BBK
بنك البحرين والكويت

BANK OF BAHRAIN & KUWAIT B.S.C. - INDIAN BRANCHES

(Incorporated in Bahrain with Limited Liability)

INDEPENDENT AUDITOR'S REPORT

To,
Country Head & CEO
Bank of Bahrain and Kuwait B.S.C. - Indian Branches.

Report on the Financial Statements

1. We have audited the accompanying financial statements of **Bank of Bahrain and Kuwait B.S.C. - Indian Branches** (hereinafter referred to as "Bank"), which comprise the Balance Sheet as at 31st March, 2015, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. The Bank's Management is responsible for preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the provisions of section 29 of the Banking Regulation Act 1949, accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Companies Act 2013 ("the Act") read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies, making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation of the financial statements that give a true and fair view and 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.
4. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.
5. We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
6. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Bank has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Bank's management, as well as evaluating the overall presentation of the financial statements.
7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements together with the notes thereon give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013, in the manner so required for the banking companies and give a true and fair view of the state of affairs of the Bank as at 31 March 2015, and its profit and its cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

9. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014.
10. As required sub section (3) of section 30 of the Banking Regulation Act, 1949, we report that:
    i. 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;
    ii. The transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and
    iii. The financial accounting systems of the Bank are centralised and therefore, accounting returns for the purpose of preparing financial statements are not required to be submitted by the branches. We have visited the Bank's Hyderabad branch for the purpose of our audit.
11. Further, as required by section 143(3) of the Companies Act, 2013, we further report that:
    i. We have sought and obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit;
    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. Since the financial accounting systems of the Bank are centralised, therefore, accounting returns for the purpose of preparing financial statements are not required to be submitted by the branches.
    iii. The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by us in the Report are in agreement with the books of account.
    iv. In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

Other Matters

12. With respect to the other matters to be included in the Auditor's report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules,2014, in our opinion and to the best of our information and according to the explanations given to us:
    i. The Bank has disclosed the impact of pending litigations on its financial position in its financial statements. Refer schedule 12 and 18.49 to the financial statements;
    ii. The Bank has made adequate provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts;
    iii. The Bank is currently not liable to transfer any amount to the Investor Education and Protection Fund.

For **Borkar and Muzumdar**
Chartered Accountants
Firm's Reg. No.116293W

Sd/-
Dilip Muzumdar
Partner
M. No. 8701

Place: Mumbai
Date: June 27, 2015

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BANK OF BAHRAIN & KUWAIT B.S.C. - INDIAN BRANCHES

(Incorporated in Bahrain with Limited Liability)

BALANCE SHEET AS AT MARCH 31, 2015

	Schedule	As at March 31, 2015 Rs. (000's)	As at March 31, 2014 Rs. (000's)
CAPITAL AND LIABILITIES			
Capital	1	2,928,863	2,027,350
Reserves & Surplus	2	1,116,923	958,054
Deposits	3	10,445,696	8,398,533
Borrowings	4	562,500	142,500
Other Liabilities and Provisions	5	545,212	600,768
TOTAL		**15,599,194**	**12,127,205**
ASSETS			
Cash and balances with Reserve Bank of India	6	741,239	349,727
Balances with Banks and Money at Call and Short Notice	7	1,558,846	1,188,348
Investments	8	3,288,529	2,743,968
Advances	9	9,525,044	7,379,162
Fixed Assets	10	68,415	57,019
Other Assets	11	417,121	408,981
TOTAL		**15,599,194**	**12,127,205**
Contingent Liabilities	12	4,782,546	1,747,140
Bills for Collection		3,229,208	2,306,373
Significant Accounting Policies and Notes to Accounts	17 & 18		

Schedules referred to herein form an integral part of the Balance Sheet.

As per our attached report of even date

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2015

	Schedule	For the year ended March 31, 2015 Rs (000's)	For the year ended March 31, 2014 Rs (000's)
INCOME			
Interest Earned	13	1,069,190	882,774
Other Income	14	133,013	137,432
		1,202,203	**1,020,206**
EXPENDITURE			
Interest Expended	15	546,472	479,590
Operating Expenses	16	278,907	220,865
Provisions and Contingencies		205,415	220,035
		1,030,794	**920,490**
PROFIT			
Net Profit for the year		171,409	99,716
Profit/(Loss) Brought Forward		75,928	-
		247,337	**99,716**
APPROPRIATIONS			
Transfer to Statutory Reserve		42,852	24,929
Transfer to/(from) Investment Reserve Account		10,470	(1,141)
Remittance of profits		12,540	-
Transfer to surplus retained for Capital Adequacy		63,388	-
Balance carried over to Balance Sheet		118,087	75,928
		247,337	**99,716**
Significant Accounting Policies and Notes to Accounts	17 & 18		

Schedules referred to herein form an integral part of the Profit and Loss Account.

As per our attached report of even date

For **Borkar & Muzumdar**
Chartered Accountants
Firm Registration
No.101569W

Sd/-
Dilip Muzumdar

Partner
Membership No. 8701

Place: Mumbai

Dated: June 27, 2015

For **Bank of Bahrain & Kuwait B.S.C.**
Indian Branches

Sd/-
Mallikarjun Kota

Country Head &
CEO - India

Sd/-
Mehjabeen Saifi

Vice President
Financial Control - India

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CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2015

	For the year ended March 31, 2015 Rs.(000's)	For the year ended March 31, 2014 Rs.(000's)
Cash flows from operating activities		
Net profit before taxation	**268,940**	73,964
Adjustments for:		
Depreciation on Fixed Assets	20,028	17,827
(Profit)/Loss on sale of fixed assets	25	33
Premium amortised on Held to Maturity category	**420**	1,576
Provision in respect of Non performing advances	**91,600**	192,245
Provision in respect of Non performing advances written back	**(208,155)**	(254,896)
Provision for Diminution in Fair Value of restructured advances	**96,831**	119,919
Bad Debts written off	**86,563**	177,144
Provision on country risk	1,843	(4,699)
Utilisation of Floating provision	-	(5,229)
Provision on Standard Assets	49,706	18,681
Provision on Investments	**(10,504)**	2,625
Operating profit before working capital changes	**397,297**	**339,190**
(Increase)/Decrease in Investments	(534,477)	506,148
(Increase)/Decrease in Advances	(2,212,722)	(687,573)
(Increase)/Decrease in Other Assets	16,255	(60,294)
Increase/(Decrease) in Deposits	2,047,163	1,440,269
Increase/(Decrease) in Other Liabilities & Provisions	(107,107)	333,182
Increase/(Decrease) in Borrowings	420,000	(1,414,635)
Income taxes (paid)/received	(121,923)	(57,854)
Net Cash Flow generated from/(used in) Operating Activities	**(95,514)**	**398,433**
Cash flows from investing activities		
Purchase of fixed assets	(31,536)	(20,381)
Proceeds from sale of fixed assets	85	60
Net Cash Flow generated from/(used in) Investing Activities	**(31,451)**	**(20,321)**
Cash flows from financing activities		
Injection of capital	901,513	-
Remittance of profits	(12,540)	-
Net Cash Flow generated from/(used in) Financing Activities	**888,973**	**-**
Net increase/(decrease) in cash and cash equivalents	**762,008**	**378,112**
Cash and Cash equivalents at the beginning of the year	1,538,077	1,159,965
Cash and Cash equivalents at the end of the year	**2,300,085**	**1,538,077**

As per our attached report of even date

For **Borkar & Muzumdar**
Chartered Accountants
Firm Registration
No.101569W

Sd/-
Dilip Muzumdar

Partner
Membership No. 8701

Place: Mumbai

Dated: June 27, 2015

For **Bank of Bahrain & Kuwait B.S.C.**
Indian Branches

Sd/-
Mallikarjun Kota

Country Head &
CEO - India

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Mehjabeen Saifi

Vice President
Financial Control - India

BANK OF BAHRAIN & KUWAIT B.S.C. - INDIAN BRANCHES

(Incorporated in Bahrain with Limited Liability)

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS AS AT MARCH 31, 2015

	As at March 31, 2015 Rs. (000's)	As at March 31, 2014 Rs. (000's)
SCHEDULE 1		
SHARE CAPITAL		
(i) Amount of deposit kept with the Reserve Bank of India under section 11(2)(b) of the Banking Regulation Act, 1949	400,000	390,000
(ii) Amount brought in by Bank by way of Capital		
Opening Balance	2,027,350	2,027,350
Add: Capital infusion during the year	901,513	-
Total	**2,928,863**	**2,027,350**

SCHEDULE 2

	As at March 31, 2015 Rs. (000's)	As at March 31, 2014 Rs. (000's)
RESERVES AND SURPLUS		
I STATUTORY RESERVE		
As per Last Balance Sheet	372,710	347,781
Add: Transfer from Profit & Loss Account	42,852	24,929
	415,562	372,710
II PROPERTY INVESTMENT RESERVE	9,976	9,976
III CAPITAL RESERVE	27,231	27,231
IV SURPLUS RETAINED FOR CAPITAL ADEQUACY		
As per Last Balance Sheet	469,591	469,591
Add: Transfer from Profit & Loss Account	63,388	-
	532,979	469,591
V INVESTMENT RESERVE ACCOUNT (IRA)		
As per Last Balance Sheet	2,618	3,759
Add/(Less): Transfer from/(to) Profit & Loss Account	10,470	(1,141)
	13,088	2,618
VI BALANCE IN PROFIT AND LOSS ACCOUNT	118,087	75,928
Total	**1,116,923**	**958,054**

SCHEDULE 3

	As at March 31, 2015 Rs. (000's)	As at March 31, 2014 Rs. (000's)
DEPOSITS		
A I Demand Deposits		
(i) From Banks	17,875	9,950
(ii) From Others	957,249	1,523,995
	975,124	1,533,945
II Saving Bank Deposits	842,014	758,828
III Term Deposits		
(i) From Banks	2,269	2,086
(ii) From Others	8,626,289	6,103,674
	8,628,558	6,105,760
Total	**10,445,696**	**8,398,533**
B (i) Deposits of branches in India	10,445,696	8,398,533
(ii) Deposits of branches outside India	-	-
Total	**10,445,696**	**8,398,533**

	As at March 31, 2015 Rs. (000's)	As at March 31, 2014 Rs. (000's)
SCHEDULE 4		
BORROWINGS		
I Borrowings in India from		
(i) Reserve Bank of India	-	70,000
(ii) Other Banks	-	72,500
(iii) Other institutions and agencies	-	-
	-	142,500
II Borrowings outside India	562,500	-
Total (I+II)	**562,500**	**142,500**

Secured borrowings included in I & II above - Rs.Nil [Previous year Rs.70,000 (Rs. in 000's)]

SCHEDULE 5

OTHER LIABILITIES AND PROVISIONS		
I Bills Payable	8,147	8,416
II Interest Accrued	82,298	63,575
III Provision for standard assets	82,226	45,494
IV Provision for tax (net of advance tax)	-	-
V Others (including provisions)	372,541	483,283
Total	**545,212**	**600,768**

SCHEDULE 6

CASH AND BALANCE WITH RESERVE BANK OF INDIA		
I Cash in hand (including foreign currency notes)	6,947	9,721
II Balances with Reserve Bank of India		
(i) In Current Account	734,292	340,006
(ii) In Other Account	-	-
Total (I+II)	**741,239**	**349,727**

SCHEDULE 7

BALANCES WITH BANKS & MONEY AT CALL & SHORT NOTICE		
I In India		
(i) Balances with Banks		
(a) In Current Account	18,849	5,209
(b) In Other Deposit Account	-	300,000
(ii) Money at Call and Short Notice		
(a) With Banks (*)	-	539,660
(b) With Other Institutions	-	-
	18,849	844,869
II Outside India		
(i) In Current Account	214,997	289,555
(ii) In Other Deposit Accounts	-	-
(iii) Money at Call and Short Notice	1,325,000	53,924
	1,539,997	343,479
Total (I+II)	**1,558,846**	**1,188,348**

* includes lending under LAF of Rs.Nil (previous year Rs.Nil)

SCHEDULE 8

INVESTMENTS		
I Investments in India		
(i) Government securities (*)	2,795,428	2,331,544
(ii) Other approved securities	-	-
(iii) Shares	6,150	-
(iv) Debentures and bonds	-	-
(v) Subsidiaries/Joint Ventures	-	-
(vi) Others	486,951	412,424
	3,288,529	**2,743,968**
II Investments outside India	-	-
	3,288,529	**2,743,968**
III Investments in India		
Gross Value	3,307,146	2,781,090
Less:- Provision on Investments	(18,617)	(37,122)
Net Value	**3,288,529**	**2,743,968**

* includes Securities of book value of Rs.89,268 (FV Rs.90,000) (Previous Year BV 51,048 FV 50,000) deposited with CCIL, securities of FV of Rs. Nil (Previous Year Rs.72,800) given under LAF and securities of Face Value of Rs.400,000 kept with RBI under section 11(2)(b)(ii) of Banking Regulation Act, 1949 (Previous Year FV Rs.390,000).

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2015

SCHEDULE 9

ADVANCES				
A	(i)	Bills purchased and discounted	1,251,598	1,129,210
	(ii)	Cash credits, Overdrafts & Loans	3,637,441	2,994,625
	(iii)	Term Loans	4,636,005	3,255,327
	Total		**9,525,044**	**7,379,162**
B	(i)	Secured by tangible assets*	4,968,595	4,603,609
	(ii)	Covered by Bank/Government Guarantees	1,579,760	859,500
	(iii)	Unsecured	2,976,689	1,916,053
	*includes advances against book debts			
	Total		**9,525,044**	**7,379,162**
C	I	Advances in India		
	(i)	Priority Sector	2,754,349	2,321,946
	(ii)	Public Sector	-	-
	(iii)	Banks	-	-
	(iv)	Others	6,625,681	5,057,216
		Sub-total	**9,380,030**	**7,379,162**
	II	Advances outside India	145,014	-
		Sub-total	145,014	-
	Total		**9,525,044**	**7,379,162**

SCHEDULE 10

FIXED ASSETS			
I	Premises		
	At cost as per last Balance Sheet	24,988	24,988
	Additions during the year	-	-
	Deductions during the year	-	-
	Depreciation to date	(3,005)	(2,579)
		21,983	22,409
II	Other fixed assets		
	At cost as per last Balance Sheet	188,894	168,760
	Additions during the year	30,698	20,512
	Deductions during the year	(3,404)	(378)
	Depreciation to date	(173,288)	(156,978)
		42,900	31,916
III	Capital work in progress (including capital advances)	3,532	2,694
	Total	**68,415**	**57,019**

SCHEDULE 11

OTHER ASSETS			
I	Interest accrued	27,532	34,519
II	Tax paid in advance/tax deducted at source (net of provisions)	17,089	8,456
III	Deferred Tax (net) (Refer Accounting Policy 10 & Notes to Accounts 47)	186,825	171,063
IV	Stationery and stamps	9	13
V	Others	185,666	194,930
	Total	**417,121**	**408,981**

SCHEDULE 12

CONTINGENT LIABILITIES			
I	Claims against the bank not acknowledged as debts	75,000	75,000
II	Liabilities on account of outstanding forward exchange contracts	3,006,151	711,151
III	Guarantees given on behalf of constituents		
	(a) In India	763,868	450,117
	(b) Outside India	319,369	141,179
IV	Acceptances, endorsements and other obligations	598,442	358,335
V	Other items for which the Banks is contingently liable		
	- Capital Commitments	7,223	6,858
	- Unclaimed customer balances transferred to RBI DEAF Scheme	7,993	-
	- Securities of Staff Gratuity Trust held in Constituent SGL account	4,500	4,500
	Total	**4,782,546**	**1,747,140**

		For the year ended March 31, 2015 Rs.(000's)	For the year ended March 31, 2014 Rs.(000's)
SCHEDULE 13			
INTEREST EARNED			
I	Interest/Discount on Advances/Bills	780,421	639,104
II	Income on Investments (net of premium amortised Rs.420 in 000's) (Previous year Rs.1,576 in 000's)	248,153	220,242
III	Interest on balance with Reserve Bank of India and other inter-bank funds	40,591	23,428
IV	Others	25	-
	Total	**1,069,190**	**882,774**

		For the year ended March 31, 2015 Rs.(000's)	For the year ended March 31, 2014 Rs.(000's)
SCHEDULE 14			
OTHER INCOME			
I	Commission, Exchange and Brokerage	51,246	47,486
II	Profit/(Loss) on sale of Investments (net)	(5,976)	(28)
III	Profit/(Loss) on sale of assets (net)	(25)	(33)
IV	Profit/(Loss) on Exchange Transactions (net)	72,163	77,682
V	Income earned by way of dividends, etc. from subsidiaries, companies, joint venture abroad/in India	-	-
VI	Processing Fee	15,527	12,289
VII	Miscellaneous Income	78	36
	Total	**133,013**	**137,432**

SCHEDULE 15

INTEREST EXPENDED			
I	Interest on Deposits	526,632	467,597
II	Interest on RBI/Inter-bank borrowings	1,323	4,651
III	Others representing hedging cost	18,517	7,342
	Total	**546,472**	**479,590**

SCHEDULE 16

OPERATING EXPENSES			
I	Payment to and provisions for employees	133,081	97,354
II	Rent, Taxes and Lighting	62,488	47,957
III	Printing and Stationery	2,119	1,952
IV	Advertisement and Publicity	907	1,008
V	Depreciation on Bank's Property	20,028	17,827
VI	Directors' Fees, Allowances and Expenses	-	-
VII	Auditors' Fees and Expenses	775	770
VIII	Law Charges	419	1,402
IX	Postage, Telegrams, Telephones etc.	3,346	4,069
X	Repairs and Maintenance	9,261	9,975
XI	Insurance	10,620	9,140
XII	Other Expenditure	35,863	29,411
	Total	**278,907**	**220,865**

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES

1. Basis of preparation

The accompanying financial statements are prepared and presented under the historical cost convention and accrual basis of accounting unless otherwise stated and in accordance with the generally accepted accounting principles and statutory provisions prescribed under the Banking Regulation Act 1949, circulars and guidelines issued by the Reserve Bank of India (RBI), notified Accounting Standards (AS) specified under section 133 of Companies Act, 2013 read with Rule 7 of Companies (Accounting Rules) 2014 to the extent applicable and current practices prevailing within the banking industry in India.

2. **Use of estimates**

The preparation of financial statements requires the Management to make estimates and assumptions that affect the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the 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. Future results could differ from these estimates. Any revisions to accounting estimates are recognized prospectively in the current and future periods.

3. **Transaction involving foreign exchange**

a) Monetary assets and liabilities denominated in foreign currencies and outstanding forward exchange contracts except foreign currency deposit swaps are revalued at the year end exchange rates notified by the Foreign Exchange Dealers' Association of India (FEDAI) and the resultant gains or losses at present values are recognised in Profit and Loss Account.

b) Income and expenditure in foreign currencies are translated at the rates prevailing on the date of the transaction.

c) Acceptances, endorsements and other obligations in foreign currencies are stated at the year end exchange rates notified by FEDAI.

d) Foreign currency swaps are marked to market using respective discount rates for foreign currency cash flows. All transactions are then recorded at spot rates notified by FEDAI. The profit or loss on revaluation is recorded in the profit and loss account and is included in other assets/other liabilities. The notional values of these swaps are recorded as contingent liabilities. The premium or discount on swap contracts hedging the foreign currency risk is amortised over the period of the swap contract in accordance with FEDAI guidelines.

4. **Investments**

For presentation in the Balance sheet, investments (net of provisions) are classified under the following heads – Government securities, Other approved securities, Shares, Debentures and Bonds, Subsidiaries and Joint Ventures and Others, in accordance with Third Schedule to the Banking Regulation Act, 1949.

Accounting and Classification

As per the guidelines for investments laid down by the Reserve Bank of India, the investment portfolio of the Bank is classified under "Held to Maturity", "Available for Sale" and "Held for Trading" categories.

Valuation

Investments classified under ''Held to Maturity'' are carried at acquisition cost unless it is more than the face value in which case, the premium is amortised over the period remaining to maturity and is disclosed in Schedule 13 after netting off from Interest Income on Investments.

Investments classified under ''Available for Sale'' and "Held for Trading" are valued at lower of cost or market value, in aggregate for each balance sheet classification and net depreciation in aggregate for each balance sheet classification is recognised in the Profit and Loss Account.

Treasury bills and Commercial papers are valued at carrying cost.

Market value, in case of Government, other approved securities, Bonds, Debentures and Pass through Certificates for which quotes are not available, is determined on the basis of the 'yield to maturity' rates indicated by Primary Dealers Association of India (PDAI) jointly with the Fixed Income Money Market and Derivatives Association of India (FIMMDA).

Securitization Receipts are valued at lower of Net Book Value and Net Asset Value declared by Securitization/Reconstruction Company.

Investments where interest/dividend is not serviced regularly are classified in accordance with prudential norms for classification, valuation and operation of Investment Portfolio by Banks prescribed by the Reserve Bank of India.

Transfer between categories

Reclassification of investments from one category to the other, if done, is in accordance with RBI guidelines and any such transfer is accounted for at the acquisition cost/book value/market value, whichever is lower, as at the date of transfer. Depreciation, if any, on such transfer is fully provided for.

Sale of Investments under Held to Maturity

Realized gains on investments under Held to Maturity ("HTM") category are recognized in the profit and loss account and subsequently appropriated, from the profit available for appropriation, if any, to capital reserve account in accordance with RBI guidelines after adjusting for income tax and appropriations to the statutory reserve.

Accounting for repos/reverse repos (Including Borrowing/Lending under Liquidity Adjustment Facility)

Repo/Reverse repo transactions are disclosed as borrowing/lending transactions and correspondingly the expense and income thereon are treated as interest.

5. **Advances and Provisions**

Advances are stated net of bills re-discounted, specific loan loss provisions and unrealised interest on non-performing advances. Specific provision for loan losses is made in respect of non-performing advances are in accordance with or higher than the prudential norms on income recognition, asset classification and provisioning pertaining to Advances laid down by the Reserve Bank of India.

Provision for standard advances is made at a rate not lesser than the rate prescribed by the Reserve Bank of India.

6. **Fixed Assets and Depreciation**

a) Fixed Assets are stated at original cost of acquisition including taxes, duties, freight and the incidental expenses related to acquisition and installation less accumulated depreciation.

b) Till the year ended 31 March 2014, depreciation rates prescribed under Schedule XIV to the Companies Act 1856 were treated as minimum rates and the Bank was not allowed to charge depreciation at lower rates even if such lower rates were justified by the estimated useful life of the asset. Schedule II to the Companies Act 2013 prescribes useful lives for fixed assets which, in many cases, are different from lives prescribed under the erstwhile Schedule XIV. Considering the applicability of Schedule II, the management has re-estimated useful lives and residual values of all its fixed assets as prescribed in Companies Act 2013. The management believes that depreciation rates currently used fairly reflect its estimate of the useful lives and residual values of fixed assets. Depreciation on fixed assets is provided on straight-line method, over estimated useful lives, as determined by the management, at the rates mentioned below

Assets	**Useful Life**
Vehicle	8 years
Equipment	5 years
Furniture	10 years
Hardware & Software *	3 years
Freehold Premises	60 years
Leasehold Improvements	Over 10 years or the primary period of the lease whichever is lower

- Depreciated as per RBI Guidelines

Assets individually costing Rs.5,000/- and below are fully depreciated in the month they are put to commercial use.

c) Assets purchased during the year are depreciated from the month that the asset has been put to use in the year. Assets disposed off during the year are depreciated upto the month before the date of disposal.

d) The Bank considers fixed assets as corporate assets of the banking business (cash-generating unit) as a whole. 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**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Lease payments for assets taken as non-cancelable lease are recognized as an expense in the Profit and Loss Account on a straight line basis over the lease term.

8. **Revenue Recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured.

a) Interest income on advances, other than on Non-Performing Advances, is recognised on accrual basis.

b) Income from investments other than non performing investments is accounted for on accrual basis except dividend on shares of Corporates and Mutual Funds, if any, which is accounted for on cash basis.

c) Interest income on Non-Performing Assets is recognised only on realisation in accordance with the norms prescribed by the Reserve Bank of India.

d) Commission income on letters of credit is accounted on issuance of the letter of credit. Loan processing fees is recognised at inception of the loan. Guarantee commission exceeding Rs.1,00,000/- is accrued on a time proportion basis over the period of guarantee.

9. **Employee Benefits**

a) Gratuity

The Bank operates a Gratuity Fund Scheme and the contributions are remitted to a Trust established for this purpose. The Bank makes annual contributions to the Fund based on actuarial valuation carried out by an independent external actuary using the projected unit credit method. The annual contribution payable/paid is charged to the Profit and Loss Account.

b) Provident Fund

Contribution to Provident Fund is a defined contribution calculated at the designated rate and is charged to the Profit and Loss Account on an accrual basis. Both the employer and employee contributions are made to the Employees' Provident Fund Organization (EPFO) of the Government of India.

c) Compensated Absences

The bank provides for long term compensated absences on the balance sheet date based on an actuarial valuation carried out by an independent external actuary.

Short term compensated absences are provided for without discounting the liability.

10. **Taxation**

The Bank makes provision for Income-tax after considering both current and deferred taxes. The tax effect of timing differences between the book profit and taxable profits are reflected through deferred tax asset (DTA)/deferred tax liability (DTL).

Current Tax is determined in accordance with the provisions of Income Tax Act, 1961 and rules framed there under.

Wealth Tax is determined in accordance with the provisions under the Wealth Tax Act, 1957.

Deferred taxation is provided on timing differences, using the liability method between the accounting and tax statement on income and expenses.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised 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. In situations where the Bank has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each balance sheet date the Bank re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Bank writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised.

11. Net Profit

The net profit disclosed in Profit and Loss Account is after:

a) Provision for current taxes, wealth tax and deferred taxes on income in accordance with statutory requirements;
b) Provision/write off for loan losses and Investments;
c) Provision for contingency and other usual and necessary provisions.

12. Provisions, Contingent Assets And Contingent Liabilities

The Bank establishes provisions when it has a present obligation as a result of past event (s) that probably requires 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. Such provisions are not discounted to present value. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. 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 resources embodying economic benefits will be required to settle the obligation;
   b) A reliable estimate of the amount of obligation cannot be made.

13. Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, balances with Reserve Bank of India, balances with other banks/institutions and money at call and short notice (including the effect of changes in exchange rates on cash and cash equivalents in foreign currency).

SCHEDULE 18: NOTES TO ACCOUNTS

Disclosure requirements as per RBI guidelines

1. The breakup of "Provisions & Contingencies" as appearing in the Profit and Loss Account is as under:

(Rs. in crore)

Particulars	**Year ended 31.03.2015**	**Year ended 31.03.2014**
Specific Provision for Non Performing Advances	9.16	19.22
Provision for Diminution in fair value of restructured advances	9.68	11.99
Bad Debts written off (including investments of Rs.0.80 crores) (previous year Nil)	8.66	17.71
Provision for Non Performing Advances written back	(18.23)	(25.49)
Provision for Diminution in fair value of restructured advances written back	(1.78)	
Provision for Non Performing Investments written back	(0.80)	-
Utilisation of Floating Provision	-	(0.52)
Provision for depreciation on Investments	(1.05)	0.26
Provision for income tax (including earlier years)	11.30	3.22
Provision for deferred tax	(1.58)	(5.82)
Provision for wealth tax	0.03	0.03
Provision for country risk	0.18	(0.47)
Provision for UFC Exposure	1.30	-
Provision for standard assets	3.67	1.87
Total	**20.54**	**22.00**

2. The Capital to Risk Assets Ratio, as assessed by the Bank on the basis of the guidelines issued by the Reserve Bank of India is as under:

As per Basel III:

(Rs. in Crores)

Particulars	**31 March, 2015**	**31 March, 2014**
Capital Adequacy		
Common Equity Tier I	371.84	272.58
Tier I Capital	371.84	272.58
Including capital infusion during the year	90.15	-
Tier II Capital	11.07	4.87
Amount of Tier II capital raised	-	-
Amount of subordinated debt raised as Tier-II capital	-	-
Total Capital	382.91	277.45
Percentage of the shareholding of the Government of India in nationalized Banks	N.A.	N.A.
Total risk weighted assets and contingents	1335.21	826.58
Capital Ratios		
Common Equity Tier I	27.85%	32.98%
Tier I	27.85%	32.98%
Tier II	0.83%	0.59%
CRAR	28.68%	33.57%

3. Business Ratios:

	Particulars	**31.03.2015**	**31.03.2014**
a.	Net NPAs to Net Advances	2.66%	7.67%
b.	Interest income as a percentage to working funds **($)**	8.54%	8.62%
c.	Non-interest income as a percentage to working funds **($)**	1.06%	1.34%
d.	Operating Profit as a percentage to working funds **($)**	3.01%	3.12%
e.	Return on assets **(@)**	1.24%	0.84%
f.	Business (Deposits plus Advances) per employee **(#)**	Rs.17.81 Crore	Rs.16.25 Crore
g.	Profit per employee **(#)**	Rs.0.15 Crore	Rs.0.10 Crore

($) Working funds are reckoned as average of total assets (excluding accumulated losses, if any) as reported to Reserve Bank of India in Form X during the 12 months of the financial year.

(@) Assets are reckoned as average of total assets less accumulated losses as at beginning of the year and as at end of the year.

(#) Productivity ratios are based on year end employee numbers.

4. Provision Coverage Ratio (PCR)

The provision coverage ratio of the Bank as on March 31, 2015 computed as per the RBI circular no. DBOD.No.BP.BC. 64/21.04.048/2009-10 dated December 1, 2009 on 'Provision Coverage for Advances' is 36.69% (previous year 29.56%).

BBK

بنك البحرين والكويت

BANK OF BAHRAIN & KUWAIT B.S.C. - INDIAN BRANCHES

(Incorporated in Bahrain with Limited Liability)

5. Maturity Profile:

As at March 31, 2015 (Rs. in crore)

Maturity Profile	1 day	2-7 days	8-14 days	15-28 days	29 days-3 months	3-6 months	6-12 months	1-3 years	3-5 years	Over 5 years	Total
Deposits	1.89	23.88	26.24	140.66	115.13	121.41	245.99	322.76	46.59	0.01	1,044.56
Borrowings		56.25									56.25
Loans & Advances	43.54	21.31	10.45	7.88	125.07	246.06	67.34	314.26	41.60	74.99	952.50
Investments			48.37	57.23	23.20	73.25	50.10	65.30	10.67	0.73	328.85
Foreign currency assets	22.78	147.77	1.52	1.66	25.65	125.64	-	67.00	-	9.05	401.07
Foreign currency liabilities	0.34	63.27	1.64	2.76	11.51	24.55	34.09	44.82	44.16	-	227.14

As at March 31, 2014 **(Rs. in crore)**

Maturity Profile	1 day	2-7 days	8-14 days	15-28 days	29 days-3 months	3-6 months	6-12 months	1-3 years	3-5 years	Over 5 years	Total
Deposits	4.94	30.58	37.37	51.42	86.25	59.11	132.99	385.71	51.48	-	839.85
Borrowings	-	14.25	-	-	-	-	-	-	-	-	14.25
Loans & Advances	107.50	11.85	11.44	16.72	154.78	66.53	57.95	218.23	68.61	24.31	737.92
Investments	-	-	57.71	11.81	58.70	13.83	30.17	86.63	15.55	-	274.40
Foreign currency assets	38.39	29.07	5.92	10.69	79.59	26.55	2.03	9.22	-	10.39	211.85
Foreign currency liabilities	0.73	30.96	4.18	1.73	11.28	17.16	32.01	65.21	41.06	-	204.32

In computing the above information, certain estimates and assumptions have been made which have been relied upon by the auditors.

6. A) Movement in Non-Performing Advances:

(Rs. in crore)

Particulars	2014-2015			2013-2014		
	Gross NPA (net of interest in suspense)	Provisions	Net NPA	Gross NPA (net of interest in suspense)	Provisions	Net NPA
Opening balance	80.26	22.67	57.59	52.32	28.93	23.39
(+) Additions	24.14	9.16	14.98	98.70	19.22	79.48
(-) Recoveries	2.23	2.21	0.02	12.66	1.37	11.29
(-) Upgradations	54.39	8.16	46.23	40.39	6.40	33.99
(-)Technical/Prudential Write-offs	-	-	-	-	-	-
(-)Other Write-offs	7.86	7.86	-	17.71	17.71	-
Closing balance	**39.92**	**13.60**	**26.32**	**80.26**	**22.67**	**57.59**
Less: Floating Provision			**(1.05)**	**-**	**-**	**(1.05)**
Net Closing balance			**25.27**	**-**	**-**	**56.54**

* In accordance with RBI circular no. DBOD.NO.BP.BC. 89/21.04.048/2005-06 dated June 22, 2006 on 'Prudential norms on creation and utilization of floating provision' the Bank has two options being:

a) Deducting the existing floating provisions from gross NPAs to arrive at net NPAs or

b) Reckoning it as part of Tier II capital subject to the overall ceiling of 1.25% of total Risk Weighted Assets.

The Bank has exercised the option of deducting such floating provisions from Gross NPAs to arrive at net NPAs.

B) Movement in stock of Technical/Prudential Written-offs:

(Rs. in crore)

Particulars	2014-15	2013-14
Opening Balance of Technical/Prudential written-off accounts	-	-
(+) Additions	-	-
(-) Recoveries	-	-
Closing Balance of Technical/Prudential written-off accounts	-	-

7. INVESTMENTS

i. Details of Investments:

(Rs. in crore)

	Particulars	2014-15	2013-14
1)	Value of Investments		
i)	Gross Value of Investments		
	(a) In India	330.71	278.11
	(b) Outside India		-
ii)	Provision for Depreciation		
	(a) In India	(1.86)	(3.71)
	(b) Outside India		
iii)	Net Value of Investments		
	(a) In India	328.85	274.40
	(b) Outside India		-

	Particulars	2014-15	2013-14
2)	Movement of provisions held towards depreciation on Investments		
	i) Opening balance	3.71	3.45
	ii) Add: Additions during the year	1.03	4.88
	iii) Less: Write off/write back of excess provision during the year	2.88	4.62
	iv) Closing balance	1.86	3.71

ii. Classification of net Investments under various categories is as under:

(Rs. in crore)

Particulars	2014-15	2013-14
Held for Trading		
a) Approved Securities	-	-
b) Unapproved Securities	-	-
Available for Sale		
a) Approved Securities	234.76	188.34
b) Unapproved Securities	49.31	41.24
Held for Maturity		
a) Approved Securities	44.78	44.82
b) Unapproved Securities	-	-
Total	**328.85**	**274.40**

8. i) **Issuer composition of Non SLR investments**

2014-2015 (Rs. in crore)

No.	Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' Securities (*)	Extent of 'unlisted' securities (*)
1	PSU's	-	-	-		
2	FI's (SIDBI deposits)	-	-	-		
3	Banks (certificate of deposits)	-	-	-		
4	Private corporates	50.34	48.70	1.64	1.64	-
5	Subsidiaries/Joint ventures					
6	Others	0.54	0.54	0.54	0.54	0.54
7	Provision held towards depreciation	**(1.57)**				
	Total	**49.31**				

2013-2014 (Rs. in crore)

No.	Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' Securities	Extent of 'unlisted' securities
1	PSU's	-	-	-	-	-
2	FI's (SIDBI deposits)	-	-	-	-	-
3	Banks (certificate of deposits)	-	-	-	-	-
4	Private corporates	41.25	41.25	-	-	2.24
5	Subsidiaries/Joint ventures	-	-	-	-	-
6	Others	1.34	1.34	1.34	1.34	1.34
7	Provision held towards depreciation	**(1.35)**				
	Total	**41.24**	**42.59**	**1.34**	**1.34**	**3.58**

ii) **Non performing Non-SLR investments** (Rs. in crore)

Particulars	2014-2015	2013-2014
Opening balance	1.34	1.34
Additions during the year since 1st April	-	-
Reductions during the above period	0.80	-
Closing balance	0.54	1.34
Total provisions held	**0.54**	**1.34**

9. Information on repos during the year (including Liquidity Adjustment facility with the Reserve Bank of India) (in face value terms):

2014-2015 (Rs. in crore)

	Minimum outstanding during the year (@)	Maximum outstanding during the year	Daily average outstanding during the year (#)	As on March 31, 2015
Securities sold under repos	3.12	8.32	0.12	-
Securities purchased under reverse repos	4.16	23.92	0.47	-

2013-2014 (Rs in crore)

	Minimum outstanding during the year (@)	Maximum outstanding during the year	Daily average outstanding during the year (#)	As on March 31, 2014
Securities sold under repos	2.08	84.00	1.73	7.28
Securities purchased under reverse repos	5.20	36.40	0.44	-

(@) Minimum outstanding is considered only for those days when such transactions were outstanding.

(#) Average is based of transactions outstanding divided by 365.

10. Lending to Sensitive Sectors

(A) Exposure to Real Estate Sector (Rs. in crore)

	Category	2014-2015	2013-2014
A	Direct exposure (*)		
(i)	Residential Mortgages -		
	Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented	2.59	0.98
	- of which individual housing loans eligible for inclusions in priority sector advances	0.19	0.22
(ii)	Commercial Real Estate –	-	3.78
(iii)	Investments in Mortgage Backed Securities (MBS) and other securities exposure -		
	a. Residential	-	-
	b. Commercial Real Estate	-	-
B	Indirect Exposure		
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	-	-
	Total Exposure to Real Estate Sector	**2.59**	**4.76**

(*) In some cases the lending is based on collateral security which is in the nature of charge on real estate. However, these exposures are not considered as exposure to real estate sector since neither the borrowers are engaged in real estate development activity nor the credit facility used for real estate development.

(B) Exposure to Capital Market (Rs. in crore)

Sr. No.	Particulars	2014-2015	2013-2014
(i)	direct investment 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;	1.64	-
(ii)	advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	0.01	0.08
(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;	-	-
(iv)	advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/convertible bonds/convertible debentures/units of equity oriented mutual funds does not fully cover the advances;	-	-
(v)	secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	-	-
(vi)	loans sanctioned to corporates against security of shares/bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
(vii)	bridge loans to companies against expected equity flows/issues;	-	-
(viii)	underwriting commitments taken up by Banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	-	-
(ix)	financing to stockbrokers for margin trading;	-	-
(x)	all exposures to Venture Capital Funds (both registered and unregistered);	-	-
Total Exposure to Capital Market		**1.65**	**0.08**

Exposure is higher of limits sanctioned or the amount outstanding as at the year end.

11. Letters of Comfort (LoCs):

(Rs. in crore)

Particulars	2014-15	2013-14
No. of LoCs issued during the year	38	55
Financial impact of LoCs issued during the year	-	-
Cumulative financial obligation under the LoCs issued in the past and outstanding	13.26	9.06

12. Subordinated Debt raised during the year Rs. Nil (Previous year Rs.Nil)

13. Disclosure of Restructured Accounts

As at 31 March 2015 (Rs. in Crore)

Sr. No.	Type of Restructuring →		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification → Details ↓		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
1	Restructured Accounts as on April 1, 2014	No. of borrowers	2	-	-	-	2	-	-	-	-	-	-	-	-	-	-	2	-	-	-	2
		Amount outstanding	44.82	-	-	-	44.82	-	-	-	-	-	-	-	-	-	-	44.82	-	-	-	44.82
		Provision thereon	14.01	-	-	-	14.01	-	-	-	-	-	-	-	-	-	-	14.01	-	-	-	14.01
2	Additional/Fresh restructuring during the year*	No. of borrowers	1	-	-	-	1	-	-	-	-	-	-	-	-	-	-	1	-	-	-	1
		Amount outstanding	68.20	-	-	-	68.20	-	-	-	-	-	-	-	-	-	-	68.20	-	-	-	68.20
		Provision thereon	11.78	-	-	-	11.78	-	-	-	-	-	-	-	-	-	-	11.78	-	-	-	11.78
3	Upgradations to restructured standard category during the FY	No. of borrowers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Restructured standard advances which cease to attract higher provisioning and/or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	-				-	-				-	-				-	-	-	-	-	-
		Amount outstanding	-				-	-				-	-				-	-	-	-	-	-
		Provision thereon	-				-	-				-	-				-	-	-	-	-	-
5	Downgradations of restructured accounts during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Write-offs of restructured accounts during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Restructured Accounts as on March 31, 2015	No. of borrowers	3	-	-	-	3	-	-	-	-	-	-	-	-	-	-	3	-	-	-	3
		Amount outstanding	113.02	-	-	-	113.02	-	-	-	-	-	-	-	-	-	-	113.02	-	-	-	113.02
		Provision thereon	25.79	-	-	-	25.79	-	-	-	-	-	-	-	-	-	-	25.79	-	-	-	25.79

*Includes net increase of Rs.2.89 crores under amount outstanding out of additional/fresh restructuring during the year in two restructured acounts as on April 1, 2014 and reduction of Rs. 0.71 crores under provision thereon for the said two accounts.

13. Disclosure of Restructured Accounts
As at 31 March 2014 (Rs. in Crore)

Sr. No.	Type of Restructuring →		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification → Details ↓		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
1	Restructured Accounts as on April 1, 2013	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Addition/Fresh restructuring during the year	No. of borrowers	2	-	-	-	2	-	-	-	-	-	-	-	-	-	-	2	-	-	-	2
		Amount outstanding	44.82	-	-	-	44.82	-	-	-	-	-	-	-	-	-	-	44.82	-	-	-	44.82
		Provision thereon	14.01	-	-	-	14.01	-	-	-	-	-	-	-	-	-	-	14.01	-	-	-	14.01
3	Upgradations to restructured standard category during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Restructured standard advances which cease to attract higher provisioning and/or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	-				-	-				-	-				-	-				-
		Amount outstanding	-				-	-				-	-				-	-				-
		Provision thereon	-				-	-				-	-				-	-				-
5	Downgradations of restructured accounts during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Write-offs of restructured accounts during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Restructured Accounts as on March 31, 2014	No. of borrowers	2	-	-	-	2	-	-	-	-	-	-	-	-	-	-	2	-	-	-	2
		Amount outstanding	44.82	-	-	-	44.82	-	-	-	-	-	-	-	-	-	-	44.82	-	-	-	44.82
		Provision thereon	14.01	-	-	-	14.01	-	-	-	-	-	-	-	-	-	-	14.01	-	-	-	14.01

14. The Bank has not extended any finance for margin trading during the year.

15. The Bank has/had exposure in excess of the single borrower prudential exposure ceiling (including non- performing advances) in the following cases during the year:

a) Arch Pharmalabs Limited
b) Allanasons Limited
c) Shapoorji Pallonji & Company Limited
d) ALD Automotive Private Limited
e) Regal Interiors Private Limited
f) Oil Country Tubular Limited
g) Rastriya Chemicals and Fertilzers Limited
h) HSIL Limited
i) Laurus Labs Private Limited

However the exposure in all the above cases is approved by the Risk Management Committee (RMC) and is within the enhanced prescribed ceiling of 20% and 25% (for infrastructure lending).

16. Details of financial assets sold to Securitisation/Reconstruction Company for Asset Reconstruction: (Rs. in crore)

	Item	2014-2015	2013-2014
(i)	No. of accounts	Nil	Nil
(ii)	Aggregate value (net of provisions) of accounts sold to SC/RC	Nil	Nil
(iii)	Aggregate consideration	Nil	Nil
(iv)	Additional consideration realized in respect of accounts transferred in earlier years	Nil	Nil
(v)	Aggregate gain/loss over net book value.	Nil	Nil

17. Disclosures relating to Securitisation:

The Bank is not the originating Bank to any securitization transactions during the year under review (previous year Nil).

18. Credit Default Swaps:

The Bank has not entered into any credit default swaps during the year under review (previous year Nil).

BBK

بنك البحرين والكويت

BANK OF BAHRAIN & KUWAIT B.S.C. - INDIAN BRANCHES

(Incorporated in Bahrain with Limited Liability)

19. Disclosure on remuneration:

Qualitative disclosure

(a) *Information relating to the composition and mandate of the Remuneration Committee.*

<u>Summary terms of reference, roles and responsibilities:</u>

- The Board appoints not less than three members for a one year term. The Chairman is an Independent Director and the majority of members should also be independent.
- The Chairman and the Deputy Chairman must be elected by the members of the Committee, in its first meeting after the appointment of the members.
- Minimum number of meetings required each year: 2
- Quorum shall be more than half of the members and must include the Chairman or the Deputy Chairman. The attendance by proxies is not permitted.
- The Chairman or Deputy Chairman shall be available at the Annual General Meeting to answer questions relating to the Committee's functions
- The Committee conducts an annual self-assessment of the performance of the Committee/members and report conclusions and recommendations to the Board.

Summary of responsibilities:

Assesses, evaluate and advise to the Board of Directors on all matters associated with nominations and remunerations of the Directors and the Executive Management. Also, to ensure that the Bank adopts and enhances sound corporate governance practices, which are consistent with the Corporate Governance Code of the Kingdom of Bahrain and the regulatory requirements and also reflects the best market practices in corporate governance and makes recommendations to the Board as appropriate.

Members

- **Murad Ali Murad** Chairman (Independent)
- **Dr. Nayef Falah Mubarak Al Hajraf -** Member Until August 2014 (Non – Independent)
- **Sh. Khalifa bin Duaij Al Khalifa -**Member (Independent)
- **Marwan Mohammed Al Saleh** -Member Starting from 9 February 2015 (Non-Independent)

(b) *Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy.*

The remuneration is designed with the following pay components.

1. Fixed pay includes cash payouts like Basic Pay, Allowances, Medical Benefits, Leave Travel Allowance, and retirement accruals like Provident Fund, & Gratuity; it also includes Furnished Residential Quarters, Telephone, use of Bank's car, Club Membership, Medical Insurance Benefit etc.
2. Variable Pay is a monetary reward paid to the employee in recognition of their contribution to the performance of the Bank.
3. Employee Performance Share Plan, under which eligible employees are allocated shares which are vested with reference to a performance measure which is tested over a 3 consecutive financial years.

The Objectives of remuneration policy are:

a) Effective governance of compensation.
b) Effective alignment of compensation with prudent risk taking.
c) Effective supervisory oversight and engagement by stakeholders.

(c)	*Description of the ways in which current and future risks are taken into account in the remuneration processes including the nature and type of the key measures used to take account of these risks.*	Ensuring effective alignment of compensation with prudent risk taking. The annual goals of executives in Business segment shall include Key Performance Indicators that measure the risk profile such as RAROC, NPAs, ROA, ROE and weighted average loan grading of portfolio etc. Suitable qualitative KPIs are used for other support and control executives.
(d)	*Description of the ways in which the Bank seeks to link performance during a performance measurement period with levels of remuneration.*	At the end of the period, the performances are appraised against measurable business and other qualitative goals, in a scale of 1 to 5 (5 being maximum). The increment percentage is then decided based on the approved performance matrix and pay positioning.
(e)	*A discussion of the Bank's policy on deferral and vesting of variable remuneration and a discussion of the Bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting.*	Variable pay, in form of Bonus is decided with reference to the performance measurement and is capped at 70% of the Fixed Pay. Variable pay upto 50% is paid immediately on vesting. If the variable pay exceeds 50% but upto 60%, then 60% of such vested bonus is paid immediately and the balance 40% is deferred over the next 3 years. If the same is between 60% and 65%, then 50% of vested bonus is paid, (and if the same is 65% or above, then 40% of vested bonus is paid) and the balance is deferred over the next 3 years.
(f)	*Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the Bank utilizes and the rationale for using these different forms.*	i) **Bonus**: paid on the basis of performance measurement, to incentivize the performance and as motivation. ii) **Employee Performance Share Plan:** Shares are allotted as per plan approved by the Board of Directors. Country Head & CEO (India) is the eligible employee for this Plan. Shares are vested after 3 years. This is to attract and retain the performing/critical talent and to provide long term wealth creation opportunities.
(g)	*Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.*	i) 4 meetings were held during 2014-15.(Previous year - 7 meetings) ii) Rs.0.08 crores was paid as remuneration.(Previous year - Rs.0.17 crores)

(h)	• Number of employees having received a variable remuneration award during the financial year/(Previous Year - 6)	5
	• Number and total amount of sign-on awards made during the financial year. (Previous Year - Nil)	Nil
	• Details of guaranteed bonus, if any, paid as joining/sign on bonus. (Previous Year - Nil)	Nil
	• Details of severance pay, in addition to accrued benefits, if any. (Previous Year - Nil)	Nil

(i)	• *Total amount of outstanding deferred remuneration, split remuneration, split into cash, shares and share-linked instruments and other forms.*	**Total Deferred Remuneration outstanding**: **Cash**: Rs.0.19 Crores (Previous Year - 0.08 Crore) **Employee Performance Share Plan**: 40,762 shares. (Previous Year - 22,982 shares)
	• *Total amount of deferred remuneration paid out in the financial year.*	**Deferred Remuneration paid in 2014-15**: **Cash**: 0.03 Crore (Previous Year - NIL) **Employee Performance Share Plan**: Nil in the current year. (Previous Year - 14,206 shares)
(j)	• *Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.*	Rs. in crore

2014-15:	Fixed	Variable
Deferred	-	0.03
Non-deferred	2.29	0.45

2013-14:	Fixed	Variable
Deferred	-	0.08
Non-deferred	1.85	0.43

(k)	• Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments. (Previous Year - 0.08)	0.19
	• Total amount of reductions during the financial year due to ex- post explicit adjustments. (Previous Year - Nil)	Nil
	• Total amount of reductions during the financial year due to ex- post implicit adjustments. (Previous Year - Nil)	Nil

20. Risk Category wise Country Exposure:

(Rs. in crore)

	As on March 31, 2015		As on March 31, 2014	
Risk category	**Exposures**	**Provisions**	**Exposures**	**Provisions**
Insignificant	154.44	0.16	78.30	0.03
Low	96.33	0.08	76.27	0.03
Moderate	1.59	0	6.09	-
High	0	0	0.81	-
Very High			-	-
Restricted			-	-
Total	**252.36**	**0.24**	**161.47**	**0.06**

21. Movement in Floating Provision:

(Rs. in crore)

Particulars	2014-2015	2013-2014
Opening Balance	1.05	1.57
Add: Provisions made during the year	-	-
Less: Amount of draw-down made during the year	-	0.52
Closing balance	**1.05**	**1.05**

The Bank has utilized the amount drawn-down for allocation to NPA accounts in accordance with the RBI Circular DBOD.No.BP.95/21.04.048/2013-14 dated February 7, 2014 during the financial year ended 31st March 2014.

22. Details of non-performing financial assets purchased/sold:

a) Details of non-performing financial assets purchased

(Rs. in crore)

Particulars	2014-2015	2013-2014
1. (a) No. of accounts purchased during the year	Nil	Nil
(b) Aggregate outstanding	Nil	Nil
2. (a) Of these, number of accounts restructured during the year	Nil	Nil
(b) Aggregate outstanding	Nil	Nil

b) Details of non-performing financial assets sold

(Rs. in crore)

Particulars	2014-15	2013-14
1. No. of accounts sold	Nil	Nil
2. Aggregate outstanding	Nil	Nil
3. Aggregate consideration received	Nil	Nil

23. Provision on Standard Asset: (Rs. in crore)

As on 31.03.2015: Rs.8.22

As on 31.03.2014: Rs.4.55

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

Concentration of Deposits

(Rs. in crore)

Particulars	2014-15	2013-14
Total deposits of twenty largest depositors	366.59	261.59
% of deposits of twenty largest depositors to total deposits of the Bank	35.09%	31.14%

Concentration of Advances (net)

(Rs. in crore)

Particulars	2014-15	2013-14
Total Advances to twenty largest borrowers	921.71	686.68
% of Advances to twenty largest borrowers to total advances of the Bank	67.20%	72.54%

*Advances are computed as per the definition of credit exposure including derivatives furnished in RBI master circular on exposure norms DBOD.No.Dir.BC. 13/13.03.00/2013-14 dated July 1, 2013.

Note:- Advances to borrowers exclude exposure to Banks.

Concentration of Exposures (net)

(Rs. in crore)

Particulars	2014-15	2013-14
Total Exposure to twenty largest borrowers/customers	936.81	705.68
% of exposures to twenty largest borrowers/customers to total exposure of the Bank on borrowers/customers	65.48%	71.44%

*Exposure is computed based on credit and investment exposure as prescribed in RBI circular on exposure norms DBOD. No.Dir.BC.13/13.03.00/2013-14 dated July 1, 2013.

Note:- Exposure to borrowers/customers exclude exposure to Banks.

Concentration of NPAs (net)

(Rs. in crore)

Particulars	2014-15	2013-14
Total Exposure to top four NPA accounts	26.30	57.54

25. Overseas Assets, NPAs and Revenue:

(Rs. in crore)

Particulars	2014-15	2013-14
Total Assets	Nil	Nil
Total NPAs	Nil	Nil
Total Revenue	Nil	Nil

26. Off-balance Sheet SPVs sponsored:

Particulars	2014-15	2013-14
Domestic:-		
Name of the SPV sponsored	Nil	Nil
Overseas:-		
Name of the SPV sponsored	Nil	Nil

27. Fee/remuneration received in respect of bancassurance business:

(Rs. in crore)

Sr. No.	Nature of Income	2014-15	2013-14
1.	For selling life insurance policies	0.02	-
2.	For selling non-life insurance policies	-	-
3.	For selling mutual fund products	1.33	1.11

28. Unsecured Advances:

(Rs. in crore)

Particulars	2014-15	2013-14
Total amount of advances for which intangible securities such as charge over rights, licenses, authority etc has been taken	Nil	Nil
Estimated value of intangibles collaterals as stated above	Nil	Nil

29. Disclosure on derivatives:

The Bank has not dealt with any Forward Rate Agreement (FRA)/Interest Rate Swaps .The Bank does not deal in Exchange Traded Interest Rate Derivatives. Hence, the disclosure in respect of the same is not applicable .The Bank has very limited exposure to derivatives viz. forward foreign exchange contracts.

a. Qualitative Disclosure

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

Treasury operation is segregated into three different department's 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/procedures which have been approved by the Management Committee to ensure adherence to various risk parameters and prudential limits.

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

a) Risk Measurement:

For forward foreign exchange contracts, risk is measured through a daily report called Value at Risk (VaR), which computes VaR on the foreign exchange, 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) Dealer wise limits
v) Stop loss limits
vi) Bankline limits

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

The Bank has the following two policy papers in place, approved by Management Committee.

i) Integrated Foreign Exchange policy and
ii) 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 for recording hedge and non-hedge transactions, recognition of income, premiums and discounts, valuation of outstanding contracts, provisioning and credit risk mitigation

As stated in Schedule 17: Principal accounting policies point no 3 (a) and (d).

b. Quantitative Disclosure

(Rs. in crore)

Sr. No	Particular	Currency swaps (Forward Foreign exchange contracts)
1	Derivatives (Notional Principal Amount)	
	a) For hedging	50.00
	b) For trading	250.62
2	Marked to Market Positions	
	a) Asset (+)	0.69
	b) Liability (-)	(0.50)
3	Credit Exposure	5.71
4	Likely impact of one percentage change in interest rate (100*PV01)	
	a) on hedging derivatives	-
	b) on trading derivatives	-
5	Maximum and Minimum of 100*PV01 observed during the year	
	a) on hedging	-
	b) on trading	-

30. No penalties were levied by Reserve Bank of India under section 46 (4) of the Banking Regulation Act, 1949 during the year. Reserve Bank of India imposed a penalty of Rs.3,904/- for an instance of shortfall on a single day in maintenance of cash reserve ratio under section 42 of of Reserve Bank of India Act, 1934.

31. Draw down from Reserves:

Investment Reserve Account:

(Rs. in crore)

Particulars	2014-15	2013-14
Opening Balance	0.26	0.38
(+) Additions during the year	1.05	-
(-) Utilized during the year	-	(0.12)
Closing Balance	**1.31**	**0.26**

32. Analysis and Disclosure of complaints:

A. Customer Complaints

Sr. No.	Particulars	2014-15	2013-14
(a)	No. of complaints pending at the beginning of the year	Nil	Nil
(b)	No. of complaints received during the year	1	1
(c)	No. of complaints redressed during the year	1	1
(d)	No. of complaints pending at the end of the year	Nil	Nil

(No ATM complaints were received during the year: Previous year Nil)

*Data provided by management and relied upon by the auditors.

B. Awards passed by the Banking Ombudsman

Sr. No.	Particulars	2014-15	2013-14
(a)	No. of unimplemented Awards at the beginning of the year	Nil	Nil
(b)	No. of Awards passed by the Banking Ombudsmen during the year	Nil	Nil
(c)	No. of Awards implemented during the year	Nil	Nil
(d)	No. of unimplemented Awards at the end of the year	Nil	Nil

*Data provided by management and relied upon by the auditors.

33. Sale and transfer to/from HTM category

There was no sale and transfer to/from HTM category during the year.

34. Fixed Assets

The following table sets forth, for the periods indicated, the movement in computer software acquired by the Bank, as included in fixed assets

(Rs. in crore)

Particulars	As at 31 March 2015	As at 31 March 2014
At cost at March 31st of preceding year	7.72	7.20
Additions during the year	0.68	0.52
Deductions during the year	0.14	-
Depreciation to date	7.32	6.72
Net block	**0.94**	**1.00**

35. Measures taken on Information Security, Electronic Banking, Technology Risk Management and Cyber Frauds

a) Information Technology Governance

The Bank's IT activities are overseen through well-structured committees, with representation from Risk Management, Business, and Operations etc. Important issues are reported and discussed by the Management Committee periodically.

b) Information Security

The Bank has a well laid Information Security Policy addressing Confidentiality, Integrity and availability besides authenticity, non-repudiation and accountability. Frequent Vulnerability Audit and Penetration Tests are done to assure the robustness of the systems and to identify the requirements of enhancements and improvement in protection etc. to meet the orgnaisational objectives.

c) IT operations

The Bank has a well-defined IT Organisation Structure to address the requirements of Operational Control, Application Development, Maintenance, Facilities Management and Infrastructure Management. IT initiatives are guided by Board Approved IT Strategy.

d) IT services outsourcing

The Bank has not outsourced any activity in the IT. Wherever needed AMC etc are carried out though approved vendors.

e) IS Audit

The various observations of IS Audit conducted have been addressed.

f) Cyber frauds

During the period under review, there have been no instances of Cyber Frauds; neither there were any instances of cyber-crimes resulting in loss of money to the Bank. The Bank has set up required machinery to monitor the frauds.

g) Business Continuity Planning

The Bank has in place a well-defined Business Continuity Plan and has also established Business Continuity Centers to support the Branch Operations in Mumbai and Hyderabad. Periodical testing and drills are conducted. Back-ups as per Policy are maintained.

h) Customer education

The user manual for usage of eBanking channel and do's and don'ts are made available in the website of the Bank. Caution message to guard against the Phishing attempts is displayed while accessing the website, for the knowledge of the customers. The latest developments with regard to the delivery channels are presented and discussed in the periodical Customer Service Meetings.

f) Legal issues

There were no legal issues in the IT area during the period under review.

36. Corporate Social Responsibility

The Head Office of the bank undertakes various activities/contributions in the areas of social, health, sports, education, environment as a CSR initiative. The banks Management Committee has constituted a CSR committee.

As required under provisions of Companies Act, 2013, Bank is required to contribute 2% of average profits before tax of three immediately preceding financial years which works out to Rs.0.54 crores. During the year, Bank has contributed an aggregate of Rs. 0.54 crores towards environment preservation and towards Prime Ministers National Relief Fund included under Other Expenditure of Schedule 16.

37. Sector-wise Advances

Sl. No.	Sector	Current year			Previous year		
		Outstanding Total Advances	Gross NPAs	% of GrossNPAs to Total Advances in that sector	Outstanding Total Advances	Gross NPAs	% of GrossNPAs to Total Advances in that sector
A	**Priority Sector**						
1	Agriculture and allied activities	-	-	-	-	-	-
2	Advances to industries sector eligible as priority sector lending (*)	157.30	-	-	203.71	-	-
3	Services	117.94	-	-	28.43	-	-
4	Personal loans	0.19	-	-	0.22	-	-
	Sub-total (A)	275.43	-	-	232.36	-	-
B	**Non Priority Sector**		-	-	-	-	-
1	Agriculture and allied activities	-	-	-	-	-	-
2	Industry (*)	449.48	39.58	8.81%	336.44	69.82	20.76%
3	Services (#)	235.03	-	-	181.87	9.96	5.47%
4	Personal loans	26.05	0.34	1.32%	21.91	0.48	2.17%
	Sub-total (B)	710.56	39.92	5.62%	540.22	80.26	14.86%
	Total (A+B)	**985.99**	**39.92**	**4.05%**	**772.58**	**80.26**	**10.39%**
	* Industry of which						
	Chemicals, dyes paints etc.	173.20	-	-	149.35	-	-
	All Engineering	161.65	-	-	108.04	-	-
	Infrastructure	115.87	-	-	83.99	-	-
	Construction	62.80	-	-	54.91	-	-
	# Services of which						
	NBFC	145.00	-	-	130.49	-	-

38. Transfer to Depositor Education and Awareness Fund (DEAF)

(Rs. in crore)

Particulars	2014-15	2013-14
Opening balance of amounts transferred to DEAF	-	-
(+)Amounts transferred to DEAF during the year	0.81	-
(-) Amounts reimbursed by DEAF towards Claims	-	-
Closing balance of amounts transferred to DEAF	**0.81**	**-**

The amount transferred to DEAF is also shown as contingent liability under Schedule 12 of the Balance Sheet.

39. Unhedged Foreign Currency Exposure

The Bank encourages its borrowers' to hedge their un-hedged exposure. The Bank assesses the un-hedged foreign currency exposure of the borrowers as a part of credit risk assessment. A policy is in place to manage the credit risk arising out of un-hedged foreign currency exposure of the borrowers. The Bank also reviews the portfolio on a periodic basis and maintains provision towards the un-hedged foreign currency exposure of the Borrowers in line with the extant RBI guidelines.

(Rs. in crore)

Particulars	31st March 2015	31st March 2014
Incremental Provision	1.30	-
Incremental Capital held	3.20	-

40. Intra group exposures

RBI Circular No.RBI/2013-14/487 DBOD.No.BP.BC.96/21.06.102/2013-14 dated Feb 11, 2014 deals with Management of Intra Group Exposure and Transactions. As per Point no. 2.4 c on entities exempted from definition of group entities of the said circular, exposure of Foreign Banks' (operating as branches in India) to their Head Office and overseas branches of the parent bank are not covered under these guidelines (except for proprietary derivative transactions undertaken with them). Also, the Bank has no other Group Entities in India and thus no Intra-Group exposure to be reported as on March 31, 2015

41. Liquidity Coverage Ratio

a) Quantitative Disclosures

(Rs. in crore)

Particulars			Current year	
			Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets				
1	Total High Quality Liquid Assets (HQLA)		180.31	180.31
Cash Outflows				
2	Retail deposits and deposits from small business customers, of which:		665.89	66.35
	(i)	Stable deposits	4.68	0.23
	(ii)	Less stable deposits	661.21	66.12
3	Unsecured wholesale funding, of which :		199.59	90.17
	(i)	Operational deposits (all counterparties)	-	-
	(ii)	Non-operational deposits (all counterparties)	199.59	90.17
	(iii)	Unsecured debt		
4	Secured wholesale funding		-	-
5	Additional requirements, of which			
	(i)	Outflows related to derivative exposures and other collateral requirements	-	-
	(ii)	Outflows related to loss of funding on debt products	-	-
	(iii)	Credit and liquidity facilities	-	-
6	Other contractual funding obligations		21.51	2.14
7	Other contingent funding obligations		104.93	5.25
8	Total Cash Outflows		991.92	163.91

Particulars		Current year	
		Total Unweighted Value (average)	Total Weighted Value (average)
Cash Inflows			
9	Secured lending (e.g. reverse repos)	-	-
10	Inflows from fully performing exposures	22.64	11.32
11	Other cash inflows	124.58	124.58
12	Total Cash Inflows	147.22	135.90
Total Adjusted Value			
21	TOTAL HQLA		180.31
22	Total Net Cash Outflows		41.74
23	**Liquidity Coverage Ratio (%)**		**432%**

b) **Qualitative disclosure**

The Bank measures and monitors the LCR in line with the Reserve Bank of India's circular dated June 9, 2014 on "Basel III Framework on Liquidity Standards - Liquidity Coverage Ratio (LCR), Liquidity Risk Monitoring Tools and LCR Disclosure Standards". The LCR guidelines aims to ensure that a bank maintains an adequate level of unencumbered High Quality Liquid Assets (HQLAs) that can be converted into cash to meet its liquidity needs for a 30 calendar day time horizon under a significantly severe liquidity stress scenario. At a minimum, the stock of liquid assets should enable the bank to survive until day 30 of the stress scenario, by which time it is assumed that appropriate corrective actions can be taken.

The maintenance of LCR, both on end of period and on an average basis, has been on account of excess CRR, SLR and non-SLR investments. The Bank has been maintaining HQLA primarily in the form of SLR investments over and above mandatory requirement, and non-SLR investments and regulatory dispensation in the form of borrowing limit available through Marginal Standing Facility (MSF). SLR investments of the Bank considered for HQLA consists mainly of Treasury Bills which provides timely liquidity to the Bank. The Bank does not hold any Level 2B Assets.

Outflows majorly comprise of deposits, contractual and contingent funding obligations. Inflows consist of repayment of Loans and Advances and other lending's.

The bank can resort to Head Office for funding in case of significant liquidity requirement. The other sources of funding include accepting term deposits, call borrowing or secured funding transaction backed by Government securities and T-Bills with RBI. The Bank manages its liquidity on a static as well as dynamic basis using various tools such as gap analysis, ratio analysis, dynamic liquidity statements, intraday liquidity monitoring tools and scenario analysis. The Banks ability to meet its obligations and fund itself in a crisis scenario is critical and accordingly, liquidity stress tests are conducted under different scenarios at periodical intervals to assess the impact on liquidity to withstand stressed conditions. Such positions are also reviewed centrally by the Banks ALCO.

There is no other material inflow or outflow not captured in the LCR common template. Bank's LCR of 432% is higher than minimum required LCR of 60% and as such Bank is in compliance with RBI guidelines.

42. Sale of Financial Assets to Securitisation Company/Reconstruction Company

(Rs. in crore)

Particulars	Backed by NPAs sold by the bank as underlying		Backed by NPAs sold by other banks/ financial institutions/non-banking financial companies as underlying		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Book value of investments in security receipts	Nil	Nil	Nil	Nil	Nil	Nil

Disclosure requirements as per Accounting Standards (AS) issued by the Institute of Chartered Accountants of India (ICAI)

43. Employee Benefits (AS-15)

Gratuity

The following tables summarise the components of net benefit expense recognised in the profit and loss account and the funded status and amount recognised in the balance sheet for the respective plans.

Profit and Loss account: Net employee benefit expense (recognised in payment to and provision to employees)

(Rs. in crore)

Particulars	2014-15	2013-14
Current service cost	0.22	0.20
Interest cost on benefit obligation	0.12	0.11
Expected return on plan assets	(0.12)	(0.10)
Net actuarial (gain)/loss recognised in the year	0.21	(0.18)
Past Service Cost	-	-
Cost of plan amendment	-	-
Net expenses	**0.43**	**0.03**
Actual return on plan assets	0.11	0.10

Balance Sheet: Details of provision for gratuity

(Rs. in crore)

Particulars	2014-15	2013-14
Fair value of plan assets	1.32	1.29
Present value of obligations	1.75	1.32
Asset/(Liability)	(0.43)	(0.03)
Asset/Liability recognised in the balance sheet	(0.43)	(0.03)

Changes in the present value of the defined benefit obligation are as follows:

(Rs. in crore)

Particulars	2014-15	2013-14
Opening defined benefit obligation	1.32	1.30
Interest cost	0.12	0.11
Current service cost	0.22	0.20
Past service cost	-	-
Cost of Plan Amendment	-	-
Benefits paid	(0.11)	(0.12)
Actuarial (gains)/losses on obligation	0.20	(0.17)
Closing defined benefit obligation	**1.75**	**1.32**

Changes in the fair value of plan assets are as follow:

(Rs. in crore)

Particulars	2014-15	2013-14
Opening fair value of plan assets	1.29	1.10
Expected return	0.12	0.10
Contributions by employer	0.03	0.20
Benefits paid	(0.11)	(0.12)
Actuarial gains/(losses)	(0.01)	0.01
Closing fair value of plan assets	**1.32**	**1.29**

Experience adjustments:

(Rs. in crore)

Particulars	2014-15	2013-14
Experience adjustments on plan liabilities (Gains)/Loss	(0.02)	(0.03)
Experience adjustments on plan assets Gain/(Loss)	(0.01)	0.01

Principal assumptions used in determining gratuity for the Bank's plans are shown below:

Particulars	2014-15	2013-14
Discount Rate (%) p.a.	7.90%	9.35%
Expected rate of return on assets (%) p.a.	7.90%	9.35%
Salary escalation rate (%) p.a.	8.00%	8.00%
Attrition Rate (%) p.a. : For first 4 years	25.00%	25.00%
After 4 years	2.00%	2.00%

Compensated Absences

The actuarial liability of compensated absences of unencashable accumulated sick leaves of the employees of the Bank is given below:

(Rs. in crore)

Particulars	2014-15	2013-14
Total actuarial liability for sick leave	0.26	0.20

Principal assumptions used in determining sick leave provision for the Bank's plans are shown below:

Particulars	2014-15	2013-14
Discount Rate (%) p.a.	7.90%	9.35%
Salary escalation rate (%) p.a.	8.00%	8.00%

The 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.

Unamortised Pension and Gratuity Liabilities

There is no amortisation of Pension and Gratuity liabilities by the Bank since the same have been expensed out in the year of recognition.(Previous year : Nil).

44. Segment Reporting

Segment Information about Primary Business Segments for the year March 31, 2015.

(Rs. in crore)

Business Segments	Treasury	Corporate Banking	Retail Banking	Other Banking Operations	Total
Revenue	31.75	82.25	2.84	3.38	120.22
Unallocated Revenue					
Total Segment revenue					
Expense	19.67	49.99	4.18	3.90	77.74
Unallocated Expense					4.80
Total Segment Expense					82.54
Operating Profit	12.08	32.26	(1.34)	(0.52)	42.48
Unallocated operating profit					(4.80)
Net Operating Profit					37.68
Segment Result	13.14	20.33	(1.25)	(0.52)	31.70
Unallocated result					(4.80)
Total Segment Result					26.90
Income Taxes (net of deferred tax)					9.76
Net Profit					17.14
Other Information					
Segment Assets	512.94	978.66	26.16	0.83	1518.59
Unallocated Assets					41.33
Total Assets					1559.92
Segment Liabilities	56.65	393.86	695.31	0.67	1146.49
Unallocated Liabilities					413.43
Total Liabilities					1559.92

In computing the above information, certain estimates and assumptions have been made which have been relied upon by the auditors.

Segment information for the year ended March 31, 2014.

i) Information about Primary Business Segments

(Rs. in crore)

Business Segments	Treasury	Corporate Banking	Retail Banking	Other Banking Operations	Total
Revenue	29.6	67.06	2.44	2.92	102.02
Unallocated Revenue					-
Total Segment revenue					102.02
Expense	18.65	41.01	3.36	2.84	65.86
Unallocated Expense					4.19
Total Segment Expense					70.05
Operating Profit	10.95	26.05	(0.92)	0.08	36.16
Unallocated operating profit					(4.19)
Net Operating Profit					31.97
Segment Result	10.69	1.67	(0.86)	0.08	11.58
Unallocated result					(4.19)
Total Segment Result					7.39
Income Taxes (net of deferred tax)					(2.58)
Net Profit					9.97
Other Information					
Segment Assets	390.06	763.27	18.76	0.57	1172.66
Unallocated Assets					40.08
Total assets					1212.74
Segment Liabilities	16.21	225.83	658.08	0.46	900.58
Unallocated liabilities					312.16
Total liabilities					1212.74

In computing the above information, certain estimates and assumptions have been made which have been relied upon by the auditors.

Notes: -

i) The Bank operates as a single unit in India and as such has no identifiable geographical segments subject to dissimilar risk and returns. Hence no information regarding the same has been given.

ii) The Bank is organised into three main business segments, namely:
- Treasury - primarily comprising of Dealing Room operations, trading/investments in Bonds and Government securities.
- Corporate Banking - primarily comprising of Wholesale Loans and Advances to Corporates, Investments in Corporate Bonds.
- Retail Banking - Primarily comprising of retail loans & advances to customers.

iii) The above segments are based on the currently identified segments taking into account the nature of services provided, the risks and returns, overall organisation structure of the Bank and the internal financial reporting system.

iv) Segment revenue, results, assets and liabilities include the respective amounts identifiable to each of the segments and amounts apportioned/allocated on a reasonable basis.

v) The classification of assets to the respective segments conform to the guidelines issued by RBI vide DBOD.No.BP.BC.81/21.01.018/2006-07 dated April 18, 2007.

vi) Segment revenues stated above are aggregate of Schedule 13 - Interest income and Schedule 14 - Other Income with zero spread on account of transfer pricing.

45. Related Parties

Parent

Bank of Bahrain & Kuwait, Bahrain, its branches and representative office.

Subsidiaries of Parent

1. CrediMax
2. Invita Bahrain
3. Global Payment Services
4. Invita-Kuwait

Associated Company of Parent

1. Bahrain Commercial Facilities Company
2. Securities Investment Company
3. Bahrain Kuwait Insurance (BKIC)
4. Ithmaar Bank
5. Pension Fund Commission (PFC)
6. Social Insurance Organisation (GOSI)
7. Kuwait Investment Authority (KIA)
8. The Benefit Company
9. EBLA Computer Consultancy (Sold in Nov 2014)
10. Naseej Company
11. Alosra Bank
12. Sakana Holistic Housing Solutions
13. Diyyar Al Harameen Al Ola Limited
14. Saudi MAIS Company for Medical Products (Sold in Dec 2014)
15. BBK Geojit Securities KSC

Key Management Personnel

Mr. Mallikarjun Kota - Country Head & CEO - India

In line with the RBI circular DBOD.BP.BC.No.07/21.04.018/2013-14 dated July 01, 2013 the Bank has not disclosed details pertaining to related party where under a category there is only one entity (i.e. Head Office & its branches). Similarly there has been only one entity/person under Key Management Personnel at any point of time and therefore those details are also not disclosed.

There were no transactions with other related parties during the year.

46. Operating Leases

a) Details of total of future minimum lease payments are as follows:

(Rs. in crore)

Particulars	2014-15	2013-14
Not later than one year	4.89	3.56
Later than one year and not later than five years	2.76	3.05
Later than five years	Nil	Nil

b) Lease payments of Rs. 5.13 crore (previous year Rs. 3.89 crore) have been recognized in the statement of profit and loss for the year.

c) The lease agreements entered into pertain to use of premises (including fixed assets) at the branch. The lease agreements do not have any undue restrictive or onerous clauses other than those normally prevalent in similar agreement regarding use of assets, lease escalations, renewals and a restriction on sub-leases.

47. Deferred Taxes

In accordance with Accounting Standard 22 on “Accounting for taxes on income” issued by the Institute of Chartered Accountants of India, the Bank has recognized Deferred Tax Asset (DTA) on timing differences to the extent there is reasonable certainty based on contracts and arrangements in place which will enable the Deferred Tax Asset to reverse.

Items on which DTA is created are as follows:

(Rs. in crore)

	As at March 31, 2015	As at March 31, 2014
Deferred Tax Assets		
Provision on Advances	18.60	17.23
Amortisation of premium of HTM Investments	0.02	0.01
Provision for Employee Benefits	0.18	0.14
Bonus payable	0.22	0.23
Others	0.11	0.11
Total	**19.13**	**17.72**
Deferred Tax Liability		
Depreciation on Fixed Assets	0.45	0.62
Total	**0.45**	**0.62**
Net Deferred tax asset	**18.68**	**17.10**

48. Provisions and contingencies

i) Claims against the Bank not acknowledged as debts:

Includes legal proceeding in the normal course of business, which is disputed by the Bank.

ii) Liabilities on account of forward contracts:

The Bank enters into forward exchange contracts with Inter-Bank participants on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate.

iii) Guarantees given on behalf of constituents, acceptances, endorsements and others

As a part of its normal 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.

49. 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. The determination has been made to the extent such parties were identified based on the available information (2014: Nil)

50. Previous year figures have been regrouped wherever necessary to conform to current year’s presentation.

For **Bank of Bahrain & Kuwait B.S.C - Indian Branches**

Mallikarjun Kota
Country Head & CEO - India

Mehjabeen Saifi
Vice President Financial Control - India

Place: Mumbai
Dated: June 27, 2015

BBK
بنك البحرين والكويت

BANK OF BAHRAIN & KUWAIT B.S.C. - INDIAN BRANCHES

(Incorporated in Bahrain with Limited Liability)

Disclosures under the New Capital Adequacy Framework (BASEL III guidelines) for the year ended March 31, 2015

1. **Scope of application:**

The bank has no subsidiary and hence no consolidation is applicable.

2. **Capital Structure:**

Qualitative Disclosures:

Tier 1 - Capital of the bank comprises of capital funds injected by HO, Statutory reserves and retained earnings.

Regulatory deductions are on account of intangible assets being deferred tax asset and computer software.

Tier 2 Capital consists of general loss reserves and investment reserve subject to restrictions as per RBI guidelines.

Quantitative Disclosures:

(Rs. in crore)

a.	Tier I Capital	
	Capital	292.89
	Reserves	98.57
b.	Deduction from Capital (Deferred Tax Asset and Software)	19.62
c.	Tier II Capital	11.07
	Total Eligible Capital	382.91

3. **Capital Adequacy:**

Qualitative Disclosures:

The primary objective of the Bank's capital management framework is to ensure that the Bank complies with externally imposed capital requirements and maintains healthy capital ratios in order to support its business and to maximize the return on equity.

CAR of the Bank is estimated to be well above the regulatory CAR of 9 % for the next two years. For maintaining adequate capital, Bank has the additional option of augmenting the capital by raising subordinated debt.

The Bank has finalized its ICAAP Policy and the same will be reviewed on a yearly basis.

Quantitative Disclosures:

Capital requirement for credit risk	
Portfolios subject to standardized approach	Rs.1210.60 crore
Securitization exposures	Rs.0.00
Total @ 9% CRAR	Rs.108.95 crore

Capital requirement for market risk.
- Standardized duration approach

Interest Rate Risk	Rs.1.58 crore
Foreign exchange risk (including gold)	Rs.0.77 crore
Equity Risk	Rs.0.14 crore

Capital requirement for operational risk;
Basic indicator approach

Capital required for operational risk	Rs.8.73 crore
Total and Tier 1 capital ratios	
Tier I Capital	Rs.371.84 crore
Tier II Capital	Rs.11.07 crore
Total	Rs.382.91 crore
Total CRAR	28.68%
Core CRAR	27.85%

4. **<u>General Disclosures:</u>**

Qualitative Disclosures:

Risk Management involves identifying, measuring, monitoring and managing risks on a regular basis. The objective of risk management is to increase return on equity and achieve a return on equity commensurate with the risks assumed.

The Bank faces a range of risks in its business and operations. These include among other things (i) Liquidity Risk (ii) Market Risk (iii) Credit Risk (iv) Operational Risk.

Country Head - India is the head of Indian operations who functions under the guidance of the Head office at Bahrain. The Bank has a full-fledged risk management department which looks after the risk functions pertaining to Indian operations. The Risk related policies and procedures applicable to Indian operations are discussed and approved by the Management Committee. The head office at Bahrain has a fully equipped risk management department which guides the Indian counterparts on the risk related issues.

Liquidity Risk:

Liquidity risk is defined as the potential inability of the Bank to meet its financial obligations (liquidity needs) due to funding mismatch, The Bank has in place ALM policy which describes the measures for tracking and managing liquidity. It is the Bank's policy to keep part of its assets in high quality liquid assets such as inter bank placements, government bonds, bills and other short term instruments to meet maturing liabilities. The day to day management of liquidity is looked after by treasury with support from Asset-Liability management Committee (ALCO). The monitoring is done by risk management department.

Market Risk:

Market risk is defined as the risk of losses in on or off balance sheet positions arising from movements in market prices of interest rate related instruments, equities, Forex and commodity prices.

The Bank has clearly defined policies for conducting investment and foreign exchange business, which stipulates limits for these activities.The Bank has no direct exposure to equity except the case where debt has been converted as a part of Debt Restructuring package. The Bank has no exposure to commodity markets.

Traditional gap analysis and Duration gap analysis are followed for interest rate risk management. Fixing of IGL/AGL and forex VAR are followed for managing the forex risk.

Credit Risk:

Credit Risk is defined as the risk of the bank's borrowers or counterparties failing to meet their obligations in accordance with the agreed terms. The goal of credit risk management is to maximize the Bank's risk adjusted rate of return by maintaining credit-risk exposures within acceptable parameters. The bank has well defined policies and procedures for identifying, measuring, monitoring and controlling credit risk in all its activities. Credit limits are approved after thorough assessment of the creditworthiness of the borrower or counterparty including the purpose and structure of credit and its source of repayment. Credit proposals are reviewed by the designated credit officer independently before obtaining approval from the appropriate authority.

Credit growth, quality and portfolio composition are monitored continuously to maximize return and reduce incidence of impairment. The Bank monitors concentration risk by setting up limits for maximum exposure to individual borrower or counterparty, country, bank or industry. These limits are approved after detailed analysis and are monitored regularly.

The Bank's credit administration unit ensures that credit facilities are released after proper approval and against proper documentation. It also monitors excesses over limits, past dues, expired credits, and highlights corrective action immediately.

The Bank has a risk asset rating guidelines and all credits are assigned a rating in accordance with the defined criteria. All lending relationships are reviewed at least once a year and more frequently wherever warranted. The Internal Audit Department conducts independent reviews of risk assets periodically and submits its report to Senior Management/Audit Committee.

It is the Bank's policy to ensure that provisions for credit loss are maintained at adequate levels.

The bank line limits are set by Head Office at Bahrain giving due weightage to political, economic and commercial risks attached to various countries and the size, track record and performance indicator of various banks. These limits are reviewed annually

<u>Definition of past due and impaired assets (for accounting purpose)</u>

Non-performing Assets:

The Bank has followed the 90-day norm for NPA classification.

Accordingly, an advance is treated as a Non-performing asset when

i) Interest and/or installment of principal amount remains overdue for a period of 90 days or above in respect of a term loan
ii) The account remains out of order for a period of more than 90 days in respect of Overdraft/Cash Credit
iii) Bills remain overdue for a period of more than 90 days in case of bills purchased/ discounted.
iv) Any amount to be received remains overdue for a period of more than 90 days in respect of other accounts.

Discussion of Bank's Credit Risk Management policy

As discussed under the sub head Credit risk

Quantitative Disclosures:

- Total gross credit risk exposures - Fund based Rs.1462.21 crore
- Non-fund based Rs.633.53 crore
- Geographic distribution of exposure-Fund based and non fund based separately.

  The Bank operates as a single unit in India and as such has no identifiable geographical segment subject to dissimilar risk and returns. Hence no information regarding the same has been given.
- Industry type distribution of exposures- funded and non-funded exposure separately.

Industry break up as 31-03-2015

Rs.in crores

CODE	INDUSTRY	Fund Based Outstanding			NFB O/S
		Standard Assets	NPA	Total	
003	Iron & Steel	-	-	-	-
005	All Engineering	121.50	19.61	141.11	0.16
006	Electricity	11.84	-	11.84	-
007	Cotton Textiles	7.61	-	7.61	18.85
009	Other Textiles	7.13	-	7.13	1.21
012	Food Processing	18.32	-	18.32	
017	Chemicals, dyes paints etc.	158.64	4.16	162.80	49.64
0171	Of Which fertilizers	-	-	-	-
0172	Of Which petro chemicals	9.65	-	9.65	29.90

CODE	INDUSTRY	Fund Based Outstanding			NFB O/S
		Standard Assets	NPA	Total	
0173	Of Which drugs & pharmaceuticals	148.99	4.16	153.15	19.74
021	Construction	62.80	-	62.80	-
025	Infrastructure	111.11	2.54	113.65	1.95
0252	Of which telecommunications	-	-	-	-
0253	Of which road & ports	111.11	2.54	113.65	-
026	Other industries	260.25	-	260.25	96.36

CODE	INDUSTRY	Fund Based Outstanding			NFB O/S
		Standard Assets	NPA	Total	
027	NBFCS	145.00	-	145.00	-
028	Residual advances to balance gross adv.	21.98	0.01	21.99	-
	Total	926.18	26.32	952.50	168.17
	Less Floating Provision	-	1.05	-	-
	Grand Total	926.18	25.27	952.50	168.17

- Residual Contractual Maturity break-down of assets:

(Rs. in crore)

		1 Day	2 - 7 Days	8 to 14 Days	15 to 28 Days	29 days - upto 3 months	3 - upto 6 months	6 - upto 12 months	1 - upto 3 years	3 - upto 5 years	5 - upto 10 years	10 - upto 20 years	Over 20 Years	Total
1	Cash	0.70	-	-	-	-	-	-	-	-	-	-	-	0.70
2	Balance with RBI	-	-	7.62	9.22	7.55	7.98	16.10	21.24	3.47	0.24			73.42
3	Balances with banks & money at call & short notice	24.63	131.26		-	-	-	-	-	-	-	-	-	155.89
4	Investments			48.37	57.23	23.20	73.25	50.10	65.30	10.67	0.73	-	-	328.85
5	Advances	43.54	21.31	10.45	7.88	125.07	246.07	67.34	314.25	41.60	74.99			952.50
6	Fixed Assets	-	-	-	-	-	-	-	-	-	-	-	6.84	6.84
7	Other assets	-	0.12	0.02	0.75	1.47	0.67		21.07		17.61			41.71

- Amount of NPA's Gross

  Substandard Rs. 24.14 crore

  Doubtful 1 Rs. 11.24 crore

  Doubtful 2 Rs. 4.36 crore

  Doubtful 3 Rs. 0.01 crore

  Loss Rs. 0.17 crore
- Net NPA's Rs. 25.27 crore
- NPA Ratios

  Gross NPA's to Gross Advances 4.05%

  Net NPA's to net advances 2.66%

  Movement of NPA's (Gross)

  Disclosed in Schedule 18 of the year accounts Note no 6.

  Movement of provisions for NPA's

  Disclosed in Schedule 18 of the year accounts Note no 6.

  Amount of Non - Performing Investments Rs. 0.55 crore

  Amount of provision held for Non - Performing Investments Rs. 0.55 crore

  Movement of provision for depreciation on investments

(Rs. in crore)

Particulars	2014-2015
Opening Balance	3.71
Add: Provisions for depreciation made during the year	1.03
Less: Write-off	-
Less: Write back of provisions during the year	2.88
Closing balance	1.86

5. Credit Risk: Portfolios subject to standardized approach

Qualitative Disclosures:

As per RBI Guidelines, the Bank has identified CARE, CRISIL, Brickworks, ICRA and India Ratings in India as the domestic credit rating agencies and FITCH, MOODY and S & P as international credit rating agencies for all exposures (Corporate exposures and banking exposures) wherever applicable. The bank is not using any process to transfer public issue ratings on to comparable assets in the banking book.

Also rated facilities have been considered as those facilities where the bank's exposure has been explicitly rated; else that exposure has been treated by the bank as unrated.

Quantitative Disclosures:

The quantitative disclosures for exposure amounts after risk mitigation subject to the standardized approach are given in three major risk buckets-

Below 100% risk weight Rs.1233.09crore

100% risk weght Rs.713.24 crore

More than 100% Rs.149.40 crore

Deducted Nil

6. Credit risk mitigation: Standardized approach

Qualitative Disclosures:

The Bank has in place credit risk mitigation and collateral management policy which summarizes the Bank's approach for and an indication of the extent to which the bank makes use of on and off balance sheet netting. The valuation of collaterals is being carried out periodically. The collaterals considered for Risk mitigation includes bank's fixed deposits, insurance policies and counter guarantees of Banks including Head Office and Branch guarantee.

Quantitative Disclosures:

Total Exposure covered by eligible financial collateral after the application of haircuts:

	Rs. in crore as of 31-03-2015	
	Gross outstanding	**Financial Mitigant**
Corporate loans*	202.76	79.37

* Corporate Exposure includes both fund based and Non Fund based exposure.

7. Securitisation: Standardised approach

The Bank has not securitized any of its assets portfolios.

8. Market Risk

Qualitative Disclosures:

a) The Bank is following the standardized duration for calculating market risk on the following portfolios

Securities held under HFT and AFS categories

Forward foreign exchange contracts

b) Risk Management Department is responsible for identification, assessment, monitoring and reporting the market risks.

c) Risk Management and reporting is based on parameters such as Modified Duration, Maximum permissible exposures, Net Open Position limits, Gap limits, Value at Risk (VAR).

d) The Bank does not have any direct exposure to Capital Market.

Quantitative Disclosures:

The capital requirements for

i) Interest rate risk Rs.1.58 crore

ii) Equity position risk Rs. 0.14 crore

iii) Foreign exchange risk Rs.0.77 crore

9. Operational Risk

Qualitative Disclosures:

Operational Risk is the exposure to loss resulting from inadequate or failed internal processes or people or systems or from external events. The Bank has clearly defined operations procedures for each of its products and services. It also has advanced computer systems that enable it to run operations with speed and accuracy. The Bank has got in place concurrent audit and internal audit systems which help in identifying and rectifying the operational deficiencies.

The approved Business Continuity Plan is in place and implementation of the same is in process. The regular back-ups are made for important data and stored outside the bank's premises. All our branches are integrated under core banking software. A system of prompt submission of reports on frauds is in place in the Bank.

Interest Rate Risk in the Banking book

The Asset Liability Management Committee which is responsible for evolving appropriate systems and procedures for ongoing identification and analysis of Balance Sheet risks and laying down parameters for efficient management of these risks through Assets Liability Management Policy of the Bank. ALCO therefore periodically monitors and controls the risks and returns, funding and deployment, setting Bank's lending and deposit rates, and directing the investment activities of the Bank.

It is the Bank's policy to keep its assets and liabilities mismatches at acceptable levels to maintain steady net interest income. The Bank monitors interest rate risk based on gap limits. The Interest rate sensitivity statements are prepared on a fortnightly basis to monitor the interest rate risk. The Asset Liability management committee (ALCO) reviews the interest rate risk periodically and suggests measures to tackle the dynamic situations.

10. Interest rate Risk in the banking Book (IRRBB)

Qualitative Disclosures

The bank has practice of monitoring Interest rate risk in Banking Book on a monthly basis. The liabilities and assets are grouped in to different buckets based on the interest re-pricing horizon. The gaps between the Assets and Liabilities are analyzed with the help of pre-determined gap limits. The reasons for the breaches are identified and necessary steps are initiated.

Quantitative Disclosures

The impact on the bank's financial condition due to change in interest rate is being monitored. The impact of 200 basis points change upward/downward in interest rate on Net Interest Income (NII) amounted to an expected loss of INR 4.80 crore based on Asset Liability position of March 2015 using the traditional gap analysis.

Table DF-11: Composition of Capital
Part II: Template to be used before March, 2017
(i.e. during the transition period of Basel III regulatory adjustments)

(Rs. in million)

Sr. No.	Particulars	Amount	Amt Subject to Pre Basel III Treatment	Ref No.
	Common Equity Tier 1 capital: instruments and reserves			
1	Funds from Head Office	2,929		A1
2	Retained earnings	986		B1+B2+B3+B4
3	Accumulated other comprehensive income (and other reserves)	-		
4	*Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies1)*	-		
	Public sector capital injections grandfathered until January 1 2018			
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-		
6	**Common Equity Tier 1 capital before regulatory adjustments**	3,915		
	Common Equity Tier 1 capital: regulatory adjustments			
7	Prudential valuation adjustments	-		
8	Goodwill (net of related tax liability)	-		
9	Intangibles other than mortgage-servicing rights (net of related tax liability)	4	5	D1
10	Deferred tax assets 2	75	112	E1
11	Cash-flow hedge reserve	-		
12	Shortfall of provisions to expected losses	-		
13	Securitisation gain on sale	-		
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-		
15	Defined-benefit pension fund net assets	-		
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-		
17	Reciprocal cross-holdings in common equity	-		
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-		
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)3	-		
20	Mortgage servicing rights4 (amount above 10% threshold)	-		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-		
22	Amount exceeding the 15% threshold6	-		
23	of which: significant investments in the common stock of financial entities	-		
24	of which: mortgage servicing rights	-		
25	of which: deferred tax assets arising from temporary differences	-		
26	National specific regulatory adjustments7 (26a+26b+26c+26d)	-		
26a	*of which:* Investments in the equity capital of the unconsolidated insurance subsidiaries	-		
26b	*of which:* Investments in the equity capital of unconsolidated non-financial subsidiaries	-		
26c	*of which:* Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank9	-		
26d	*of which:* Unamortised pension funds expenditures Regulatory Adjustments Applied to Common Equity Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment *of which:* [INSERT TYPE OF ADJUSTMENT]	-		
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	117		
28	**Total regulatory adjustments to Common equity Tier 1**	196		
29	**Common Equity Tier 1 capital (CET1)**	3,719		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (31+32)	-		
31	of which: classified as equity under applicable accounting standards (Perpetual Non-Cumulative Preference Shares)	-		
32	of which: classified as liabilities under applicable accounting standards (Perpetual debt Instruments)	-		
33	*Directly issued capital instruments subject to phase out from Additional Tier 1*	-		
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-		
35	*of which: instruments issued by subsidiaries subject to Phase out*	-		
36	**Additional Tier 1 capital before regulatory adjustments**	-		
	Additional Tier 1 capital: regulatory adjustments			
37	Investments in own Additional Tier 1 instruments	-		
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-		
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10 %of the issued common share capital of the entity(Amount above 10 % threshold)	-		
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)10	-		
41	National specific regulatory adjustments (41a+41b)	-		

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Sr. No.	Particulars	Amount	Amt Subject to Pre Basel III Treatment	Ref No.
41a	Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries	-		
41b	Shortfall in the Additional Tier 1 capital of majority owned financial entities which have not been consolidated with the bank	-		
	Regulatory Adjustments Applied to Additional Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment	-		
	of which:DTA	**112**		
	Intangibles other than mortgage-servicing rights (net of related tax liability)	**5**		
	of which: [INSERT TYPE OF ADJUSTMENT e.g. existing adjustments which are deducted from Tier 1 at 50%]	-		
	of which: [INSERT TYPE OF ADJUSTMENT]	-		
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-		
43	**Total regulatory adjustments to Additional Tier 1 capital**	117		
44	**Additional Tier 1 capital (AT1)**	(117)		
44a	**Additional Tier 1 capital reckoned for capital adequacy11**	-		
45	**Tier 1 capital (T1 = CET1 + AT1) (29 + 44a)**	3,719		
	Tier 2 capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-		
47	Directly issued capital instruments subject to phase out from Tier 2	-		
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-		
49	*of which: instruments issued by subsidiaries subject to phase out*	-		
50	Provisions (provision for Standard advances,unhedged foreign currency exposures and country risk provisions)	111		C1+C2
51	**Tier 2 capital before regulatory adjustments**	111		
	Tier 2 capital: regulatory adjustments			
52	Investments in own Tier 2 instruments	-		
53	Reciprocal cross-holdings in Tier 2 instruments	-		
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-		
55	Significant investments13 in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-		
56a	of which: Investments in the Tier 2 capital of unconsolidated insurance subsidiaries	-		
56b	*of which:* Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the bank	-		
	Regulatory Adjustments Applied To Tier 2 in respect of	-		
	Amounts Subject to Pre-Basel III Treatment	-		
	of which: [INSERT TYPE OF ADJUSTMENT e.g. existing adjustments which are deducted from Tier 2 at 50%]	-		
	of which: [INSERT TYPE OF ADJUSTMENT	-		
57	**Total regulatory adjustments to Tier 2 capital**	-		
58	**Tier 2 capital (T2)**	111		
58a	**Tier 2 capital reckoned for capital adequacy14**	111		
58b	**Excess Additional Tier 1 capital reckoned as Tier 2 capital**	-		
58c	**Total Tier 2 capital admissible for capital adequacy (58a + 58b)**	111		
59	**Total capital (TC = T1 + T2) (45 + 58c)**	3,830		
60	**Total risk weighted assets (60a + 60b + 60c)**	13,353		
60a	*of which: total credit risk weighted assets*	**12,106**		
60b	*of which: total market risk weighted assets*	**277**		
60c	*of which: total operational risk weighted assets*	**970**		
	Capital ratios			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	**28**		
62	Tier 1 (as a percentage of risk weighted assets)	**28**		
63	Total capital (as a percentage of risk weighted assets)	**29**		
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets)	-		
65	*of which: capital conservation buffer requirement*	-		
66	*of which: bank specific countercyclical buffer requirement*	-		
67	*of which: G-SIB buffer requirement*	-		
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	-		
	National minima (if different from Basel III)			
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	**5.50%**		
70	National Tier 1 minimum ratio (if different from Basel III minimum)	**7.00%**		
71	National total capital minimum ratio (if different from Basel III minimum)	**9.00%**		
	Amounts below the thresholds for deduction (before risk weighting)			
72	Non-significant investments in the capital of other financial entities	**-**		
73	Significant investments in the common stock of financial entities	**-**		
74	Mortgage servicing rights (net of related tax liability)	**N.A.**		
75	Deferred tax assets arising from temporary differences (net of related tax liability)	**N.A.**		
	Applicable caps on the inclusion of provisions in Tier 2			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	111		

Sr. No.	Particulars	Amount	Amt Subject to Pre Basel III Treatment	Ref No.
77	Cap on inclusion of provisions in Tier 2 under standardised approach	111		
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	N.A.		
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	N.A.		
	Capital instruments subject to phase-out arrangements			
	(only applicable between March 31, 2017 and March 31, 2022)			
80	*Current cap on CET1 instruments subject to phase out arrangements*	N.A.		
81	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	N.A.		
82	*Current cap on AT1 instruments subject to phase out*	N.A.		
	arrangements	N.A.		
83	*Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)*	N.A.		
84	*Current cap on T2 instruments subject to phase out arrangements*	N.A.		
85	*Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)*	N.A.		

DF-12 Composition of Capital-Reconciliation Requirements

Step 1 (Rs. in million)

Sr. No.	Particulars	Balance sheet as in financial statements	Balance Sheet under regulatory scope of consolidation
A	**Capital & Liabilities**		
i	**Paid-up Capital**	2,929	2,929
	Reserves & Surplus	1,117	1,117
	Minority Interest	-	-
	Total Capital	4,046	4,046
ii	**Deposits**	10,445	10,445
	of which: Deposits from banks	20	20
	of which: Customer deposits	10,425	10,425
	of which: Other deposits (pl. specify)	-	-
iii	**Borrowings**	563	563
	of which: From RBI		-
	of which: From banks	-	-
	of which: From other institutions & agencies	-	-
	of which: Others (Borrowings outside India)	563	563
	of which: Capital instruments	-	-
iv	**Other liabilities & provisions**	545	545
	Total	15,599	15,599
B	**Assets**		
i	Cash and balances with Reserve Bank of India	741.00	741
	Balance with banks and money at call and short notice	1,559.00	1,559
ii	**Investments:**	3,289	3,289
	of which: Government securities	2,796	2,796
	of which: Other approved securities		
	of which: Shares	6	6
	of which: Debentures & Bonds	-	-
	of which: Subsidiaries/Joint Ventures/Associates	-	-
	of which: Others (Commercial Papers, Mutual Funds etc.)	487	487
iii	**Loans and advances**	9,525	9,525
	of which: Loans and advances to banks	-	
	of which: Loans and advances to customers	9,525	9,525
iv	**Fixed assets**	68	68
v	**Other assets**	417	417
	of which: Goodwill and intangible assets	-	-
	of which: Deferred tax assets	187	187
vi	Goodwill on consolidation	-	-
vii	Debit balance in Profit & Loss account	-	-
	Total Assets	15,599	15,599

Step 2 (Rs. in million)

Sr. No.	Particulars	Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation	Reference No.
A	**Capital & Liabilities**			
i	**Paid-up Capital**	2,929	2,929	
	of which: Amount eligible for CET1	2,929	2,929	A1
	of which: Amount eligible for AT1			
	Reserves & Surplus	1,117	1,117	
	of which:			
	Statutory Reserve	416	416	B1

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Sr. No.	Particulars	Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation	Reference No.
	Property Investment Reserve	10	10	B2
	Capital Reserve	27	27	B3
	Capital Adequacy	533	533	B4
	Investment Reserve Account	13	13	C1
	Balance in Profit/Loss A/c	118	118	
	Total Capital	**4,046**	**4,046**	
ii	**Deposits**	10,445	10,445	
	of which: Deposits from banks	20	20	
	of which: Customer deposits	10,425	10,425	
	of which: Other deposits (pl. specify)	-	-	
iii	**Borrowings**	563	563	
	of which: From RBI	-	-	
	of which: From banks	-	-	
	of which: From other institutions & agencies			
	of which: Others (Borrowings outside India)	563	563	
iv	**Other liabilities & provisions**	545	545	
	of which:Provision for Standard Advances,Country Risk,Unhedged foreign currency Exposures)	98	98	C2
	TOTAL Capital & Liabilities	15,599	15,599	
B	**ASSETS**			
i	Cash and balances with Reserve Bank of India	741	741	
	Balance with banks and money at call and short notice	1,559	1,559	
ii	**Investments**	3,289	3,289	
	of which: Government securities *of which:* Other approved securities	2,796	2,796	
	of which: Shares	6	6	
	of which: Debentures & Bonds	-	-	
	of which: Subsidiaries/Joint	-	-	
	Ventures/Associates	-	-	
	of which: Others (Commercial Papers,Mutual Funds etc.)	487	487	
iii	**Loans and advances**	9,525	9,525	
	of which: Loans and advances to Banks	-	-	
	of which: Loans and advances to customers	9,525	9,525	
iv	**Fixed assets**	68	**68**	
	of which:Intangibles	9	**9**	D1
v	**Other assets**	417	**417**	
	of which: Goodwill and intangible assets			
	of *which*: Deferred tax assets	187	**187**	E1
vi	**Goodwill on consolidation**	-	**-**	
vii	**Debit balance in Profit & Loss account**	-	**-**	
	Total Assets	15,599	15,599	