BASEL III: PILLAR 3 DISCLOSURES AS AT 31ST DECEMBER 2020
(CURRENCY: INDIAN RUPEES IN MILLIONS)

1. Capital Adequacy

Qualitative Disclosures:

The CRAR of the Bank 39.97% as computed under Basel III norms, which is higher than the minimum regulatory CRAR requirement of 10.9%.

The Bank's capital management approach is driven by the desire to maintain an appropriate capital base and to maintain an adequate buffer in support of its business development and to meet the regulatory capital requirements stipulated by the RBI at all times. Implications of major business decisions on the Bank's capital position are taken into account by the India Executive Committee (India EXCO) of the Bank and the FAB Group, prior to implementation, in order to preserve the Bank's overall capital requirements.

The Bank's capital requirements are drawn up annually in conjunction with the financial budgeting exercise and approved by the FAB Group for implementation at the beginning of each financial year. The capital requirements take into account, inter alia, the Bank's strategic objectives and business plans and regulatory capital requirements.

Quantitative Disclosures :

	Particulars			31st December 2020
(a)	**Capital requirements for credit risk :**			
	*	Portfolios subject to standardised approach		3,322
	*	Securitisation exposures		
(c)	**Capital requirements for market risk :**			
	*	Standardised duration approach;		1,150
		-	Interest rate risk	1,039
		-	Foreign exchange risk (including gold)	111
		-	Equity risk	
(d)	**Capital requirements for operational risk :**			
	*	Basic Indicator Approach		297
(e)	Common Equity Tier 1 (CET1), Tier 1 and Total Capital ratios :			
	*	CET1 Capital ratio (%)		38.60%
	*	Tier 1 Capital ratio (%)		38.60%
	*	Total Capital ratio (%)		39.97%

General Disclosures for Credit Risk

Qualitative Disclosures

First Abu Dhabi Bank India follows the Group Credit Policy Manual and has also developed an India Credit Policy Manual which together cover all stages of the credit life cycle, viz. origination, assessment and measurement, pricing, approval, commitment, administration, operations, monitoring, reporting, remedial management and portfolio management. It addresses all the businesses of the Bank where credit risk is presently being assumed, in any manner.

The Manual provides a set of policies to establish and maintain the following including, but not limited to:

- An appropriate credit risk environment,
- A sound credit granting process,
- An appropriate credit measurement, monitoring and reporting process, and
- Adequate controls over credit risk, in all business segments at, both, the individual credit and portfolio levels. It also seeks to establish a common quality standard for the management of credit risk.

India addendum to credit policy is available

Risk rating system

The Bank uses an internal risk rating system to assess the credit quality of borrowers and counterparties. Each counterparty is assigned a rating, including classified accounts that are either watch list or non-performing. The risk rating system has 11 grades, further segregated into 23 notches. Grades 1-6 are performing, Grade 7-8 is Watch-list and Grades 9 - 11 are non–performing, each with a rating description.

The Group has implemented bespoke models and scorecards using its own data and expert judgment for :

- Borrower risk rating models for Corporate, SMEs, and High Net-Worth Individuals.
- Facility risk rating models for Project Finance and Real Estate.

Model performance and usage are monitored regularly by the Group and are reported to the Group senior management and risk committees. All models are subject to periodic in-depth reviews by the Group to ensure that they remain fit-for-use and appropriate to the underlying portfolio segment and geography.

The output of each model and scorecard is mapped to an internal rating scale. Each grade in the rating system is linked to a Probability of Default (PD) estimated using the Group default experience supplemented by data from external sources.

Sovereign and bank exposures are governed by the ratings from external credit rating agencies

Risk Monitoring

The Bank regularly monitors its credit risk in respect of all its portfolios at various levels. At the obligor level, the Bank has a process of periodic review of credit based on the internal rating grades. More frequent reviews are made for the weaker credits and less frequent reviews for the superior credits. The Bank conducts full reviews and renewals of all performing credits at least annually. Obligors with lower risk profile are monitored at lower frequency by business units, unless otherwise required, to evaluate the potential changes in credit worthiness and related impact on risk rating based on latest available financial and other relevant information. More frequent and focused monitoring for lower rated borrowers ensures early identification of potential impairments, if any.

RBI has earmarked certain sectors as stress sectors. FAB India has exposure to a real estate company and a housing finance corporation The classification and impairment policy currently implemented by the Group classifies delinquent borrowers as Substandard, Doubtful or Loss in line with the guidelines laid down in the Central Bank of United Arab Emirates' (CBUAE) circular 28/2010. The Bank in India will comply with the Group policy as well as the RBI's Master Circular - Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated 01 July 2015. Currently there are no non-performing exposures.

In assessing the collective loss allowance, the Bank uses the capital charge of 0.4% (and other specified rates) of standard assets and credit equivalent of FX and derivative exposure as stipulated in the above RBI circular.

Watch-listed accounts are also monitored and reported to senior management. This category comprises accounts where either contractual principal or interest is past due or when the accounts show weakness in the borrower's financial position and creditworthiness and requires more than normal attention. Such weakness is specifically monitored to ensure that the quality of the asset does not further deteriorate. Currently there are no Watch-listed accounts.

The Bank monitors all excesses over limits. The monitoring reports are available to senior management and processes are initiated to realize and regularize such excesses, where outstanding.

The Bank monitors the existing portfolio based on country, industry and ratings. These portfolio reports are prepared periodically and tabled for review by senior management. FAB India's exposure to a particular industry / sector would be limited to a maximum of 20% of total advances.

Quantitative Disclosures

a. Credit Exposures

Particulars	**31st December 2020**
Fund Based	34,414
Non Fund Based	24,166

*Does not include Gsec & CDs investment

The Fund based exposures represents Nostro Balances, Deposits with QCCP, Loans and Investment in CPs. Non fund based exposures represents Guarantees and credit equivalent of Foreign exchange contracts.

b. Geographic distribution of exposures

The Bank does not have overseas operations and hence exposures are restricted to the domestic segment

(CURRENCY: INDIAN RUPEES IN MILLIONS)

c. Industry type distribution of exposures

Industry type	**Fund based**	**NFB**	**Total**
Bank	732	11,963	12,695
QCCP	427	2,072	2,499
Generation of Electricity	1,330	-	1,330
Mfg of Basic Iron and Steel	-	231	231
Real Estate Activities	4,000	-	4,000
Other Computer Related Activities	3,250	-	3,250
NBFCs- general purpose loans	-	2,236	2,236
Mfg of Refined Petroleum Products	-	487	487
Basic Telecom Services	-	522	522
Mfg of Basic Chemicals except Fertilisers	2,850	-	2,850
NBFCs- for small & micro enterprises	-	1,009	1,009
Mfg of Fertilisers etc	3,500	-	3,500
Mfg of Cement, Lime and Plaster	1,500	-	1,500
Wholesale Food Procurement	4,000	-	4,000
Mfg of Basic Non-ferrous Metals	2,000	-	2,000
General Constructions	-	371	371
Construction/Maintenance of Roads	-	1,400	1,400
Construction/Erection of Power Lines etc	1,750	2,100	3,850
Mfg of Coke/Coke Oven Products	3,000	-	3,000
Sale of Motor Vehicles (Wholesale/Retail)	1,500	-	1,500
NBFCs- in the housing sector	-	1,582	1,582
Mfg of Other Chemical Products	195	195	390
Other Wholesale Trades	80	-	80
Mfg of Sugar Products	3,000	-	3,000
Supporting Services to Water Transport	300	-	300
Inland Water Transport	1,000	-	1,000
Total	**34,414**	**24,166**	**58,580**

(CURRENCY: INDIAN RUPEES IN MILLIONS)

d. Residual contractual maturity breakdown of total assets

Buckets	**31-Dec-20**
1 day	1,482
2 to 7 days	2,620
8 to 14 days	1,554
15 to 28 days	1,794
29 days and upto 3 months	1,429
Over 3 months and upto 6 months	7,619
Over 6 months and upto 1 year	1,000
Over 1 year and upto 3 years	11,775
Over 3 year and upto 5 years	41,028
Over 5 years	9,319
Total	**79,620**

e. Amount of NPA

The Bank did not have any NPA during the year and hence this disclosure is not applicable

f. Net NPAs

The Bank did not have any NPA during the year and hence this disclosure is not applicable

g. NPA ratios

The Bank did not have any NPA during the year and hence this disclosure is not applicable

h. Movement of NPAs (Gross)

The Bank did not have any NPA during the year and hence this disclosure is not applicable

i. Movement of provisions

The Bank did not have any NPA during the year and hence disclosure is not applicable for specific provisions. The movement for general provisions (Standard Assets, Country Risk and UFCE) during the year is as under:

Opening Balance	188
Provisions made during the year	79
Write-offs / write back of excess provisions	(27)
Closing Balance	240

(CURRENCY: INDIAN RUPEES IN MILLIONS)

j. Amount of Non-Performing Investments (NPI)

The Bank did not have any NPI during the year and hence this disclosure is not applicable

k. Amount of provisions held for NPI

The Bank did not have any NPI during the year and hence this disclosure is not applicable

l. Movement of provisions for depreciations on investments

Opening Balance	-
Provisions made during the year	-
Write-offs / write back of excess provisions	-
Closing Balance	-

2. Disclosures for Portfolios Subject to the Standardised Approach

Qualitative Disclosures

The Bank uses the External Credit Assessment Institutions (ECAI) approved by the RBI to calculate its capital adequacy for sovereigns, banks, and corporate counterparties. For all exposures to domestic corporates, ratings by the following ECAIs are to be considered in line with 5.8 of RBI's Master Circular on Basel III Capital Regulations dated 01 July, 2015 - Brickwork Ratings India Pvt Ltd; Credit Analysis and Research Ltd; CRISIL Ltd; India Ratings and Research Ltd; ICRA Ltd; SMERA Ratings Ltd.

Claims on Indian banks and Indian branches of foreign banks will be risk weighted in line with the RBI's Master Circular on Basel III Capital Regulations dated 01 July, 2015 based on the CET1 and applicable CCB ratio levels set out.

Ratings from Fitch, Moody's and Standard & Poor's are considered for risk weights for claims on foreign sovereigns, foreign public sector entities and foreign banks as set out in the RBI Master Circular.

The use of the ratings and mapping process will be in line with the RBI Master Circular.

Quantitative Disclosures

Bank's outstanding (rated and unrated) in the three major risk buckets as well as those that are deducted are as under:

Particulars	31st December 2020
Below 100% risk weight	31,896
100% risk weight	1,135
More than 100% risk weight	14,085
Deduction	138

* Deduction represents DTA which has deducted from CET 1 Capital

3. Credit Risk Mitigation : Disclosures for Standardised Approaches

Qualitative Disclosures

The Bank has accepted below collateral as credit risk mitigation for the borrower's as on 31 December 2020. The types of collateral considered by the Bank are provided below, which will be accepted based on Legal advice and approval – cash; fixed deposit receipts issued by the Branch; debt securities; marketable securities including mutual fund units, equity shares; corporate guarantees; trade and other receivables; commercial real estate; other tangible assets such as, commodities, vehicles, plant and machinery, merchandise, goods, inventory, and stock; life insurance policies with a declared surrender value of an insurance company which is regulated by an insurance sector regulator; credit insurance / guarantees; standby letters of credit etc.

Customer Name	Security Description
Emaar India Limited	Corporate Guarantee from Emaar Properties PJSC
Shree Renuka Sugars Ltd	Corporate Guarantee from Wilmar International Ltd
Nuvoco Vistas Corporation Limited	First pari-passu charge on fixed assets of the company (both present and future) with security cover of 1.05x on book value + 1.25x on market value
TV Sundram Iyengar And Sons Limited	First Pari Passu charge on land and building with security cover of 1.25x on market value.
India Gateway Terminal Private Limited	Corporate Guarantee from DP World PLC
Container Railroad Services Private Limited	Corporate Guarantee from DP World PLC
Reda Chemicals India Private Limited	Corporate Guarantee from Reda Industrial Materials FZE and first pari passu charge on inventory, book debts and movable fixed assets (both present and future) of the company.
Astra Specialty Compounds India Pvt Ltd	Corporate Guarantee from Astra Industrial Group Company

Quantitative Disclosures

For credit risk portfolio under the standardized approach, the Bank had extended guarantee to Indian corporate obligor on the basis of counter guarantee from Bank's parent totaling to INR 5,176 million.

4. Securitisation Exposures : Disclosure for Standardised Approach

The Bank has not undertaken any securitisation and hence this disclosure is not applicable.

5. Leverage Ratio Disclosures

Table DF 17 - Summary comparison of accounting assets vs. leverage ratio exposure measure		
	Item	**(Rs. in Million)**
1	Total consolidated assets as per published financial statements	79,620
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
4	Adjustments for derivative financial instruments	14,322
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	-
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off- balance sheet exposures)	5,999
7	Other adjustments	(138)
8	Leverage ratio exposure	99,803

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Common disclosure template and explanatory table, reconciliation and other requirements

Table DF-18: Leverage ratio common disclosure template		
	Item	Leverage ratio
	On-balance sheet exposures	
1	On-balance sheet items (excluding derivatives and SFTs, but incl collateral)	76,042
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(138)
3	Total on-balance sheet exposures (excluding derivatives and SFTs)	75,904
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	3,578
5	Add-on amounts for PFE associated with all derivatives transactions	14,322
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8	(Exempted CCP leg of client-cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11	Total derivative exposures (sum of lines 4 to 10)	17,900
	Securities financing transaction exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	CCR exposure for SFT assets	-
15	Agent transaction exposures	-
16	Total securities financing transaction exposures (sum of lines 12 to 15)	-
	Other off-balance sheet exposures	
17	Off-balance sheet exposure at gross notional amount	22,482
18	(Adjustments for conversion to credit equivalent amounts)	(16,483)
19	Off-balance sheet items (sum of lines 17 and 18)	5,999
	Capital and total exposures	
20	Tier 1 capital	20,460
21	Total exposures (sum of lines 3, 11, 16 and 19)	99,803
	Leverage ratio	
22	Basel III leverage ratio	20.50%