased under Reverse Repo	40,000 (50,000)	2,650,000 (2,450,000)	1,127,781 (452,329)	1,950,000 (250,000)
Securities sold under Repo	0 (50,000)	0 (350,000)	0 (20,137)	0 (0)

Previous years' figures are shown in brackets. In case of LAF all figures included above represent the amount borrowed/lent under the facility.

31. Customer Complaints

	2009-10	2008-09
1. No. of complaints pending at the beginning of the year	0	0
2. No. of complaints received during the year	11	14
3. No. of complaints redressed during the year	11	14
4. No. of complaints pending at the end of the year	0	0

Awards passed by the Banking Ombudsman

1. No. of unimplemented awards at the beginning of the year	0	0
2. No. of awards passed by the Banking Ombudsman during the year	0	0
3. No. of awards implemented during the year	0	0
4. No. of unimplemented awards at the end of the year	0	0

32. Disclosures on Derivatives

32.1 Qualitative Disclosures

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

1) The structure and organisation 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 (MC) in India ensures 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.

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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

- 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.

32.2 Quantitative Disclosure

(Rs. crores)

Sr. No	Particulars	Currency swaps (Forward Foreign exchange contracts)
1	Derivatives (Notional Principal Amount)	
	a) For hedging	70.97
	b) For trading	26.36
2	Marked to Market Positions (Net)	
	a) Asset (+)	
	b) Liability (-)	0.48
3	Credit Exposure	2.27
4	Likely impact of one percentage change in interest rate (100*PV01)	Not applicable
	a) on hedging derivatives	
	b) on trading derivatives	
5	Maximum and Minimum of 100*PV01 observed during the year	Not applicable
	a) on hedging	
	b) on trading	

33. 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)

Particulars	2009-10	2008-09
Change in the present value of defined benefit obligation		
Present value of defined benefit obligation at the beginning of year	24,022	21,878
Interest Cost	1,802	1,641
Current Service Cost	3,972	2,688
Benefit Paid	0	0
Actuarial (Gain)/loss on obligations	7,220	(2,185)
Closing value of defined benefit obligation at the end of the year	37,016	24,022
Change in Plan Assets		
Opening Fair value of plan assets at the beginning of year	26,385	16,621
Expected Return on plan assets	2,111	1,330
Contribution by Employer	8,950	8,257
Benefit Paid	0	0
Actuarial Gain/(loss) on obligations	247	177
Closing Fair value of plan assets at the end of the year	37,693	26,385

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Reconciliation of present value of obligation and fair value of plan assets

Present Value of Funded obligation at the end of year	37,016	24,022
Fair Value of plan assets at the end of the year	37,693	26,385
Deficit/(Surplus)	(677)	(2,363)
Unrecognized Past Service Cost	0	0
Liability/(Asset) recognized in the Balance Sheet	(677)	(2,363)

Amount Recognised in the Balance sheet

Liabilities	0	0
Assets	(677)	(2,363)
Net Liability/(Asset) recognised in Balance sheet	(677)	(2,363)

Net Cost recognised in the Profit and Loss Account

Current Service Cost	3,972	2,688
Interest Cost	1,802	1,641
Expected Return on Plan Assets	(2,111)	(1,330)
Net Actuarial (Gain)/Loss recognized in the year	6,973	(2,362)
Past Service Cost	0	0
Expenses Recognized in the Profit and Loss Account	10,636	637

Reconciliation of expected return and actual return on Plan Assets

Expected Return on Plan Assets	2,111	1,330
Actuarial Gain/(Loss) recognized in the year	247	177
Actual Return on Plan Assets	2,358	1,507

Movement in the Net Liability / Asset recognized in the Balance Sheet

Opening Net Liability / (Asset) as at the beginning of the year	(2,363)	5,257
Expenses Recognized in the Profit and Loss Account	10,636	637
Contributions	(8,950)	(8,257)
Closing Net Liability / (Asset) as at the end of the year	(677)	(2,363)

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

Category of Assets	% of Plan Assets	
	As on 31-Mar-2010	As on 31-Mar-2009
Central Government Securities	0.29%	0.45%
State Government Securities	0.00%	0.00%
Public Sector Bonds	0.43%	0.64%
Bank Deposits	23.35%	31.36%
Others (including with Life Insurance Corporation of India)	75.93%	67.55%
Total	100.00%	100.00%

Principal Actuarial assumptions :

Discount Rate	7.50%	7.50%
Expected Rate of Return on Plan Asset	8.00%	8.00%
Salary Escalation	10.00%	10.00%

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.

Compensated Absences:

The actuarial liability of compensated absences of encashable accumulated privilege leave as at year end is (Rs. '000)	4,197	3,265
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Principal Actuarial assumptions :

Discount Rate	7.50%	7.50%
Salary Escalation	10.00%	10.00%

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 is expected to contribute Rs. 4,000 Thousands to its defined benefit gratuity plan during the next financial year.

The Gratuity expense for the FY 2009-10 is after considering the increase made during the year in the eligibility days from 30 to 45 after completion of first five years of service.

The Bank has contributed an amount of Rs. 3,072 Thousands to the provident fund during the year.

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34. Related Party Disclosures

List of Related Parties is as under:

Parent: Abu Dhabi Commercial Bank, Abu Dhabi - Head office and its branches.

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.

Key Management Personnel: Country Manager – India, Anthony D’Souza.

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.

35. 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)	
	March 31, 2010	March 31, 2009
Not Later than one year	9,799	9,148
Later than one year and not later than 5 years	6,910	14,991
Later than five years	0	109
Lease payments charged to Profit and Loss Account	10,641	8,579

36. The major components of deferred tax assets and liabilities are as under:

	(Rs. 000's)	
	March 31, 2010	March 31, 2009
Deferred Tax Assets		
Depreciation	1,922	1,398
Employee Benefits	2,084	1,639
Others	0	0
Total	4,006	3,037
Deferred Tax Liabilities		
Interest on securities	6,329	19,088
Provision for Doubtful Debts	0	3,963
Total	6,329	23,051
Net Deferred Tax Asset / (Liability)	(2,323)	(20,014)

37. 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 as a single entity in India 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:

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(Rs. '000s)

Business Segments/Particulars	Treasury Operations	Corporate/ Wholesale Banking	Retail Banking	Unallocated	Total
Revenue	42,442	77,036	259,719	64,563	443,760
Results	13,578	53,433	21,333	28,888	117,232
Operating Profit					117,232
Income Tax including deferred tax					40,989
Extraordinary Profit/(Loss)					0
Net Profit					76,243
Other Information					
Segment Assets	4,913,448	1,457,167	290,013	93,909	6,754,537
Segment Liabilities	24,773	189,031	5,156,213	1,384,520	6,754,537

As on March 31, 2009

(Rs. '000s)

Business Segments/Particulars	Treasury Operations	Corporate/ Wholesale Banking	Retail Banking	Unallocated	Total
Revenue	84,420	133,843	289,675	23,260	531,198
Results	50,427	145,970	57,885	(6,760)	247,522
Operating Profit					247,522
Income Tax including deferred tax					83,880
Extraordinary Profit/(Loss)					0
Net Profit					163,642
Other Information					
Segment Assets	4,979,074	1,277,726	181,719	115,865	6,554,384
Segment Liabilities	17,464	148,266	5,081,108	1,307,546	6,554,384

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.

38. During the year, the Bank had exceeded the Prudential Exposure Limits for Individual Borrowers for M/s Tata Projects Ltd. However, the exposure to the said borrower was within the exposure limit of 20% approved by Bank's Head office. The Bank has not exceeded the Prudential Exposure Limits for Group Borrowers during the year under reference.

39. **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.

40. 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.

41. **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: 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 a party to various taxation matters to which appeals are pending. In the Bank's view, based on various appellate decisions on identical issues, the possibility of any outflow in respect of the said amounts in settlement is remote.

42. Based on the available information, there are no outstanding dues towards principal amount or interest thereon remaining unpaid to any supplier covered under Micro, Small and Medium Enterprises Development Act, 2006 as at the end of accounting year. Further, no interest was due or payable by the Bank to any supplier during the year under the provisions of the said Act.

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

AUDITORS' REPORT

ON THE ACCOUNTS OF ABU DHABI COMMERCIAL BANK-INDIAN OPERATIONS UNDER SECTION 30 OF THE BANKING REGULATION ACT, 1949.

- 1) We have audited the attached Balance Sheet of **Abu Dhabi Commercial Bank-Indian Operations** (incorporated in the United Arab Emirates with limited liability) ('the Bank') as on 31st March, 2010, the annexed Profit and Loss Account and also the Cash Flow Statement of the Indian Operations of the Bank for the year ended on that date. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2) We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement(s). An audit includes examining, on a test check basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3) In accordance with the provisions of section 29 of the Banking Regulation Act, 1949, read together with the provisions of sub-sections (1), (2) and (5) of Section 211 and sub-section (5) of Section 227 of the Companies Act, 1956, the Balance Sheet and Profit and Loss Account, are not required to be and are therefore not drawn up in accordance with Schedule VI to the Companies Act, 1956. The accounts are therefore, drawn up in conformity with Forms 'A' and 'B' of the Third Schedule to the Banking Regulation Act, 1949 to the extent applicable to the Bank. 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 Indian Operations of the Bank, which have come to our notice, have been in our opinion, within the powers of the Bank.
 - c) In our opinion, proper books of accounts as required by law have been kept by the Indian Operations of the Bank so far as appears from our examination of those books.
 - d) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement of the Indian Operations of the Bank dealt with by this report are in agreement with the books of accounts.
 - e) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, to the extent they are applicable to Banks and are not inconsistent with the Banking Regulation Act, 1949 and the disclosures and method of accounting prescribed by the Reserve Bank of India.
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant accounting policies and the notes thereon, give the information required by the Companies Act, 1956 in the manner so required for Banking Companies and on such basis, give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) In the case of the Balance Sheet of the state of affairs of the Indian Operations of the Bank as on 31st March 2010;
 - ii) In the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
 - iii) In the case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

For and on behalf of
BORKAR & MUZUMDAR
Chartered Accountants

Sd/-
Dilip Muzumdar
Partner
M. No: 8701
Registration No: 101569W