

Abu Dhabi Commercial Bank – Indian Operations

(Incorporated in the United Arab Emirates with Limited Liability)



<i>BALANCE SHEET AS ON MARCH 31, 2012</i>			<i>PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2012</i>				
<i>(Rs '000s)</i>			<i>(Rs '000s)</i>				
Schedule	As on March 31, 2012	As on March 31, 2011	Schedule	Year ended March 31, 2012	Year ended March 31, 2011		
CAPITAL AND LIABILITIES			I. INCOME				
Capital	1	2,170,187	632,687	Interest Earned	13	760,269	428,091
Reserves and Surplus	2	921,874	758,633	Other Income	14	46,667	35,109
Deposits	3	6,233,681	5,649,691	TOTAL		806,936	463,200
Borrowings	4	2,544,375	2,150,000	II. EXPENDITURE			
Other Liabilities and Provisions	5	324,255	300,399	Interest Expended	15	402,757	243,830
TOTAL		12,194,372	9,491,410	Operating Expenses	16	175,699	145,755
ASSETS				Provisions and Contingencies		65,239	(8,565)
Cash and Balances with Reserve Bank of India	6	318,529	390,312	TOTAL		643,695	381,020
Balances with Banks and Money at Call and Short Notice	7	6,298,480	4,720,681	III. PROFIT/(LOSS)			
Investments	8	2,211,396	2,201,763	Net Profit for the year		163,241	82,180
Advances	9	2,891,916	1,803,050	Profit/(Loss) brought forward		0	0
Fixed Assets	10	92,151	70,223	TOTAL		163,241	82,180
Other Assets	11	381,900	305,381	IV. APPROPRIATIONS			
TOTAL		12,194,372	9,491,410	Transfer to Statutory Reserves		40,811	20,546
Contingent Liabilities	12	2,728,064	2,635,931	Remittable Surplus Retained in India for CRAR		122,430	61,634
Bills for Collection		729,296	542,655	Balance carried over to Balance Sheet		0	0
Accounting policies	17			TOTAL		163,241	82,180
Notes to accounts	18			Accounting policies	17		
				Notes to accounts	18		
The Schedules referred to above form an integral part of the Balance Sheet			The schedules referred to above form an integral part of the Profit and Loss Account				

As per our report of even date

For and on behalf of
BORKAR & MUZUMDAR
Chartered Accountants
Firm Reg. No: 101569W

Sd/-
Dilip Muzumdar
Partner
M.No: 8701

Place: Mumbai
Date: June 22, 2012

For
ABU DHABI COMMERCIAL BANK
Indian Operations

Sd/-
Mathew Thomas
Country Manager - India

Abu Dhabi Commercial Bank – Indian Operations

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CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

(Rs '000s)

	Year ended March 31, 2012	Year ended March 31, 2011
Cash flows from operating activities		
Net Profit/(Loss) before tax	259,468	55,844
Adjustment for :		
Depreciation charge for the year	7,592	3,232
Depreciation on investments	0	0
Provision on funded NPA's (Net of Write offs/Write backs)	(34,376)	17,699
Other Provisions	3,388	72
Profit on sale of fixed assets	0	(28)
Loss on sale of fixed assets	97	2,015
	<u>236,169</u>	<u>78,834</u>
Adjustments for :		
(Increase)/Decrease in Investments	(9,633)	255,693
(Increase)/Decrease in Advances	(1,054,490)	(296,828)
Increase/(Decrease) in Borrowings	394,375	2,150,000
Increase/(Decrease) in Deposits	583,990	420,668
(Increase)/Decrease in Other Assets	(24,996)	(97,943)
Increase/(Decrease) in Other liabilities and provisions	(20,759)	83,952
Income Tax (paid)/Refund received	(106,522)	(34,170)
Net cash generated from/(used in) operating activities	A	
	<u>(1,866)</u>	<u>2,560,206</u>
Cash Flows from investing activities		
Purchase of fixed assets	(29,812)	(13,149)
Proceeds from sale of fixed assets	194	28
Net cash generated from/(used in) investing activities	B	
	<u>(29,618)</u>	<u>(13,121)</u>
Cash Flows from financing activities		
Infusion of Funds from Head Office	1,537,500	0
Net cash flows generated from financing activities	C	
	<u>1,537,500</u>	<u>0</u>
Net increase/(decrease) in cash and cash equivalents (A+B+C)	1,506,016	2,547,085
Cash and Cash Equivalents at the beginning of the year	5,110,993	2,563,908
Cash and Cash Equivalents at the end of the year	6,617,009	5,110,993

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

As per our report of even date

For and on behalf of
BORKAR & MUZUMDAR
Chartered Accountants
Firm Reg. No: 101569W

Sd/-
Dilip Muzumdar
Partner
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SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON MARCH 31, 2012

	(Rs '000s)		(Rs '000s)	
	As on March 31, 2012	As on March 31, 2011	As on March 31, 2012	As on March 31, 2011
SCHEDULE 1 - CAPITAL				
I. Capital				
i) Opening Balance	632,687	632,687		
ii) Capital Infusion during the year (Refer Note 23 of Schedule 18)	1,537,500	0		
TOTAL	<u>2,170,187</u>	<u>632,687</u>		
II. Amount (Face Value) of Deposit kept in the form of securities with the Reserve Bank of India u/s 11 (2)(b) of the Banking Regulation Act, 1949	<u>412,500</u>	<u>312,500</u>		
SCHEDULE 2 – RESERVES AND SURPLUS				
I. Statutory Reserves				
i) Opening Balance	299,915	279,369		
ii) Additions during the year	40,811	20,546		
	<u>340,726</u>	<u>299,915</u>		
II. Capital Reserves				
Balance as per last Balance Sheet	14,711	14,711		
III. Investment Reserve Account				
Balance as per last Balance Sheet	213	213		
IV. Remittable Surplus retained in India for CRAR				
i) Opening Balance	312,235	250,600		
ii) Add: Transfer from Profit & Loss Account	122,430	61,635		
	<u>434,665</u>	<u>312,235</u>		
V. Revenue and Other Reserves				
Balance as per last Balance Sheet	131,559	131,559		
VI. Balance in Profit and Loss Account	0	0		
TOTAL	<u>921,874</u>	<u>758,633</u>		
SCHEDULE 3 – DEPOSITS				
A) I. Demand Deposits				
i) From banks	39,326	36,691		
ii) From others	578,194	938,917		
	<u>617,520</u>	<u>975,608</u>		
II. Savings Bank Deposits	898,621	1,270,797		
III. Term Deposits				
i) From banks	0	0		
ii) From others	4,717,540	3,403,286		
	<u>4,717,540</u>	<u>3,403,286</u>		
TOTAL	<u>6,233,681</u>	<u>5,649,691</u>		
B) I. Deposits of branches in India	6,233,681	5,649,691		
II. Deposits of branches outside India	0	0		
TOTAL (I + II)	<u>6,233,681</u>	<u>5,649,691</u>		
SCHEDULE 4 - BORROWINGS				
I. Borrowings in India				
i) Reserve Bank of India	100,000	0		
ii) Other banks	2,190,000	2,150,000		
iii) Other institutions and agencies	0	0		
II. Borrowings outside India	254,375	0		
TOTAL	<u>2,544,375</u>	<u>2,150,000</u>		
Secured Borrowings included in I & II above	<u>100,000</u>	<u>0</u>		
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS				
I. Bills payable	70,287	36,097		
II. Inter-Office adjustments (Net)	101	9		
III. Interest accrued	120,327	121,215		
IV. Deferred Tax Liability	17,214	0		
V. Others (including provisions)	116,326	143,078		
TOTAL	<u>324,255</u>	<u>300,399</u>		
SCHEDULE 6 – CASH AND BALANCES WITH RESERVE BANK OF INDIA				
I. Cash in hand	6,226	5,682		
(including foreign currency notes)				
II. Balances with Reserve Bank of India				
i) In Current Account	312,303	384,630		
ii) In Other Accounts	0	0		
TOTAL	<u>318,529</u>	<u>390,312</u>		
SCHEDULE 7 – BALANCES WITH BANKS AND MONEY AT CALL & SHORT NOTICE				
I. In India				
i) Balances with banks				
a) In Current Accounts	83,845	37,821		
b) In Other Deposit Accounts	6,200,000	4,250,000		
ii) Money at call and short notice				
a) With banks (including with RBI under LAF)	0	300,000		
b) With other institutions	0	0		
TOTAL	<u>6,283,845</u>	<u>4,587,821</u>		
II. Outside India				
i) In Current Accounts	14,635	132,860		
ii) In Other Deposit Accounts	0	0		
iii) Money at call and short notice (Including with H.O.)	0	0		
TOTAL	<u>14,635</u>	<u>132,860</u>		
TOTAL (I + II)	<u>6,298,480</u>	<u>4,720,681</u>		

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SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON MARCH 31, 2012

(Rs '000s)			(Rs '000s)		
	As on March 31, 2012	As on March 31, 2011		As on March 31, 2012	As on March 31, 2011
SCHEDULE 8 – INVESTMENTS			SCHEDULE 10 - FIXED ASSETS		
I. Investments in India (Book Value)	2,245,549	2,235,916	I. Premises		
Less: Provision for Depreciation	(34,153)	(34,153)	i) At cost as on March 31 of the preceding year	56,576	58,497
Net Investments in India	2,211,396	2,201,763	ii) Additions during the year	0	0
Break-up:-			iii) Deductions during the year	0	(1,921)
i) Government securities	1,852,496	1,548,800	iv) Depreciation to date	0	0
ii) Other approved securities	0	2,463	TOTAL	56,576	56,576
iii) Shares	0	0	II. Other Fixed Assets (including furniture and fixtures)		
iv) Debentures and Bonds	0	0	i) At cost as on March 31 of the preceding year	51,607	82,461
v) Subsidiaries and/or Joint Ventures	0	0	ii) Additions during the year	29,595	8,739
vi) Others (includes deposit with SIDBI & NHB)	358,900	650,500	iii) Deductions during the year	(5,259)	(39,593)
TOTAL	2,211,396	2,201,763	iv) Depreciation to date	(44,995)	(42,370)
II. Investments outside India	0	0	TOTAL	30,948	9,237
TOTAL (I+II)	2,211,396	2,201,763	III. Capital Work in Progress	4,627	4,410
SCHEDULE 9 – ADVANCES			GRAND TOTAL (I+II+III)	92,151	70,223
A) i) Bills purchased and discounted	1,244,465	810,084	SCHEDULE 11 – OTHER ASSETS		
ii) Cash credits, overdrafts and loans repayable on demand	762,989	491,726	I. Inter-office adjustments (net)	0	0
iii) Term loans	884,462	501,240	II. Interest accrued	157,252	150,472
TOTAL	2,891,916	1,803,050	III. Tax paid in advance/tax deducted at source (net of provisions)	106,036	54,514
B) i) Secured by tangible assets*	1,793,225	968,472	IV. Stationery and stamps	3	2
ii) Covered by Bank/ Government Guarantees	1,098,691	802,546	V. Deferred Tax Asset (Net)	0	24,013
iii) Unsecured	0	32,032	VI. Others	118,609	76,380
TOTAL	2,891,916	1,803,050	TOTAL	381,900	305,381
C) I. Advances in India			SCHEDULE 12 – CONTINGENT LIABILITIES		
i) Priority Sectors	611,320	747,098	I. Liability on account of outstanding forward exchange contracts	1,644,164	2,058,419
ii) Public Sector	0	0	II. Guarantees given on behalf of constituents:		
iii) Banks	0	0	a) In India	484,001	65,637
iv) Others	2,280,596	1,055,952	b) Outside India	269,488	172,062
TOTAL	2,891,916	1,803,050	III. Acceptances, endorsements and other obligations	56,126	49,144
II. Advances outside India	0	0	IV. Other items for which the Bank is contingently liable:		
TOTAL	2,891,916	1,803,050	Income tax/Interest tax disputed and in appeal not provided for is estimated at	274,285	290,669
			TOTAL	2,728,064	2,635,931
* (Includes Advances against Book debts)					

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SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2012

	(Rs '000s)			(Rs '000s)	
	Year ended March 31, 2012	Year ended March 31, 2011		Year ended March 31, 2012	Year ended March 31, 2011
SCHEDULE 13 – INTEREST EARNED			SCHEDULE 15 - INTEREST EXPENDED		
I. Interest/discount on advances/bills	234,002	137,814	I. Interest on deposits	309,645	214,150
II. Income on investments	165,837	174,356	II. Interest on Reserve Bank of India and Inter-bank borrowings	93,112	29,680
III. Interest on balances with Reserve Bank of India and other inter-bank funds	355,465	115,921	III. Others	0	0
IV. Others (represents Interest on Income Tax refunds)	4,965	0	TOTAL	402,757	243,830
TOTAL	760,269	428,091	SCHEDULE 16 - OPERATING EXPENSES		
SCHEDULE 14 – OTHER INCOME			I. Payments to and provisions for employees	96,190	83,646
I. Commission, exchange and brokerage	20,716	17,627	II. Rent, taxes and lighting	22,684	18,122
II. Profit on sale/redemption of investments	37	0	III. Printing and stationery	1,248	1,309
Less: Loss on sale/redemption of investments	0	0	IV. Advertisement and publicity	311	409
III. Profit/(Loss) on revaluation of investments	0	0	V. Depreciation on bank's property	7,592	3,232
IV. Profit on sale of land, buildings and other assets	0	28	VI. Directors' fees, allowances and expenses	0	0
Less: Loss on sale of land, building and other assets	(97)	(2,015)	VII. Auditors' fees and expenses	423	423
V. Net profit on exchange transactions	25,976	19,464	VIII. Law charges	873	459
VI. Income earned by way of dividends etc. from subsidiaries/ company and joint ventures abroad/in India	0	0	IX. Postages, telegrams, telephones, etc.	4,336	4,720
VII. Miscellaneous income	35	5	X. Repairs and maintenance	12,229	9,602
TOTAL	46,667	35,109	XI. Insurance	5,201	5,244
			XII. Other expenditure (includes Technical and Consultancy Services INR 15,407 ('000) previous year INR 13,948 ('000))	24,612	18,589
			TOTAL	175,699	145,755

SCHEDULE 17 – ACCOUNTING POLICIES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2012.

I. BACKGROUND

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

II. ACCOUNTING POLICIES

1. Accounting Convention

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

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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 estimated. 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 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. Income and Expenditure items in foreign currency are translated at the exchange rates ruling on the date of the transactions.

3.3. In case of those foreign currency deposits, which have been swapped, the swap cost is treated as Interest (period) cost and amortized over the period of transactions as per FEDAI guidelines.

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

4.3. Cost of Investments excludes broken period interest paid on acquisition of Investments.

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.

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

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

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 are treated as interest.

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5. Advances

- 5.1. Advances are classified into performing and non-performing in terms of prudential norms on asset classification laid down by the RBI. Specific provision for 'Non Performing Advances' is made on the basis of provisioning requirement under the prudential norms as laid down by the RBI, and is deducted from Advances. General provision on "Standard Assets" and for "Country Risk" at rates specified by RBI are included in 'Other Liabilities and Provisions'.
- 5.2. In addition to the provision made as per para 4.1 above, further provision is made for 'Non Performing Advances' based on Management's estimate of potential exposure, wherever necessary.

6. Fixed Assets

- 6.1. Fixed assets other than Tenancy Rights are stated at historical cost less accumulated depreciation.
- 6.2. Tenancy rights included under premises are carried at historical cost.
- 6.3. Depreciation on computers (Hardware & Software) is provided for on Straight Line Method at 33 1/3% per annum.
- 6.4. Depreciation on certain Furniture and Fittings is provided for on Straight Line Method at the rate of 25% per annum.
- 6.5. Depreciation on assets other than the above is provided for, using the Written Down Value method, subject to the minimum rates prescribed in Schedule XIV of Companies Act, 1956.
- 6.6. The Bank assesses at each balance sheet date whether there is any indication that an asset may be impaired and provides for impairment loss, if any, in the profit and loss account.

7. Lease Transactions

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

8. Revenue Recognition

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

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

9.2. Gratuity

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

9.3. Leave Encashment

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

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

10. Net Profit/(Loss)

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

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

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

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

SCHEDULE 18 – NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2012.

	As on March 31, 2012	As on March 31, 2011
1. Percentage of Net Non Performing Assets to Net Advances	Nil	2.89%
2. Business Ratios:		
i. Interest income as a percentage to working funds	8.70%	5.86%
ii. Non-interest income as a percentage to working funds	0.53%	0.48%
iii. Operating profit as a percentage to working funds	2.61%	1.01%
iv. Return on assets	1.87%	1.12%
v. Business (Deposits + Advances) per Employee (Rs 000's)	163,508	160,770
vi. Profit per Employee (Rs 000's)	3,401	1,911
		(Rs. 000's)
3. Lending to sensitive sectors are as under:		
• Details of exposure to real estate sector		
a) Direct exposure :	26,222	16,536
i) Residential mortgages	26,222	16,536
– of which Individual Housing Loans eligible for inclusion in Priority Sector	0	0
ii) Commercial Real Estate (including NFB limits Rs. NIL)	0	0
iii) Investment in Mortgage Backed Securities	0	0
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	201,122	191,436
• Details of exposure to capital market		
i) Investments made in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt	0	0
ii) Advances against shares, bonds, debentures or other securities on clean basis to individuals for investment in equity shares (including IPO's/ESOPS), convertible bonds or convertible debentures, units of equity oriented mutual funds	0	0
iii) Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security	92,994	107,377
iv) Advances for any other purposes to the extent secured by collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/convertible bonds/convertible debentures/units of equity oriented mutual funds does not fully cover the advances	0	0

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v)	Secured and unsecured advances to stockbrokers & guarantees issued on behalf of stockbrokers and market makers	0	0
vi)	Loans sanctioned to corporates against the security of shares/bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources.	0	0
vii)	Bridge loans to companies against expected equity flows/issues	0	0
viii)	Underwriting commitments taken up in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds	0	0
ix)	Financing to stockbrokers for margin trading	0	0
x)	All exposures to venture capital funds (both registered & unregistered)	0	0
	Total Exposure to Capital Market	92,994	107,377
		2011-12	2010-11
4.	Provision for Standard Assets as at year end	11,926	8,675
5.	Movement in Funded Non-Performing Advances (Gross)		
	Balance as at the beginning of the year	127,483	140,902
	Add: Additions during the year	3,789	77,212
	Less: Reductions during the year		
	Upgradations	(54,381)	0
	Recoveries	(35,813)	(10,235)
	Write-offs	(9,880)	(80,396)
	Balance as at the end of the year	31,198	127,483
6.	Movement in provision for Funded Non Performing Advances (excluding provision for Standard Advances)		
	Balance as at the beginning of the year	75,362	138,059
	Add: Provisions made during the year	19,982	25,540
	Less: Write-off/Write back of excess provision during the year	(64,146)	(88,237)
	Balance as at the end of the year	31,198	75,362
7.	Provision Coverage Ratio	100.00%	59.19%
			(Rs. 000's)
		2011-12	2010-11
8.	Movement in Funded Non-Performing Advances (Net)		
	Balance as at the beginning of the year	52,121	2,843
	Add: Additions during the year	0	51,672
	Less: Reductions during the year	(52,121)	(2,394)
	Balance as at the end of the year	0	52,121
9.	Movement in Floating Provisions		
	Balance as at the beginning of the year	13,482	13,482
	Add: Additions during the year	0	0
	Less: Draw down during the year	0	0
	Balance as at the end of the year	13,482	13,482
10.	Details of Loan assets subject to restructuring during the year		
i)	Standard Loan assets		
	No. of Borrowers	Nil	Nil
	Amount Outstanding	0	0
	– of which under CDR	0	0
	– of which under SME Debt restructuring	0	0
	– of which Others	0	0
	Sacrifice (diminution in the fair value)	0	0
ii)	Sub-Standard Loan assets		
	No. of Borrowers	Nil	Nil
	Amount Outstanding	0	0
	– of which under CDR	0	0
	– of which under SME Debt restructuring	0	0
	– of which Others	0	0
	Sacrifice (diminution in the fair value)	0	0

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iii) Doubtful Loan assets		
No. of Borrowers	Nil	1
Amount Outstanding	0	51,290
– of which under CDR	0	0
– of which under SME Debt restructuring	0	51,290
– of which Others	0	0
Sacrifice (diminution in the fair value)	0	0
TOTAL		
No. of Borrowers	Nil	1
Amount Outstanding	0	51,290
– of which under CDR	0	0
– of which under SME Debt restructuring	0	51,290
– of which Others	0	0
Sacrifice (diminution in the fair value)	0	0
		(Rs. 000's)
	2011-12	2010-11

11. Details of financial assets sold during the year to Securitisation/Reconstruction Company (SC/RC) for Asset Reconstruction are as follows:

a. Number of Accounts	Nil	Nil
b. Aggregate Value (Net of Provisions) of accounts sold to SC/RC	0	0
c. Aggregate consideration	0	0
d. Additional consideration realized in respect of accounts transferred in earlier years	0	0
e. Aggregate gain/(loss) over net book value	0	0

12. Non-performing financial assets purchased/sold during the year

a. Purchased		
No of Accounts purchased during the year	Nil	Nil
Aggregate outstanding	0	0
Of these No. of Accounts restructured during the year	Nil	Nil
Aggregate outstanding	0	0
b. Sold		
No. of Accounts sold	Nil	Nil
Aggregate outstanding	0	0
Aggregate consideration received	0	0

13. Movement in provision for depreciation on Investments

Balance as at the beginning of the year	34,153	35,504
Add: Provisions made during the year	0	0
Less: Write back of excess provision during the year*	0	(1,351)
Balance as at the end of the year	34,153	34,153

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

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

(Amount in Rs. Crores)

	<u>March 31, 2012</u>	<u>March 31, 2011</u>
a) Concentration of Deposits		
Total Deposits of 20 largest depositors	343.06	303.14
Percentage of deposits of 20 largest depositors to total deposits of the Bank	55.03%	53.66%
b) Concentration of Advances		
Total Advances to 20 largest Borrowers	380.39	234.75
Percentage of advances to 20 largest Borrowers to total advances of the Bank	93.53%	93.96%
c) Concentration of Exposures		
Total Exposure to 20 largest Borrowers/Customers	380.39	236.50
Percentage of Exposures to 20 largest Borrowers/Customers to total Exposure of the Bank on Borrowers/Customers	93.01%	93.81%
d) Concentration of NPAs		
Total Exposure to top 4 NPA accounts	3.12	12.51

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15. Sector-wise NPAs: Sector

Percentage of NPAs to Total Advances in that sector

	March 31, 2012	March 31, 2011
a) Agriculture & Allied Activities	0.00%	0.00%
b) Industry (Micro & Small, Medium and Large)	0.00%	5.44%
c) Services	4.70%	11.47%
d) Personal Loans	0.00%	0.00%

16. Overseas Assets, NPAs and Revenue:

(Amount in Rs. Crores)

Particulars	March 31, 2012	March 31, 2011
Total Assets	1.46	13.29
Total NPAs	Nil	Nil
Total Revenue	0.01	0.06

17. Off Balance sheet SPVs sponsored

Nil Nil

18. Total Advances against Intangible securities

Nil Nil

19. Fees received in respect of Bancassurance business

– For selling Mutual Fund products	Rs. 0.60 Lakhs	Rs. 0.04 Lakhs
– For selling Insurance Products	Nil	Nil

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

2011-12 2010-11
(Amount in Rs. '000)

i. Provision/(Write Back of Provision) for Non-Performing Funded Advances (Net)	(44,256)	(62,697)
ii. Bad Debts written-off	9,880	80,396
iii. Provisions/(Write back of Provision) for Country Risk	137	72
iv. Provision/(Write back of Provision) for Depreciation on Investments (Net)	0	0
v. Provision for Deferred Tax (Net)	41,227	(26,336)
vi. Provision for Current Tax	55,000	15,497
vii. MAT Credit Entitlement	0	(15,497)
viii. Provisions/(Write back of Provision) for Standard Assets	3,251	0
Total	65,239	(8,565)

21. Capital Adequacy

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

	March 31, 2012	March 31, 2011
i. CRAR - Tier I Capital (%)	80.00%	44.26%
ii. CRAR - Tier II Capital (%)	0.88%	0.99%
iii. CRAR - Total Capital (%)	80.88%	45.25%
iv. Amount of subordinated debt raised as Tier-II capital		
v. Amount raised by issue of IPDI	0	0
vi. Amount raised by issue of Upper Tier II instruments	0	0

22. Draw-down from Reserves

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

23. Opening Balance of Capital includes start-up capital of Rs. 2,000 thousands (Previous year Rs. 2,000 thousands) and amount received from Head office Rs. 630,687 thousands (Previous year Rs. 630,687 thousands) to meet the cost of acquisition of residential premises deposits/advance license fees of Bank's premises at Mumbai/Bangalore, certain preliminary expenses, CRAR and NPA provisioning requirement of RBI.

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

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

(Rs. 000's)

Risk category	Exposure (31-03-2012)	Provision Held	Exposure (31-03-2011)	Provision Held
Insignificant	209,303	94	145,556	62
Low	178,553	335	306,877	230
Moderate	47,442	0	49,976	0
High	0	0	0	0
Very High	0	0	0	0
Restricted	0	0	0	0
Off-credit	0	0	0	0
Total	435,298	429	502,409	292

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

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

(Rs. 000's)

	As on March 31, 2012	As on March 31, 2011
Held to Maturity	1,142,170	697,335
Available for Sale	1,069,226	1,504,428
Held for Trading	0	0
Total	2,211,396	2,201,763

Investments include securities costing **Rs.74,680 thousands** (Previous year Rs.66,839 thousands) pledged with CCIL for margin requirements.

Investments include securities amounting **Rs.283,810 thousands** (Previous year Rs.283,100 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.312,500 thousands) kept with Reserve Bank of India u/s 11(2)(b) of Banking Regulation Act, 1949.

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

(Rs. 000's)

	2011-12	2010-11
Opening Balance	22,498	23,849
Additions during the year	0	0
Reductions during the year	0	(1,351)
Closing Balance *	22,498	22,498
Total Provisions held	22,498	22,498

* Represents investment in securitisation receipts.

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

As at March 31, 2012

(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	0	0	0	0	0
2	Financial Institutions	358,900	358,900	0	0	358,900
3	Banks	0	0	0	0	0
4	Private Corporates	0	0	0	0	0
5	Subsidiaries/Joint Ventures	0	0	0	0	0
6	Others	22,498	22,498	22,498	22,498	22,498
7	Provision held towards depreciation	(22,498)				
	Total	358,900				

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As at March 31, 2011

(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	0	0	0	0	0
2	Financial Institutions	650,500	650,500	0	0	650,500
3	Banks	0	0	0	0	0
4	Private Corporates	0	0	0	0	0
5	Subsidiaries/Joint Ventures	0	0	0	0	0
6	Others	22,498	22,498	22,498	22,498	22,498
7	Provision held towards depreciation	(22,498)				
	Total	650,500				

28. Sale or transfer to/from HTM Category

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

29. 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	50,000 (52,500)	412,700 (840,000)	54,642 (81,699)	105,000 (0)
ii. Corporate debt securities	0 (0)	0 (0)	0 (0)	0 (0)
Securities purchased under reverse repo				
i. Government securities	52,500 (50,300)	1,265,900 (2,835,000)	61,777 (415,172)	0 (0)
ii. Corporate debt securities	0 (0)	0 (0)	0 (0)	0 (0)

Previous years' figures are shown in brackets.

30. On 26th March, 2012, a penalty of Rs. 152 thousand was imposed on the Bank by RBI in terms of circular IDMD.DOD.17/11.01.01(B) 2010-11 dated July 14, 2010 on account of SGL bouncing.

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

32. Maturity Profile:

As at March 31, 2012

(Rs. Lakhs)

Maturity Pattern	Deposits	Borrowings	Advances (Net)	Investment (Net)	Foreign Currency Assets(*)	Liabilities(*)
0-1 day	256	0	191	50	546	37
2-7days	1,404	3,400	1,503	3,986	21	232
8-14 days	1,674	0	2,073	290	61	504
15-28 days	452	2,544	1,557	118	24	2,639
29days- 3 months	12,334	10,000	9,002	3,034	65	1,002
3-6 months	4,059	9,500	2,061	996	30	2,102
6-12 months	20,967	0	2,395	6,982	0	3,612
1-3 years	21,122	0	8,840	4,895	147	2,038
3-5 years	57	0	1,186	1,763	0	0
Over 5 years	12	0	111	0	0	0
Total	62,337	25,444	28,919	22,114	894	12,166

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As at March 31, 2011

(Rs. Lakhs)

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

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

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

33. Customer Complaints

	2011-12	2010-11
1. No. of complaints pending at the beginning of the year	0	0
2. No. of complaints received during the year	4	5
3. No. of complaints redressed during the year	4	5
4. No. of complaints pending at the end of the year	0	0

Awards passed by the Banking Ombudsman

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

34. Disclosures on Derivatives

34.1 Forward Rate Agreement/ Interest Rate Swap

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

34.2 Exchange Traded Interest Rate Derivatives

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

34.3 Qualitative Disclosures

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

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

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

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

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

a) Risk Measurement:

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

b) Risk Reporting and Risk monitoring systems:

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

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

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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

- Treasury policy and
- 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.

34.4 Quantitative Disclosure

(Rs. Crores)

Sr. No	Particulars	Currency swaps (Forward Foreign exchange contracts)
1	Derivatives (Notional Principal Amount)	
	a) For hedging	72.99
	b) For trading	91.43
2	Marked to Market Positions (Net)	
	a) Asset (+)	0.74
	b) Liability (-)	(0.37)
3	Credit Exposure	4.03
4	Likely impact of one percentage change in interest rate (100*PV01)	Not applicable
	a) on hedging derivatives	
	b) on trading derivatives	
5	Maximum and Minimum of 100*PV01 observed during the year	Not applicable
	a) on hedging	
	b) on trading	

35. Employee's Benefits

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

(Rs. '000)

Particulars	2011-12	2010-11
Change in the present value of defined benefit obligation		
Present value of defined benefit obligation at the beginning of year	54,692	37,016
Interest Cost	4,512	2,776
Current Service Cost	3,999	4,006
Benefit Paid	(12,107)	(338)
Actuarial (Gain)/loss on obligations	2,329	11,232
Closing value of defined benefit obligation at the end of the year	53,425	54,692
Change in Plan Assets		
Opening Fair value of plan assets at the beginning of year	44,115	37,693
Expected Return on plan assets	3,639	3,015
Contribution by Employer	17,257	3,675
Benefit Paid	(12,107)	(338)
Actuarial Gain/(loss) on obligations	526	70
Closing Fair value of plan assets at the end of the year	53,430	44,115
Reconciliation of present value of obligation and fair value of plan assets		
Present Value of Funded obligation at the end of year	53,425	54,692
Fair Value of plan assets at the end of the year	53,430	44,115
Deficit/(Surplus)	(5)	10,577
Unrecognized Past Service Cost	0	0
Liability/(Asset) recognized in the Balance Sheet	(5)	10,577
Amount Recognised in the Balance sheet		
Liabilities	0	10,577
Assets	5	0
Net Liability/(Asset) recognised in Balance sheet	(5)	10,577

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Net Cost recognised in the Profit and Loss Account

Current Service Cost	3,999	4,006
Interest Cost	4,512	2,776
Expected Return on Plan Assets	(3,639)	(3,015)
Net Actuarial (Gain)/Loss recognized in the year	1,803	11,162
Past Service Cost	0	0
Expenses Recognized in the Profit and Loss Account	6,675	14,929

Reconciliation of expected return and actual return on Plan Assets

Expected Return on Plan Assets	3,639	3,015
Actuarial Gain/(Loss) recognized in the year	526	70
Actual Return on Plan Assets	4,165	3,085

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

Opening Net Liability/(Asset) as at the beginning of the year	10,577	(677)
Expenses Recognized in the Profit and Loss Account	6,675	14,929
Contributions	(17,257)	(3,675)
Closing Net Liability/(Asset) as at the end of the year	(5)	10,577

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

Category of Assets

Category of Assets	% of Plan Assets	
	As on 31-Mar-2012	As on 31-Mar-2011
Central Government Securities	0.25%	0.28%
State Government Securities	0.00%	0.00%
Public Sector Bonds	0.00%	0.40%
Bank Deposits	0.35%	1.28%
Others (including with Life Insurance Corporation of India)	99.40%	98.04%
Total	100.00%	100.00%

Principal Actuarial assumptions :

Discount Rate	8.50%	8.25%
Expected Rate of Return on Plan Asset	8.50%	8.25%
Salary Escalation	10.00%	10.00%

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

Compensated Absences:

	As on 31-Mar-2012	As on 31-Mar-2011
The actuarial liability of compensated absences of encashable accumulated privilege leave as at year end is (Rs. '000)	9,831	6,682

Principal Actuarial assumptions :

Discount Rate	8.50%	8.25%
Salary Escalation	10.00%	10.00%

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

The Bank has contributed an amount of **Rs. 4,520 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.

36. Related Party Disclosures

List of Related Parties is as under:

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

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

Subsidiaries of Head Office: Al Dhabi Brokerage Services L.L.C., Abu Dhabi Risk and Treasury Solutions L.L.C, Abu Dhabi Commercial Properties L.L.C., Abu Dhabi Commercial Engineering Services L.L.C., ADCB Holdings (Cayman) Limited, ADCB Holdings (Labuan) Limited, ADCB Holdings (Malaysia) Sdn Bhd, ADCB Finance (Cayman) Limited, Abu Dhabi

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Commercial Islamic Finance P.S.C., ACB LTIP (IOM) Limited, Abu Dhabi Commercial Property Development L.L.C., Abu Dhabi Commercial Properties Consultancy L.L.C., Abu Dhabi Commercial Finance Solutions L.L.C., Abu Dhabi Commercial Investment Services L.L.C., Abu Dhabi Commercial Bank UK Limited, Abu Dhabi Commercial Projects Services L.L.C., Kinetic Infrastructure Development L.L.C., Al Reem Infrastructure Development L.L.C., ADCB Fund Management S.A.R.L., Al Nokhitha Investments Feeder Fund, MSCI UAE Index Feeder Fund, ADCB MSCI Arabian Markets Index Feeder Fund, ADCB Services FZ-L.L.C., ACB LTIP (IOM) Limited, ADCB Islamic Finance (Cayman) Limited.

Key Management Personnel:

Country Manager – India, Mr. Anthony D’Souza until October 15, 2011

Country Manager – India, Mr. Mathew Thomas from October 16, 2011

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.

37. 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.

38. 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:

	March 31, 2012	March 31, 2011
		(Rs. 000’s)
Not Later than one year	3,185	7,383
Later than one year and not later than 5 years	567	507
Later than five years	0	0
Lease payments charged to Profit and Loss Account	19,806	14,010

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

	March 31, 2012	March 31, 2011
		(Rs. 000’s)
Deferred Tax Asset		
Depreciation	1,511	2,363
Employee Benefits	3,105	3,167
Provision for Non-Performing Assets	10,379	22,568
Unabsorbed Losses	0	13,266
Others	694	645
Total	<u>15,689</u>	<u>42,009</u>
Deferred Tax Liability		
Interest on securities	32,903	17,996
Total	<u>32,903</u>	<u>17,996</u>
Net Deferred Tax Asset/(Liability)	<u>(17,214)</u>	<u>24,013</u>

40. Segment Reporting:

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

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

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

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

(Rs. in Crores)

Business Segments / Particulars	Treasury Operations		Corporate/ Wholesale Banking		Retail Banking		Un allocated		Total	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
Results	12.02	4.15	8.90	3.62	9.92	2.69	(4.90)	(4.87)	25.94	5.59
Operating Profit									25.94	5.59
Income Tax including deferred tax									9.62	(2.63)
Extraordinary Profit/(Loss)									0	0
Net Profit									16.32	8.22
Other Information										
Segment Assets	859.22	738.72	315.33	170.70	22.65	25.30	22.24	14.42	1,219.44	949.14
Segment Liabilities	260.31	222.59	10.92	16.06	632.49	564.81	315.72	145.68	1,219.44	949.14

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.

41. 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.

42. Description of Contingent liability in Schedule 12:

1. Liability on account of outstanding forward exchange contracts:

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

2. Guarantees given on behalf of constituents:

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

3. Claims against banks not acknowledged as debt:

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

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

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

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AUDITORS' REPORT

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

- 1) We have audited the attached Balance Sheet of **Abu Dhabi Commercial Bank-Indian Operations** (incorporated in the United Arab Emirates with limited liability) ('the Bank') as on 31st March, 2012, the annexed Profit and Loss Account and also the Cash Flow Statement of the Indian Operations of the Bank for the year ended on that date. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2) We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement(s). An audit includes examining, on a test check basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3) In accordance with the provisions of section 29 of the Banking Regulation Act, 1949, read together with the provisions of sub-sections (1), (2) and (5) of Section 211 and sub-section (5) of Section 227 of the Companies Act, 1956, the Balance Sheet and Profit and Loss Account, are not required to be and are therefore not drawn up in accordance with Schedule VI to the Companies Act, 1956. The accounts are therefore, drawn up in conformity with Forms 'A' and 'B' of the Third Schedule to the Banking Regulation Act, 1949 to the extent applicable to the Bank. We report that:
 - a) We have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory.
 - b) The transactions of the Indian Operations of the Bank, which have come to our notice, have been in our opinion, within the powers of the Bank.
 - c) In our opinion, proper books of accounts as required by law have been kept by the Indian Operations of the Bank so far as appears from our examination of those books.
 - d) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement of the Indian Operations of the Bank dealt with by this report are in agreement with the books of accounts.
 - e) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, to the extent they are applicable to Banks and are not inconsistent with the Banking Regulation Act, 1949 and the disclosures and method of accounting prescribed by the Reserve Bank of India.
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant accounting policies and the notes thereon, give the information required by the Companies Act, 1956 in the manner so required for Banking Companies and on such basis, give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) In the case of the Balance Sheet of the state of affairs of the Indian Operations of the Bank as on 31st March 2012;
 - ii) In the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
 - iii) In the case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

For and on behalf of
BORKAR & MUZUMDAR
Chartered Accountants
Firm Reg. No: 101569W

Sd/-
Dilip Muzumdar
Partner
M. No: 8701

Place: Mumbai
Date: June 22, 2012

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Basel II: Pillar III Disclosures

1. DF-1 Scope of Application

Qualitative Disclosure

- The name of the top bank in the group, to which these regulations apply, is Abu Dhabi Commercial Bank (ADCB India). Abu Dhabi Commercial Bank Indian Operations (ADCB India) is a network of two branches (Mumbai and Bangalore) of 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.
- 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

2. DF-2 Capital Structure

2.1. Qualitative Disclosures

Capital instruments eligible for inclusion in Tier 1 included local capital funds, capital reserves, statutory reserves and remittable surplus retained in India.

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

2.2. Quantitative Disclosures

2.2.1. Summary of Capital Funds

(Rs. in Lakhs)

Sr No.	Components of Tier I Capital	Bank's Amount	Eligible Amount
1	Paid up share capital	21,701.87	21,701.87
2	Statutory Reserves	3,407.26	3,407.26
3	Disclosed Free Reserves	1,315.59	1,315.59
4	Capital Reserves representing surplus arising out of sale proceeds of assets	147.11	147.11
5	Remittable Surplus (not repatriable)	4,346.64	4,346.64
6	Deductions	0.00	0.00
	Tier I Capital		30,918.47
Sr No.	Components of Tier II Capital		
1	General Provisions and loss reserves	341.14	341.14
	Tier II Capital		341.14
	Total		31,259.61

3. DF-3 Capital Adequacy

3.1. Qualitative Disclosures

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

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

At Head Office level, the bank has drawn its business plan setting up targets across business segments. Accordingly, the projected Balance Sheet has been drawn for the year 2012-13. Based on the same, the Bank has projected its capital requirements in accordance with the current risk profile, which includes ADCB India operations also.

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

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

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3.2. Quantitative Disclosures

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

(Rs. in Lakhs)

Capital Adequacy	
Credit Risk	
Total Portfolio subject to credit risk	120,270.72
Capital Requirement under standardised approach	2,927.09
Market Risk	
(i) Interest rate risk	21.12
(ii) Equity position risk	0.00
(iii) Foreign exchange risk	135.00
Capital Requirement : Total (i+ii+iii)	156.12
Operational Risk	
Capital Requirement under Basic Indicator Approach	395.22
Total	3,478.43

3.2.2. Capital Adequacy Ratio (CRAR)

CRAR	80.88%
CRAR – Tier 1 Capital (%)	80.00%

4. DF-4 Credit Risk: General Disclosures

4.1. Qualitative Disclosures

4.1.1. Overview of policies and procedures

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

The Credit Risk Management Framework is summarised as under:

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

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

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

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

- To optimise the risk and return envisaged in order to see that the Economic Value Addition to the bank is maximised and the interests of all the stakeholders are protected alongside ensuring corporate growth and prosperity with safety of Bank's resources.
- To ensure credit growth both quantitatively and qualitatively through various channels in line with the common goals and objectives of the Bank.
- To build-up and maintain a well diversified and fairly high yielding credit portfolio for augmentation of interest and non-interest income.
- To strengthen the credit delivery system and to instil a sense of credit culture enterprise-wide.

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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, Capital Adequacy, Credit Risk Management guidelines etc. of RBI/HO/other authorities.
- To guide officials handling credit to decide whom, why, how much, what rate, what period and with what terms and conditions to lend. How to monitor, follow up, and recover the facility extended.

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

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

4.1.2. Past Due and Impaired Loans

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

Non-performing assets (NPAs)

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

- Interest and/or installment of principal remain 'overdue' for a period of more than 90 days in respect of a Term Loan,
- The account remains 'out of order' for a period of more than 90 days, in respect of an Overdraft/Cash Credit (OD/CC)
- The bill remains 'overdue' for a period of more than 90 days in the case of bills purchased and discounted,
- Any amount to be received remains 'overdue' for a period of more than 90 days in respect of other accounts.
- A loan granted for short duration crops is treated as NPA, if the installment of principal or interest thereon remains overdue for two crop seasons and a loan granted for long duration crops is treated as NPA, if installment of principal or interest thereon remains overdue for one crop season.
- An account would be classified as NPA only if the interest charged during any quarter is not serviced fully within 90 days from the end of the quarter

'Out of Order' status

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

'Overdue'

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

4.2. Quantitative Disclosures

4.2.1. Total Credit Risk Exposure and Geographic Distribution

(Rs. in Lakhs)

Geographic Distribution of Exposures			
	Domestic	Overseas	Total
Fund Based	29,231	0	29,231
Non-fund Based	5,401	2,695	8,096
Total Gross Credit Exposure	34,632	2,695	37,327

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4.2.2. Industry Type Distribution of Exposure:

(Rs. in Lakhs)

Industry Type Distribution of Exposures (Gross)		Fund Based Exposure	Non Fund Based Exposure
3	Iron and Steel	10,759	0
5	All Engineering	1,160	3,254
9	Other Textiles	554	0
17	Chemicals, Dyes, Paints etc	4,006	0
19	Leather and Leather Products	0	0
20	Gems and Jewellery	17	37
21	Construction	0	3,564
24	Computer Software	1,551	0
25	Infrastructure	4,724	402
26	NBFC's	4,457	0
27	Trading	203	2
28	Other Industries	630	837
29	Retail Advances	1,170	0
Total		29,231	8,096

4.2.3. Residual Contractual Maturity Breakdown of Assets

(Rs. in Lakhs)

Maturity Pattern	Cash, Balances with RBI and other Banks	Advances (Net)	Investment (Net)	Other Assets including Fixed Assets
0-1 day	1055	191	50	840
2-7 days	53	1,503	3,986	57
8-14 days	60	2,073	290	202
15-28 days	25	1,557	118	172
29 days- 3 months	18,152	9,002	3,034	428
3-6 months	10,214	2,061	996	182
6-12 months	35,605	2,395	6,982	537
1-3 years	1,003	8,840	4,895	491
3-5 years	3	1,186	1,763	0
Over 5 years	0	111	0	1,832
Total	66,170	28,919	22,114	4,741

4.2.4. Amount of Non-Performing Assets (NPAs)

NPAs (Gross) as on 31.03.2012

(Rs. in Lakhs)

Category	Amount
Sub-Standard	0.00
Doubtful 1	311.98
Doubtful 2	0.00
Doubtful 3	0.00
Loss	0.00
Total	311.98

4.2.5. NPA Ratios

NPA Ratios as on 31.03.2012	
Gross NPAs to Gross Advances	1.07%
Net NPAs to Net Advances	0.00%

4.2.6. Amount of Net NPAs: Nil

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4.2.7. Movement of NPAs and Movement of Provisions for NPAs

(Rs. in Lakhs)

Movement of NPAs (Gross)		Movement of provisions for NPAs (Gross)	
(i) Opening Balance at the beginning of the yr	1,274.83	(i) Opening Balance at the beginning of the yr	753.62
(ii) Additions during the yr	37.89	(ii) Provisions made during the yr	199.82
(iii) Reductions during the yr	901.94	(iii) Write-offs made during the yr	98.80
(iv) Write-offs made during the yr	98.80	(iv) Write-back of excess provisions made during the yr	542.66
Closing Balance as at the end of the yr (i+ii-iii-iv)	311.98	Closing Balance as at the end of the yr (i+ii-iii-iv)	311.98

4.2.8. Amount of Non-Performing Investments: 224.98 Lakhs

Amount of Provisions held for Non-Performing Investments: 224.98 Lakhs

4.2.9. Movement of Provision for Depreciation on Investments

(Rs. in Lakhs)

Movement of Provision for Depreciation on Investments	
(i) Opening Balance at the beginning of the yr	341.53
(ii) Provisions made during the yr	0.00
(iii) Write-offs made during the yr	0.00
(iv) Write-back of excess provisions made during the yr	0.00
Closing Balance as at the end of the yr (i+ii-iii-iv)	341.53

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

5.1. Qualitative Disclosures

5.1.1. Ratings

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

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

Types of exposures for which each agency will be used

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

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

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

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

5.2. Quantitative Disclosures

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

(Rs. in Lakhs)

Sr No.	Exposure amounts after risk mitigation	Amount
1	Below 100% risk weight exposure outstanding	107,187.76
2	100% risk weight exposure outstanding	9,120.80
3	More than 100% risk weight exposure outstanding	861.70
4	Total	117,170.26

6. DF-6 Credit Risk Mitigation

6.1. Qualitative Disclosures

6.1.1. Types of Credit Risk Mitigants

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

Financial Collateral

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

Non-financial collateral

- Hypothecation of Stocks/Book Debts/Accounts Receivables
- Assignment of Credit Card/Lease Rent receivables
- Equitable mortgage over real estate/property/factory land & building etc

Guarantees

- Bank Guarantees
- Corporate Guarantee
- Personal Guarantee

Others

- Assignment of salary account and terminal benefits in case of staff loans

6.1.2. Valuation

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

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

Bank aims to maintain a level of information about pledges and guarantees that is sufficient for it to regularly estimate the value thereof. To some extent, the Bank receives guarantees for credit exposures. A large part of these guarantees are provided by enterprises or persons where a group relationship between the borrower and the guarantor exists.

6.1.3. Risk Concentration within the mitigation taken

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

6.2. Quantitative Disclosures

For credit risk portfolio under the standardised approach, **the total exposure that is covered by eligible financial collateral; after application of haircuts is Rs. 1.20 Crores.**

7. DF-7 Securitisation: disclosure for standardised approach

The Bank currently does not have any securitised exposures.

8. DF-8 Market Risk in Trading Book

8.1. Qualitative Disclosures

8.1.1. Overview of Policies and Procedures

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

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

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

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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 middle office shall assess the risk independently and is responsible for preparing stress testing scenarios, providing inputs in pricing market risk, performing revaluation and marking to market of market exposures and communicating short term view with regard to market risk profile of the Bank.
- **Valuation and Pricing:** The Bank values its foreign exchange including derivative positions on daily 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 line with overall regulatory limits.

8.2. Quantitative Disclosures

8.2.1. Bank's Capital Requirement for Market Risk

(Rs. in Lakhs)

Risk Category	Capital charge
I. Interest Rate (a+b)	21.12
a. General market risk	21.12
i) Net position (parallel shift)	20.52
ii) Horizontal disallowance (curvature)	0.20
iii) Vertical disallowance (basis)	0.41
iv) Options	0.00
b. Specific risk	0.00
II. Equity (a+b)	0.00
a. General market risk	0.00
b. Specific risk	0.00
III. Foreign Exchange & Gold	135.00
IV. Total Capital charge for Market risks (I+II+III)	156.12

9. DF-9 Operational Risk

9.1. Qualitative Disclosures

9.1.1. Overview of Policies and Procedures

Operational risk is the risk of losses owing to

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

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

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

The Bank has an IT and information security framework in place to ensure control over misuse by staff apart from external events. It also has an internal audit framework to monitor adherence to laid-down processes.

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

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

9.2. Quantitative Disclosures

As on 31st March 2012, the Operational Risk Capital Charge for the Bank was **Rs. 395.22 Lakhs** based on previous 3 year's average gross income.

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

10.1. Qualitative Disclosures

10.1.1. Overview of Policies and Procedures

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

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

Broad overview of the ALM policy is as below:

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

10.2. Quantitative Disclosures

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

For quarter ending, 31st March 2012,

(Rs. in Crores)

Particulars	INR & others
Impact on Economic Value of Equity (EVE), based on 200 bps change in interest rates	5.57
Impact on Earnings at Risk (EAR), based on 200 bps change in interest rates	1.46