Abu Dhabi Commercial Bank – Indian Operations

(Incorporated in the United Arab Emirates with Limited Liability)

ADCB

BALANCE SHEET AS ON MARCH 31, 2011

(Rs '000s)

	Schedule	**As on March 31, 2011**	As on March 31, 2010
CAPITAL AND LIABILITIES			
Capital	1	**632,687**	632,687
Reserves and Surplus	2	**758,633**	676,452
Deposits	3	**5,649,691**	5,229,023
Borrowings	4	**2,150,000**	0
Other Liabilities and Provisions	5	**300,399**	216,375
TOTAL		**9,491,410**	6,754,537
ASSETS			
Cash and Balances with Reserve Bank of India	6	**390,312**	335,042
Balances with Banks and Money at Call and Short Notice	7	**4,720,681**	2,228,866
Investments	8	**2,201,763**	2,457,456
Advances	9	**1,803,050**	1,523,921
Fixed Assets	10	**70,223**	62,321
Other Assets	11	**305,381**	146,931
TOTAL		**9,491,410**	6,754,537
Contingent Liabilities	12	**2,635,931**	1,524,570
Bills for Collection		**542,655**	699,341
Accounting policies	17		
Notes to accounts	18		

The Schedules referred to above form an integral part of the Balance Sheet

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

(Rs '000s)

	Schedule	**Year ended March 31, 2011**	Year ended March 31, 2010
I. INCOME			
Interest Earned	13	**428,091**	410,989
Other Income	14	**35,109**	32,771
TOTAL		**463,200**	443,760
II. EXPENDITURE			
Interest Expended	15	**243,830**	200,841
Operating Expenses	16	**145,755**	130,708
Provisions and Contingencies		**(8,565)**	35,968
TOTAL		**381,020**	367,517
III. PROFIT/(LOSS)			
Net Profit for the year		**82,180**	76,243
Profit/(Loss) brought forward		**0**	0
TOTAL		**82,180**	76,243
IV. APPROPRIATIONS			
Transfer to Statutory Reserves		**20,546**	19,061
Transfer to Investment Reserve Account		**0**	213
Remittable Surplus Retained in India for CRAR		**61,634**	56,969
Balance carried over to Balance Sheet		**0**	0
TOTAL		**82,180**	76,243
Accounting policies	17		
Notes to accounts	18		

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

For
ABU DHABI COMMERCIAL BANK
Indian Operations

Sd/-
Anthony D'Souza
Country Manager - India

Place: Mumbai
Date: June 20, 2011

Abu Dhabi Commercial Bank – Indian Operations

(Incorporated in the United Arab Emirates with Limited Liability)

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

(Rs '000s)

		Year ended March 31, 2011	Year ended March 31, 2010
Cash flows from operating activities			
Net Profit/(Loss) before tax		**55,844**	117,232
Adjustment for :			
Depreciation charge for the year		**3,232**	3,100
Depreciation on investments		**0**	(1,110)
Provision on funded NPA's (Net of Write offs/ Write backs)		**17,699**	(3,249)
Other Provisions		**72**	(1,372)
Profit on sale of fixed assets		**(28)**	(15)
Loss on sale of fixed assets		**2,015**	62
		78,834	114,648
Adjustments for :			
(Increase)/Decrease in Investments		**255,693**	(509,294)
(Increase)/Decrease in Advances		**(296,828)**	(147,527)
Increase/(Decrease) in Borrowings		**2,150,000**	0
Increase/(Decrease) in Deposits		**420,668**	142,861
(Increase)/Decrease in Other Assets		**(97,943)**	62,150
Increase/(Decrease) in Other liabilities and provisions		**83,952**	(17,619)
Income Tax (paid)/refund received		**(34,170)**	(37,771)
Net cash generated from / (used in) operating activities	**A**	**2,560,206**	(392,552)
Cash Flows from investing activities			
Purchase of fixed assets		**(13,149)**	(394)
Proceeds from sale of fixed assets		**28**	20
Net cash generated from / (used in) investing activities	**B**	**(13,121)**	(374)
Cash Flows from financing activities			
Infusion of Funds from Head Office		**0**	0
Net cash flows generated from financing activities	**C**	**0**	0
Net increase/(decrease) in cash and cash equivalents (A+B+C)		**2,547,085**	(392,926)
Cash and Cash Equivalents at the beginning of the year		**2,563,908**	2,956,834
Cash and Cash Equivalents at the end of the year		**5,110,993**	2,563,908

(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

For
ABU DHABI COMMERCIAL BANK
Indian Operations

Sd/-
Anthony D'Souza
Country Manager - India

Place: Mumbai
Date: June 20, 2011

Abu Dhabi Commercial Bank – Indian Operations

(Incorporated in the United Arab Emirates with Limited Liability)

ADCB

SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON MARCH 31, 2011

(Rs '000s)

	As on March 31, 2011	As on March 31, 2010
SCHEDULE 1 - CAPITAL		
I. Capital		
i) Start-up Capital	**2,000**	2,000
ii) Amount received from Head office (Refer Note 23 of Schedule 18)	**630,687**	630,687
TOTAL	**632,687**	632,687
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	**312,500**	312,500
SCHEDULE 2 – RESERVES AND SURPLUS		
I. Statutory Reserves		
i) Opening Balance	**279,369**	260,308
ii) Additions during the year	**20,546**	19,061
	299,915	279,369
II. Capital Reserves		
Balance as per last Balance Sheet	**14,711**	14,711
III. Investment Reserve Account		
i) Opening Balance	213	0
ii) Appropriated from Profit and Loss Account	0	213
	213	213
IV. Remittable Surplus retained in India for CRAR		
i) Opening Balance	**250,600**	193,631
ii) Add: Transfer from Profit & Loss Account	**61,635**	56,969
	312,235	250,600
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	**758,633**	676,452
SCHEDULE 3 – DEPOSITS		
A) I. Demand Deposits		
i) From banks	36,691	12,044
ii) From others	938,917	820,740
	975,608	832,784
II. Savings Bank Deposits	**1,270,797**	1,160,076
III. Term Deposits		
i) From banks	0	0
ii) From others	**3,403,286**	3,236,163
	3,403,286	3,236,163
TOTAL	**5,649,691**	5,229,023
B) I. Deposits of branches in India	**5,649,691**	5,229,023
II. Deposits of branches outside India	**0**	0
TOTAL (I + II)	**5,649,691**	5,229,023

(Rs '000s)

	As on March 31, 2011	As on March 31, 2010
SCHEDULE 4 - BORROWINGS		
I. Borrowings in India		
i) Reserve Bank of India	**0**	0
ii) Other banks	**2,150,000**	0
iii) Other institutions and agencies	**0**	0
II. Borrowings outside India	**0**	0
TOTAL	**2,150,000**	0
Secured Borrowings included in I & II above	**0**	0
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I. Bills payable	**36,097**	20,692
II. Inter-Office adjustments (Net)	**9**	254
III. Interest accrued	**121,215**	71,102
IV. Deferred Tax Liability	**0**	2,323
V. Others (including provisions)	**143,078**	122,004
TOTAL	**300,399**	216,375
SCHEDULE 6 – CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand (including foreign currency notes)	**5,682**	5,740
II. Balances with Reserve Bank of India		
i) In Current Account	**384,630**	329,302
ii) In Other Accounts	**0**	0
TOTAL	**390,312**	335,042
SCHEDULE 7– BALANCES WITH BANKS AND MONEY AT CALL & SHORT NOTICE		
I. In India		
i) Balances with banks		
a) In Current Accounts	**37,821**	10,406
b) In Other Deposit Accounts	**4,250,000**	0
ii) Money at call and short notice		
a) With banks (including with RBI under LAF)	**300,000**	1,950,000
b) With other institutions	**0**	0
TOTAL	**4,587,821**	1,960,406
II. Outside India		
i) In Current Accounts	**132,860**	110,705
ii) In Other Deposit Accounts	**0**	0
iii) Money at call and short notice (Including with H.O.)	**0**	157,755
TOTAL	**132,860**	268,460
TOTAL (I + II)	**4,720,681**	2,228,866

Abu Dhabi Commercial Bank – Indian Operations

(Incorporated in the United Arab Emirates with Limited Liability)

SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON MARCH 31, 2011

(Rs '000s)

	As on March 31, 2011	As on March 31, 2010
SCHEDULE 8 – INVESTMENTS		
I. Investments in India (Book Value)	**2,235,916**	2,492,960
Less: Provision for Depreciation	**(34,153)**	(35,504)
Net Investments in India	**2,201,763**	2,457,456
Break-up:-		
i) Government securities	**1,548,800**	1,794,593
ii) Other approved securities	**2,463**	2,463
iii) Shares	**0**	0
iv) Debentures and Bonds	**0**	0
v) Subsidiaries and/or Joint Ventures	**0**	0
vi) Others (includes deposit with SIDBI & NHB)	**650,500**	660,400
TOTAL	**2,201,763**	2,457,456
II. Investments outside India	**0**	0
TOTAL (I +II)	**2,201,763**	2,457,456
SCHEDULE 9 – ADVANCES		
A) i) Bills purchased and discounted	**810,084**	630,551
ii) Cash credits, overdrafts and loans repayable on demand	**491,726**	586,695
iii) Term loans	**501,240**	306,675
TOTAL	**1,803,050**	1,523,921
B) i) Secured by tangible assets*	**968,472**	868,364
ii) Covered by Bank/ Government Guarantees	**802,546**	624,410
iii) Unsecured	**32,032**	31,147
TOTAL	**1,803,050**	1,523,921
C) I. Advances in India		
i) Priority Sectors	**747,098**	364,915
ii) Public Sector	**0**	0
iii) Banks	**0**	526,655
iv) Others	**1,055,952**	632,351
TOTAL	**1,803,050**	1,523,921
II. Advances outside India	**0**	0
TOTAL	**1,803,050**	1,523,921

* (Includes Advances against Book debts)

(Rs '000s)

	As on March 31, 2011	As on March 31, 2010
SCHEDULE 10 - FIXED ASSETS		
I. Premises		
i) At cost as on March 31 of the preceding year	58,497	58,497
ii) Additions during the year	0	0
iii) Deductions during the year	(1,921)	0
iv) Depreciation to date	0	(1,131)
TOTAL	**56,576**	57,366
II. Other Fixed Assets (including furniture and fixtures)		
i) At cost as on March 31 of the preceding year	82,461	82,536
ii) Additions during the year	8,739	394
iii) Deductions during the year	(39,593)	(469)
iv) Depreciation to date	(42,370)	(77,506)
TOTAL	**9,237**	4,955
III. Capital Work in Progress	**4,410**	0
GRAND TOTAL (I + II+III)	**70,223**	62,321
SCHEDULE 11 – OTHER ASSETS		
I. Inter-office adjustments (net)	**0**	0
II. Interest accrued	**150,472**	23,570
III. Tax paid in advance/tax deducted at source (net of provisions)	**54,514**	20,344
IV. Stationery and stamps	**2**	1
V. Deferred Tax Asset (Net)	**24,013**	0
VI. Others	**76,380**	103,016
TOTAL	**305,381**	146,931
SCHEDULE 12 – CONTINGENT LIABILITIES		
I. Liability on account of outstanding forward exchange contracts	**2,058,419**	973,273
II. Guarantees given on behalf of constituents:		
a) In India	**65,637**	52,034
b) Outside India	**172,062**	229,616
III. Acceptances, endorsements and other obligations	**49,144**	14,146
IV. Other items for which the Bank is contingently liable: Income tax/Interest tax disputed and in appeal not provided for is estimated at	**290,669**	255,501
TOTAL	**2,635,931**	1,524,570

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

(Rs '000s)

	Year ended March 31, 2011	Year ended March 31, 2010
SCHEDULE 13 – INTEREST EARNED		
I. Interest/discount on advances/bills	**137,814**	122,606
II. Income on investments	**174,356**	100,776
III. Interest on balances with Reserve Bank of India and other inter-bank funds	**115,921**	122,996
IV. Others (represents Interest on Income Tax refunds)	**0**	64,611
TOTAL	**428,091**	410,989
SCHEDULE 14 – OTHER INCOME		
I. Commission, exchange and brokerage	**17,627**	18,476
II. Profit on sale/redemption of investments	**0**	125
Less: Loss on sale/redemption of investments	**0**	0
III. Profit/(Loss) on revaluation of investments	**0**	0
IV. Profit on sale of land, buildings and other assets	**28**	15
Less: Loss on sale of land, building and other assets	**(2,015)**	(62)
V. Net profit on exchange transactions	**19,464**	14,217
VI. Income earned by way of dividends etc. from subsidiaries/company and joint ventures abroad/in India	**0**	0
VII. Miscellaneous income	**5**	0
TOTAL	**35,109**	32,771

(Rs '000s)

	Year ended March 31, 2011	Year ended March 31, 2010
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on deposits	**214,150**	199,773
II. Interest on Reserve Bank of India and Inter-bank borrowings	**29,680**	1,068
III. Others	**0**	0
TOTAL	**243,830**	200,841
SCHEDULE 16 - OPERATING EXPENSES		
I. Payments to and provisions for employees	**83,646**	69,260
II. Rent, taxes and lighting	**18,122**	15,320
III. Printing and stationery	**1,309**	2,128
IV. Advertisement and publicity	**409**	389
V. Depreciation on bank's property	**3,232**	3,100
VI. Directors' fees, allowances and expenses	**0**	0
VII. Auditors' fees and expenses	**423**	408
VIII. Law charges	**459**	277
IX. Postages, telegrams, telephones, etc.	**4,720**	4,709
X. Repairs and maintenance	**9,602**	10,218
XI. Insurance	**5,244**	4,987
XII. Other expenditure (includes Technical and Consultancy Services INR 11,797 ('000) previous year INR 12,916 ('000))	**18,589**	19,912
TOTAL	**145,755**	130,708

SCHEDULE 17 - ACCOUNTING POLICIES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2011.

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 requirements prescribed under the Third Schedule (Form A and Form B) of the Banking Regulation Act, 1949. 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.

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 (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 are treated as interest.

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 are 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 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 the 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.

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.

SCHEDULE 18 - NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2011.

		As on March 31, 2011	As on March 31, 2010
1.	**Percentage of Net Non Performing Assets to Net Advances**	**2.89%**	0.19%
2.	**Business Ratios:**		
	i. Interest income as a percentage to working funds	**5.86%**	6.09%
	ii. Non – interest income as a percentage to working funds	**0.48%**	0.49%
	iii. Operating profit as a percentage to working funds	**1.01%**	1.66%
	iv. Return on assets	**1.12%**	1.13%
	v. Business (Deposits + Advances) per Employee (Rs 000's)	**160,770**	154,263
	vi. Profit per Employee (Rs 000's)	**1,911**	1,860

(Rs. 000's)

3.	**Lending to sensitive sectors are as under:**		
	• **Details of exposure to real estate sector**		
	a) Direct exposure :	**16,536**	8,687
	i) Residential mortgages	16,536	8,687
	- of which Individual Housing Loans eligible for inclusion in Priority Sector	0	0
	ii) Commercial Real Estate (including NFB limits Rs. NIL)	0	0
	iii) Investment in Mortgage Backed Securities And other securitised exposures:	0	0
	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	**191,436**	**183,587**
	• **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	**0**	50
	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	**107,377**	107,578
	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	**0**	9,129

v)	Secured and unsecured advances to stockbrokers & guarantees issued on behalf of stockbrokers and market makers	**0**	0
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.	**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)	**0**	0
	Total Exposure to Capital Market	**107,377**	**116,757**

		2010-11	2009-10
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	**140,902**	141,309
	Add: Additions during the year	**77,212**	3,935
	Less: Reductions during the year		
	Upgradations	**0**	0
	Recoveries	**(10,235)**	(4,342)
	Write-offs	**(80,396)**	0
	Balance as at the end of the year	**127,483**	140,902
6.	**Movement in provision for Funded Non Performing Advances (excluding provision for Standard Advances)**		
	Balance as at the beginning of the year	**138,059**	141,309
	Add: Provisions made during the year	**25,540**	1,092
	Less: Write-off/Write back of excess provision during the year	**(88,237)**	(4,342)
	Balance as at the end of the year	**75,362**	138,059
7.	**Provision Coverage Ratio**	**59.19%***	97.98%
	*The aforesaid ratio was 76.39% on 30th September, 2010.		

			(Rs. 000's)
8.	**Movement in Funded Non – Performing Advances (Net)**	**2010-11**	2009-10
	Balance as at the beginning of the year	**2,843**	0
	Add: Additions during the year	**51,672**	2,843
	Less: Reductions during the year	**(2,394)**	0
	Balance as at the end of the year	**52,121**	2,843
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 during the year**		
i)	**Standard Loan assets**		
	No. of Borrowers	**0**	2
	Amount Outstanding	**0**	96,163
	- of which under CDR	**0**	0
	- of which under SME Debt restructuring	**0**	0
	- of which Others	**0**	96,163
	Sacrifice (diminution in the fair value)	**0**	92
ii)	**Sub-Standard Loan assets**		
	No. of Borrowers	**0**	0
	Amount Outstanding	**0**	0
	- of which under CDR	**0**	0
	- of which under SME Debt restructuring	**0**	0
	- of which Others	**0**	0
	Sacrifice (diminution in the fair value)	**0**	0

		2010-11	2009-10
iii)	**Doubtful Loan assets**		
	No. of Borrowers	**1**	0
	Amount Outstanding	**51,290**	0
	- of which under CDR	**0**	0
	- of which under SME Debt restructuring	**51,290**	0
	- of which Others	**0**	0
	Sacrifice (diminution in the fair value)	**0**	0
TOTAL			
	No. of Borrowers	**1**	2
	Amount Outstanding	**51,290**	96,163
	- of which under CDR	**0**	0
	- of which under SME Debt restructuring	**51,290**	0
	- of which Others	**0**	96,163
	Sacrifice (diminution in the fair value)	**0**	92

(Rs. 000's)

		2010-11	2009-10
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
	No of Accounts purchased during the year	**0**	0
	Aggregate outstanding	**0**	0
	Of these No. of Accounts restructured during the year	**0**	0
	Aggregate outstanding	**0**	0
b.	Sold		
	Number of accounts sold	**0**	0
	Aggregate outstanding	**0**	0
	Aggregate consideration received	**0**	0
13.	**Movement in provision for depreciation on Investments**		
	Balance as at the beginning of the year	**35,504**	36,653
	Add: Provisions made during the year	**0**	0
	Less: Write back of excess provision during the year*	**(1,351)**	(1,149)
	Balance as at the end of the year	**34,153**	35,504

* Includes write back of provisions on Securitisation Receipts Rs. 1,351 thousands (Previous Year Rs. 657 thousands)

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

(Amount in Rs. Crores)

		March 31, 2011	March 31, 2010
a)	**Concentration of Deposits**		
	Total Deposits of 20 largest depositors	**303.14**	265.07
	Percentage of deposits of 20 largest depositors to total deposits of the Bank	**53.66%**	50.69%
b)	**Concentration of Advances**		
	Total Advances to 20 largest Borrowers	**234.75**	255.50
	Percentage of advances to 20 largest Borrowers to total advances of the Bank	**93.96%**	93.64%
c)	**Concentration of Exposures**		
	Total Exposure to 20 largest Borrowers/Customers	**236.50**	256.77
	Percentage of Exposures to 20 largest Borrowers/Customers to total Exposure of the Bank on Borrowers / Customers	**93.81%**	93.29%
d)	**Concentration of NPAs**		
	Total Exposure to top 4 NPA accounts	**12.51**	14.09

15. Sector-wise NPAs:

Sector		Percentage of NPAs to Total Advances in that sector March 31, 2011	March 31, 2010
a)	Agriculture & Allied Activities	0.00%	0.00%
b)	Industry (Micro & Small, Medium and Large)	5.44%	12.30%
c)	Services	11.47%	0.99%
d)	Personal Loans	0.00%	0.00%

16. Overseas Assets, NPAs and Revenue:

(Amount in Rs. Crores)

Particulars	**March 31, 2011**	March 31, 2010
Total Assets	**13.29**	26.85
Total NPAs	**Nil**	Nil
Total Revenue	**0.06**	0.08

17. Off Balance sheet SPVs sponsored	**Nil**	Nil
18. Total Advances against Intangible securities	**Nil**	Nil
19. Fees received in respect of Bancassurance business		
- For selling Mutual Fund products	**Rs. 0.04 Lakhs**	Rs. 0.51 Lakhs

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

(Amount in Rs. '000)

		2010-11	2009-10
i.	Provision / (Write Back of Provision) for Non-Performing Funded Advances (Net)	**(62,697)**	(3,249)
ii.	Bad Debts written-off	**80,396**	618
iii.	Provisions / (Write back of Provision) for Country Risk	**72**	(1,372)
iv.	Provision / (Write back of Provision) for Depreciation on Investments (Net)	**0**	(1,110)
v.	Provision for Deferred Tax (Net)	**(26,336)**	(17,691)
vi.	Provision for Current Tax	**15,497**	58,680
vii.	MAT Credit Entitlement	**(15,497)**	0
viii.	Other Provisions/Write backs (Net)	**0**	92
	Total	**(8,565)**	35,968

21. 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:

		March 31, 2011	March 31, 2010
i.	CRAR - Tier I Capital (%)	44.26%	43.81%
ii.	CRAR - Tier II Capital (%)	0.99%	0.98%
iii.	CRAR - Total Capital (%)	45.25%	44.79%
iv.	Amount raised by issue of IPDI	0	0
v.	Amount raised by issue of Upper Tier II instruments	0	0

22. Drawdown from Reserves

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

23. 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.

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

(Rs. 000's)

Risk category	**Exposure (31-03-2011)**	**Provision Held**	Exposure (31-03-2010)	Provision Held
Insignificant	**145,556**	**62**	200,983	55
Low	**306,877**	**230**	205,697	165
Moderate	**49,976**	**0**	69,996	0
High	**0**	**0**	0	0
Very High	**0**	**0**	0	0
Restricted	**0**	**0**	0	0
Off-credit	**0**	**0**	0	0
Total	**502,409**	**292**	476,676	220

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.

25 Classification of Net Investments under various categories is as under:

(Rs. 000's)

	As on March 31, 2011	As on March 31, 2010
Held to Maturity	**697,335**	707,235
Available for Sale	**1,504,428**	1,750,221
Held for Trading	**0**	0
Total	**2,201,763**	2,457,456

Investments include securities costing Rs.66,839 thousands (Previous year Rs.28,830 thousands) pledged with CCIL for margin requirements.
Investments include securities amounting Rs.283,110 thousands (Previous year Rs.267,048 thousands) kept as margin with Reserve Bank of India towards Real Time Gross Settlement (RTGS).
Investments include securities of face value Rs.312,500 thousands (Previous year Rs.312,500 thousands) kept with Reserve Bank of India u/s 11(2)(b) of Banking Regulation Act, 1949.

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

(Rs. 000's)

	2010-11	2009-10
Opening Balance	**23,849**	24,506
Additions during the year	**Nil**	Nil
Reductions during the year	**(1,351)**	(657)
Closing Balance *	**22,498**	23,849
Total Provisions held	**22,498**	23,849

*Represents investment in securitisation receipts.

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

As at March 31, 2011

(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	0	0	0	0	0
2	Financial Institutions	650,500	650,500	0	0	650,500
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	22,498	22,498	22,498	22,498	22,498
7	Provision held towards depreciation	(22,498)				
	Total	650,500				

As at March 31, 2010

(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	**0**	0	0	0	0
2	Financial Institutions	**660,400**	660,400	0	0	660,400
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**	23,849	23,849	23,849	23,849
7	Provision held towards depreciation	**(23,849)**				
	Total	**660,400**				

28. 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
Government Securities purchased under Reverse Repo	50,300 (42,000)	2,835,000 (2,782,500)	415,172 (1,184,170)	0 (2,047,500)
Government Securities sold Under Repo	52,500 (0)	840,000 (0)	81,699 (0)	0 (0)

Previous years' figures are shown in brackets. There are no Corporate Debt securities purchased under Reverse Repo or sold under Repo.

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

30. During the year, the Bank had exceeded the Prudential Exposure Limits for Individual Borrowers for M/s KEC International Ltd. However, the exposure to the said borrower was within the exposure limit of 25% approved by Bank's Head office. The Bank has not exceeded the Prudential Exposure Limits for Group Borrowers during the year under reference.

31. Maturity Profile:
As at March 31, 2011

(Rs. Lakhs)

Maturity Pattern	**Deposits**	**Borrowings**	**Advances (Net)**	**Investment (Net)**	**Foreign Currency Assets (*)**	**Foreign Currency Liabilities (*)**
0-1 day	**2,148**	**0**	**130**	**0**	**1,621**	**23**
2-7days	**3,476**	**4,000**	**294**	**0**	**0**	**285**
8-14 days	**3,001**	**0**	**388**	**0**	**0**	**239**
15-28 days	**2,109**	**0**	**105**	**2,391**	**0**	**137**
29 days-3 months	**2,187**	**0**	**2,879**	**6,793**	**0**	**991**
3-6 months	**4,597**	**17,500**	**8,181**	**5,692**	**0**	**1,882**
6-12 months	**8,919**	**0**	**186**	**2,970**	**0**	**3,248**
1-3 years	**29,981**	**0**	**5,167**	**2,308**	**0**	**2,918**
3-5 years	**79**	**0**	**588**	**1,864**	**0**	**0**
Over 5 years	**0**	**0**	**112**	**0**	**0**	**0**
Total	**56,497**	**21,500**	**18,030**	**22,018**	**1,621**	**9,723**

As at March 31, 2010

(Rs. Lakhs)

Maturity Pattern	Deposits	Borrowings	Advances (Net)	Investment (Net)	Foreign Currency Assets(*)	Foreign Currency 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

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.

32. Customer Complaints

		2010-11	2009-10
1.	No. of complaints pending at the beginning of the year	**0**	0
2.	No. of complaints received during the year	**5**	11
3.	No. of complaints redressed during the year	**5**	11
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

33. Disclosures on Derivatives

33.1 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.

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.

33.2 Quantitative Disclosure

(Rs. crores)

Sr. No	Particulars	Currency swaps (Forward Foreign exchange contracts)
1	Derivatives (Notional Principal Amount)	
	a) For hedging	179.51
	b) For trading	26.34
2	Marked to Market Positions (Net)	
	a) Asset (+)	0.13
	b) Liability (-)	
3	Credit Exposure	4.32
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	

34. 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	2010-11	2009-10
Change in the present value of defined benefit obligation		
Present value of defined benefit obligation at the beginning of year	37,016	24,022
Interest Cost	2,776	1,802
Current Service Cost	4,006	3,972
Benefit Paid	(338)	0
Actuarial (Gain)/loss on obligations	11,232	7,220
Closing value of defined benefit obligation at the end of the year	54,692	37,016
Change in Plan Assets		
Opening Fair value of plan assets at the beginning of year	37,693	26,385
Expected Return on plan assets	3,015	2,111
Contribution by Employer	3,675	8,950
Benefit Paid	(338)	0
Actuarial Gain/(loss) on obligations	70	247
Closing Fair value of plan assets at the end of the year	**44,115**	37,693
Reconciliation of present value of obligation and fair value of plan assets		
Present Value of Funded obligation at the end of year	54,692	37,016
Fair Value of plan assets at the end of the year	44,115	37,693
Deficit/(Surplus)	10,577	(677)
Unrecognized Past Service Cost	0	0
Liability/(Asset) recognized in the Balance Sheet	10,577	(677)
Amount Recognised in the Balance sheet		
Liabilities	10,577	0
Assets	0	(677)
Net Liability/(Asset) recognised in Balance sheet	10,577	(677)
Net Cost recognised in the Profit and Loss Account		
Current Service Cost	4,006	3,972
Interest Cost	2,776	1,802
Expected Return on Plan Assets	(3,015)	(2,111)
Net Actuarial (Gain)/Loss recognized in the year	11,162	6,973
Past Service Cost	0	0
Expenses Recognized in the Profit and Loss Account	**14,929**	**10,636**
Reconciliation of expected return and actual return on Plan Assets		
Expected Return on Plan Assets	3,015	2,111
Actuarial Gain/(Loss) recognized in the year	70	247
Actual Return on Plan Assets	**3,085**	**2,358**
Movement in the Net Liability / Asset recognized in the Balance Sheet		
Opening Net Liability / (Asset) as at the beginning of the year	(677)	(2,363)
Expenses Recognized in the Profit and Loss Account	14,929	10,636
Contributions	(3,675)	(8,950)
Closing Net Liability / (Asset) as at the end of the year	**10,577**	**(677)**

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

	% of Plan Assets	
Category of Assets	**As on 31-Mar-2011**	**As on 31-Mar-2010**
Central Government Securities	0.28%	0.29%
State Government Securities	0.00%	0.00%
Public Sector Bonds	0.40%	0.43%
Bank Deposits	1.28%	23.35%
Others (including with Life Insurance Corporation of India)	98.04%	75.93%
Total	**100.00%**	**100.00%**

Principal Actuarial assumptions :

Discount Rate	8.25%	7.50%
Expected Rate of Return on Plan Asset	8.25%	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:	**As on 31-Mar-2011**	As on 31-Mar-2010
The actuarial liability of compensated absences of encashable accumulated privilege leave as at year end is (Rs. '000)	6,682	4,197
Principal Actuarial assumptions :		
Discount Rate	8.25%	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 has contributed an amount of Rs. 3,954 Thousands to the provident fund during the year.

35. Related Party Disclosures

List of Related Parties is 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.

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.

36 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:

37. 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, 2011	March 31, 2010
Not Later than one year	**7,383**	9,799
Later than one year and not later than 5 years	**507**	6,910
Later than five years	**0**	0
Lease payments charged to Profit and Loss Account	**14,010**	10,641

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

(Rs. 000's)

	March 31, 2011	March 31, 2010
Deferred Tax Assets		
Depreciation	**2,363**	1,922
Employee Benefits	**3,167**	2,084
Provision for Non-Performing Assets	**22,568**	0
Unabsorbed Losses	**13,266**	0
Others	**645**	0
Total	**42,009**	4,006
Deferred Tax Liabilities		
Interest on securities	**17,996**	6,329
Total	**17,996**	6,329
Net Deferred Tax Asset / (Liability)	**24,013**	(2,323)

39. 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:

As on March 31, 2011 ***(Rs. '000s)***

Business Segments/Particulars	**Treasury Operations**	**Corporate/ Wholesale Banking**	**Retail Banking**	**Unallocated**	**Total**
Revenue	**103,193**	**81,347**	**278,616**	**44**	**463,200**
Results	**41,518**	**36,146**	**26,858**	**(48,678)**	**55,844**
Operating Profit					**55,844**
Income Tax including deferred tax					**(26,336)**
Extraordinary Profit /(Loss)					**0**
Net Profit					**82,180**
Other Information					
Segment Assets	**7,387,236**	**1,707,043**	**252,959**	**144,172**	**9,491,410**
Segment Liabilities	**2,225,905**	**160,613**	**5,648,087**	**1,456,805**	**9,491,410**

As on March 31, 2010 *(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

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.

40. 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.

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 in dispute for various taxation matters for which appeals are pending. In Bank's view, based on various appellate decisions on identical issues, there is remote possibility of any financial outflow in respect of the said amounts under settlement.

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, 2011, 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 2011;
      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
Firm Reg. No: 101569W

Sd/-
Dilip Muzumdar
Partner
M. No: 8701

Mumbai: June 20, 2011

Basel II: Pillar III Disclosures

1. DF-1 Scope of Application

Qualitative Disclosure

a. The name of the top bank in the group, to which these regulations apply, is Abu Dhabi Commercial Bank (ADCB India). Abu Dhabi Commercial Bank Indian Operations (ADCB India) is a network of two branches (Mumbai and Bangalore) of 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 included local capital funds, capital reserves, statutory reserves and remittable surplus retained in India.

Local capital funds comprise of amount brought into India by way of start up capital and revenue and other reserves.

2.2. Quantitative Disclosures

2.2.1. Summary of Capital Funds

(Rs. in lakh)

Summary of Capital Funds

Sr No.	Components of Tier I Capital	Bank's Amount	Eligible Amount
1	Paid up share capital	6,326.87	6,326.87
2	Statutory Reserves	2,999.15	2,999.15
3	Disclosed Free Reserves	1,315.59	1,315.59
4	Capital Reserves representing surplus arising out of sale proceeds of assets	147.11	147.11
5	Remittable Surplus (not repatriable)	3,122.35	3,122.35
6	Deductions	(240.14)	(240.14)
	Tier I Capital		**13,670.93**
Sr No.	Components of Tier II Capital		
1	General Provisions and loss reserves	307.26	307.26
	Tier II Capital		**307.26**
	Total		**13,978.19**

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 adequate capital levels consistent with 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.

At Head Office level, the bank has drawn its business plan setting up targets across business segments. Accordingly, the projected Balance Sheet has been drawn for the year 2010-11. Based on the same, the Bank has projected its capital requirements in accordance with the current risk profile, which includes ADCB India operations also.

ADCB's ICAAP Management framework, which aims to ensure that capital supports business growth, stipulates that the Bank should maintain an excess cover relative to the 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 lakh)

Capital Adequacy	
Credit Risk	
Total Portfolio subject to credit risk	88,760.72
Capital Requirement under standardised approach	2,086.63
Market Risk	
(i) Interest rate risk	54.43
(ii) Equity position risk	0.00
(iii) Foreign exchange risk	135.00
Capital Requirement : Total (i+ii+iii)	189.43
Operational Risk	
Capital Requirement under Basic Indicator Approach	503.94
Total	**2,780.00**

3.2.2. Capital Adequacy Ratio (CRAR)

CRAR	45.25%
CRAR – Tier 1 Capital (%)	44.26%

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 optimise the risk and return envisaged in order to see that the Economic Value Addition to the bank is maximised and the interests of all the stakeholders are protected alongside ensuring corporate growth and prosperity with safety of Bank's resources.
- 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 and fairly high yielding credit portfolio for augmentation of interest and non-interest income.
- 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, Capital Adequacy, 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

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 lakh)

Geographic Distribution of Exposures

	Domestic	Overseas	Total
Fund Based	18,030.50	0.00	**18,030.50**
Non-fund Based	830.75	2,037.68	**2,868.43**
Total Gross Credit Exposure	**18,861.25**	**2,037.68**	**20,898.93**

4.2.2. Industry Type distribute

4.2.3. on of Exposure

(Rs. in lakh)

Industry Type Distribution of Exposures

Industry Code	Industry Name	Fund Based Exposure	Non Fund Based Exposure
3	Iron and Steel	7,680.46	0.00
5	All Engineering	873.36	1,672.45
9	Other Textiles	595.55	3.81
19	Leather and Leather Products	3.18	0.00
20	Gems and Jewellery	10.76	10.00
24	Computer Software	74.98	3.05
25	Infrastructure	2,600.00	835.55
26	NBFC's	3,809.93	0.00
27	Trading	198.74	13.92
28	Other Industries	1,132.41	329.65
29	Residual Advances to balance gross advances	1,051.13	0.00
Total		**18,030.50**	**2,868.43**

4.2.4. Residual Contractual Maturity breakdown of Assets

(Rs. Lacs)

Maturity Pattern	Cash, Balances with RBI and other Banks	Advances (Net)	Investment (Net)	Other Assets including Fixed Assets
0-1 day	1,894	130	0	338
2-7 days	3,365	294	0	0
8-14 days	153	388	0	0
15-28 days	97	105	2,391	102
29 days- 3 months	5,131	2,879	6,793	497
3-6 months	13,516	8,181	5,692	730
6-12 months	25,301	186	2,970	324
1-3 years	1,404	5,167	2,308	503
3-5 years	4	588	1,864	0
Over 5 years	245	112	0	1,262
Total	51,110	18,030	22,018	3,756

4.2.5. Amount of Non-Performing Assets (NPAs)

(Rs. in lakh)

NPAs (Gross) as on 31.03.2011

Category	Amount
Sub-Standard	148.80
Doubtful 1	589.01
Doubtful 2	0.00
Doubtful 3	537.02
Loss	0
Total	**1,274.83**

4.2.6. NPA Ratios

NPA Ratios as on 31.03.2011	
Gross NPAs to Gross Advances	6.79%
Net NPAs to Net Advances	2.89%

4.2.7. Amount of Net NPAs: INR 521.21 Lakhs

4.2.8. Movement of NPAs and Movement of Provisions for NPAs

(Rs. in lakh)

Movement of NPAs (Gross)		Movement of provisions for NPAs (Gross)	
(i) Opening Balance at the beginning of the yr	1,409.02	(i) Opening Balance at the beginning of the yr	1,380.59
(ii) Additions during the yr	772.12	(ii) Provisions made during the yr	255.40
(iii) Reductions during the yr	102.35	(iii) Write-offs made during the yr	803.96
(iv) Write-offs made during the yr	803.96	(iv) Write-back of excess provisions made during the yr	78.41
Closing Balance as at the end of the yr (i+ii-iii-iv)	1,274.83	Closing Balance as at the end of the yr (i+ii-iii-iv)	753.62

4.2.9. Amount of Non-Performing Investments: NIL
Amount of Provisions held for Non-Performing Investments: NIL

4.2.10. Movement of Provision for Depreciation on Investments

(Rs. in lakh)

Movement of Provision for Depreciation on Investments	
(i) Opening Balance at the beginning of the yr	355.04
(ii) Provisions made during the yr	0
(iii) Write-offs made during the yr	0
(iv) Write-back of excess provisions made during the yr	13.51
Closing Balance as at the end of the yr (i+ii-iii-iv)	341.53

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 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 lakh)

Sr No.	Exposure amounts after risk mitigation	Amount
1	Below 100% risk weight exposure outstanding	80,167.58
2	100% risk weight exposure outstanding	5,614.44
3	More than 100% risk weight exposure outstanding	1,149.21
4	Deducted	NIL

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, KVPs, LIC Policy, Shares and units of mutual funds.
- 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 Committee conducts 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. 14.92 crore.**

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 volatilities of changes.

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 'Available for Sale' 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 Management Committee shall be responsible for the pattern and composition of investment. The middle 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 daily marked 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 lakh)

Risk Category		Capital charge
I.	Interest Rate (a+b)	**54.43**
a.	General market risk	54.43
i)	Net position (parallel shift)	53.83
ii)	Horizontal disallowance (curvature)	0.02
iii)	Vertical disallowance (basis)	0.58
iv)	Options	0.00
b.	Specific risk	0.00
II.	Equity (a+b)	**0.00**
a.	General market risk	0.00
b.	Specific risk	0.00
III.	Foreign Exchange & Gold	**135.00**
IV.	Total Capital charge for Market risks (I+II+III)	**189.43**

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 misuse by staff apart from external events. It also has an internal audit framework to monitor adherence to laid-down processes.

Source of Risk	Bank's Current Position
Process	The Bank is in the process of devising a policy and procedure framework for its business and operations. There are also certain critical areas where the process flow has not been laid down.
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.

9.2. Quantitative Disclosures

As on 31st March 2011, the Operational Risk Capital Charge for the Bank was **Rs. 503.94 lakh** 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 middle 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 set interest rate gap limits for different time bucket

10.2. Quantitative Disclosures

The Banks 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 2011, (Amount in Rs. Crores)

Particulars	**INR & others**
Impact on Economic Value of Equity (EVE), based on 200 bps change in interest rates	-5.14%
Impact on Earnings at Risk (EAR), based on 200 bps change in interest rates	-6.69