

Abu Dhabi Commercial Bank – India Branches

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



BALANCE SHEET AS ON MARCH 31, 2014

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2014

<i>(Rs. 000's)</i>			<i>(Rs. 000's)</i>		
Schedule	As on March 31, 2014	As on March 31, 2013	Schedule	Year ended March 31, 2014	Year ended March 31, 2013
CAPITAL AND LIABILITIES			I. INCOME		
Capital	1	2,170,187	Interest Earned	13	1,495,867
Reserves and Surplus	2	1,208,401	Other Income	14	118,051
Deposits	3	16,459,200	TOTAL		1,613,918
Borrowings	4	1,933,399			
Other Liabilities and Provisions	5	1,225,121	II. EXPENDITURE		
TOTAL		22,996,308	Interest Expended	15	1,022,924
		16,377,550	Operating Expenses	16	245,611
			Provisions and Contingencies 18(14)		240,836
ASSETS			TOTAL		1,509,371
Cash and Balances with Reserve Bank of India	6	620,538			
Balances with Banks and Money at Call and Short Notice	7	7,749,359	III. PROFIT/(LOSS)		
Investments	8	2,831,683	Net Profit for the year		104,547
Advances	9	11,200,764	Profit/(Loss) brought forward		-
Fixed Assets	10	62,902	TOTAL		104,547
Other Assets	11	531,062			
TOTAL		22,996,308	IV. APPROPRIATIONS		
		16,377,550	Transfer to Statutory Reserves		26,137
Contingent Liabilities	12	16,520,506	Transfer to Investment Reserve Account		-
Bills for Collection		639,044	Remittable Surplus		1,376
Significant Accounting policies	17		Retained in India for CRAR		78,410
Notes to accounts	18		Balance carried over to Balance Sheet		-
			TOTAL		104,547
			Significant Accounting policies	17	
			Notes to accounts	18	
The accompanying schedules are an integral part of the Balance Sheet			The accompanying schedules are an integral part of the Profit and Loss Account		

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

For
ABU DHABI COMMERCIAL BANK
India Branches

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

Sd/-
Kavita Venugopal
Chief Executive Officer - India

Place: Mumbai
Date: June 23, 2014

Abu Dhabi Commercial Bank – India Branches

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



CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

(Rs. 000's)

	Year ended March 31, 2014	Year ended March 31, 2013
Cash flows from operating activities		
Net Profit/(Loss) before tax	152,401	327,733
Adjustment for :		
Depreciation charge for the year	9,291	22,308
Depreciation on investments	-	(3,165)
Provision for Advances	163,968	(30,916)
Other Provisions	29,014	9,610
Profit on sale of fixed assets	-	-
Loss on sale of fixed assets	98	2
Interest on HTM investment securities	(149,458)	(119,381)
	<u>205,314</u>	<u>206,191</u>
Adjustments for :		
(Increase)/Decrease in Term Placements	250,000	(1,050,000)
(Increase)/Decrease in Investments (excluding HTM securities)	(319,605)	599,730
(Increase)/Decrease in Advances	(6,166,260)	(2,275,642)
Increase/(Decrease) in Borrowings	(3,611,961)	3,000,985
Increase/(Decrease) in Deposits	9,415,746	169,996
(Increase)/Decrease in Other Assets	36,305	(140,231)
Increase/(Decrease) in Other liabilities and provisions	681,412	820,605
	<u>285,637</u>	<u>1,125,443</u>
Income Tax (paid)/refund received	(160,000)	(128,000)
Net cash generated from / (used in) operating activities	A	
	<u>330,951</u>	<u>1,203,634</u>
Cash Flows from investing activities		
Interest on HTM investment securities	149,458	119,381
(Increase)/Decrease in Investments (HTM securities)	(186,126)	(657,653)
Purchase of fixed assets	(2,948)	(3,811)
Proceeds from sale of fixed assets	-	2
Net cash generated from / (used in) investing activities	B	
	<u>(39,616)</u>	<u>(542,081)</u>
Cash Flows from financing activities		
Infusion of Funds from Head Office	-	-
Net cash flows generated from financing activities	C	
	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents (A+B+C)	291,335	661,553
Cash and Cash Equivalents at the beginning of the year	1,328,562	667,009
Cash and Cash Equivalents at the end of the year *	<u>1,619,897</u>	<u>1,328,562</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)

* Cash and Cash equivalent includes CRR balance maintained with RBI of Rs. 654,742 /- thousand (Previous year Rs. 309,650/- thousand)

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

For
ABU DHABI COMMERCIAL BANK
India Branches

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

Sd/-
Kavita Venugopal
Chief Executive Officer - India

Place: Mumbai
Date: June 23, 2014

Abu Dhabi Commercial Bank – India Branches

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



SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON MARCH 31, 2014

	(Rs. 000's)			(Rs. 000's)	
	As on March 31, 2014	As on March 31, 2013		As on March 31, 2014	As on March 31, 2013
SCHEDULE 1 - CAPITAL			SCHEDULE 4 - BORROWINGS		
I. Capital			I. Borrowings in India		
i) Opening Balance	2,170,187	2,170,187	i) Reserve Bank of India	-	341,100
ii) Capital Infusion during the year	-	-	ii) Other banks	100,000	3,250,000
TOTAL	<u>2,170,187</u>	<u>2,170,187</u>	iii) Other institutions and agencies	-	-
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	<u>412,500</u>	<u>412,500</u>	II. Borrowings outside India	1,833,399	1,954,260
			TOTAL (I & II)	<u>1,933,399</u>	<u>5,545,360</u>
SCHEDULE 2 – RESERVES AND SURPLUS			Secured Borrowings included in I & II above	-	341,100
I. Statutory Reserves			SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
i) Opening Balance	386,222	340,726	I. Bills payable	131,119	144,962
ii) Additions during the year	26,137	45,496	II. Inter-Office adjustments (Net)	-	-
	<u>412,359</u>	<u>386,222</u>	III. Interest accrued	338,999	164,530
II. Capital Reserves			IV. Deferred Tax Liability (Net)	-	30,965
Balance as per last Balance Sheet	14,711	14,711	V. Others	755,003	174,237
ii) Additions during the year	-	-	[includes provision towards standard assets Rs. 48,900 thousand (previous year Rs.21,186 thousands)]		
	<u>14,711</u>	<u>14,711</u>	TOTAL (I to V)	<u>1,225,121</u>	<u>514,694</u>
III. Investment Reserve Account			SCHEDULE 6 – CASH AND BALANCES WITH RESERVE BANK OF INDIA		
i) Opening Balance	1,589	213	I. Cash in hand	5,419	8,126
ii) Additions during the year	-	1,376	(including foreign currency notes)		
	<u>1,589</u>	<u>1,589</u>	II. Balances with Reserve Bank of India		
IV. Remittable Surplus retained in India for CRAR			i) In Current Account	615,119	311,405
i) Opening Balance	569,773	434,664	ii) In Other Accounts	-	-
ii) Additions during the year	78,410	135,110	TOTAL (I & II)	<u>620,538</u>	<u>319,531</u>
	<u>648,183</u>	<u>569,774</u>	SCHEDULE 7 – BALANCES WITH BANKS AND MONEY AT CALL & SHORT NOTICE		
V. Revenue and Other Reserves			I. In India		
i) Opening Balance	131,559	131,559	i) Balances with banks		
ii) Additions during the year	-	-	a) In Current Accounts	95,021	138,004
	<u>131,559</u>	<u>131,559</u>	b) In Other Deposit Accounts	6,750,000	7,000,000
VI. Balance in Profit and Loss Account	-	-	ii) Money at call and short notice		
TOTAL	<u>1,208,401</u>	<u>1,103,855</u>	a) With banks (including with RBI under LAF)	-	750,000
SCHEDULE 3 – DEPOSITS			b) With other institutions	-	-
A) I. Demand Deposits			TOTAL	<u>6,845,021</u>	<u>7,888,004</u>
i) From banks	38,978	48,565	II. Outside India		
ii) From others	1,384,952	1,040,185	i) In Current Accounts	185,358	121,027
	<u>1,423,930</u>	<u>1,088,750</u>	ii) In Other Deposit Accounts	-	-
II. Savings Bank Deposits	1,347,227	869,610	iii) Money at call and short notice	718,980	-
III. Term Deposits			TOTAL	<u>904,338</u>	<u>121,027</u>
i) From banks	-	50,000	TOTAL (I + II)	<u>7,749,359</u>	<u>8,009,031</u>
ii) From others	13,688,043	5,035,094			
	<u>13,688,043</u>	<u>5,085,094</u>			
TOTAL	<u>16,459,200</u>	<u>7,043,454</u>			
B) I. Deposits of branches in India	16,459,200	7,043,454			
TOTAL	<u>16,459,200</u>	<u>7,043,454</u>			

Abu Dhabi Commercial Bank – India Branches

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SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON MARCH 31, 2014

	(Rs. 000s)		(Rs. 000's)	
	As on March 31, 2014	As on March 31, 2013	As on March 31, 2014	As on March 31, 2013
SCHEDULE 8 – INVESTMENTS				
I. Investments in India (Book Value)	2,831,683	2,348,451		
Less: Provision for Depreciation	–	(22,498)		
Net Investments in India	2,831,683	2,325,953		
Break-up:-				
i) Government securities	2,656,783	2,151,053		
ii) Others (includes deposit with NHB)	174,900	174,900		
TOTAL	2,831,683	2,325,953		
II. Investments outside India	–	–		
TOTAL (I+II)	2,831,683	2,325,953		
(Refer Note 20 of Schedule 18)				
SCHEDULE 9 – ADVANCES				
A) i) Bills purchased and discounted	6,895,804	2,085,361		
ii) Cash credits, overdrafts and loans repayable on demand	2,482,032	1,905,792		
iii) Term loans	1,822,928	1,207,321		
TOTAL	11,200,764	5,198,474		
B) i) Secured by tangible assets*	2,694,510	2,700,691		
ii) Covered by Bank/ Government Guarantees	6,940,039	2,225,940		
iii) Unsecured	1,566,215	271,843		
TOTAL	11,200,764	5,198,474		
C) I. Advances in India				
i) Priority Sectors	2,105,541	1,270,590		
ii) Public Sector	–	–		
iii) Banks	6,250,000	1,000,000		
iv) Others	2,845,223	2,927,884		
TOTAL	11,200,764	5,198,474		
II. Advances outside India	–	–		
TOTAL	11,200,764	5,198,474		
* (Includes Advances against Book debts)				
SCHEDULE 10 - FIXED ASSETS				
I. Premises				
i) At cost as on March 31 of the preceding year			56,576	56,576
ii) Additions during the year			–	–
iii) Deductions during the year			–	–
iv) Depreciation to date			(13,920)	(12,998)
TOTAL			42,656	43,578
II. Other Fixed Assets (including furniture and fixtures)				
i) At cost as on March 31 of the preceding year			79,999	75,944
ii) Additions during the year			2,479	4,125
iii) Deductions during the year			(1,209)	(69)
iv) Depreciation to date			(61,492)	(54,239)
TOTAL			19,777	25,761
III. Capital Work in Progress			469	–
GRAND TOTAL (I to III)			62,902	69,339
SCHEDULE 11 – OTHER ASSETS				
I. Inter-office adjustments (net)			–	61
II. Interest accrued			125,938	149,977
III. Tax paid in advance/tax deducted at source (net of provisions)			130,277	102,036
IV. Stationery and stamps			2	–
V. Deferred Tax Asset (Net)			52,939	–
VI. Others			221,906	203,148
TOTAL (I to V)			531,062	455,222
SCHEDULE 12 – CONTINGENT LIABILITIES				
I. Liability on account of outstanding forward exchange contracts (including spot Contracts)			13,697,169	2,830,340
II. Guarantees given on behalf of constituents:				
a) In India			2,059,544	499,461
b) Outside India			451,070	272,784
III. Acceptances, endorsements and other obligations			216,726	79,597
IV. Other items for which the Bank is contingently liable:				
Income tax/Interest tax disputed and in appeal not provided for is estimated at			95,997	253,215
TOTAL			16,520,506	3,935,397

Abu Dhabi Commercial Bank – India Branches

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SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2014

	(Rs. 000's)			(Rs. 000's)	
	Year ended March 31, 2014	Year ended March 31, 2013		Year ended March 31, 2014	Year ended March 31, 2013
SCHEDULE 13 – INTEREST EARNED			SCHEDULE 15 - INTEREST EXPENDED		
I. Interest/discount on advances/bills	564,581	365,274	I. Interest on deposits	836,495	504,857
II. Income on investments	211,129	192,088	II. Interest on Reserve Bank of India and Inter-bank borrowings	182,130	189,234
III. Interest on balances with Reserve Bank of India and other inter-bank funds	720,157	618,457	III. Others	4,299	-
IV. Others	-	-	TOTAL (I to III)	1,022,924	694,091
TOTAL (I to IV)	1,495,867	1,175,819	SCHEDULE 16 - OPERATING EXPENSES		
SCHEDULE 14 – OTHER INCOME			I. Payments to and provisions for employees	120,928	138,920
I. Commission, exchange and brokerage	28,530	25,085	II. Rent, taxes and lighting	18,042	17,642
II. Profit/(Loss) on sale/redemption of investments	-	-	III. Printing and stationery	1,239	1,319
Less: Loss on sale/redemption of investments	-	-	IV. Advertisement and publicity	1,681	987
III. Profit/(Loss) on revaluation of investments	-	-	V. Depreciation on bank's property	9,291	22,308
IV. Profit/(Loss) on sale of land, building and other assets	(98)	(2)	VI. Auditors' fees and expenses	771	495
V. Net profit on exchange transactions	70,794	38,017	VII. Law charges	7,125	3,578
VI. Miscellaneous income	18,825	3,410	VIII. Postages, telegrams, telephones, etc.	4,953	5,497
TOTAL (I to VI)	118,051	66,510	IX. Repairs and maintenance	45,019	17,467
			X. Insurance	8,401	6,135
			XI. Other expenditure (includes Technical and Consultancy Services INR 22,398 ('000) previous year INR 20,413 ('000))	28,161	30,628
			TOTAL (I to XI)	245,611	244,976

SCHEDULE 17 - ACCOUNTING POLICIES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2014.

I. BACKGROUND

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

II. ACCOUNTING POLICIES

1. Accounting Convention

The accompanying financial statements have been prepared in accordance with the requirements prescribed under the Third Schedule of the Banking Regulation Act, 1949, circulars and guidelines issued by Reserve Bank of India (RBI) from time to time. These are drawn up using the generally accepted accounting principles on accrual system of accounting and follow the historical cost convention basis and also conform to the statutory provisions and practices prevailing within the Banking Industry in India as also Accounting Standards ('AS') prescribed by the Companies (Accounting Standards) Rules, 2006 and amendments thereto, read with General Circular 08/2014 dated April 04, 2014 issued by Ministry of Corporate Affairs, to the extent applicable.

2. Use of Estimates

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

3. Transactions Involving Foreign Exchange

- 3.1. Foreign Currency Assets, Liabilities and Contingent Liabilities on account of guarantees, acceptances, endorsements and other outstanding are translated at the balance sheet date at rates notified by the Foreign Exchange Dealers' Association of India (FEDAI). Foreign Exchange Positions including spot and forward contracts (other than hedging contracts) are revalued monthly at the rates notified by the FEDAI. The resultant gain or loss is recognized in the Profit and Loss Account..
- 3.2. Item of Income and Expenditure in foreign currency are translated at the exchange rates prevailing on the date of the transactions.
- 3.3. In case of foreign currency deposits, which have been swapped, the swap cost is treated as Interest cost and amortized over the period of transactions as per Accounting Standard (AS) 11 'The effect of changes in Foreign Exchange rates'. The amortized portion of the swap cost is reflected under 'Other Liabilities'.

4. Investments

4.1. 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

4.2. Valuation

4.2.1. 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.

4.2.2. Available for Sale and Held for Trading:

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

- 4.3. Cost of Investments excludes broken period interest paid on acquisition of Investments which is charged to Profit and Loss Account.
- 4.4. 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).
- 4.5. 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:
- 4.5.1. 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.
- 4.5.2. 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.
- 4.5.3. 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.
- 4.6. Repo/Reverse repo transactions (including under Liquidity Adjustment Facility (LAF) with RBI) if any, are accounted for as collateralised lending and borrowing transactions in accordance with RBI guidelines and correspondingly the expense and income thereon is treated as interest.

5. Advances

- 5.1. Advances are classified into performing and non-performing as per the prudential norms on asset classification laid down by the RBI. Specific provision for 'Non Performing Advances' is made on the basis of provisioning requirement under the prudential norms as laid down by the RBI, and is deducted from Advances. General provision on "Standard Assets" and for "Country Risk" at rates specified by RBI are included in 'Other Liabilities and Provisions'.
- 5.2. Provision on loans and advances restructured/rescheduled is made in accordance with the applicable RBI guidelines on restructuring of the loans and advances by Banks.
- 5.3. In addition to the provision made as per para 5.1 above, further provision is made for 'Non Performing Advances' based on Management's estimate of potential exposure, wherever necessary.

6. Fixed Assets

- 6.1. Fixed assets are stated at historical cost less accumulated depreciation.
- 6.2. Depreciation on premises is provided for on Straight Line Method at 1.63% per annum.
- 6.3. Depreciation on computers (Hardware & Software) is provided for on Straight Line Method at 33¹/₃% per annum.
- 6.4. 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.
- 6.5. 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.

7. Operating Lease Transactions

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

8. Revenue Recognition

Income / Expenditure are accounted for on accrual basis except in case of Non Performing Assets, where income is recognized on actual realization as per RBI guidelines. Income from services that are subject to service tax are accounted net of service tax. Commission on Guarantees /Letter of Credit issued is amortized on a straight-line basis over the period of the Guarantees / Letter of Credit. Loan processing fees and other miscellaneous commission are taken upfront and booked in Profit and Loss Account.

9. Employee Benefits

9.1. Provident Fund

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

9.2. Gratuity

The Bank operates a Gratuity Fund Scheme and the contributions are made to the Trust established for this purpose. The Bank makes contributions to the Fund based on actuarial valuation carried out by an independent external actuary using the projected unit credit method. At the Balance Sheet date, the bank values its fund assets as per actuarial valuation report and resulting difference recognized in Profit and Loss Account.

9.3. Compensated Absences

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

- 9.4. Short-term employee benefits such as medical insurance, performance award etc. are recognized as an expense in the profit and loss account of the year in which the related service is rendered.

10. Net Profit/(Loss)

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

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

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11. Provision For Taxation

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

12. Provisions, Contingent Assets And Contingent Liabilities

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

- i) A possible obligation, arising from a past event(s), the existence of which will be confirmed by occurrence or non-occurrence of one or more uncertain future events not within the control of the Bank or
- ii) Any present obligation that arises from past events but is not recognized because:
 - a. it is not probable that an outflow of resource embodying economic benefits will be required to settle the obligation;
 - b. A reliable estimate of the amount of obligation cannot be made.

SCHEDULE 18 - NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2014.

(Rs. 000's)

1. Business Ratios:

	2013-14	2012-13
i. Interest income as a percentage to working funds	7.95%	9.03%
ii. Non – interest income as a percentage to working funds	0.63%	0.51%
iii. Operating profit as a percentage to working funds	1.84%	2.33%
iv. Return on assets	0.56%	1.40%
v. Business (Deposits + Advances) per Employee *	333,050	271,801
vi. Profit per Employee*	1,973	3,568

* No of employees as at year end has been considered.

2. Lending to sensitive sectors are as under:

(Rs. 000's)

2.1 Exposure to real estate sector

a) Direct exposure :	28,678	50,022
i) Residential mortgages	28,678	50,022
- of which Individual Housing Loans eligible for inclusion in Priority Sector		
ii) Commercial Real Estate (including NFB limits Rs. NIL)	-	-
iii) Investment in Mortgage Backed Securities	-	-
And other securitised exposures:		
a. Residential	-	-
b. Commercial Real Estate	-	-
b) Indirect exposure :	174,900	174,900
Fund based and non-fund based exposures on National Housing Bank and Housing Finance Companies	174,900	174,900
Total Real Estate exposure	2,03,578	224,922

2.2 Exposure to capital market

(Rs. 000's)

i) Investments made in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt	-	-
ii) Advances against shares, bonds, debentures or other securities or on clean basis to individuals for investment in equity shares (including IPO's/ESOPS), convertible bonds or convertible debentures, units of equity oriented mutual funds	-	-
iii) Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security	8,575	53,050

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iv)	Advances for any other purposes to the extent secured by collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/ convertible bonds/convertible debentures/units of equity oriented mutual funds does not fully cover the advances	-	-
v)	Secured and unsecured advances to stockbrokers & guarantees issued on behalf of stockbrokers and market makers	-	-
vi)	Loans sanctioned to corporates against the security of shares/ bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources.	-	-
vii)	Bridge loans to companies against expected equity flows/issues	-	-
viii)	Underwriting commitments taken up in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds	-	-
ix)	Financing to stockbrokers for margin trading	-	-
x)	All exposures to venture capital funds (both registered & unregistered)	-	-
	Total Exposure to Capital Market	8,575	53,050

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

(Rs. 000's)

Risk category	Exposure (31-03-2014)	Provision Held	Exposure (31-03-2013)	Provision Held
Insignificant	1,272,494	758	199,902	-
Low	1,342,399	1,321	349,182	779
Moderately Low	50,421	-	43,585	-
Total	2,665,314	2,079	592,669	779

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

(Rs. 000's)

3. Asset Quality:	2013-14	2012-13
3.1 Provision for Standard Assets as at year end	48,900	21,186
3.2 Percentage of Net Non Performing Assets to Net Advances	0.62%	-
3.3 Movement in Non Performing Advances (Gross)		
Balance as at the beginning of the year	282	31,198
Add: Additions during the year	230,758	282
Less: Reductions during the year		
Upgradations	-	-
Recoveries	-	(31,198)
Write-offs	-	-
Balance as at the end of the year	231,040	282
3.4 Movement in provision for Non Performing Advances (excluding provision for Standard Advances)		
Balance as at the beginning of the year	282	31,198
Add: Provisions made during the year	161,531	282
Less: Write-off/Write back of excess provision during the year	-	(31,198)
Balance as at the end of the year	161,813	282
3.5 Provision Coverage Ratio	70.04%	100.00%
3.6 Movement in Non Performing Advances (Net)		
Balance as at the beginning of the year	-	-
Add: Additions during the year	69,227	-
Less: Reductions during the year	-	-
Balance as at the end of the year	69,227	-

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	(Rs. 000's)	
3. Asset Quality (Continued)	2013-14	2012-13
3.7 Movement in Non Performing Assets (Gross)		
Balance as at the beginning of the year	-	-
Add: Additions during the year	18,135	-
Less: Reductions during the year	-	-
Upgradations	-	-
Recoveries	-	-
Write-offs	-	-
Balance as at the end of the year	<u>18,135</u>	<u>-</u>
3.8 Movement in provision for Non Performing Assets (excluding provision on standard assets)		
Balance as at the beginning of the year	-	-
Add: Provisions made during the year	12,695	-
Less: Write-off/Write back of excess provision during the year	-	-
Balance as at the end of the Year	<u>12,695</u>	<u>-</u>
3.9 Movement in Non Performing Assets (Net)		
Balance as at the beginning of the year	-	-
Add: Additions during the year	5,440	-
Less: Reductions during the year	-	-
Balance as at the end of the year	<u>5,440</u>	<u>-</u>

Note: This represents advance amount converted into share application money as per CDR restructuring package.

	(Rs. 000's)	
4. Movement in Floating Provisions	2013-14	2012-13
Balance as at the beginning of the year	13,482	13,482
Add: Additions during the year	-	-
Less: Draw down during the year	-	-
Balance as at the end of the year	<u>13,482</u>	<u>13,482</u>

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

During the year, the Bank has restructured advances given to one customer.

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Particulars of Accounts Restructured

(Rs '000)

Sr No	Type of Restructuring / Asset Classification Details	Under CDR Mechanism				Under SME Debt Restructuring Mechanism				Others				Total			
		Stand-ard	Sub-stand-ard	Loss	Total	Stand-ard	Sub-stand-ard	Loss	Total	Stand-ard	Sub-stand-ard	Loss	Total	Stand-ard	Sub-stand-ard	Loss	Total
1	Restructured Accounts as on 1 April of the FY (opening figures)* No. of borrowers Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Fresh restructuring during the year No. of borrowers Amount outstanding Provision thereon	-	1	-	1	-	-	-	-	-	-	-	-	1	-	-	1
3	Upgradations to restructured standard category during the FY No. of borrowers Amount outstanding Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Restructured standard advances which cease to attract higher provisioning and/or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY No. of borrowers Amount outstanding Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Downgradations of restructured accounts during the FY No. of borrowers Amount outstanding Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Write-offs of restructured accounts during the FY No. of borrowers Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Restructured Accounts as on 31 March of the FY (closing figures*) No. of borrowers Amount outstanding Provision thereon	-	1	-	1	-	-	-	-	-	-	-	-	1	-	-	1
		-	248,894	-	248,894	-	-	-	-	-	-	-	-	248,894	-	-	248,894
		-	174,226	-	174,226	-	-	-	-	-	-	-	-	174,226	-	-	174,226

* Excluding the figures of Standard Restructured Advances which do not attract higher provisioning or risk weight (if applicable).

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

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

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

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

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

(Rs. 000's)

	2013-14	2012-13
a) Concentration of Deposits		
Total Deposits of 20 largest depositors	6,029,862*	3,688,363
Percentage of deposits of 20 largest depositors to total deposits of the Bank *includes inter-bank	36.64%	52.37%
b) Concentration of Advances		
Total Advances to 20 largest Borrowers	13,351,085*	3,447,704
Percentage of advances to 20 largest Borrowers to total advances of the Bank *includes bank exposure	83.78%	96.09%
c) Concentration of Exposures		
Total Exposure to 20 largest Borrowers/Customers	13,351,085*	3,447,704
Percentage of Exposures to 20 largest Borrowers/Customers to total Exposure of the Bank on Borrowers / Customers * includes bank exposure	83.78%	95.49%
d) Concentration of NPAs		
Total Exposure to top 4 NPA accounts	249,175	282

(This includes advance amount converted into share application money as per CDR restructuring package)

9. Sector-wise NPAs:

Sector	Percentage of NPAs to Total Advances in that sector	
	2013-14	2012-13
a) Agriculture & Allied Activities	0.00%	0.00%
b) Industry (Micro & Small, Medium and Large)	7.24%	0.00%
c) Services	0.00%	0.00%
d) Personal Loans	0.55%	0.25%

10. Overseas Assets, NPAs and Revenue:

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

11. Off Balance sheet SPVs sponsored

The Bank does not have any Off Balance sheet Sponsored SPV as at March 31, 2014 (Previous year Nil)

12. Unsecured Advances against Intangible securities

There are no advances granted against intangible securities such as charge over the rights, licenses, authority, etc during the year (Previous year Nil)

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(Rs. 000's)

13. Fees received in respect of Bancassurance business	2013-14	2012-13
– For selling Mutual Fund products	456	411
– For selling Insurance Products	-	-

(Rs. 000's)

14. Provisions and Contingencies debited to the Profit and Loss Account include:	2013-14	2012-13
i. Provision / (Write Back) of Non-Performing Funded Advances (Net)	163,968	(30,916)
ii. Bad Debts written-off	-	-
iii. Provisions for Country Risk	1,300	350
iv. Write back of Provision for Depreciation on Investments (Net)	-	(3,165)
v. Provision for Deferred Tax (Net)	(83,904)	13,751
vi. Provision for Current Tax	131,758	132,000
vii. Provisions for Standard Assets	27,714	9,260
Total	240,836	121,280

15. Capital Adequacy

As per the RBI guidelines on capital adequacy issued, banks are required to compute their capital requirement under Basel III effective June 30, 2013. The capital ratio as per Basel III is **35.92 %** (Previous year 66.82% under Basel II).

The capital adequacy ratio of the Bank, calculated as per RBI guidelines Basel III capital Regulations generally referred to as Basel – III is set out below:

	2013-14	2012-13*
i. Common Equity Tier I capital ratio (%)	35.10%	N.A.
ii. Tier I capital ratio (%)	35.10%	65.91%
iii. Tier II capital ratio (%)	0.82%	0.91%
iv. Total capital ratio (CRAR) (%)	35.92%	66.82%
v. Amount of Interest free fund raised from HO in the year	-	-
vi. Amount of additional Tier I capital raised in the year	-	-
vii. Amount of Tier II capital raised in the year	-	-

* 2013 figures are as per Basel II computations

16. Draw-down from Reserves

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

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

(Rs. 000's)

	2013-14	2012-13
Held to Maturity	1,985,948	1,799,823
Available for Sale	845,735	526,130
Held for Trading	-	-
Total	2,831,683	2,325,953

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Investments include securities of Book Value **Rs. 158,358 thousands** (Previous year Rs. 104,918 thousands) pledged with CCIL for margin requirements.

Investments include securities amounting **Rs. 302,772 thousands** (Previous year Rs. 300,000 thousands) kept as margin with Reserve Bank of India towards Real Time Gross Settlement (RTGS).

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

(Rs. 000's)

18. Movement in Provision for depreciation on Investment	2013-14	2012-13
Balance as at the beginning of the year	22,498	34,153
Add: Provisions made during the year	-	-
Less: Write-off/Write back of excess provision during the year*	(22,498)	(11,655)
Balance as at the end of the year	-	22,498

* Includes write off of provisions on Securitisation Receipts **Rs. 22,498 thousands** (Previous Year Rs. Nil)

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

(Rs. 000's)

	2013-14	2012-13
Opening Balance	22,498	22,498
Additions during the year	-	-
Reductions /Write off during the year	(22,498)	-
Closing Balance *	-	22,498
Total Provisions held	-	22,498

*Represents investment in securitisation receipts.

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

As at March 31, 2014

(Rs. 000's)

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

As at March 31, 2013

(Rs. 000's)

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

21. Sale or transfer to/from HTM Category

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

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22. Repo transactions

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

(Face Value Rs. 000's)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	As at year end
Securities sold under repo				
i. Government securities	10,000 (52,500)	80,000 (105,000)	4,466 (719)	- (-)
ii. Corporate debt securities	- (-)	- (-)	- (-)	- (-)
Securities purchased under reverse repo				
i. Government securities	30,000 (50,000)	5,789,514 (787,500)	640,296 (18,296)	- (787,500)
ii. Corporate debt securities	- (-)	- (-)	- (-)	- (-)

Previous years' figures are shown in brackets.

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

24. During the year, the Bank has not exceeded the Prudential Exposure Limits for Individual Borrower.

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

25. Maturity Profile:

As at March 31, 2014

(Rs. 000's)

Maturity Pattern	Deposits	Borrowings	Advances (Net)	Investment (Net)	Foreign Currency	
					Assets(*)	Liabilities(*)
0-1 day	474,633	-	31,179	-	121,329	7,003
2-7days	749,331	243,796	1,767,913	-	718,995	152,544
8-14 days	141,173	-	501,552	-	8	18,610
15-28 days	116,105	-	1,553,772	249,068	-	6,236
29 days-3 months	1,128,716	742,946	3,773,569	196,718	803,373	856,917
3-6 months	923,845	946,657	1,355,556	386,899	1,033,659	1,173,288
6-12 months	833,232	-	719,010	-	192,000	440,716
1-3 years	12,038,783	-	1,332,537	334,964	1,339	9,428,088
3-5 years	53,382	-	165,231	835,600	-	-
Over 5 years	-	-	445	828,434	-	-
Total	16,459,200	1,933,399	11,200,764	2,831,683	2,870,703	12,083,402

As at March 31, 2013

(Rs. 000's)

Maturity Pattern	Deposits	Borrowings	Advances (Net)	Investment (Net)	Foreign Currency	
					Assets(*)	Liabilities(*)
0-1 day	96,262	-	30,727	-	9,602	919
2-7days	191,714	738,565	148,137	-	147,257	502,833
8-14 days	821,463	271,425	1,121	149,775	94	283,710
15-28 days	39,320	1,151,420	1,164,334	72,136	11,004	659,609
29 days-3 months	432,305	2,150,550	629,180	99,164	12,635	619,835
3-6 months	1,441,459	1,233,400	1,140,618	86,758	636,194	220,127
6-12 months	995,561	-	1,422,127	105,248	275,819	375,711
1-3 years	3,013,687	-	568,430	187,949	15,377	359,882
3-5 years	11,683	-	54,655	491,775	-	-
Over 5 years	-	-	39,145	1,133,148	-	-
Total	7,043,454	5,545,360	5,198,474	2,325,953	1,107,982	3,022,626

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

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

26. Customer Complaints

	2013-14	2012-13
1. No. of complaints pending at the beginning of the year	–	–
2. No. of complaints received during the year	14	5
3. No. of complaints redressed during the year	14	5
4. No. of complaints pending at the end of the year	–	–

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

Awards passed by the Banking Ombudsman

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

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

27. Disclosures on Derivatives

27.1 Forward Rate Agreement/Interest Rate Swap

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

27.2 Exchange Traded Interest Rate Derivatives

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

27.3 Qualitative Disclosures

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

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

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

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

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

a) Risk Measurement:

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

b) Risk Reporting and Risk monitoring systems:

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

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

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

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

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

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

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

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27.4 Quantitative Disclosure

(Rs. 000's)

Sr. No	Particulars	Currency swaps (Forward Foreign exchange contracts)	
		2013-14	2012-13
1	Derivatives (Notional Principal Amount)		
	a) For hedging	10,604,955	2,388,540
	b) For trading	3,092,214	441,800
2	Marked to Market Positions (Net)		
2a	Trading		
	a) Asset (+)	9,558	740
	b) Liability (-)	(17,640)	(1,517)
2b	Hedging		
	a) Asset (+)	14,400	7,725
	b) Liability (-)	(83,445)	(22,973)
3	Credit Exposure	1,002,481	57,347
4	Likely impact of one percentage change in interest rate (100*PV01)	Not Applicable	Not Applicable
	a) on hedging derivatives		
	b) on trading derivatives		
5	Maximum and Minimum of 100*PV01 observed during the year	Not Applicable	Not Applicable
	a) on hedging		
	b) on trading		

28. Employee's Benefits

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

(Rs. 000's)

Particulars	2013-14	2012-13
Change in the present value of defined benefit obligation		
Present value of defined benefit obligation at the beginning of year	57,208	53,425
Interest Cost	4,720	4,541
Current Service Cost	6,937	4,486
Losses/(Gains) on curtailment	(10,663)	-
Benefit Paid	(16,703)	(5,820)
Actuarial (Gain)/loss on obligations	(18,745)	576
Closing value of defined benefit obligation at the end of the year	22,754	57,208
Change in Plan Assets		
Opening Fair value of plan assets at the beginning of year	60,379	53,430
Expected Return on plan assets	5,253	4,542
Contribution by Employer	1,800	8,150
Benefit Paid	(13,766)	(5,820)
Actuarial Gain/(loss) on obligations	(789)	77
Closing Fair value of plan assets at the end of the year	52,877	60,379
Reconciliation of present value of obligation and fair value of plan assets		
Present Value of Funded obligation at the end of year	(22,754)	57,208
Fair Value of plan assets at the end of the year	52,877	60,379
Deficit/(Surplus)	(30,123)	(3,171)
Unrecognized Past Service Cost	-	-
Liability/(Asset) recognized in the Balance Sheet	(30,123)	(3,171)
Amount Recognised in the Balance sheet		
Liabilities	-	-
Assets	(30,123)	3,171
Net Liability/(Asset) recognised in Balance sheet	(30,123)	3,171
Net Cost recognised in the Profit and Loss Account		
Current Service Cost	6,937	4,486
Interest Cost	4,720	4,541
Expected Return on Plan Assets	(5,253)	(4,542)
Net Actuarial (Gain)/Loss recognized in the year	(17,956)	499
Past Service Cost	-	-
Losses/(Gains) on curtailments and settlements	(10,663)	-
Expenses Recognized in the Profit and Loss Account	(22,215)	4,984

Note: During the current year, bank has changed the gratuity payout policy from 45 days to 30 days to all the employees. As a result of which the Bank has made compensatory gratuity payout to existing eligible employees and resigned eligible employees for 15 days.

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Particulars	(Rs. 000's)	
	2013-14	2012-13
Reconciliation of expected return and actual return on Plan Assets		
Expected Return on Plan Assets	5,253	4,542
Actuarial Gain/(Loss) recognized in the year	(789)	77
Actual Return on Plan Assets	(4,464)	4,619
Movement in the Net Liability / Asset recognized in the Balance Sheet		
Opening Net Liability / (Asset) as at the beginning of the year	(3,171)	(5)
Expenses Recognized in the Profit and Loss Account	(22,215)	4,984
(Benefit paid directly by the employer)	(2,937)	-
Contributions	(1,800)	(8,150)
Closing Net Liability / (Asset) as at the end of the year	(30,123)	(3,171)

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

Category of Assets	% of Plan Assets	
	2013-14	2012-13
Central Government Securities	0.00%	0.25%
State Government Securities	0.00%	0.00%
Public Sector Bonds	0.00%	0.00%
Bank Deposits	7.70%	0.22%
Others (including with Life Insurance Corporation of India)	92.30%	99.53%
Total	100.00%	100.00%

Principal Actuarial assumptions :

Discount Rate	9.29%	8.25%
Expected Rate of Return on Plan Asset	8.70%	8.70%
Salary Escalation	10.00%	10.00%
Attrition rate	10.00%	2.00%

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

Compensated Absences:	(Rs. 000's)	
	2013-14	2012-13
The actuarial liability of compensated absences of encashable accumulated privilege leave as at year end is	2,002	4,157
Principal Actuarial assumptions :		
Discount Rate	9.29%	8.25%
Salary Escalation	10.00%	10.00%
Attrition Rate	10.00%	2.00%

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

The Bank has contributed an amount of **Rs. 6,769 thousands** to the provident fund during the year.

Unamortized Pension and Gratuity Liabilities:

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

29. Related Party Disclosures

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

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: 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) SdnBhd, ADCB Finance (Cayman) Limited, Abu Dhabi Commercial Islamic Finance Pvt.J.S.C., 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, Kinetic Infrastructure Development L.L.C., ADCB Fund Management S.A.R.L., ACB LTIP (IOM) Limited, AD NAC Venture W.L.L, ITMAM Services L.L.C, Abu Dhabi Commercial Enterprises L.L.C, ITMAM Services FZ-L.L.C, ADCB Islamic Finance (Cayman) Limited, ADCB Arabian Index Fund, ADCB MSCI UAE Index Fund and Al Nokhitha Fund.

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Key Management Personnel:

Name	Designation
Ms. Kavita Venugopal	Chief Executive Officer – India

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

Transactions with Related Parties:

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

30. 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.

31. 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:

	2013-14	2012-13
		(Rs. 000's)
Not Later than one year	210	475
Later than one year and not later than 5 years	-	237
Later than five years	-	-
Lease payments charged to Profit and Loss Account	1,661	2,862

The lease agreement do not have any undue restrictive or onerous clause other than those normally prevalent in similar agreement regarding use of assets, lease escalation, renewals and a restriction on sub-lease.

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

	2013-14	2012-13
		(Rs. 000's)
Deferred Tax Asset		
Ex Gratia and Leave encashment	13,844	1,903
Provision for Non-Performing Assets	68,934	122
Provision for Standard Asset	17,401	-
Provision for Country Risk	900	-
Unabsorbed Losses	-	-
Others	6,954	2,953
Total	108,033	4,978
Deferred Tax Liability		
Interest on securities	31,711	25,093
Depreciation	10,352	10,850
Gratuity	13,031	-
Total	55,094	35,943
Net Deferred Tax Asset / (Liability)	52,939	(30,965)

33. 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 as Unallocated. The Bank operates only in domestic segment and hence information with regard to geographical segments is not given.

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Information about Primary Business Segments is as under:

Business Segments/Particulars	Treasury Operations	Corporate/ Wholesale Banking	Retail Banking	Total
	2013-14	2013-14	2013-14	2013-14
Results	201,582	42,228	108,737	352,547
Unallocated expenses				(200,146)
Operating Profit				152,401
Income Tax including deferred tax				47,854
Extraordinary Profit/(Loss)				-
Net Profit				104,547
Other Information				
Segment Assets	10,438,473	11,336,600	147,834	21,922,907
Unallocated assets				1,073,401
Total Assets				22,996,308
Segment Liabilities	2,012,231	920,999	15,882,213	18,815,443
Unallocated liabilities				802,277
Total Liabilities				19,617,720

Business Segments/Particulars	Treasury Operations	Corporate/ Wholesale Banking	Retail Banking	Total
	2012-13	2012-13	2012-13	2012-13
Results	171,735	252,722	97,769	522,227
Unallocated expenses				(194,493)
Operating Profit				327,733
Income Tax including deferred tax				(145,751)
Extraordinary Profit/(Loss)				-
Net Profit				181,982
Other Information				
Segment Assets	10,170,981	5,238,763	275,232	15,684,976
Unallocated assets				692,574
Total Assets				16,377,550
Segment Liabilities	5,672,901	1,635,164	5,623,834	12,931,899
Unallocated liabilities				171,609
Total Liabilities				13,103,508

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.

Note: Previous year's note has been changed to make it comparative to the current year's segmental disclosure since the basis of preparation has undergone a change.

34. Letters of Comfort

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

35. Description of Contingent liability in Schedule 12

1. Liability on account of outstanding forward exchange contracts (including Spot contracts):

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

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

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

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3. Claims against banks not acknowledged as debt:

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

36. Disclosure on Remuneration

Qualitative Disclosures		
(a) Information relating to the composition and mandate of the Remuneration Committee.	<ul style="list-style-type: none"> ADCB India is a branch of ADCB PJSC. There is no separate remuneration committee in India. The annual review of remuneration of India staff is approved at Head Office, under the supervision of ADCB's board Nomination, Compensation and HR Committee and in consultation with CEO - ADCB, Head Rewards - ADCB, Head of WGB - ADCB, CEO - ADCB, India and HR, India. 	
(b) Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy.	<ul style="list-style-type: none"> The Bank in India follows an annual appraisal cycle and remuneration to employees are split into fixed and variable depending on job requirements and is also linked to corporate and personal performance. 	
(c) Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks.	<ul style="list-style-type: none"> ADCB has practices and policies in place which promote effective risk-management. The Bank aligns employee's performance to the Bank's strategy. 	
(d) Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration.	<ul style="list-style-type: none"> Fixed and variable pay rewards are designed to be performance target based and aligned with shareholders' interests. Performance of all staff is appraised on an annual basis. ADCB seeks to ensure that remuneration packages reflect duties and responsibilities and rewards are linked to corporate and personal performance. 	
(e) A discussion of the bank's policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting.	<ul style="list-style-type: none"> As per the current structure – employees compensation consists of fixed and variable components with no deferrals. However, if cessations of employment happen due to resignation or dismissal for cause, the unvested deferred amounts will be considered as forfeited at the point that notice of cessation of employment is given. 	
(f) Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the bank utilizes and the rationale for using these different forms.	<ul style="list-style-type: none"> Presently variable pay is only in the form of Cash Awards. 	
Quantitative Disclosures	2013-14	2012-13
(g) Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.	NA	NA
(h) (i) Number of employees having received a variable remuneration award during the financial year.	4 *	3*
(ii) Number and total amount of sign-on awards made during the financial year.	-	1#
(iii) Details of guaranteed bonus, if any, paid as joining/sign on bonus	-	-
(iv) Details of severance pay, in addition to accrued benefits, if any.	-	-
(i) (i) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.	-	-
(ii) Total amount of deferred remuneration paid out in the financial year.	-	-

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Quantitative Disclosures	2013-14	2012-13
(j) Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.	<ul style="list-style-type: none">• Fixed Pay : 45,462 (Count:6)• Variable Pay : 2,850 (Count :4)	<ul style="list-style-type: none">• Fixed Pay : 30,351 (Count:5)• Variable Pay : 2,407 (Count :3)
(k) (i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments.	-	-
(ii) Total amount of reductions during the financial year due to ex- post explicit adjustments.	-	-
(iii) Total amount of reductions during the financial year due to ex- post implicit adjustments.	-	-

1. Fixed pay includes Basic Salary, Bonus, House Rent Allowance, Supplementary Allowances, Leave encashment and contribution to provident fund.
 2. Fixed Remuneration includes gratuity payout to existing employees due to gratuity policy change, and gratuity payouts to resigned eligible employees.
- * Amounts disclosed represents variable pay paid during the year ended March 31, 2014 for services rendered by the risk takers during the year April 2013 - March 2014, since the bonus for the year ended March 31, 2014 has not yet been allocated and accordingly, the variable component for the risk takers is yet to be determined.
- # Since there is only one Key Management personnel, particular of such transaction is not disclosed to ensure confidentiality.

37. Disclosures relating to Securitisation

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

38. The Bank has not entered into any Credit default swaps transactions during the year (Previous year Nil).

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

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

40. Transfer Pricing

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

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

As per our attached report of even date.

Signatures to Schedules 1 to 18

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

For **ABU DHABI COMMERCIAL BANK**
India Branches

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

Sd/-
Kavita Venugopal
Chief Executive Officer – India

Mumbai
June 23, 2014

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

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

Report on the Financial Statements

1 We have audited the accompanying financial statements of the Abu Dhabi Commercial Bank, India Branches ('the Bank') which comprises the Balance Sheet as at March 31, 2014 and the Profit and Loss Account and the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2 Management is responsible for the preparation of these financial statements that gives true and fair view of financial position, financial performance and cash flows of the bank in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 and Section 211 of the Companies Act, 1956 (read with General Circular 08/2014 dated April 04, 2014 issued by the Ministry of Corporate Affairs) and circulars and guidelines issued by Reserve Bank of India from time to time. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

- 3 Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
- 4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
- 5 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

- 6 In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 1956 (read with General Circular 08/2014 dated April 04, 2014 issued by the Ministry of Corporate Affairs), in the manner so required for the banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India:
- In the case of the Balance Sheet, of the state of affairs of the Bank as at March 31, 2014;
 - In the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - In the case of the Cash Flow Statement, of cash flows for the year ended on that date.

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Report on Other Legal and Regulatory Matter

- 7 The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 and Section 211 of the Companies Act, 1956 (read with General Circular 08/2014 dated April 04, 2014 issued by the Ministry of Corporate Affairs).
- 8 We report that:
- (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;
 - (b) The transactions of the Bank, which have come to our notice, have been within the powers of the Bank;
 - (c) The financial accounting systems of the Bank are centralized and therefore, accounting returns for the purpose of preparing financial statements are not required to be submitted by the branches.
- 9 In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 (read with General Circular 08/2014 dated April 04, 2014 issued by the Ministry of Corporate Affairs) to the extent they are not inconsistent with the accounting policies prescribed by RBI.
- 10 We further report that:
- (i) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - (ii) In our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books;
 - (iii) The requirement of Section 274(1)(g) of the Companies Act, 1956 are not applicable considering the Bank is a branch of Abu Dhabi Commercial Bank incorporated in United Arab Emirates with limited liability.

For **Khimji Kunverji & Co**

Chartered Accountants

FRN - 105146W

Sd/-

R V Chaniyari

Partner (F-31083)

Mumbai

June 23, 2014

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I. DF-1 Scope of Application

Qualitative Disclosure

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

Quantitative Disclosure

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

1. DF-2 Capital Structure

1.1. Qualitative Disclosures

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

1.2. Quantitative Disclosures

1.2.1. Summary of Capital Funds

(Rs. 000's)

Summary of Capital Funds			
Sr. No.	Components of Tier I Capital	Bank's Amount	Eligible Amount
A	Common Equity Tier I		
1	Paid up share capital	2,170,187	2,170,187
2	Statutory Reserves	412,359	412,359
3	Capital Reserves representing surplus arising out of sale proceeds of assets	14,711	14,711
4	Remittable Surplus retained in Indian books (not repatriable)	648,183	648,183
	Common Equity Tier I Capital before Regulatory Adjustments	3,245,440	3,245,440
5	Less: Deductions Deferred Tax Assets.	(52,939)	(52,939)
	Total Tier I Capital	3,192,501	3,192,501
Sr. No.	Components of Tier II Capital		
1	General Provisions and loss reserves	74,114	74,114
	Total Tier II Capital		74,114
	Total		3,266,615

2. DF-3 Capital Adequacy

2.1. Qualitative Disclosures

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

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

ADCBI's ICAAP Management framework, aims to ensure that capital supports business growth. The ICAAP also stipulates that the Bank's capital should exceed the minimum statutory requirement by 6%.

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.

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2.2. Quantitative Disclosures

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

(Rs. 000's)

Capital Adequacy	
<u>Credit Risk</u>	
Total Portfolio subject to credit risk	30,720,985
Capital Requirement under standardised approach	745,741
<u>Market Risk</u>	
(i) Interest rate risk	2,209
(ii) Equity position risk	-
(iii) Foreign exchange risk	13,500
Capital Requirement : Total (i+ii+iii)	15,709
<u>Operational Risk</u>	
Capital Requirement under Basic Indicator Approach	56,974
Total Risk Weighted Assets	9,093,604

2.2.2. Capital Adequacy Ratio (CRAR)

CRAR	35.92%
CRAR – Tier 1 Capital (%)	35.10%

3. DF-4 Credit Risk: General Disclosures

3.1. Qualitative Disclosures

3.1.1. Overview of policies and procedures

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

The Credit Risk Management Framework is summarised as under:

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

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

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

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

- To ensure credit growth both quantitatively and qualitatively through various channels in line with the common goals and objectives of the Bank.
- To build-up and maintain a well diversified credit portfolio.
- To strengthen the credit delivery system and to instil a sense of credit culture enterprise-wide.

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- To strengthen the Credit Risk Management System with parameterization of risk identification, measurement, monitoring and mitigation.
- To set up prudential exposure norms and to address issues of credit concentration.
- To provide for risk based Loan Pricing Policy.
- To comply with various regulatory requirements, more particularly on Exposure norms, Priority Sector norms, Income Recognition and Asset Classification guidelines, Credit Risk Management guidelines etc. of RBI/HO/other authorities.
- To guide officials handling credit to decide whom, why, how much, what rate, what period and with what terms and conditions to lend. How to monitor, follow up, and recover the facility extended.

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

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

3.1.2. Past Due and Impaired Loans

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

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.

3.2. Quantitative Disclosures

3.2.1. Total Credit Risk Exposure and Geographic Distribution

(Rs. 000's)

Geographic Distribution of Exposures			
	Domestic	Overseas	Total
Fund Based	12,656,894	-	12,656,894
Non-fund Based	2,648,631	630,209	3,278,840
Total Gross Credit Exposure	15,305,525	630,209	15,935,734

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3.2.2. Industry Type distribution of Exposure:

(Rs. 000's)			
Industry Name	Fund Based Exposures	Non Fund Based Exposures*	Total Exposures
Iron and Steel	232,260	1,491	233,751
Other Metal and Metal Products	600,000	0	600,000
All Engineering	163,000	443,091	606,091
Vehicles, Vehicle Parts and Transport Equipments	5,008	0	5,008
Other Textiles	58,221	847	59,068
Chemicals, Dyes, Paints etc	450,000	0	450,000
Gems and Jewellery	2,250	3,700	5,950
Construction	950,516	262,936	1,213,452
Glass & Glassware	48,009	61,991	110,000
Infrastructure	517,548	666,288	1,183,836
NBFC's	755,962	0	755,962
Petroleum (non – infra), Coal Products (non – mining) Nuclear Fuels	450,000	9,470	459,470
Other Industries	2,090,415	1,136,017	3,226,432
Residuary Other Advances	83,705	693,009	776,714
BRDS	6,250,000	0	6,250,000
Total	12,656,894	3,278,840	15,935,734

* Non-Fund based exposures includes investment (i.e. Merchant Forward Contracts) exposures also.

Residual Contractual Maturity breakdown of Assets

(Rs. 000's)				
Maturity Pattern	Cash, Balances with RBI and other Banks	Advances (Net)	Investment (Net)	Other Assets including Fixed Assets
0-1 day	303,534	31,179	-	2,589
2-7 days	752,194	1,767,913	-	611
8-14 days	4,721	501,552	-	23,857
15-28 days	3,883	1,553,772	249,068	9,098
29 days-3 months	1,561,794	3,773,568	196,718	30,096
3-6 months	2,560,781	1,355,556	386,899	45,917
6-12 months	2,778,593	719,010	-	13,771
1-3 years	402,612	1,332,537	334,964	-
3-5 years	1,785	165,231	835,600	-
Over 5 years	-	445	828,434	468,025
Total	8,369,897	11,200,764	2,831,683	593,964

3.2.3. Amount of Non-Performing Assets (NPAs)

(Rs. 000's)	
NPAs (Gross) as on 31.03.2014	
Category	Amount
Sub-Standard	230,758
Doubtful 1	282
Doubtful 2	0
Doubtful 3	0
Loss	0
Total	231,040

3.2.4. NPA Ratios

NPA Ratios as on 31.03.2014	
Gross NPAs to Gross Advances	2.03%
Net NPAs to Net Advances	0.62%

3.2.5. Amount of Net NPAs: Rs. 69,227 thousand.

3.2.6. Movement of NPAs and Movement of Provisions for NPAs

(Rs. 000's)

Movement of NPAs (Gross)		Movement of provisions for NPAs (Gross)	
(i) Opening Balance at the beginning of the yr	282	(i) Opening Balance at the beginning of the yr	282
(ii) Additions during the yr	230,758	(ii) Provisions made during the yr	161,531
(iii) Reductions during the yr	0	(iii) Write-offs made during the yr	0
(iv) Write-offs made during the yr	0	(iv) Write-back of excess provisions made during the yr	0
Closing Balance as at the end of the yr (i+ii-iii-iv)	231,040	Closing Balance as at the end of the yr (i+ii-iii-iv)	161,813

3.2.7. Amount of Non-Performing Investments: Nil
Amount of Provisions held for Non-Performing Investments: Nil
3.2.8. Amount of Non-Performing Assets: Rs. 18,135 thousand. (This represents advance amount converted into share application money as per CDR restructuring package.)
Amount of Provisions held for Non-Performing Assets: Rs. 12,695 thousand.
3.2.9. Movement of Provision for Depreciation on Investments

(Rs. 000's)

Movement of Provision for Depreciation on Investments	
(i) Opening Balance at the beginning of the yr	22,498
(ii) Provisions made during the yr	
(iii) Write-offs made during the yr	(22,498)
(iv) Write-back of excess provisions made during the yr	
Closing Balance as at the end of the yr (i+ii-iii-iv)	-

4. DF-5 Credit Risk: Disclosures for Portfolios subject to Standardised approach
4.1. Qualitative Disclosures
4.1.1. Ratings

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

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

Types of exposures for which each agency will be used

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

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

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

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

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

(Rs. 000's)

Sr No.	Exposure amounts after risk mitigation	Amount
1	Below 100% risk weight exposure outstanding	28,417,698
2	100% risk weight exposure outstanding	2,083,667
3	More than 100% risk weight exposure outstanding	8,788
4	Total	30,510,153

5. DF-6 Credit Risk Mitigation

5.1. Qualitative Disclosures

5.1.1. Types of Credit Risk Mitigants

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

Financial Collateral

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

Non-financial collateral

- Hypothecation of Stocks/Book Debts/Accounts Receivables
- Assignment of Credit Card/Lease Rent receivables
- Mortgage on immoveable assets including real estate / property / factory land & building etc
- Hypothecation on movable fixed assets including plant and machinery

Guarantees

- Bank Guarantees including Standby LCs.
- Corporate Guarantee
- Personal Guarantee

Others

- Assignment of salary account and terminal benefits in case of staff loans as permitted by law

5.1.2. Valuation

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

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

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

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

5.1.3. Risk Concentration within the mitigation taken

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

5.2. Quantitative Disclosures

For credit risk portfolio under the standardised approach, the **total exposure that is covered by eligible financial collateral after application of haircuts is Rs. 3,040 thousands.**

6. DF-7 Securitisation: disclosure for standardised approach

The Bank currently does not have any securitised exposures.

7. DF-8 Market Risk in Trading Book

7.1. Qualitative Disclosures

7.1.1. Overview of Policies and Procedures

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

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

- The 'Trading Book' of the Bank comprises primarily of exposures such as bonds held in AFS category and foreign exchange exposures in different currencies.
- Majority of investments are in 'Held to Maturity' category.
- The Bank has a detailed Treasury Policy covering investments, foreign exchange risk management and derivatives.

The key aspects of the treasury policy are as below:

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

7.2. Quantitative Disclosures

7.2.1. Bank's Capital Requirement for Market Risk

(Rs. 000's)

Risk Category	Capital charge
I. Interest Rate (a+b)	2,209
a. General market risk	2,209
i) Net position (parallel shift)	2,045
ii) Horizontal disallowance (curvature)	18
iii) Vertical disallowance (basis)	146
iv) Options	-
b. Specific risk	-
II. Equity (a+b)	-
a. General market risk	-
b. Specific risk	-
III. Foreign Exchange & Gold	13,500
IV. Total Capital charge for Market risks (I+II+III)	15,709

8. DF-9 Operational Risk

8.1. Qualitative Disclosures

8.1.1. Overview of Policies and Procedures

Operational risk is the risk of losses owing to

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

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

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

Abu Dhabi Commercial Bank – India Branches

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



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

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

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

8.2. Quantitative Disclosures

As on 31st March 2014, the Operational Risk Capital Charge for the Bank was Rs. 633,040 thousands based on previous 3 year's average gross income.

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

9.1. Qualitative Disclosures

9.1.1. Overview of Policies and Procedures

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

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

Broad overview of the ALM policy is as below:

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

9.2. Quantitative Disclosures

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

For quarter ending, 31st March 2014,

Particulars	(Rs. 000's)
	INR & others
Impact on Economic Value of Equity (EVE), based on 200 bps change in interest rates	3,16,867
Impact on Earnings at Risk (EAR), based on 200 bps change in interest rates	57,745

For **ABU DHABI COMMERCIAL BANK**
India Branches

Sd/-

Kavita Venugopal

Chief Executive Officer – India

June 23, 2014