Abu Dhabi Commercial Bank PJSC India Branches

Basel III: Pillar III-Disclosures

June 30, 2017

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1. DF-1 Scope of Application and Capital Adequacy

Qualitative Disclosure

a. The name of the top bank in the group, to which these regulations apply Abu Dhabi Commercial Bank PJSC India Branches (ADCB India) is a network of two branches (Mumbai and Bangalore) of Abu Dhabi Commercial Bank (ADCB), a Company with limited liability incorporated in 1985 through the merger of three banks in the Emirate of Abu Dhabi, United Arab Emirates.

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

Quantitative Disclosure

a. The aggregate amount of Capital deficiencies – Nil

b. The aggregate amounts of Banks' total interests in Insurance entities – Nil

2. DF-2 Capital Adequacy

2.1. Qualitative Disclosures

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

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

ADCBI's ICAAP Management framework, aims to ensure that capital supports business growth. The ICAAP also stipulates that minimum capital of 12.50% shall maintained by Bank, which exceed the minimum statutory requirement of 10.875%.

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

2.2. Quantitative Disclosures

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

(Rs. in '000)

Capital Adequacy	
Credit Risk	
Total Portfolio subject to credit risk	32,815,413
Capital Requirement under standardised approach	1,368,122
Market Risk	
(i) Interest rate risk	19,201
(ii) Equity position risk	0
(iii) Foreign exchange risk	41,000
Capital Requirement : Total (i+ii+iii)	**60,201**
Operational Risk	
Capital Requirement under Basic Indicator Approach	**102,565**
Total Risk Weighted Assets	**14,822,523**

2.2.2. Capital Adequacy Ratio (CRAR)

CRAR	**25.55%**
CRAR – Tier 1 Capital (%)	**24.84%**

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

3.1. Qualitative Disclosures

3.1.1. Overview of policies and procedures

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

The Credit Risk Management Framework is summarised as under:

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

Controls	The Bank has established an independent control environment to monitor and enforce approved policies and limits.
Reporting	The Bank applies a systematic risk reporting at all levels of the organisation and openness in the reporting of risk factors to the Bank's stakeholders.

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

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

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

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

- Clear definition of acceptable collaterals and factors governing the same
- Ensuring that there is no material positive correlation between borrower and guarantor
- Thorough analysis of strength of collaterals in terms of its legal certainty, enforceability and liquidity
- Creation of minimum stipulations and conditions for acceptance and valuation of collaterals
- Analysis of strength of guarantees in terms of its coverage of risks, enforceability and documentation
- Clearly outline in the policy the cases where insurance cover is required to be taken
- Regular monitoring and valuation of collaterals

- Clear and robust procedure for timely liquidation of collateral for prompt liquidation including those held by a custodian.
- Credit rating of obligors.

3.1.2. Past Due and Impaired Loans

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

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

i. interest and/ or instalment of principal remain overdue for a period of more than 90 days in respect of a term loan,
ii. the account remains 'out of order' as indicated at paragraph below, in respect of an Overdraft/Cash Credit (OD/CC),
iii. the bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted,
iv. the instalment of principal or interest thereon remains overdue for two crop seasons for short duration crops,
v. the instalment of principal or interest thereon remains overdue for one crop season for long duration crops,
vi. the amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitisation transaction undertaken in terms of guidelines on securitisation dated February 1, 2006.
vii. in respect of derivative transactions, the overdue receivables representing positive mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment.

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

'Out of Order' status

An account will be treated as 'out of order' if the outstanding balance remains continuously in excess of the sanctioned limit / drawing power. In cases where the outstanding balance in the principal operating account is less than the sanctioned limit / drawing power, but there are no credits continuously for 90 days as on the date of Bank's Balance Sheet, or where credits are not enough to cover the interest debited during the same period, such accounts are treated as 'out of order'.

'Overdue'

Any amount due to the Bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the Bank.

3.2. Quantitative Disclosures

3.2.1. Total Credit Risk Exposure and Geographic Distribution

(Rs. in 000's)

Geographic Distribution	Domestic	Overseas	Total
Fund Based	18,450,892	485,438	18,936,330
Non-Fund Based	1,671,028	2,782,790	4,453,818
Total	**20,121,920**	**3,268,228**	**23,390,148**

3.2.2. Industry Type distribution of Exposure: -

(Rs. in '000)

Industry Type Distribution of Exposures			
Industry Name	**Funded Exposure**	**Non Funded Exposure**	**Total Exposure**
All Engineering	1,986,817	1,117,569	3,104,386
Aviation Sector	0	1,483,210	1,483,210
Basic Metal and Metal Products	1,510,794	280,000	1,790,794
Chemicals and Chemical Products (Dyes, Paints etc)	450,000	0	450,000
Construction	312,590	0	312,590
Food Processing	1,895,032	646	1,895,678
Infrastructure	2,706,541	150,300	2,856,841
Mining and Quarrying	450,000	0	450,000
NBFCs	3,207,059	0	3,207,059
Other Industries	300,000	0	300,000
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	450,000	9	450,009
Residuary other advances (to tally with gross advances)	2,254,423	1,270,969	3,525,392
Retail Trade	756,769	150,000	906,769
Rubber, Plastic and their Products	450,000	0	450,000
Textiles	981,169	0	981,169
Tourism, Hotel and Restaurants	423,072	1,115	424,187
Transport operators	802,064	0	802,064
Total	**18,936,330**	**4,453,818**	**23,390,148**

3.2.3. Residual Contractual Maturity breakdown of Assets

(Rs. in '000)

Maturity Pattern	**Cash, Balances with RBI and other Banks**	**Advances**	**Investment**	**Other Assets including Fixed Assets**
		(Net)	(Net)	
0-1 day	256,371	130,680	0	700
2-7 days	1,251,600	119,722	0	225
8-14 days	24,756	194,272	0	27,003
15-28 days	35,080	1,195,118	0	9,629
29 days to 3 months	190,979	3,430,132	567,002	6,973
3-6 months	64,561	1,863,112	835,705	18,035
6-12 months	161,519	1,720,823	2,075,588	3,213

1-3 years	183,223	5,976,396	245,920	0
3-5 years	4,139	509,451	497,241	0
Over 5 years	48,179	202,481	2,427,694	706,284
Total	**2,220,407**	**15,342,187**	**6,649,150**	**772,062**

3.2.4. Amount of Non-Performing Advances (NPAs)

(Rs. in '000)

NPAs (Gross) as on 30.06.2017	
Category	Amount
Sub-Standard	0
Doubtful 1	0
Doubtful 2	230,794
Doubtful 3	0
Loss	282
Total	**231,076**

3.2.5. NPA Ratios

NPA Ratios as on 30.06.2017	
Gross NPAs to Gross Advances	1.49%
Net NPAs to Net Advances	0.09%

3.2.6. Amountof Net NPAs: 13,521 Thousand.

3.2.7. Movement of NPAs and Movement of Provisions for NPAs

(Rs. in 000)

Movement of NPAs (Gross)		Movement of provisions for NPAs (Gross)	
(i) Opening Balance at the beginning of the year	**231,076**	(i) Opening Balance at the beginning of the year	**217,555**
(ii) Additions during the year	0	(ii)Provisions made during the year	0
(iii) Reductions during the year	0	(iii) Write-offs made during the year	0
(iv) Write-offs made during the year	0	(iv) Write-back of excess provisions made during the year	0
Closing Balance as at the end of the year (i+ii-iii-iv)	**231,076**	Closing Balance as at the end of the year (i+ii-iii-iv)	**217,555**

3.2.8. Amount of Non-Performing Investments: Nil

Amount of Provisions held for Non-Performing Investments: Nil

3.2.9. Movement of Provision for Depreciation on Investments –

(Rs. in 000)

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

3.2.10. Movement of General Provision –

(Rs. in 000)

Movement of General Provision*	Amount
(i) Opening Balance at the beginning of the year	130,347
(ii) Additions during the year	0
(iii) Reductions during the year	(27,144)
(iv) Write-offs made during the year	0
Closing Balance as at the end of the year (i+ii-iii-iv)	**103,203**

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

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

4.1. Qualitative Disclosures

4.1.1.Ratings

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

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

Types of exposures for which each agency will be used

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

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

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

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

4.2. Quantitative Disclosures

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

(Rs. in 000)

Sr No.	Exposure amounts after risk mitigation	Amount
1	Below 100% risk weight exposure outstanding	24,151,716
2	100% risk weight exposure outstanding	4,156,472
3	More than 100% risk weight exposure outstanding	997,749
4	**Total**	**29,305,937**

5. DF-5 Leverage ratio common disclosure template:

The leverage ratio has been calculated using definitions of capital and total exposure. The Bank's leverage ratio, calculated in accordance with the RBI guidelines under consolidated framework is as follows:

(Rs. in 000)

Sr No.	Particulars	Amount
1	Tier 1 Capital	3,682,357
2	Total Exposure Measure	29,781,064
	Leverage Ratio	**12.36%**