2012-2013
ANNUAL REPORT

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED

MUMBAI BRANCH

ICBC 中国工商银行 孟买分行

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED
BALANCE SHEET AS AT MARCH 31, 2013

		INR ('000) **As on 31-Mar-13**	***INR ('000)*** **As on 31-Mar-12**
CAPITAL AND LIABILITIES	**Schedule**		
Capital	1	4,554,480	4,554,480
Reserves and Surplus	2	263,443	99,059
Deposits	3	1,771,016	1,212
Borrowings	4	1,085,700	-
Other Liabilities and Provisions	5	113,158	534,945
Total		**7,787,797**	**5,189,695**
ASSETS			
Cash and Balances with Reserve Bank of India	6	117,677	4,000
Balances with Banks and Money at Call and Short Notice	7	3,147,667	4,640,006
Investments	8	1,037,775	
Advances	9	3,372,107	454,622
Fixed Assets	10	30,925	41,683
Other Assets	11	81,646	49,384
Total		**7,787,797**	**5,189,695**
Contingent Liability	12	3,261,277	392,543
Significant Accounting Policies & Notes to Accounts	18		

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED
PROFIT & LOSS FOR THE YEAR ENDED MARCH 31, 2013

	Schedule	*INR ('000)* Year Ended 31-Mar-13	*INR ('000)* Period Ended 31-Mar-12
INCOME			
Interest Earned	13	578,312	246,965
Other Income	14	36,048	29,959
Total		**614,360**	**276,924**
EXPENDITURE			
Interest Expended	15	74,392	-
Operating Expenses	16	234,487	100,814
Provisions and Contingencies	17	141,097	77,051
Total		**449,976**	**177,865**
PROFIT / (LOSS)			
Net Profit /(Loss) for the Year after tax		164,384	99,059
Transfer from Investment Fluctuation Reserve		-	-
		164,384	**99,059**
APPROPRIATIONS			
Transfer to Statutory Reserve		41,096	24,765
Transfer to /(from) Investment Fluctuation Reserve		1,668	
Balance carried over to Balance Sheet		121,620	74,294
		164,384	**99,059**
Significant Accounting Policies & Notes to Accounts	18		

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED
SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

	INR ('000) As on 31-Mar-13	*INR ('000)* As on 31-Mar-13
SCHEDULE 1 - CAPITAL		
Amount of deposit with RBI under section 11(2) of the	2,000	2,000
Banking Regulation Act, 1949 as per contra		
	2,000	**2,000**
HEAD OFFICE ACCOUNT		
Opening balance	4,554,480	4,554,480
Additions during the year	-	-
Closing balance	**4,554,480**	**4,554,480**
SCHEDULE 2 - RESERVES AND SURPLUS		
I. STATUTORY RESERVES		
Opening balance	24,765	-
Additions during the year	41,096	24,765
Closing balance	**65,861**	**24,765**
II. CAPITAL RESERVES		
Opening balance	-	-
Additions during the year	-	-
Closing balance	-	-
III. INVESTMENT FLUCTUATION RESERVE		
Opening balance	-	-
Additions during the year	1,668	-
Closing balance	**1,668**	-
IV. REVENUE AND OTHER RESERVES		

Opening balance	-	-
Additions during the year	-	-
Closing balance	-	-
V. Balance in Profit and Loss Account	**195,914**	**74,294**
	263,443	**99,059**

SCHEDULE 3 - DEPOSITS

A. In India		
I. DEMAND DEPOSITS		
i) From banks	-	-
ii) From others	474,884	1,212
II. SAVINGS BANK DEPOSITS	3,517	-
III. TERM DEPOSITS		
i) From banks	-	-
ii) From others (Institutional)	1,292,615	-
	1,771,016	**1,212**
B.		
I. Deposits of branches in India	1,771,016	1,212
II. Deposits of branches outside India	-	-
	1,771,016	**1,212**

SCHEDULE 4 - BORROWINGS

I. BORROWINGS IN INDIA		
i) Reserve Bank of India	-	-
ii) Other banks	-	-
iii) Other institutions and agencies	-	-
II. BORROWINGS OUTSIDE INDIA	1,085,700	-
	1,085,700	-

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

I. Bills payable	-	-
II. Inter-office adjustments (net)	-	-
III. Interest accrued	47,270	-
IV. Others (including provisions)	65,888	534,945
V. Provision for Tax (net of advance tax)	-	-
	113,158	**534,945**

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

I. Cash in hand (including foreign currency notes)	877	-
II. Balances with Reserve Bank of India		
i) In current account	116,800	4,000
ii) In other accounts	-	-
	116,800	4,000
Total I and II	**117,677**	**4,000**

SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE

I. In India		
Balances with banks		
i) In current accounts	12,249	140,938
ii) In other deposit accounts	3,009,562	4,015,946
Money at call and short notice		
i) With banks	-	-
ii) With other institutions	-	-
	3,021,811	**4,156,884**
II. Outside India		
i) In current accounts	125,856	483,121
ii) In other deposit accounts	-	-
iii) Money at call and short notice	-	-
	125,856	**483,121**
	3,147,667	**4,640,006**

SCHEDULE 8 - INVESTMENTS

I. Investment in India in		
i) Government Securities (Treasury Bill)	1,037,775	-

ii) Other approved securities	-	-
iii) Shares	-	-
iv) Debentures and Bonds	-	-
v) Subsidiaries and/or joint ventures	-	-
vi) Others	-	-
	1,037,775	-
II. Investment outside India in		
i) Government Securities (including local authorities)	-	-
ii) Subsidiaries and/or joint ventures abroad	-	-
iii) Others	-	-
	-	-
	1,037,775	-

SCHEDULE 9 - ADVANCES

A. i) Bills purchased and discounted	147,107	229,622
ii) Cash credits, overdraft and loan repayable on demand	3,225,000	225,000
iii) Term loans - Staff	-	-
	3,372,107	**454,622**
B. i) Secured by tangible assets	-	-
ii) Covered by bank/governments guarantees	3,361,661	454,622
iii) Unsecured	10,446	-
	3,372,107	**454,622**
C. I. Advances in India		
i) Priority sector	147,107	-
ii) Public sector	-	-
iii) Banks	-	-
iv) Others	3,225,000	454,622
	3,372,107	**454,622**
II. Advances Outside India		
i) Due from banks	-	-
ii) Due from others	-	-
(a) Bills purchased and discounted	-	-
(b) Syndicated loans	-	-
(c) Others	-	-
	-	-
	3,372,107	**454,622**

SCHEDULE 10 - FIXED ASSETS

I. PREMISES		
At cost as on 31 March of the preceding year	24,396	-
Additions during the year	-	24,396
Deductions during the year	57	-
	24,339	24,396
Depreciation to date	7,686	2,815
Total Net Book Value I	16,653	21,581
II. OTHER FIXED ASSETS (Including Furniture and Fixtures)		
At cost as on March 31 of the preceding year	23,873	-
Additions during the year	989	23,873
Deductions during the year	-	-
	24,862	23,873
Depreciation to date	10,590	3,771
Total Net Book Value II	14,272	20,102
Net Book Value I and II	**30,925**	**41,683**

SCHEDULE 11 - OTHER ASSETS

I. Inter-office adjustments (net)		
II. Interest accrued	41,202	7,862
III. Tax paid in advance / tax deducted at source (net of provision for tax)	3,940	3,909
IV. Stationery and Stamps	-	-
V. Non-banking assets acquired in satisfaction of claims	-	-
IV. Others (Including Debit Balance in Profit and Loss Account)	30,720	36,594
V. Deferred Tax Asset	5,784	1,019
	81,646	**49,384**

SCHEDULE 12 - CONTINGENT LIABILITIES

I. Claims against the bank not acknowledged as debts	-	-
II. Liability for partly paid investments	-	-
III. Liability on account of outstanding forward exchange contracts	-	-
IV. Liability on account of outstanding Derivative contracts	1,086,400	-
V. Guarantees given on behalf of constituents		

(a) In India	2,015,696	392,543
(b) Outside India	-	-
VI. Acceptances, endorsements and other obligations	-	-
VII. Other items for which the bank is contingently liable	159,181	-
	3,261,277	**392,543**

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED
SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

	INR ('000) **Year ended** **31-Mar-13**	*INR ('000)* **Period ended** **31-Mar-12**
SCHEDULE 13 - INTEREST EARNED		
Interest/discount on advances/bills	279,985	11,745
Income on investments	51,303	-
Interest on balances with the Reserve Bank of India and	-	-
other inter-bank funds	247,024	235,220
Others	-	-
	578,312	**246,965**
SCHEDULE 14 - OTHER INCOME		
Commission, exchange and brokerage	15,309	29,959
Net Profit/(Loss) on sale of investments	2,040	-
Net Profit /(Loss) on revaluation of investments	-	-
Profit on sale of land, building and other assets	-	-
Less: Loss on sale of land, building and other assets	-	-
Net profit on exchange transactions	18,691	-
Income earned by way of dividends etc. from subsidiaries, companies and/ or joint ventures abroad/in India	-	-
Miscellaneous Income	8	-
	36,048	**29,959**
SCHEDULE 15 - INTEREST EXPENDED		
Interest on deposits	33,345	-
Interest on Reserve Bank of India/interbank borrowings	23,262	-
Others	17,785	-
	74,392	**-**
SCHEDULE 16 - OPERATING EXPENSES		
Payments to and provisions for employees	150,865	36,259
Rent, taxes and lighting	39,941	23,421
Printing and stationery	791	553

Professional Fees	5,348	8,578
Advertisement and publicity	4,293	1,744
Bank Charges	-	-
Depreciation on Bank's property	11,690	6,586
Director's fee, allowances and expenses	-	-
Auditors' fees and other expenses	1,062	1,000
Law charges	-	-
Postage, telegram, telephones etc.	7,515	3,708
Repairs and maintenance	1,202	88
Insurance	1,117	23
Other expenditure	10,664	16,557
Net Loss on exchange transactions	-	2,295
	234,487	**100,814**

SCHEDULE 17 - PROVISIONS AND CONTINGENCIES

Depreciation in the value of securities	-	-
Provision for doubtful advances and receivables	11,683	1,818
Provision for income tax and wealth tax :	-	-
Income Tax	134,179	76,252
Fringe Benefit Tax	-	-
Deferred Tax	(4,765)	(1,019)
Prior Year Tax Adjustments		-
	141,097	**77,051**

Schedule – 18 - Significant Accounting Policies and Notes to Accounts

I. Background:

Industrial and Commercial Bank of China Limited ("The Bank") has been granted licence by Reserve Bank of India (RBI) to carry on banking business in India. The Bank's Mumbai branch has commenced its operation from September 2011.The bank engages in comprehensive banking business including Corporate Banking, Retail banking and Investment Banking. The Bank's name has been included in the Second Schedule to The Reserve Bank of India Act, 1934 vide Notification DBOD IBD.No.8137/23.03.026/2011-12 dated December 01, 2011 published in the Gazette of India (part III – section 4).

II. Significant Accounting Policies

1. Basis of preparation

The financial statements are prepared under the historical cost convention on the accrual basis of accounting, except where otherwise stated and comply with Generally Accepted Accounting Principles (GAAP) in India, statutory requirements prescribed under The Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time, the Accounting Standards (AS) notified by the Companies (Accounting Standard) Rules, 2006 to the extent applicable and current practices prevailing within the banking industry in India.

2. Use of Estimates

The preparation of financial statements, in conformity with the generally accepted accounting principles, requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and reported income and expenses for the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates and these differences are recognized prospectively in the current and future periods

3. Investments

(i) Classification

In accordance with Reserve Bank of India ('RBI') guidelines, all investments are categorised as 'Held to Maturity', or 'Held for Trading' or 'Available for Sale'.

Investments that the Bank intends to hold to maturity are classified as 'Held to Maturity'. Investments that are held principally for resale within ninety days from the date of purchase are classified as 'Held for Trading'. All other investments are classified as 'Available for Sale'. An Investment is classified as 'Held to Maturity', 'Available for Sale' or 'Held for Trading' at the time of its purchase.

Transfer between categories

Transfer of investments between categories is accounted in accordance with provisions of the above referred RBI Circular:

- Securities transferred from AFS / HFT category to HTM category are transferred at the lower of book value or market value.
- Securities placed under the HTM category at a discount, are transferred to AFS / HFT category at the acquisition price /book value.

- Securities placed under the HTM category at a premium, are transferred to the AFS / HFT category at the amortised cost.
- Securities transferred from AFS to HFT category or vice-versa, are transferred at book value and provisions held for accumulated depreciation, if any, is transferred to provisions for depreciation against the HFT securities and vice-versa.

(ii) Valuation

Investments classified as 'Held to Maturity' are carried at their acquisition cost. The premium paid on acquisition of debt instruments, if any, is amortised over the period remaining to maturity. Investments classified as 'Available for Sale' are marked to market at quarterly intervals based on market price of the scrip as available from the trades/ quotes on the stock exchanges, SGL account transactions, price list of RBI, prices declared by Primary Dealers Association of India (PDAI) jointly with the Fixed Income Money Market and Derivatives Association of India (FIMMDA) periodically.The net depreciation, if any, on a transaction basis is recognized in the Profit and Loss account and the net appreciation, if any, is not recognized.

Investments classified as 'Held for Trading' are marked to market on monthly basis and depreciation, if any, on a transaction basis is recognized in the Profit and Loss account. The net appreciation, if any, is not recognized.

Treasury Bills, being discounted instruments are valued at carrying cost. Discount to face value of the instrument is recognised over remaining period to maturity.

(iii) Accounting for Repo/Reverse Repo Repurchase and reverse repurchase transactions are accounted for on outright sale/purchase basis respectively. The difference between the clean price of first leg and the clean price of second leg is recognised as interest expense/ income over the period of the transaction in accordance with RBI guidelines.

(iv) Acquisitions Cost

- Brokerage, commission, etc., paid at the time of acquisition of securities are charged to Profit and Loss Account.
- Broken period interest on debt instruments is treated as revenue item.

(v) Disposal of Investments:

Profit / Loss on sale of investments under the aforesaid three categories is recognised in the Statement of Profit and Loss. The profit from sale of investment under HTM category, net of taxes and transfer to statutory reserve is appropriated from Statement of Profit and Loss to “Capital Reserve” in accordance with the RBI Guidelines.

4. Advances

Classification and provisioning of advances of the Bank are carried out in accordance with the RBI Master Circular No. DBOD No. BP. BC.13 / 21 .04.141 / 2012-13 dated 02 July 2012 on prudential norms on income recognition, asset classification and provisioning pertaining to advances.

(i) Loans and Advances are classified as performing and non-performing, based on the guidelines issued by RBI. Loan assets become non-performing assets (NPAs) where:

a) In respect of term loans, interest and/or instalment of principal remains overdue for a period of more than 90 days.

b) In respect of Overdraft or Cash Credits advances, the accounts remains “out of order”, i.e. if the outstanding balances exceeds the sanctioned limit/drawing power continuously for 90 days, or if there are no credits continuously for 90 days as on date of the balance-sheet, or if the credits are not adequate to cover the interest due during the same period.

(ii) In respect of bills purchased/discounted, the bill remains overdue for a period of more than 90 days;

NPAs are classified into sub-standard, doubtful and loss assets, based on the following criteria stipulated by RBI:

a) Sub – standard: A loan assets that has remained as Non Performing Assets (NPA) category for a period of 12 months.

b) Doubtful: A loan asset that has remained in the sub – standards category for a period of 12 months.

c) Loss: A loan asset where loss has been identified but the amount has not been fully written off.

(iii) Provisions are made for NPAs as per the extant guidelines prescribed by the regulatory authorities, subject to minimum provisions as prescribed below:

a) Standard Assets:

- A general provision @ 0.25% in case of direct advances to agricultural and SME sector,
- 1% in respect of advances classified as commercial real estate,
- 2% in respect of housing loans at teaser rate and certain class of restructured assets and
- 0.40% for all other advances is made as prescribed by the RBI.

b) Sub – standard Assets :

- A general provision of 15%
- Additional provision of 10% for exposures which are unsecured ab-initio (i.e. where realisable value of security is not more than 10 percent ab-initio)
- Unsecured Exposure in respect of infrastructure loan accounts where certain safeguards such as escrow accounts are available – 20%

c) Doubtful Assets:

Secured Portion:
- Upto one year – 25%
- One to three years – 40%
- More than three years – 100%

Unsecured Portion: 100%

d) Loss Asset: 100%

(iv) Loans and Advances are stated net of specific provision, unrealized interest, ECGC claims received and bills rediscounted.

5. Foreign Currency transactions and balances

Transactions denominated in foreign currencies are accounted for at the rates prevailing on the dates of transactions. Monetary foreign currency assets and liabilities are translated at the balance sheet date at the standard exchange rate determined by the Bank. All profits and losses resulting from the year end revaluation and exchange differences arising on the transactions settled during the year are recognised in the Profit and Loss Account.

Contingent Liabilities on account of foreign exchange contracts, currency future contracts, guarantees, letters of credit, acceptances and endorsements are reported at closing rates of exchange as determined by the bank as at the Balance Sheet date.

6. Revenue Recognition

(i) Interest Income on Term Deposits and Advances is recognised on accrual basis.

(ii) Arrangement fee is accounted for on completion of the agreed service and when right to receive is established.

(iii) Fees and Commission is recognised on realisation basis.

Change in Accounting Policy:

With effect from April 1, 2012 the Bank has change the policy of accounting of fees and commission on guarantees secured by counter guarantees from occurrence of transactions to realisation basis. If the Bank had continued to account such commission on the occurrence basis Profit before Tax would have been higher by Rs. 7,423 thousand.

7. Fixed Assets & Depreciation

Fixed assets are stated at cost less accumulated depreciation. The Bank capitalizes all costs relating to acquisition and installation of fixed assets. However, fixed assets costing less than Rs.5, 000/- are expensed out.

Carrying amounts of cash generating assets are reviewed at each balance sheet date to determine whether there is any impairment. Impairment loss, if any, is recognised whenever the carrying amount exceeds the recoverable amount.

Depreciation on fixed assets is provided on pro-rata basis over the period of the estimated useful life of the asset on Straight Line Method, subject to the minimum rate of depreciation prescribed in Schedule XIV to the Companies Act, 1956.

The fixed assets are depreciated as per the rates given in the table below:

Assets	Depreciation Rate
Furniture & Fixtures	20%
Office Equipment	20%
Computers Hardware	33.33%
Leasehold	Over the lease period

8. Impairment of assets

The Bank assesses at each balance sheet date whether there is any indication that an asset may be impaired. Impairment loss, if any, is provided in the Statement of Profit and Loss to the extent the carrying amount of assets exceeds their estimated recoverable amount.

9. Taxation

Income Tax expense is the aggregate amount of the current tax provision (i.e. the amount of tax for the period determined in accordance with the Income Tax Act, 1961 and the rules framed there under) and the net change in the deferred tax asset or liability in the year.

Deferred Income taxes reflects the impact of the current year timing differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is recognized, only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. The impact of changes in the deferred tax assets and liabilities are recognised in the Profit & Loss Account.

10. Accounting for Leases

Lease payments for assets taken on operating leases are recognized as expenses in the profit and loss account over the lease term on a straight line basis.

11. Accounting for Provision, Contingent Liabilities and Contingent Assets

In accordance with AS-29, Provisions, Contingent Liabilities and Contingent Assets: Provision is recognised when the bank has a present obligation as a result of the past event where it is probable that outflow of resources will be required to settle the obligation, in respect of which , a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet.

Disclosure of Contingent Liability is made when there is:

a) Possible obligation arising from past event, the existence of which will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not within the control of the bank; or

b) Present obligation arising from the past events which is not recognised as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are not recognized in the financial statements.

12. Employee benefits

Gratuity

The Bank provides for gratuity to all employees. The benefit is in the form of lump sum payment to vested employees on resignation, retirement, death while in employment or on termination of employment of an amount equivalent to 15 days basic salary payable for each completed year of service. Vesting occurs upon completion of five years of service.

The defined gratuity benefit plans are valued by an independent actuary as at the balance sheet date using the projected unit credit method as per the requirement of AS-15 (Revised 2005), Employee Benefits, to determine the present value of the defined benefit obligation and the related service costs. Under this method, the determination is based on actuarial calculations, which include assumptions about demographics, early retirement, salary increases and interest rates. Actuarial gain or loss is recognised in the Statement of Profit and Loss.

Leave encashment / compensated absences

The staff shall be entitled to 30 paid leaves other than public holidays in the state of Maharashtra and under the Negotiable Instruments Act, 1881.

Any unavailable annual leave gets encashment to employee at the end of year.

However, due to work requirement or any other special circumstances, the unavailable annual leave can be postponed and availed before the end of the 1st quarter of next calendar year only after obtaining the prior approval of the CEO.

Provident Fund

The Bank contributes an amount equal to the employees' contribution on a monthly basis to the Regional Provident Fund Commissioner (RPFC).The Bank has no liability for future provident fund benefits apart from its monthly contribution which is charged to the Profit and Loss Account.

13. Cash and cash equivalents

Cash and cash equivalents include cash in hand, balances with RBI, balances with other banks

14. Accounting policy for recording hedge and non-hedge transactions; recognition of income, premiums and discounts

The income recognition is done as per AS-11 on "The Effects of changes in Foreign exchange Rates " and the guidelines issued by RBI/FEDAI from time to time.

The hedging book consists of transactions to hedge Balance Sheet assets or liabilities. The tenor of hedging instrument may be less than or equal to the tenor of underlying hedged asset or liability. Derivative contracts designated as hedges are not marked to market unless their underlying asset or liability is marked to market. In respect of derivative contracts that are marked to market, changes in the market value are recognised in the Statement of Profit and Loss in the relevant period. Gain or losses arising from hedge ineffectiveness, if any, are recognised in the Statement of Profit and Loss.

NOTES TO ACCOUNTS

1. Capital Adequacy Ratio

In terms of the RBI guidelines on New Capital Adequacy Framework, the Bank is required to maintain a minimum Capital to Risk-weighted Asset Ratio (CRAR) of 9 percentage. Further, the minimum capital to be maintained by the Bank is subject to a prudential floor of 80 percentage of the capital requirement under Basel I.

The Bank's Capital Adequacy Ratio, calculated as per the New Capital Adequacy Framework being higher, is as follows:

Particulars	**2012-2013**		**2011-2012**	
	Basel I	**Basel II**	**Basel I**	**Basel II**
CRAR	80.54%	69.43%	241.02%	241.02%
Tier I	80.31%	69.24%	240.92%	240.92%
Tier II	0.23%	0.19%	0.09%	0.09%
Percentage of the shareholding of the Government of India in nationalized banks	NIL	NIL	NIL	NIL
Amount of subordinated debt raised as Tier-II capital *	NIL	NIL	NIL	NIL
Amount raised by issue of IPDI	NIL	NIL	NIL	NIL
Amount raised by issue of Upper Tier II Instruments	NIL	NIL	NIL	NIL

2. Business/Information Ratios:

Particulars	2012-13	2011-2012
Interest income as a percentage to working funds (%) $	8.63%	5.11%
Non-interest income as a percentage to working funds (%)	0.54%	0.62%
Operating profit as a percentage to working funds (%) $	4.39%	3.64%
Return on assets (%) @	2.45%	2.05%
Business (deposits plus advances) per employee (Amount in INR '000) #	205,725	26,707
Profit per employee (Amount in INR '000)	6,575	6,191

$: Working funds to be reckoned as average of total assets (excluding accumulated losses, if any) as reported to Reserve Bank of India in Form X under Section 27 of the Banking Regulation Act, 1949, during the 12 months of the financial year.

@: Return on Assets would be with reference to average working funds (i.e. total of assets excluding accumulated losses, if any).

#: For the purpose of computation of business per employee (deposits plus advances) inter -bank deposits may be excluded.

3. Investments

(Amount in '000)

Sno.	Particulars	2012-13	2011-12
I	**Value of Investments**		
i.	Gross Value of Investments		
(a)	In India	1,037,775	-
(b)	Outside India	-	-
ii.	**Provision for Depreciation**		
(a)	In India	-	-
(b)	Outside India	-	-
iii.	**Net Value of Investments**		
(a)	In India	1,037,775	-
(b)	Outside India	-	-
II	**Movement of provision held toward depreciation on investments.**		
(i)	Opening balance	-	-
(ii)	Add: Provision made during the year	-	-
(iii)	Less: Write-off/write back of excess provision during the year	-	-
	Closing balance	-	-

4. Derivative

Forward Rate Agreement/Interest Rate Swap

(Amount in '000)

Particulars	2012-13	2011-12
The notional principal of swap agreemnt	1,086,400	-
Losses which be incurred if counter party failed to fulfill their obligations under the agreements	17,785	-
Collateral required by the bank upon entering the swaps	-	-
Concentration of credit risk arising from the swaps	0.39%	-
The fair value of the swap book	17,785	-

The nature and terms of foreign currency CCS as on March 31, 2013 are set out below

(Amount in'000)

Nature	No.	Notional Principal	Benchmark	Terms
Hedging	1	1,086,400	USD Libor	Fixed Payable v/s Floating Recievable

Disclosures on risk exposure in derivative

A) Qualitative Disclosure

"Derivative" means an instrument, to be settled at a future date, whose value is derived from change in interest rate, foreign exchange rate, credit rating or credit index, price of securities (also called "underlying"), or a combination of more than one of them and includes interest rate swaps, forward rate agreements, foreign currency swaps, foreign currency-rupee swaps, foreign currency options, foreign currency-rupee options or such other instruments as may be specified by the Bank from time to time.

Structure and organization for management of risk in derivatives, the scope and nature of risk measurement, risk reporting and risk monitoring systems, policies for hedging and/ or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges / mitigants:

Bank has a management approved Derivative Policy as part of the Investment Policy. It contains the detailed guidelines on dealing with the derivatives, which define the overall framework within which derivatives activities should be conducted and the risks controlled. The management of derivative activities are integrated into the bank's overall risk management system using a conceptual framework common to the bank's other activities. The framework covers the following aspects:

- Establish the overall appetite for taking risk and ensure that it is consistent with its strategic objectives, capital strength and management capability to hedge or transfer risk effectively, efficiently and expeditiously.
- Define the approved derivatives products and the authorized derivatives activities.
- Detail requirements for the evaluation and approval of new products or activities.
- Provide for sufficient staff resources and other resources to enable the approved derivatives activities to be conducted in a prudent manner;
- Ensure appropriate structure and staffing for the key risk control functions, including internal audit;
- Establish management responsibilities;
- Identify the various types of risk faced by the bank and establish a clear and comprehensive set of limits to control these;
- Establish risk measurement methodologies which are consistent with the nature and scale of the derivatives activities;
- Require stress testing of risk positions; and
- Detail the type and frequency of reports which are to be made to the board (or committees of the board).The derivative reporting includes the indication on the levels of risk being undertaken, the degree of compliance with policies, procedures and limits, and the financial performance of the various derivatives activities.

Bank undertakes derivative transactions to hedge - specifically reduce or extinguish an existing identified risk on an on-going basis during the life of the derivative transaction - or for transformation of risk exposure, as specifically permitted by RBI. Bank does not do trading of derivatives.

The derivative transactions are originated by Treasury Front Office as per the bank policy and the RBI guidelines. The mid office independently identifies, measures and monitors the market risks associated with derivative transactions and appraises the Asset Liability Management Committee (ALCO) and the Risk Management Committee of the Board (RMC) on the compliance with the risk limits.

Accounting policy for recording hedge and non-hedge transactions; recognition of income, premiums and discounts; valuation of outstanding contracts; provisioning, collateral and credit risk mitigation:

- The income recognition is done as per AS-11 on “The Effects of changes in Foreign exchange Rates “ and the guidelines issued by RBI/FEDAI from time to time. The integrated Treasury Policy also prescribes various limits such as Client Level Limits, Trading Member Level Limits, Net Open position Limits for credit risk mitigation.
- Identification of underlying hedge items for hedging / mitigating credit risk, operational risk and market risk arising out of derivative transactions is done in accordance with Integrated Treasury Policy. The customer related derivative transactions are covered with counter party banks, on back to back basis for identical amounts and tenure and the bank does not carry market risk for such transactions.
- The hedging book consists of transactions to hedge Balance Sheet assets or liabilities. The tenor of hedging instrument may be less than or equal to the tenor of underlying hedged asset or liability. Derivative contracts designated as hedges are not marked to market unless their underlying asset or liability is marked to market.

In respect of derivative contracts that are marked to market, changes in the market value are recognised in the Statement of Profit and Loss in the relevant period. Gain or losses arising from hedge ineffectiveness, if any, are recognised in the Statement of Profit and Loss.

B) Quantitative Disclosure

(Amount in '000)

Sno.	Particular	2012-13		2011-12	
		Currency Derivative	Interest Rate Derivatives	Currency Derivative	Interest Rate Derivatives
(i)	Derivative (Notional Principal Amount)				
(a)	For Hedging	1,086,400	-	-	-
(b)	For trading	-	-	-	-
(ii)	Marked to Market Positions				
(a)	Assets (+)	1,091,398	-	-	-
(b)	Liability (-)	(1,109,183)	-	-	-
(iii)	Credit Ecposure	-	-	-	-
(iv)	Likely impact on one percentage change in interest rate (100*PV01)				
(a)	On Hedging derivatives	104.53	-	-	-
(b)	On Trading derivatives	-	-	-	-
(v)	Maximum and Minimum of 100*PV01 observed during the year				
(a)	On Hedging	104.53	-	-	-
(b)	On Trading	-	-	-	-
(vi)	Minimum of 100*PV01 observed during the year				
(a)	On Hedging	102.90	-	-	-
(b)	On Trading	-	-	-	-

5. Provisions and Contingencies: Break-up of Provisions and Contingencies shown under Schedule 17.

(Amount in '000)

Particulars	**2012-13**	**2011-12**
Provision for depreciation on Investment	-	-
Provision towards Non Performing Assets	-	-
Provision towards Standard Assets	11,683	1,818
Provision for general loan loss	-	-
Write-off	-	-
Recoveries	-	-
Other	-	-
Provision made towards Income tax	129,414	75,233
Total	**141,097**	**77,051**

6. Details of Exposure to Single Borrower /Group Borrower, unsecured advances and concentration of deposits, advances and exposures.

a) Details of Single Borrower Limit (SBL), Group Borrower Limit (GBL) exceeded by the bank:

The RBI has prescribed credit exposure limits for banks in respect of their lending to single / group borrowers. The exposure limits prescribed are 15% of the capital funds of banks in case of single borrowers (SBL) and 40% of the capital funds of banks in case of group borrowers (GBL). In case of infrastructure projects, an additional exposure upto 5%/10% of the capital funds is allowed for SGL/GBL respectively. SBL/GBL can also be increased by a further 5% of the capital fund with the permission of Chief Executive officer and provided the borrower consent's to the bank making appropriate disclosures in the Bank's statutory accounts.

SBL has been raised to 25% of the capital funds in respect of Oil Companies who have been issued Oil Bonds (which do not have SLR status by the Government of India).
During the year the following customers were sanctioned an additional 5% limit in accordance with aforesaid RBI's Guideline: SEI Solar Power Private Limited and ZTE Telecom India Private Limited.
As at 31st March 2013 the outstanding exposure for the aforementioned customers stands at 24%. The borrowers consent was been dully obtained by the bank.

b) Unsecured Advances

The total amount of advances outstanding as at the year-end for which intangible securities (such as charge over the rights, licenses, authority etc.) has been taken as also the estimated value of such intangible collateral is Rs. Nil (P.Y. 2012- Rs. Nil)

Total unsecured advances as per schedule 9 B (iii) is Rs. 10,446 (in thousand) (P.Y. 2012 - Rs Nil)

c) Concentration of Deposits:

(Amount in'000)

Particulars	2012-13	2011-12
Total Deposits of twenty largest depositors	1,768,069	1,212
Percentage of Deposits of twenty largest depositors to the total deposits of the bank	99.83%	100%

d) Concentration of Advances

(Amount in'000)

Particulars	2012-13	2011-12
Total Advances of twenty largest borrowers	5,555,632	839,564
Percentage of Advances of twenty largest borrowers to Total Advances of the bank	99.47%	99.43%

Advances comprise credit exposure (funded and non-funded credit limits) including derivative transactions computed as per Current Exposure Method in accordance with RBI guidelines.

e) Concentration of Exposures

(Amount in '000)

Particulars	2012-13	2011-12
Total Advances of twenty largest borrowers	5,555,632	839,564
Percentage of Advances of twenty largest borrowers to Total Advances of the Bank	99.47%	99.43%

Advances comprise credit exposure (funded and non-funded credit limits) including derivative transactions computed as per Current Exposure Method in accordance with RBI guidelines.

7. Asset Liability Management - Maturity Pattern

Classification of assets and liabilities under the different maturity buckets are based on the estimates and assumptions used by the Bank.

These estimates and assumptions are based on the guidelines on Asset Liability Management issued by Reserve Bank of India.

As at March 31, 2013	1 Day	2 to 7 days	8 to 14 days	15 to 28 days	29 days to 3 months	Over 3 months and upto 6 months	Over 6 months and upto 12 months	Over 1 year and upto 3 years	Over 3 year and upto 5 years	Over 5 years	Total
Deposits	71,585	841,625	24,890	1,100	40,000	385,000	-	406,816	-	-	1,771,016
Advances	-	-	-	-	147,107	1,100,000	1,025,000	1,100,000	-	-	3,372,107
Investments	-	-	-	-	-	-	-	-	-	1,037,775	1,037,775
Borrowings	-	-	-	-	1,085,700	-	-	-	-	-	1,085,700
Foreign Currency Assets	125,855	-	-	-	-	-	-	-	-	-	125,855
Foreign Currency Liabilities	-	-	-	-	1,085,700	-	-	-	-	-	1,085,700

(Amount in '000)

As at March 31, 2012	1 Day	2 to 7 days	8 to 14 days	15 to 28 days	29 days to 3 months	Over 3 months and upto 6 months	Over 6 months and upto 12 months	Over 1 year and upto 3 years	Over 3 year and upto 5 years	Over 5 years	Total
Deposits	-	1,212	-	-	-	-	-	-	-	-	1,212
Advances	-	-	-	226,531	-	3,092	-	225,000	-	-	454,623
Investments		-		-		-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency Assets	483,121	-	-	-	-	-	-	-	-	-	483,121
Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-	-	-

Maturity pattern of assets and liabilities has been compiled by the management and relied upon by the Auditors.

8. Deferred Taxes

As on March 31, 2013 the Bank had a net deferred tax asset of 4,765 thousands which has been included in Other Assets. The major components giving rise to the deferred tax assets and liabilities are as under:

(Amount in '000)

Description	**As at March 31, 2013**	**As at March 31, 2012**
Deferred Tax Assets		
Provision for advances	4,290	764
Expenses Disallowed under u/s 40(a)(iv)		2,356
Provision for Gratuity	762	
Depreciation	2,069	
Total Deferred Tax Assets	**7,121**	**3,121**
Depreciation		2,102
Expenses Disallowed under u/s 40(a)(iv)	2,356	-
Total Deferred Tax Liabilities	**2,356**	**2,102**
Net Deferred Tax Liability / (Asset)	**(4,765)**	**(1,019)**

9. Disclosures of Remuneration

Qualitative Disclosures

Being a Branch of a Foreign Bank, the Bank does not have any Remuneration Committee for approval of the Managerial Remuneration. The Bank's compensation structure is in conformity with the principles and practices set out by the Financial Stability Board (FSB). Further, the Bank's has obtained the RBI's approval for the Chief Executive Officer's (CEO) remuneration.

Quantitative Disclosures

(Amount in'000)

Sno	Particulars	Y.E. 31-03-2013
I	Breakdown of amount of remuneration awards for the financial year to show fixed and varaiable.	
	Fixed	13,050
	Variable	3,784
	Total	**16,834**

10. Other Liabilities include

The major components of others liabilities include:

(Amount in'000)

Particulars	2012-13	2011-12
Provisions towards Standard Assets	11,683	1,818
General Provisions	-	-
Unrealised Loss on MTM of Derivative transaction undertaken during the year	17,785	-
Total	**29,468**	**1,818**

11. Income Taxes

(Amount '000)

PARTICULARS	2012-13	2011-12
Current Income tax expense	134,179	76,252
Deferred Income tax (benefit) /expense	(4,765)	(1,019)
Total	**129,414**	**75,233**

12. Floating Provisions

The bank has no policy of making floating provisions.

13. Operating Leases

The Company's significant leasing arrangement is in respect of operating leases for office premises. These lease agreements, which are not non-cancellable, range up to 37 months from the end of the current financial year and are usually renewable by mutual consent on mutually agreeable terms.

(Amount '000)

Description	As at March 31, 2013	As at March 31, 2012
Payable within one year	33,911	33,582
Payable later than one year and not later than five year	80,883	111,941

14. Priority Sector Lending

As per the Reserve Bank of India directives banks including foreign banks are required to lend to priority sector which is linked to Adjusted Net Bank Credit (ANBC) or credit equivalent amount of Off-Balance Sheet Exposure computed with reference to the outstanding as on March31, of the respective previous year.

In the Previous Financial year 2011-12, the bank has started its operations from September 1, 2011 and thus is the first year of operations of the bank. As such as on March 31, 2012 Bank has not lend any amount to Priority Sector. The Bank has drawn up a detailed plan of its lending to priority sector during the financial year 2012 -13.

During the Current financial year 2012-2013, bank has achieved its priority sector lending target. The details are as follows:

(Amount '000)

Particulars	2012-2013
Priority Sector Lending Target	145,477
Priority Sector Advances	147,107

15. Employee Benefit

The bank has adopted AS – 15 (Revised) “Employee Benefit”, issued by the Institute of Chartered Accountants of India, effective from 01.04.2007.

Provident Fund

The Bank contributes an amount equal to the employees’ contribution on a monthly basis to the Regional Provident Fund Commissioner (RPFC).The Bank has no liability for future provident fund benefits apart from its monthly contribution which is charged to the Profit and Loss Account.

Gratuity

(Amount '000)

Particulars	31-Mar-13
Valuation Assumptions	
Future Salary Rise	6.00% p.a.
Rate Discounting	8.00% p.a.
Attrition Rate	10% p.a. for all service groups
Mortality Rate	Indian Assured Lives Mortality (2006-08) Ultimate
Valuation Data Summary	
Number of Employees	25
Total Monthly Salary	3,322
Average Salary	144
Average Age	33.48 years
Average Past Service	0.78 years
Average Future Service	6 years
Valuation Result	
Discontinuance Liability	1,762
Projected Benefit Obligation	1,016
Further Details	
Indicative G. Sec referenced	28-Mar-13

Previous Year amount is Nil as the bank was not covered by the Payment of Gratuity Act 1972 because the no of employees were less than the required statutory number of employees as prescribed.

16. Related Party Disclosures

In the terms of the Accounting Standard 18 on 'Related Party Disclosures' issued by the Institute of Chartered Accountants of India and the related guideline issued by the RBI, the details pertaining to related parties are as under

Related Party Relationship

Relationship	Party Name
Parent - Head Office	Industrial and Commercial Bank of China (Beijing)
ICBC Subsidiary	ICBC Asia
ICBC Subsidiary	ICBC MACAU
Key Management Personnel	Sun Xiang as Chief Executive Officer

Note: The related party relationship has been disclosed only to the extent of subsidiaries with whom the transactions were undertaken.

The Bank's related party balances and transactions for the year ended March 31, 2013 and March 2012 are summarized as follows:

(Amount '000)

Items/Related Party	**2012-13**		**2011-12**	
	Parent	**Subsidiaries**	**Parent**	**Subsidiaries**
Borrowings as on March 31	1,085,700	-	-	-
Maximum Outstanding	1,085,700	-	-	-
Deposits as on March 31	-	-	-	-
Maximum Outstanding	-	-	-	-
Placement of Deposits as on March 31	-	-	483,121	-
Maximum Outstanding	-	-	485,795	-
Capital of the Bank	4,554,480	-	4,554,480	-
Maximum Outstanding	4,554,480	-	4,554,480	-
Advances as on March 31	-	-	-	-
Maximum Outstanding	-	-	-	-
Receivables as of March 31	-	-	-	-
Payables as of March 31	-	-	-	-
Transfer of assets	-	-	-	-
Interest Paid	2,661	792	-	-
Interest received	102	2	-	-
Arrangement Fees		-	-	-
Revenue from Services Rendered	-	-	23,020	-
Cost of Services Received	-	-	-	-

** No disclosure has been made in respect of Key Management Personnel, keeping in view the secrecy clauses and the provisions of the RBI guidelines.

17. Segment Reporting

Segment Information – Basis of Preparation

- Treasury activities include foreign exchange, fixed income, money market and derivative transactions.
- The corporate and wholesale banking segments consist of revenue arising out of funding corporate and commission on bank guarantees. The principal cost consists of interest on account of deposit from customers.

Segment revenue	295,464	318,896	614,360
Segment expense	240,465	80,097	320,562
Segment result	**54,999**	**238,799**	**293,798**
Unallocated expenses	-	-	-
Operating Profits	**54,999**	**238,799**	**293,798**
Income taxes	-	-	129,414
Extraordinary profit / (loss)	-	-	-
Net profit (loss)	**54,999**	**238,799**	**164,384**
Other information :			
Segment assets	3,608,016	4,170,057	7,778,073
Unallocated assets (Taxes)	-	-	9,724
Total assets	**3,608,016**	**4,170,057**	**7,787,797**
Segment liabilities	3,606,348	4,171,725	7,778,073
Unallocated liabilities	-	-	9,724
Total liability	**3,606,348**	**4,171,725**	**7,787,797**

18. Disclosure under Micro, Small and Medium Enterprises Development Act, 2006:

There have been no reported cases of delays in payments in excess of 45 days to Micro, Small and Medium Enterprises or of interest payments due to delays in such payments.

19. Comparative figures

Figures for the previous year have been regrouped and reclassified wherever necessary to conform to the current year's presentation. Further, the previous year being the first year of the Bank, the accounts were prepared for a period of 6 months. As a result, current year figures are not comparable with the previous year's figure.

20. The Bank has no disclosure to make in respect of the following items as the relevant items are either Nil or Not Applicable

1	Investments	Repo Transactions. Sale and Transfers to/ from HTM Category Non-SLR Investment Portfolio. Movement of provisions held towards depreciation in Investments
2	Derivatives	Exchange Traded Interest Rate Derivatives.
3	Asset Quality	Particulars of Accounts Restructured Details of financial assets sold to Securitisation / Reconstruction Company for Asset Reconstruction. Details of non-performing financial assets purchased / sold. Disclosure on Assets quality/NPA Movement of NPAs Concentration of NPAs/ Sector-wise NPAs Unsecured Advances: Assets for which intangible securities have been taken as collateral
4	Exposures	Exposure to Real Estate Sector. Exposure to Capital Market. Risk Category wise Country Exposure. Receivables and payables from overseas group entities are not treated as exposures for the purpose of country risk exposure
5	Awards passed by the Banking Ombudsman	
6	Letter of Comforts issued by the Bank	
7	Off-Balance Sheet SPVs sponsored	
8	Draw down from Reserves	
9	Bancassurance Business	
10	Overseas Assets, NPAs and Revenue	
11	Off-balance Sheet SPVs sponsored	
12	Disclosure for customer complaint	
13	Unamortised Pension and Gratuity Liabilities	
14	Disclosures relating to Securitisation	
15	Credit Default Swaps	
16	Consolidiated Finacial Statement (AS 21)	
17	Accounting for Investments in Associates in Consolidated Financial Statements (AS 23)	
18	Discontinuing Operations (AS 24)	

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENEDED MARCH 31, 2013

	INR ('000) **Year Ended 31-Mar-13**	*INR ('000)* **Period Ended 31-Mar-12**
A. Cash flow from operating activities:		
Profit / (Loss) Before Tax	293,798	174,292
Adjustment for		
Operating profit before working capital changes		
Provision for doubtful advances and receivables	11,683	1,818
Depreciation on assets (including amortization of Goodwill)	11,690	6,586
Unrealised gain on Advances	(13)	
Unrealised gain on Borrowings	(700)	
Unrealised gain on Margin Deposits	(526)	(3,087)
Operating Profit/(Loss) before Working capital changes	315,932	179,609
Adjustment for		
Increase/(decrease) in deposits	1,769,804	1,211
Increase/(decrease) in other liabilities and provisions	(433,456)	533,126
(Increase)/decrease in other assets	(26,940)	(41,368)
(Increase)/decrease in investments	(1,037,775)	-
(Increase)/decrease in advances	(2,917,485)	(454,622)
Cash generated / (used) from Operating activity	**(2,329,919)**	**217,956**
Taxes Paid	(134,211)	(80,161)
Net cash used in operating activity	**(2,464,130)**	**137,795**
B. Cash flow from investing activity		
Purchase of fixed assets	(989)	(48,269)

Payments for in Capital WIP	-	-
Proceeds from sale of fixed assets	57	-
Net cash (used) in investing activity after extraordinary items	**(932)**	**(48,269)**
C. Cash Flow from financing activities		
Amount Received from HO	-	4,554,480
Amount Borrowed from HO	1,086,400	-
Issue of fresh capital	-	
Preliminary expenses	-	
Net Cash inflow / (outflow) from financing activities	**1,086,400**	**4,554,480**
Net increase/(decrease) in cash and cash equivalents (A+B+C)	**(1,378,662)**	**4,644,006**
Cash and Cash equivalents (Opening Balance)	4,644,006	-
Cash and cash equivalent (Closing Balance)	**3,265,344**	**4,644,006**
Notes:		
1. Cash and cash equivalent	877	-
Cash, cheques on hand and remittances in transit		
Balances with Scheduled Banks		
On Current Accounts	254,905	628,060
On Deposit Accounts	3,009,562	4,015,946
On Margin Accounts	-	
	3,265,344	**4,644,006**

2. Cash and Cash equivalents represents cash and balances with banks as disclosed in Schedule 6 and 7

3. The above cash flow statement has been prepared under the "Indirect Method" as set out in the Accounting Standard (AS-3) on Cash Flow Statements issued by the Institute of Chartered Accounts of India

4. This is the Cash Flow Statement referred to in our Report on even date.

AUDITOR' REPORT ON THE ACCOUNTS OF INDUSTRIAL AND COMMERCIAL BANK OF CHINA LTD. – UNDER SECTION 30 OF THE BANKING REGULATION ACT, 1949.

Report on the Financial Statements

1. We have audited the accompanying financial statements of Industrial and Commercial Bank of China Ltd. ("the bank"), which comprise the Balance Sheet as at March 31,2013 and the Statement of Profit and Loss and the cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation of these financial statements in accordance with The Banking Regulation Act, 1949. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

1. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Banking Regulation act,1949 as well as the Companies Act,1956, in the manner so required for the banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India:

(i) In the case of the Balance Sheet, of the state of affairs of the Bank at 31st March,2013;
(ii) In the case of the Profit and Loss Account of the profit/loss for the year ended on the date;

(iii) In the case of the Cash flow Statement, of cash flows for the year ended on that date.

Report on Other Legal and Regulatory Matters

1. The Balance Sheet and the Profit and Loss Account are drawn up in conformity with provision of Section 29 of the Banking Regulation Act, 1949, read with Section 211 of the Companies Act, 1956, of India.

2. 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 purposes of our audit and have found them to be satisfactory.

b) The transactions of the Bank which have come to our notice have been within the powers of the Banks.

c) The financial accounting system of the Bank is centralized and therefore accounting returns for the purpose of the preparing financial statements are not required to be submitted by the maiden branch.

1. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the Accounting Standards, referred to the sub section 3(C) of Section 211 of the Companies Act, 1956 of India to the extent they are not inconsistent with the accounting policies prescribed by the Reserve Bank of India.

3. We further report that:

(i) The Balance Sheet, Profit and Loss Account dealt with by this report, are in agreement with the books of account.

(ii) In our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books.

(iii) The requirement of section 274 (1)(g) of the Companies Act, 1956 of India are not applicable, considering the bank is the branch of Industrial and Commercial Bank of China Limited, which is incorporated in People's Republic of China.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED
BASEL II DISCLOSURE

1. Scope of Application

Qualitative Disclosures:

(a) The capital Adequacy framework is applicable to Industrial and Commercial Bank of China Limited Mumbai branch.

(b) ICBC Mumbai Branch is the single branch operational in India.

Quantitative Disclosures:

(c) The aggregate amount of capital deficiencies in all subsidiaries not included in the consolidation i.e. that are deducted and the name(s) of such subsidiaries : **NIL**

(d) The aggregate amounts of the Bank's total interests in insurance entities, which are risk-weighted as well as their name, their country of incorporation or residence, the proportion of ownership interest and, if different, the proportion of voting power in these entities. In addition, indicate the quantitative impact on regulatory capital of using this method versus using the deduction: The Bank does not have interests in any insurance entities: **NIL**

2. Capital Structure:

Qualitative Disclosures:

(a) Summary information on the terms and conditions of the main features of all capital instruments, especially in the case of capital instruments eligible for inclusion in Tier I or in Upper Tier II:

- Tier I capital: - consists of funds from H.O. for the purpose of meeting capital adequacy norms & statutory reserves minus deferred tax asset.

- Tier II capital comprises of general loan loss provisions on standard assets.

Qualitative Disclosures

(b) Capital structure:

(Rs. '000)

Particulars	**2012-13**
Funds from H.O.	4,554,480
Reserves	263,443
Total- Tier I	**4,817,923**
Provision for Standard Assets	13488
Total – Tier II	**13488**
Total Eligible Capital	**4,831,411**

3. Capital Adequacy:

Qualitative disclosures:

The Bank has a well-defined Internal Capital Adequacy Assessment Process (ICAAP) which covers methodology and detailed information on the on-going assessment of the Bank's key risks, measurement and mitigation of risks. It also provides an overview of the current and future capital requirements of the Bank based on growth projections and assessment of these risks. The focus of the ICAAP includes the Bank's capital planning, assessment and management of material risks and adequacy of capital under normal and stress conditions. The management and the functional departments/business units are actively involved in the identification of the sources of risk and the review of mitigations/controls in place.

Capital is the amount held or required to be held by the Bank to underpin the risk of loss in value of exposure, businesses etc. so as to protect the depositors and general creditors against losses. Capital funds are broadly classified as Tier I and Tier II Capital.

Quantitative disclosures:

The Capital requirement for credit, market and operational risk and Tier I capital ratio of the Bank as on 31st March 2013 is as follows:

(Rs '000)

	PARTICULARS	**2012-13**
A	**Capital requirement for credit risk**	
	- Portfolios subject to standardised approach	481,433
	- Securitisation exposures	-
B	**Capital requirement for market risk**	
	Standardised duration approach	
	-Interest rate risk	72,195
	-Foreign exchange risk	11,349
	-Equity risk	-
C	**Capital requirement for operational risk**	
	-Basic indicator approach	61,267
D	**Capital Adequacy ratio of the Bank (%)**	**69.43%**
E	**Tier I CRAR (%)**	**69.24%**

General Disclosures:

Risk Exposure and Assessment

The Bank is exposed to various risks such as credit risk, market risk, operational risk, Concentration Risk, Liquidity Risk, Interest Rate Risk, Reputation Risk, Strategic Risk, Compliance Risk, Legal Risk and Country Risk and the methodologies adopted for their identification, assessment, measurement, monitoring and control is envisaged in the ICAAP and various risk management policies of the Bank.

The Senior Management undertakes an annual assessment to ascertain whether the processes relating to the ICAAP implemented by the Bank successfully achieve the objectives. The senior management also receives and reviews the reports regularly to evaluate the sensitivity of the key assumptions and to assess the validity of the Bank's estimated future capital requirements. In the light of such an assessment, appropriate changes in the ICAAP are instituted to ensure that the underlying objectives are met.

Risk Management / Risk Management Committee

Bank has in place risk management and measurement systems for analysing the risk in loans and investments and instituted timely remedial measures through Risk Management Committee (RMC).

The RMC regularly oversees the Bank's risk management policies/practices under various risks viz. credit, operational and market risk etc. This committee comprises of top executives of Bank. The committee meets at regular intervals throughout the year to assess and monitor the level of risk under various Bank operations and initiate appropriate mitigation measures wherever necessary.

4. Credit Risk:

Qualitative disclosures:

Credit risk is defined as the inability of a borrower or counter-party to honour commitments under an agreement/contract, in relation to lending, trading, settlement and other financial transactions. Bank has fixed various exposure limits approved by the appropriate authority. These limits are being monitored on a regular basis.

Bank has a comprehensive credit manual for managing the credit risk. The credit manual aims to set a consistent framework and procedures to manage credit risk across the Bank and to take a well-balanced approach to risks and business opportunities. The manual serves as a practical guide and a common source of reference to the management and staff involved in lending activities of the Bank. The manual provides the information necessary to enable employees in credit business to carry out their duties with due care, efficiency, levels of control, cost effectiveness required by the management of the Bank and to reflect prevailing policies, practices, procedures and regulations.

Structure and Organization

The credit responsibilities are divided between the Marketing and Risk Management Departments. Marketing Department functions as front Office. Risk Management Department functions as the Middle and Back Office. The role of marketing and risk management are performed independently by separate individuals to avoid potential conflicts of interest and to gain a fair and objective view on the risks that the Bank is undertaking.

In addition, Credit Review Committee is a key part of credit organization structure. The Bank establishes the Credit Review Committee with a view to achieving a standard management of credit business. The Credit Review Committee making conclusion is served as a reference for General Manager to make final decision.

Non-Performing Asset (NPA)

An asset, including a leased asset, becomes non-performing when it ceases to generate income for the Bank. A non-performing asset (NPA) is a loan or 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', 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,
- The installment of principal or interest thereon remains overdue for two crop seasons for short duration crops,
- The installment of principal or interest thereon remains overdue for one crop season for long duration crops,
- The amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitization transaction undertaken in terms of guidelines on securitization dated February 1, 2006.
- In respect of derivative transactions, the overdue receivables representing positive mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment.

'Out of Order' Status – An account should 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 Balance Sheet or credits are not enough to cover the interest debited during the same period, these accounts should be 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.

Credit Rating System

Credit rating represents the best estimate of the probability of default of the customer being graded in a span of one year. Bank has an internal credit rating system to assign credit ratings to the corporate customers. These grades act as a tool for determining the risk of customer and are also used for determining the pricing for the customer. All customers are assigned a credit grade based on the different risk parameters in the system. The credit rating system uses a combination of quantitative inputs and qualitative inputs to arrive at a credit rating.

Monitoring & Review

The periodic review of individual customer is a part of the post-lending management process. The Bank has set up a regular monitoring mechanism at the portfolio, customer and transaction level. Marketing department is responsible for monitoring credit risk at customer or transaction level. Risk Management Department is responsible for monitoring credit risk at portfolio level.

Concentration Risk

As a prudential measure aimed at better risk management and avoidance of concentration of credit risks, Bank has fixed limits on its exposure to specific industry or sectors and has prescribed regulatory limits on Bank's exposure to individual and group borrowers etc. The Bank avoids undue concentration of risk to a single sector, industry, region or large borrower/ connected group. Credit exposures to various segments of industry should meet the business objectives and portfolio targets of the Bank. These limits are reviewed and revised annually based on capital funds as of March of the previous financial year.

Quantitative disclosures:

Total Gross credit risk exposures including Geographic Distribution of Exposure

(INR '000)

Particulars	**2012-13**		
	Domestic	**Overseas**	**Total**
Fund Based	3,372,107	-	3,372,107
Non Fund Based *	1,039,685	-	1,039,685
Total	**4,411,792**	-	**4,411,792**

* Amount represents non- funded exposure after applying credit conversion factor.

Industries wise exposure:

(INR '000)

		2012-13	
Sr. No.	**Type of the Industries**	**Fund Based**	**Non Fund Based***
1	Automobiles	1,100,000	-
2	Power	1,100,000	-
3	Telecommunication	550,000	-
4	Pharmaceuticals	325,000	-
5	Chemicals	163,058	-
6	Trading	134,049	-
7	Banking	-	1,007,849
8	Manufacturing	-	31,836
	Total	**3,372,107**	**1,039,685**

* Amount represents non- funded exposure after applying credit conversion factor.

Residual Contractual maturity breaks down of Assets

(INR '000)

MATURITY BUCKETS	**Cash, balances with RBI and other Banks**	**Investment Securities**	**Loans and Advances**	**Other Assets including fixed assets**

Next Day	138,982	-	-	-
2 TO 7 Days	2,327,563	-	-	-
8 TO 14 Days	798,800	-	-	5921
15 to 28 days	-	-	-	19,077
29 days to 3 months	-	-	147,107	-
Over 3 months upto 6 months	-	-	1,100,000	9,071
over 6 months upto 12 months	-	-	1,025,000	3,758
Over 1 year to 3 years	-	-	1,100,000	12,000
Over 3 years to 5 years	-	-	-	62,743
Over 5 years	-	1,037,775	-	-
Total	**3,265,345**	**1,037,775**	**3,372,107**	**112,570**

Movement of NPA's and Provision for NPA's

Gross NPAs in various categories (Sub standard, doubtful, loss etc:

(INR '000)

	Particulars	**2012-13**
A	Amount of NPA's (Gross)	-
B	Net NPA's	-
C	NPA's ratios	-
	Gross NPAs to gross advances	-
	Net NPAs to net advances	-
D	Movement of NPA's	-
	Opening Balance	-
	Additions	-
	Reductions	-
	Closing Balance	-
E	Movement of Provision for NPA's	-
	Opening Balance	-
	Provision made during the year	-
	Write offs	-
	Write back of excess provision	-

	Closing balance	-
F	Amount of Non performing investments and Provisions	-
	Amount of provisions held for Non performing investments	-
G	Movement of provisions for depreciation on investment	-
	Opening Balance	-
	Add: Provision made during the year	-
	Less: Write back of excess provisions	-
	Add: Amortisation of premium on HTM category	-
	Closing balance	-

5. Disclosures of portfolios under the Standardised Approach:

Qualitative Disclosures:

Bank uses the credit ratings of the eligible credit rating agencies, for assigning risk weights for credit risk as per the guidelines of the Reserve Bank of India. The facility provided by the Bank possesses rating assigned by an eligible credit rating agency; the risk weight of the claim is based on these ratings.

In accordance with the principles laid down in the Revised Framework from the Reserve Bank of India, Banks uses the ratings of the following domestic credit rating agencies for the purposes of risk weighting its domestic claims for capital adequacy purposes:
a) Credit Analysis and Research Limited;
b) CRISIL Limited;
c) FITCH India;
d) ICRA Limited; and
e) Brickwork Ratings India Pvt. Limited (Brickwork)

As per the guidelines from the Reserve Bank of India, Bank uses the ratings of the following international credit rating agencies for the purposes of risk weighting its international claims for capital adequacy purposes:
a. Fitch;
b. Moody's; and
c. Standard & Poor’s

The transfer of public issue ratings onto comparable assets in the Banking Book is in line with the provisions advised in Reserve Bank of India’s Master circular on New Capital Adequacy Framework.

Quantitative Disclosures:

The exposure under each credit risk category is as follows:

(INR ‘000)

Risk Bucket	2012-13
Below 100% Risk Weight	5,689,259
100% risk weight	4,796,646
More than 100% risk weight	550,746

6. Credit Risk Mitigation:

Credit Risk Mitigation (CRM) allows the eligible credit risk mitigation to be recognised for regulatory capital purposes. Eligible credit risk mitigation like financial collateral, non-financial collateral and guarantees, are used to mitigate credit risk exposure. Bank recognises only those collaterals that are considered as eligible for credit risk mitigation in RBI guidelines.

7. Securitisation:

Qualitative and Quantitative disclosures:

The Bank does not have any Securitisation Exposure.

8. Market Risks in the trading book

Market risk is defined as the risk of losses in on-balance sheet and off-balance sheet positions arising from movements in market prices. Market Risk Management include a well-drawn Market Risk Management policy, various risk limits identification, measurement monitoring control and mitigation of market risk in trading book. ALCO monitors all the risk limits periodically and manages the issues relating to market risk management.

The Bank does not trade in securities. Banks deals in securities only to maintain the SLR requirement as per RBI guidelines.

Currently Bank uses standardized duration method to arrive at the capital charge for Market Risk.

9. Operational Risk:

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk.

The Bank has a management approved operational risk management policy in place The purpose of this policy is to establish explicit and consistent Operational Risk Management framework that would result in the systematic and proactive identification, assessment, measurement, monitoring, mitigation and reporting of the operational risks. The operational processes are well documented and laid down and all the transactions adhere to the processes and are reconciled and monitored systematically.

The Bank uses Basic Indicator Approach for calculating capital charge for Operational Risk.

10. Interest Rate Risk in the Banking Books (IRRBB)

Interest rate risk is the potential change in Net Interest Income or Economic Value of Equity caused by unexpected changes in market interest rates.

Qualitative Disclosures

Interest Rate Risk:

Interest rate risk is the risk due to variability of interest rates. The various types of interest rate risk are Reinvestment Risk, Gap/ Mismatch Risk, Basis Risk, Embedded Option Risk, Yield-curve Risk and Model Risk.

The Bank strives to achieve a balance between reducing risk to earnings from adverse movements in interest rates, and enhancing net interest income through correct anticipation of the direction and extent on interest rate changes. IRRBB is measured and controlled using both Earnings Perspective (Traditional Gap Analysis) and Economic Value Perspective (Duration Gap Analysis). The Bank performs Duration Gap Analysis and Traditional Gap Analysis as per the RBI Guidelines on monthly basis for managing the interest rate risk. The Duration Gap analysis analyzes the impact of 100 bps change in the interest rates on the Net worth for the Bank. Traditional Gap Analysis analyzes the impact of 100 bps change in the interest rates on the Earnings.

Bank also performs periodic stress test on interest rate risk in order to analyze the impact of stress due to adverse movement in the interest rates and its impact on Bank's earnings.

After review of the current situation of IRRBB, the ALCO devise various strategies to minimize the interest rate risk while maximizing earnings and net worth.

Quantitative Disclosures:

Impact of increase (decline) in earnings and economic value for upward and downward interest rate shocks of 1% as on 31 March, 2013 are given below:

Earnings Perspective

Particulars	Interest Rate Shock	
	1%	-1%
Impact on Earnings (INR '000)	45,648	(45,648)

Economic Value Perspective

Particulars	Interest Rate Shock	
	1%	-1%
Impact on Net Worth (INR '000)	22,236	(22,236)