



BANK OF BAHRAIN & KUWAIT B.S.C.

(Incorporated in Bahrain with Limited Liability)

INDIAN BRANCHES

BALANCE SHEET AS ON 31ST MARCH 2014			PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2014				
Schedule	As on 31.03.2014 Rs. (000's)	As on 31.03.2013 Rs. (000's)	Schedule	Year Ended 31.03.2014 Rs. (000's)	Year Ended 31.03.2013 Rs. (000's)		
CAPITAL AND LIABILITIES			INCOME				
Capital	1	2,027,350	2,027,350	Interest Earned	13	882,774	946,506
Reserves & Surplus	2	958,054	858,338	Other Income	14	137,432	104,555
Deposits	3	8,398,533	6,958,264			1,020,206	1,051,061
Borrowings	4	142,500	1,557,135	EXPENDITURE			
Other Liabilities and Provisions	5	600,768	275,747	Interest Expended	15	479,590	421,007
TOTAL:		12,127,205	11,676,834	Operating Expenses	16	220,865	190,829
ASSETS			Provisions and Contingencies			220,035	264,707
Cash and balances with Reserve Bank of India	6	349,727	547,685			920,490	876,543
Balances with Banks and Money at Call and Short Notice	7	1,188,348	612,280	PROFIT			
Investments	8	2,743,968	3,254,318	Net Profit for the year		99,716	174,518
Advances	9	7,379,162	6,926,002	Profit/(Loss) Brought Forward		-	-
Fixed Assets	10	57,019	54,554			99,716	174,518
Other Assets	11	408,981	281,995	APPROPRIATIONS			
TOTAL:		12,127,205	11,676,834	Transfer to Statutory Reserve		24,929	43,630
Contingent Liabilities	12	1,742,640	2,022,611	Transfer to/(from) Investment Reserve Account		(1,141)	3,759
Bills for Collection		2,306,373	1,697,734	Transfer to surplus retained for Capital Adequacy		-	127,129
Significant Accounting Policies and Notes to Accounts	17 & 18			Balance carried over to Balance Sheet		75,928	-
						99,716	174,518
				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

For and on behalf of
A. P. Sanzgiri & Co.
Chartered Accountants
Firm Registration No. 116293W

Sd/-
Mehul Shah
Partner
Membership No. 100909

Place: Mumbai
Dated: June 23, 2014

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

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, 2014

(Rs. in 000's)

Particulars	2013-14	2012-13
Cash flows from operating activities		
Net profit before taxation	73,964	256,995
Adjustments for:		
Depreciation on Fixed Assets	17,827	14,374
(Profit)/Loss on sale of fixed assets	33	(38)
Premium amortised on Held to Maturity category	1,576	3,105
Provision in respect of Non performing advances	192,245	225,739
Provision in respect of Non performing advances written back	(254,896)	(37,964)
Provision for Diminution in Fair Value of restructured advances	119,919	
Bad Debts written off	177,144	157
Provision on country risk	(4,699)	3,514
Utilisation of Floating provision	(5,229)	-
Provision on Standard Assets	18,681	(573)
Provision on Investments	2,625	(8,644)
Operating profit before working capital changes	339,189	456,666
(Increase)/Decrease in Investments	506,148	145,902
(Increase)/Decrease in Advances	(687,573)	(678,459)
(Increase)/Decrease in Other Assets	(60,294)	23,373
Increase/(Decrease) in Deposits	1,440,269	239,420
Increase/(Decrease) in Other Liabilities & Provisions	333,182	12,107
Increase/(Decrease) in Borrowings	(1,414,635)	(654,740)
Income taxes (paid)/received	(57,854)	(136,832)
Net Cash Flow generated from/(used in) Operating Activities	398,433	(592,563)
Cash flows from investing activities		
Purchase of fixed assets	(20,381)	(17,880)
Proceeds from sale of fixed assets	60	45
Net Cash Flow generated from/(used in) Investing Activities	(20,321)	(17,835)
Cash flows from financing activities		
Injection of capital	-	-
Net increase/(decrease) in cash and cash equivalents	378,112	(610,399)
Cash and Cash equivalents at the beginning of the year	1,159,965	1,770,364
Cash and Cash equivalents at the end of the year	1,538,076	1,159,965

As per our attached report of even date

For and on behalf of
A. P. Sanzgiri & Co.
Chartered Accountants
 Firm Registration No. 116293W

Sd/-
Mehul Shah
 Partner
 Membership No. 100909

Place: Mumbai
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SCHEDULES FORMING PART OF ACCOUNTS

	As on 31.03.2014 Rs. (000's)	As on 31.03.2013 Rs. (000's)		As on 31.03.2014 Rs. (000's)	As on 31.03.2013 Rs. (000's)
SCHEDULE 1 – SHARE CAPITAL			SCHEDULE 4 – BORROWINGS		
(i) Amount of deposit kept with the Reserve Bank of India under section 11(2)(b) of the Banking Regulation Act, 1949	390,000	340,000	I Borrowings in India from		
(ii) Amount brought in by Bank by way of Capital			(i) Reserve Bank of India	70,000	750,000
Opening Balance	2,027,350	2,027,350	(ii) Other Banks	72,500	210,000
Add: Capital infusion during the year	–	–	(iii) Other institutions and agencies	–	–
Total	2,027,350	2,027,350		142,500	960,000
SCHEDULE 2 – RESERVES AND SURPLUS			II Borrowings outside India	–	597,135
I Statutory Reserve			Total (I+II)	142,500	1,557,135
As per Last Balance Sheet	347,781	304,151	Secured borrowings included in I & II above - Rs. 70,000 (Previous year Rs. 750,000) (Rs. in 000's)		
Add: Transfer from Profit & Loss Account	24,929	43,630	SCHEDULE 5 – OTHER LIABILITIES AND PROVISIONS		
	372,710	347,781	I Bills Payable	8,416	8,483
II Property Investment Reserve	9,976	9,976	II Interest Accrued	63,575	53,242
III Capital Reserve	27,231	27,231	III Provision for standard assets	45,494	26,813
IV Surplus Retained For Capital Adequacy			IV Provision for tax (net of advance tax)	0	16,914
As per Last Balance Sheet	469,591	342,462	V Others (including provisions)	483,283	170,295
Add: Transfer from Profit & Loss Account	–	127,129	Total	600,768	275,747
	469,591	469,591	SCHEDULE 6 – CASH AND BALANCE WITH RESERVE BANK OF INDIA		
V Investment Reserve Account (IRA)			I Cash in hand (including foreign currency notes)	9,721	8,450
As per Last Balance Sheet	3,759	–	II Balances with Reserve Bank of India		
Add/(Less): Transfer from/to Profit & Loss Account	(1,141)	3,759	(i) In Current Account	340,006	539,235
	2,618	3,759	(ii) In Other Account	–	–
VI Balance in Profit and Loss Account	75,928	–	Total (I+II)	349,727	547,685
Total	958,054	858,338	SCHEDULE 7 – BALANCES WITH BANKS & MONEY AT CALL & SHORT NOTICE		
SCHEDULE 3 – DEPOSITS			I In India		
A I Demand Deposits			(i) Balances with Banks		
(i) From Banks	9,950	6,111	(a) In Current Account	5,209	25,871
(ii) From Others	1,523,995	903,113	(b) In Other Deposit Account	300,000	200,000
	1,533,945	909,224	(ii) Money at Call and Short Notice		
II Saving Bank Deposits	758,828	608,446	(a) With Banks (*)	539,660	100,000
III Term Deposits			(b) With Other Institutions	–	–
(i) From Banks	2,086	7,288		844,869	325,871
(ii) From Others	6,103,674	5,433,306	II Outside India		
	6,105,760	5,440,594	(i) In Current Account	289,555	242,981
Total	8,398,533	6,958,264	(ii) In Other Deposit Accounts	–	–
B			(iii) Money at Call and Short Notice	53,924	43,428
(i) Deposits of branches in India	8,398,533	6,958,264		343,479	286,409
(ii) Deposits of branches outside India	–	–	Total (I+II)	1,188,348	612,280
Total	8,398,533	6,958,264	* includes lending under LAF of Rs. Nil (previous year Rs. Nil)		



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SCHEDULES FORMING PART OF ACCOUNTS

	As on 31.03.2014 Rs. (000's)	As on 31.03.2013 Rs. (000's)		As on 31.03.2014 Rs. (000's)	As on 31.03.2013 Rs. (000's)
SCHEDULE 8 – INVESTMENTS			SCHEDULE 10 – FIXED ASSETS		
I Investments in India in			I Premises		
(i) Government securities (*)	2,331,544	2,638,283	At cost as per last Balance Sheet	24,988	24,988
(ii) Other approved securities	–	–	Additions during the year	–	–
(iii) Shares	–	–	Deductions during the year	–	–
(iv) Debentures and bonds	–	241,993	Depreciation to date	(2,579)	(2,172)
(v) Subsidiaries/Joint Ventures	–	–		<u>22,409</u>	<u>22,816</u>
(vi) Others	412,424	374,042			
	2,743,968	3,254,318	II Other fixed assets		
II Investments outside India	–	–	At cost as per last Balance Sheet	168,760	152,532
	2,743,968	3,254,318	Additions during the year	20,512	17,171
III Investments in India			Deductions during the year	(378)	(944)
Gross Value	2,781,090	3,288,814	Depreciation to date	(156,978)	(139,845)
Less:- Provision on Investments	(37,122)	(34,496)		<u>31,916</u>	<u>28,914</u>
Net Value	2,743,968	3,254,318	III Capital work in progress (including capital advances)	2,694	2,824
			Total	57,019	54,554
			SCHEDULE 11 – OTHER ASSETS		
			I Interest accrued	34,519	46,888
			II Tax paid in advance/tax deducted at source (net of provisions)	8,456	–
			III Deferred Tax (net) (Refer Accounting Policy 10 & Notes to Accounts 38)	171,063	112,826
			IV Stationery and stamps	13	19
			V Others	194,930	122,262
			Total	408,981	281,995
			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	711,151	355,932
			III Guarantees given on behalf of constituents		
			(a) In India	450,117	218,368
			(b) Outside India	141,179	792,515
			IV Acceptances, endorsements and other obligations	358,335	580,796
			V Other items for which the Banks is contingently liable		
			– Capital Commitments	6,858	–
			Total	1,742,640	2,022,611

* includes Securities of book value of Rs. 51,048 (FV Rs. 50,000) (Previous Year BV 53,303 FV 50,000) deposited with CCIL, securities of FV of Rs. 72,800 (Previous Year Rs. 787,500) given under LAF and securities of Face Value of Rs. 390,000 kept with RBI under section 11(2)(b)(ii) of Banking Regulation Act, 1949 (Previous Year FV Rs. 340,000). Excludes securities of FV of Rs. Nil (Previous Year Nil) received under LAF (Rs. in 000's).

SCHEDULE 9 – ADVANCES

A (i) Bills purchased and discounted	1,129,210	1,212,796
(ii) Cash credits, Overdrafts & Loans	2,958,763	3,102,564
(iii) Term Loans	3,291,189	2,610,642
Total	7,379,162	6,926,002
B (i) Secured by tangible assets*	4,603,609	4,064,127
(ii) Covered by Bank/ Government Guarantees	859,500	583,984
(iii) Unsecured	1,916,053	2,277,891
* includes advances against book debts		
Total	7,379,162	6,926,002
C I Advances in India		
(i) Priority Sector	2,321,946	2,180,803
(ii) Public Sector	–	–
(iii) Banks	–	–
(iv) Others	5,057,216	4,745,199
Sub-total	7,379,162	6,926,002
II Advances outside India	–	–
Sub-total	–	–
Total	7,379,162	6,926,002



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SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2014

	31.03.2014 Rs. (000's)	31.03.2013 Rs. (000's)		31.03.2014 Rs. (000's)	31.03.2013 Rs. (000's)
SCHEDULE 13 – INTEREST EARNED			SCHEDULE 15 – INTEREST EXPENDED		
I Interest/Discount on Advances/Bills	639,104	667,815	I Interest on Deposits	467,597	382,107
II Income on Investments (net of premium amortised Rs. 1,576 in 000's) (Previous year Rs. 3,105 in 000's)	220,242	268,010	II Interest on RBI/Inter-bank borrowings	4,651	38,844
III Interest on balance with Reserve Bank of India and other inter-bank funds	23,428	3,524	III Others representing hedging cost	7,342	56
IV Others (includes interest on income tax refund of NIL) (Previous Year Rs. 7,157 in 000's)	–	7,157	Total	479,590	421,007
Total	882,774	946,506	SCHEDULE 16 – OPERATING EXPENSES		
SCHEDULE 14 – OTHER INCOME			I Payment to and provisions for employees	97,354	86,702
I Commission, Exchange and Brokerage	47,486	46,154	II Rent, Taxes and Lighting	47,957	45,894
II Profit/(Loss) on sale of Investments (net)	(28)	1,544	III Printing and Stationery	1,952	1,559
III Profit/(Loss) on sale of assets (net)	(33)	38	IV Advertisement and Publicity	1,008	550
IV Profit/(Loss) on Exchange Transactions (net)	77,682	21,614	V Depreciation on Bank's Property	17,827	14,374
V Income earned by way of dividends, etc. from subsidiaries, companies, joint venture abroad/in India	–	–	VI Directors' Fees, Allowances and Expenses	–	–
VI Processing Fee	12,289	35,080	VII Auditors' Fees and Expenses	770	717
VII Miscellaneous Income	36	125	VIII Law Charges	1,402	780
Total	137,432	104,555	IX Postage, Telegrams, Telephones etc.	4,069	3,185
			X Repairs and Maintenance	9,975	8,705
			XI Insurance	9,140	7,536
			XII Other Expenditure	29,411	20,827
			Total	220,865	190,829

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES

1. Basis of preparation

The accompanying financial statements have been prepared in accordance with historical cost convention on accrual basis except as otherwise stated and in accordance with the generally accepted accounting principles and statutory provisions prescribed under the Banking Regulations Act 1949, circulars and guidelines issued by the Reserve Bank of India (RBI), Notified accounting standards by Companies (Accounting Standards) Rules, 2006 to the extent applicable and current practices prevailing within the banking industry in India.

2. Use of estimates

The preparation of financial statements 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

- 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 are recognised in Profit and Loss Account.
- Income and expenditure in foreign currencies are translated at the rates prevailing on the date of the transaction.
- Acceptances, endorsements and other obligations in foreign currencies are stated at the year end exchange rates notified by FEDAI.



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- 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

Repo/Reverse repo transactions are disclosed as borrowing/lending transactions and correspondingly the expense and income thereon are treated as interest. Depreciation in their value, if any, compared to their original cost, is recognised in the Profit and Loss Account.

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 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) Depreciation is provided on a straight line basis over the estimated useful life of the asset at the rates mentioned below:

Assets	Rate
Vehicle	20.00%
Equipment	20.00%
Furniture	20.00%
Hardware & Software	33.33%
Freehold Premises	1.63%
Leasehold Improvements	Over 5 years or the primary period of the lease whichever is lower

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



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- 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.



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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:

- Provision for current taxes, wealth tax and deferred taxes on income in accordance with statutory requirements;
- Provision/write off for loan losses and Investments;
- 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:

- 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
- Any present obligation that arises from past events but is not recognized because:
 - It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
 - 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

- The break up of "Provisions & Contingencies" as appearing in the Profit and Loss Account is as under:

(Rs. in crore)

Particulars	Year ended	Year ended
	31.03.2014	31.03.2013
Specific Provision for Non-Performing Advances	19.22	22.57
Provision for Diminution in fair value of restructured advances	11.99	-
Bad Debts written off	17.71	0.02
Provision for Non-Performing Advances written back	(25.49)	(3.80)
Utilisation of Floating Provision	(0.52)	-
Provision for depreciation on Investments	0.26	(0.86)
Provision for income tax (including earlier years)	3.22	15.34
Provision for deferred tax	(5.82)	(7.12)
Provision for wealth tax	0.03	0.03
Provision for country risk	(0.47)	0.35
Provision for standard assets	1.87	(0.06)
Total	22.00	26.47



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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 crore)

Particulars	31 March, 2014
Capital Adequacy	
Common Equity Tier I	272.58
Tier I	272.58
Tier II	4.87
Total Capital	277.45
Total risk weighted assets and contingents	826.58
Capital Ratios	
Common Equity Tier I	32.98%
Tier I	32.98%
Tier II	0.59%
CRAR	33.57%

As per Basel II:

Capital Adequacy Ratio	31.03.2014	31.03.2013
i) CRAR (%)	33.57%	34.70%
ii) CRAR - Tier I Capital (%)	32.98%	34.25%
iii) CRAR - Tier II Capital (%)	0.59%	0.45%
iv) Percentage of the shareholding of the Government of India in nationalized Banks	N.A.	N.A.
v) Amount of subordinated debt raised as Tier-II capital	Nil	Nil

3. **Business Ratios:**

Particulars	31.03.2014	31.03.2013
a. Net NPAs to Net Advances	7.67%	3.16%
b. Interest income as a percentage to working funds (\$)	8.62%	9.39%
c. Non-interest income as a percentage to working funds (\$)	1.34%	1.04%
d. Operating Profit as a percentage to working funds (\$)	3.12%	4.36%
e. Return on assets (@)	0.84%	1.48%
f. Business (Deposits plus Advances) per employee (#)	Rs. 16.25 Crore	Rs. 14.60 Crore
g. Profit per employee (#)	Rs. 0.10 Crore	Rs. 0.18 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, 2014 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 29.56% (previous year 58.30%).

5. **Maturity Profile:**

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	-	204.34



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As at March 31, 2013

(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	2.82	17.41	27.41	28.92	104.39	70.22	179.79	260.24	4.63	-	695.83
Borrowings	-	139.71	-	-	16.00	-	-	-	-	-	155.71
Loans & Advances	48.41	12.23	11.00	48.48	205.11	130.42	77.94	132.50	23.71	2.80	692.60
Investments	-	48.98	24.86	47.30	83.16	17.50	41.85	59.78	2.00	-	325.43
Foreign currency assets	32.95	7.02	1.28	5.38	85.69	85.07	21.37	10.65	-	7.33	256.74
Foreign currency liabilities	0.71	63.05	4.64	2.09	14.47	24.48	33.28	28.88	2.81	-	174.41

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	2013-2014			2012-2013		
	Gross NPA (net of interest in suspense)	Provisions	Net NPA	Gross NPA (net of interest in suspense)	Provisions	Net NPA
Opening balance	52.32	28.93	23.39	27.72	10.16	17.56
(+) Additions	98.70	19.22	79.48	49.13	22.57	26.56
(-) Recoveries	12.66	1.37	11.29	24.43	3.71	20.72
(-) Upgradations	40.39	6.40	33.99	0.08	0.07	0.01
(-) Technical/Prudential Write-offs	-	-	-	-	-	-
(-) Other Write-offs	17.71	17.71	-	0.02	0.02	-
Closing balance	80.26	22.67	57.59	52.32	28.93	23.39
Less: Floating Provision	-	-	(1.05)	-	-	(1.57)
Net Closing balance	-	-	56.54	-	-	21.82

* 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:

- Deducting the existing floating provisions from gross NPAs to arrive at net NPAs or
- 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	2013-14	2012-13
Opening Balance of Technical/Prudential written-off accounts	-	-
(+) Additions	-	-
(-) Recoveries	-	-
Closing Balance of Technical/Prudential written-off accounts	-	-



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7. INVESTMENTS

i. Details of Investments:

(Rs. in crore)

Particulars		2013-14	2012-13
1)	Value of Investments		
i)	Gross Value of Investments		
	(a) In India	278.11	328.88
	(b) Outside India	-	-
ii)	Provision for Depreciation		
	(a) In India	(3.71)	(3.45)
	(b) Outside India	-	-
iii)	Net Value of Investments		
	(a) In India	274.40	325.43
	(b) Outside India	-	-
2)	Movement of provisions held towards depreciation on investments		
i)	Opening balance	3.45	4.31
ii)	Add: Additions during the year	4.88	0.79
iii)	Less: Write off/write back of excess provision during the year	4.62	1.65
iv)	Closing balance	3.71	3.45

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

(Rs. in crore)

Particulars	2013-14	2012-13
Held for Trading		
a) Approved Securities	-	39.95
b) Unapproved Securities	-	-
Available for Sale		
a) Approved Securities	188.33	164.44
b) Unapproved Securities	41.24	61.60
Held for Maturity		
a) Approved Securities	44.82	59.44
b) Unapproved Securities	-	-
Total	274.39	325.43

8. i) Issuer composition of Non-SLR investments

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



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2012-2013

(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	61.45	61.45	-	-	12.62
5	Subsidiaries/ Joint ventures	-	-	-	-	-
6	Others	1.54	1.34	1.34	1.34	1.34
7	Provision held towards depreciation	(1.39)				
	Total	61.60	62.79	1.34	1.34	13.96

ii) Non-performing Non-SLR investments

(Rs. in crore)

Particulars	2013-2014	2012-2013
Opening balance	1.34	1.34
Additions during the year since 1st April	-	-
Reductions during the above period	-	-
Closing balance	1.34	1.34
Total provisions held	1.34	1.34

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

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	-

2012-2013

(Rs. in crore)

	Minimum outstanding during the year (@)	Maximum outstanding during the year	Daily average outstanding during the year (#)	As on March 31, 2013
Securities sold under repos	5.25	84.00	16.44	78.75
Securities purchased under reverse repos	5.25	15.75	0.10	-

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

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



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10. Lending to Sensitive Sectors

(A) Exposure to Real Estate Sector

(Rs. in crore)

	Category	2013-2014	2012-2013
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 - of which individual housing loans eligible for inclusions in priority sector advances	0.98	0.95
	(ii) Commercial Real Estate –	3.78	5.74
	(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	4.76	6.69

(*) 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	2013-2014	2012-2013
(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;	-	-
(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;	0.08	0.20
(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;	-	-



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(B) Exposure to Capital Market *(Continued)*

(Rs. in crore)

Sr. No.	Particulars	2013-2014	2012-2013
(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	0.08	0.20

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

11. Letters of Comfort (LoCs):

(Rs. in crore)

Particulars	2013-2014	2012-2013
No. of LoCs issued during the year	55	104
Financial impact of LoCs issued during the year	-	-
Cumulative financial obligation under the LoCs issued in the past and outstanding	9.06	75.67

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



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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:
1. Arch Pharmalabs Limited
 2. Allanasons Limited
 3. ALD Automotive Private Limited
 4. Oil Country Tubular Limited
 5. Regal Interiors
 6. Shapoorji Pallonji & Company Limited
 7. Zamil Steel

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	2013-2014	2012-2013
(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).

19. **Disclosure on remuneration:**

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

Summary terms of reference, roles and responsibilities:

- 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. Abdulmohsen Medej Al Medej** Deputy Chairman (Non-independent) - upto 12.01.2014.
- **Sh. Khalifa bin Duaij Al Khalifa** Member (Independent)
- **Dr. Nayef Falah Mubarak Al Hajraf** - Member (Non-independent) from 11.03.2014



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(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 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.

<p>(c) <i>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.</i></p>	<p>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.</p>
<p>(d) <i>Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration.</i></p>	<p>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.</p>
<p>(e) <i>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.</i></p>	<p>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.</p>
<p>(f) <i>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></p>	<p>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.</p>
<p>(g) <i>Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.</i></p>	<p>i) 7 meetings were held during 2013-14. (Previous year - 4 meetings). ii) Rs. 0.17 crores was paid as remuneration. (Previous year - Rs. 0.08 crores).</p>



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Quantitative disclosures

(h)	<ul style="list-style-type: none"> Number of employees having received a variable remuneration award during the financial year/ (Previous Year - 5) 6 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)	<ul style="list-style-type: none"> <i>Total amount of outstanding deferred remuneration, split remuneration, split into cash, shares and share-linked instruments and other forms.</i> <p>Total Deferred Remuneration outstanding: Cash: Rs. 0.08 Crore (Previous Year – Nil) Employee Performance Share Plan: 22,982 shares. (Previous Year – 48,537 shares)</p> <ul style="list-style-type: none"> <i>Total amount of deferred remuneration paid out in the financial year.</i> <p>Deferred Remuneration paid in 2013-14: Cash: Nil (Previous Year – NIL) Employee Performance Share Plan: 14,206 shares granted in the current year. (Previous Year – 14,549 shares)</p>																					
(j)	<ul style="list-style-type: none"> <i>Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.</i> <p style="text-align: right;">(Rs. in crore)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%;">Fixed</th> <th style="width: 20%;">Variable</th> </tr> </thead> <tbody> <tr> <td>2013-14:</td> <td></td> <td></td> </tr> <tr> <td>Deferred</td> <td style="text-align: center;">-</td> <td style="text-align: center;">0.08</td> </tr> <tr> <td>Non-deferred</td> <td style="text-align: center;">1.85</td> <td style="text-align: center;">0.43</td> </tr> <tr> <td>2012-13:</td> <td></td> <td></td> </tr> <tr> <td>Deferred</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> <tr> <td>Non-deferred</td> <td style="text-align: center;">2.24</td> <td style="text-align: center;">0.54</td> </tr> </tbody> </table>		Fixed	Variable	2013-14:			Deferred	-	0.08	Non-deferred	1.85	0.43	2012-13:			Deferred	-	-	Non-deferred	2.24	0.54
	Fixed	Variable																				
2013-14:																						
Deferred	-	0.08																				
Non-deferred	1.85	0.43																				
2012-13:																						
Deferred	-	-																				
Non-deferred	2.24	0.54																				
(k)	<ul style="list-style-type: none"> Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments. (Previous Year - Nil) 0.08 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)

Risk category	As on March 31, 2014		As on March 31, 2013	
	Exposures	Provisions	Exposures	Provisions
Insignificant	78.30	0.03	65.31	0.03
Low	76.27	0.03	22.42	-
Moderate	6.09	-	18.18	0.50
High	0.81	-	0.82	-
Very High	-	-	8.14	-
Restricted	-	-	-	-
Total	161.47	0.06	114.87	0.53

21. Movement in Floating Provision:

(Rs. in crore)

Particulars	2013-2014	2012-2013
Opening Balance	1.57	1.57
Add: Provisions made during the year	-	-
Less: Amount of draw-down made during the year	0.52	-
Closing balance	1.05	1.57

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.



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

A. Details of non-performing financial assets purchased

(Rs. in crore)

Particulars	2013-2014	2012-2013
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	2013-2014	2012-2013
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 31.03.2014: Rs. 4.55

As on 31.03.2013: Rs. 2.68

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

Concentration of Deposits

(Rs. in crore)

Particulars	2013-2014	2012-2013
Total deposits of twenty largest depositors	261.59	213.23
% of deposits of twenty largest depositors to total deposits of the Bank	31.14%	30.64%

Concentration of Advances (net)

(Rs. in crore)

Particulars	2013-2014	2012-2013
Total Advances to twenty largest borrowers	686.68	643.37
% of Advances to twenty largest borrowers to total advances of the Bank	72.54%	67.47%

* 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	2013-2014	2012-2013
Total Exposure to twenty largest borrowers/customers	705.68	658.20
% of exposures to twenty largest borrowers/customers to total exposure of the Bank on borrowers/customers	71.44%	64.84%

* 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	2013-2014	2012-2013
Total Exposure to top four NPA accounts	56.49	19.47

Note:- (After netting off floating provisions and provision for diminution in fair value of restructured assets)



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25. Sector-wise NPAs (net):

Sr. No.	Sector	% of NPAs to Total Advances in that Sector 2013-14	% of NPAs to Total Advances in that Sector 2012-13
1	Agriculture & allied activities	Nil	Nil
2	Industry (Micro & small, medium and large)	10.51	2.83
3	Services	Nil	Nil
4	Personal Loans	0.17	Nil
5	Others	Nil	100.00

*Above information is provided as per the internal classification by management.

26. Overseas Assets, NPAs and Revenue:

(Rs. in crore)

Particulars	2013-2014	2012-2013
Total Assets	Nil	Nil
Total NPAs	Nil	Nil
Total Revenue	Nil	Nil

27. Off-balance Sheet SPVs sponsored:

Particulars	2013-2014	2012-2013
Domestic:-		
Name of the SPV sponsored	Nil	Nil
Overseas:-		
Name of the SPV sponsored	Nil	Nil

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

(Rs. in crore)

Sr. No.	Nature of Income	2013-2014	2012-2013
1.	For selling life insurance policies	-	0.01
2.	For selling non-life insurance policies	-	-
3.	For selling mutual fund products	1.11	0.51

29. Unsecured Advances:

(Rs. in crore)

Particulars	2013-2014	2012-2013
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

30. Disclosure on derivatives:

The Bank does not have any exposure to Forward Rate Agreement/Interest Rate Swap/Exchange Traded Interest Rate Derivatives and thus has limited exposure to derivatives namely 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 a Risk Management Committee (RMC) which reviews/approves policies and procedures and reviews 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 (at 99% confidence level).



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b) Risk Reporting and Risk monitoring systems:

Bank has risk management policies designed to identify and analyse risks, to set appropriate risk limits and to monitor these risks and limits on an ongoing basis by means of various reports/MIS.

c) 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 at RMC:

- (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 which 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	47.93
	b) For trading	23.18
2	Marked to Market Positions	
	a) Asset (+)	0.66
	b) Liability (-)	(0.72)
3	Credit Exposure	1.13
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	-

31. No penalties were levied by Reserve Bank of India under section 46 (4) of the Banking Regulation Act, 1949.

32. Draw down from Reserves:

Investment Reserve Account:

(Rs. in crore)

Particulars	2013-2014	2012-2013
Opening Balance	0.38	-
(+) Additions during the year	-	0.38
(-) Utilized during the year	(0.12)	-
Closing Balance	0.26	0.38



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33 Analysis and Disclosure of complaints:

A. Customer Complaints

Sr. No.	Particulars	2013-14	2012-13
(a)	No. of complaints pending at the beginning of the year	Nil	Nil
(b)	No. of complaints received during the year	1	3
(c)	No. of complaints redressed during the year	1	3
(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	2013-14	2012-13
(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.

34. Sale and transfer to/from HTM category

In August 2013, the RBI, as a one- time measure, permitted Banks to transfer SLR securities from the AFS/HFT category to the HTM category. Accordingly, during the year ended March 31, 2014, the Bank has transferred SLR security having face value of Rs. 10 crore from HFT category to HTM Category. In accordance with RBI guidelines, this transfer is excluded from the 5% cap prescribed for value of sales and transfer of securities to/from the HTM category. (Previous year Nil).

35. 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 2014	As at 31 March 2013
At cost at March 31st of preceding year	7.20	6.19
Additions during the year	0.52	1.01
Deductions during the year	-	-
Depreciation to date	6.72	6.04
Net block	1.00	1.16

36. 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 at IORC 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 organisational 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 through 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.



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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.

i) Legal issues

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

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

37. 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	2013-14	2012-13
Current service cost	0.20	0.16
Interest cost on benefit obligation	0.11	0.10
Expected return on plan assets	(0.09)	(0.10)
Net actuarial (gain)/loss recognised in the year	(0.18)	0.07
Past Service Cost	-	-
Cost of plan amendment	-	-
Net expenses	0.04	0.23
Actual return on plan assets	0.10	0.08

Balance Sheet: Details of provision for gratuity

(Rs. in crore)

Particulars	2013-14	2012-13
Fair value of plan assets	1.29	1.10
Present value of obligations	1.34	1.30
Asset/(Liability)	(0.05)	(0.20)
Asset/Liability recognised in the balance sheet	(0.05)	(0.20)

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

(Rs. in crore)

Particulars	2013-14	2012-13
Opening defined benefit obligation	1.30	1.13
Interest cost	0.11	0.10
Current service cost	0.20	0.16
Past service cost	-	-
Cost of Plan Amendment	-	-
Benefits paid	(0.12)	(0.14)
Actuarial (gains) / losses on obligation	(0.17)	0.05
Closing defined benefit obligation	1.32	1.30

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

(Rs. in crore)

Particulars	2013-14	2012-13
Opening fair value of plan assets	1.10	1.16
Expected return	0.09	0.10
Contributions by employer	0.20	-
Benefits paid	(0.12)	(0.14)
Actuarial gains / (losses)	0.01	(0.02)
Closing fair value of plan assets	1.28	1.10



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Experience adjustments:

(Rs. in crore)

Particulars	2013-14	2012-13
Experience adjustments on plan liabilities (Gains)/Loss	(0.03)	(0.01)
Experience adjustments on plan assets Gain/(Loss)	0.01	(0.02)

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

Particulars	2013-14	2012-13
Discount Rate (%) p.a.	9.35%	8.25%
Expected rate of return on assets (%) p.a.	9.35%	8.70%
Salary escalation rate (%) p.a.	8.00%	8.00%
Attrition Rate (%) p.a. : For first 5 years	25.00%	25.00%
: After 5 years	2.00%	2.00%

Compensated Absences

The actuarial liability of compensated absences of unencashable accumulated sick leaves of the employees of the Bank as of March 31, 2014 is given below:

(Rs. in crore)

Particulars	2013-14	2012-13
Total actuarial liability for sick leave	0.20	0.16

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

Particulars	2013-14	2012-13
Discount Rate (%) p.a.	9.35%	8.25%
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

Amortisation of pension and gratuity liabilities expenditure in terms of circular no. DBOD.No.BP.BC.80/21.04.018/2010-11 dated February 09, 2011 is Nil for the year under review (Previous Year: Nil).

38. Segment Reporting

Segment Information about Primary Business Segments for the year March 31, 2014

(Rs. in crore)

Business Segments	Treasury	Corporate Banking	Retail Banking	Other Banking Operations	Total
Revenue	29.6	67.06	2.44	2.92	102.2
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.



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Segment information for the year ended March 31, 2013

(i) Information about Primary Business Segments

(Rs. in crore)

Business Segments	Treasury	Corporate Banking	Retail Banking	Other Banking Operations	Total
Revenue	20.82	78.35	2.46	2.76	104.39
Unallocated Revenue					0.72
Total Segment revenue					105.11
Expense	14.81	37.54	2.67	2.21	57.23
Unallocated Expense					3.95
Total Segment Expense					61.18
Operating Profit	6.02	40.80	(0.21)	0.55	47.16
Unallocated operating profit					(3.22)
Net Operating Profit					43.93
Segment Result	6.88	21.76	(0.25)	0.54	28.93
Unallocated result					(3.23)
Total Segment Result					25.70
Income Taxes (net of deferred tax)					8.25
Net Profit					17.45
Other Information					
Segment Assets	383.89	739.87	17.36	0.42	1,141.54
Unallocated Assets					26.14
Total Assets					1,167.68
Segment Liabilities	156.31	182.86	528.26	0.38	867.81
Unallocated Liabilities					299.87
Total Liabilities					1,167.68

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.

39. 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. Capinova Investment Bank
5. Invita-Kuwait



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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
10. Naseej Company
11. Alosra Bank
12. Shared Electronic Banking Services
13. Sakana Holistic Housing Solutions
14. Diyyar Al Hameen Al Ola Limited
15. Saudi MAIS Company for Medical Products
16. 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.

40. Operating Leases

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

(Rs. in crore)

Particulars	2013-14	2012-13
Not later than one year	3.56	3.19
Later than one year and not later than five years	3.05	0.80
Later than five years	Nil	Nil

- b) Lease payments of Rs. 3.89 crore (previous year Rs. 3.76 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.

41. 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, 2014	As at March 31, 2013
Deferred Tax Assets		
Provision on Advances	17.23	11.00
Amortisation of premium of HTM Investments	0.01	0.65
Provision for Employee Benefits	0.14	0.11
Bonus payable	0.23	0.18
Others	0.11	0.11
Total	17.72	12.05
Deferred Tax Liability		
Depreciation on Fixed Assets	0.62	0.77
Total	0.62	0.77
Net Deferred tax asset	17.10	11.28



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42. 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.

43. 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 (2013: Nil)

44. 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

Sd/-

Mallikarjun Kota

Country Head & CEO - India

Sd/-

Mehjabeen Saifi

Vice President Financial Control – India

Place: Mumbai

Dated: June 23, 2014



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Disclosures under the New Capital Adequacy Framework (BASEL III guidelines) for the year ended March 31, 2014

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

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

Quantitative Disclosures:

(Rs. in crore)

a. Tier I Capital

Capital	202.73
Reserves	87.95
b. Deduction from Capital (Deferred Tax Asset and Software)	18.10
c. Tier II Capital	04.87
Total Eligible Capital	277.45

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. 714.90 crore
Securitization exposures	Rs. 0.00
Total @ 9% CRAR	Rs. 64.34 crore
Capital requirement for market risk.	
- Standardized duration approach	
Interest Rate Risk	Rs. 1.18 crore
Foreign exchange risk (including gold)	Rs. 1.00 crore
Equity Risk	NIL
Capital requirement for operational risk;	
Basic indicator approach	
Capital required for operational risk	Rs. 7.87 crore
Total and Tier 1 capital ratios	
Tier I Capital	Rs. 272.58 crore
Tier II Capital	Rs. 04.87 crore
Total	Rs. 277.45 crore
Total CRAR	33.57%
Core CRAR	32.98%

4. General Disclosures:

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.



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Disclosures under the New Capital Adequacy Framework (BASEL III guidelines) for the year ended March 31, 2014

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 Risk 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 exposure to equity and 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 for Non Performing Assets. 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

Definition of past due and impaired assets (for accounting purpose)

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



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Disclosures under the New Capital Adequacy Framework (BASEL III guidelines) for the year ended March 31, 2014

Quantitative Disclosures:

- Total gross credit risk exposures – Fund based Rs. 1,225.53 crore
- Non-fund based Rs. 398.21 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 Type Distribution of Exposures

(Rs. in crore)

CODE	INDUSTRY	FUND BASED O/S			NFB O/S
		STD	NPA	TOTAL	
003	Iron & Steel				
005	All Engineering	85.36	8.17	93.52	10.12
006	Electricity				
007	Cotton Textiles	24.56		24.56	3.39
009	Other Textiles				
012	Food Processing	21.00		21.00	
017	Chemicals, dyes paints etc.	94.98	46.21	141.20	9.78
0171	- of Which fertilizers				
0172	- of Which petro chemicals				
0173	- of Which drugs & pharmaceuticals	94.98	46.21	141.20	9.78
021	Construction	54.91		54.91	1.28
025	Infrastructure	79.23	3.17	82.40	6.27
0252	- of which telecommunications				
0253	- of which road & ports	79.23	3.17	82.40	6.27
026	Other industries	173.45		173.45	64.12
027	NBFCs	130.05		130.05	
028	Residual advances to balance gross adv.	16.81	0.04	16.84	
	Total	680.33	57.59	737.92	94.96
Less:	Floating provision		1.05		
Grand Total		680.33	56.54	737.92	94.96

- 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	0.97	-	-	-	-	-	-	-	-	-	-	-	0.97
2 Balance with RBI	-	-	3.90	1.98	3.29	2.27	5.07	14.82	2.67	-	-	-	34.00
3 Balances with banks & money at call & short notice	34.87	53.96	-	-	30	-	-	-	-	-	-	-	118.83
4 Investments	-	-	57.71	11.81	58.70	13.83	30.17	86.64	15.55	-	-	-	274.40
5 Advances	107.5	11.85	11.44	16.72	154.78	66.53	57.95	218.24	68.61	24.31	-	-	737.92
6 Fixed Assets	-	-	-	-	-	-	-	-	-	-	-	5.70	5.70
7 Other assets	-	0.05	0.02	0.69	2.76	0.81	0.01	18.08	-	18.47	-	-	40.89



BANK OF BAHRAIN & KUWAIT B.S.C.

(Incorporated in Bahrain with Limited Liability)

INDIAN BRANCHES

Disclosures under the New Capital Adequacy Framework (BASEL III guidelines) for the year ended March 31, 2014

• Amount of NPA's Gross	
Substandard	Rs. 65.65 crore
Doubtful 1	Rs. 4.26 crore
Doubtful 2	Rs. 0.21 crore
Doubtful 3	Rs. 10.00 crore
Loss	Rs. 0.14 crore
• Net NPA's (net of floating provision)	Rs. 56.54 crore
• NPA Ratios	
Gross NPA's to Gross Advances	10.39%
Net NPA's to net advances	7.67%
Movement of NPA's (Gross)	
Disclosed in Note no 6 of Schedule 18.	
Movement of provisions for NPA's	
Disclosed in Note no 6 of Schedule 18.	
Amount of Non –Performing Investments	Rs. 1.34 crore
Amount of provision held for Non – Performing Investments	Rs. 1.34 crore
Movement of provision for depreciation on investments	

(Rs. in crore)

Particulars	2013-2014
Opening Balance	3.45
Add: Provisions for depreciation made during the year	4.88
Less: Write-off	-
Less: Write back of provisions during the year	4.62
Closing balance	3.71

5. Credit Risk: Portfolios subject to standardized approach

Qualitative Disclosures:

As per RBI Guidelines, the Bank has identified CARE, CRISIL, ICRA and FITCH 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. 878.87 crore
100% risk weight	Rs. 338.55 crore
More than 100%	Rs. 133.83 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.



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Disclosures under the New Capital Adequacy Framework (BASEL III guidelines) for the year ended March 31, 2014

Quantitative Disclosures:

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

	Rs. in crore as of 31-03-2014	
	Gross outstanding	Financial Mitigant
Corporate loans*	126.00	16.84

* 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:

- 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
- Risk Management Department is responsible for identification, assessment, monitoring and reporting the market risks.
- 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).
- The Bank does not have any direct exposure to Capital Market.

Quantitative Disclosures:

The capital requirements for

- | | |
|----------------------------|---------------|
| i) Interest rate risk | Rs.1.18 crore |
| ii) Equity position risk | NIL |
| iii) Foreign exchange risk | Rs.1.00 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 4.57 crore based on Asset Liability position of March 2014 using the traditional gap analysis.



BANK OF BAHRAIN & KUWAIT B.S.C.

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INDIAN BRANCHES

XI. Composition of Capital

(Rs. in million)

Sr No	Particulars	Amount	Amounts Subject to Pre-Basel III Treatment	Ref No.
	Common Equity Tier 1 capital: instruments and reserves			
1	Funds from Head Office	2,027		A1
2	Retained earnings	880		B1+B2+B3+B4
3	Accumulated other comprehensive income (and other reserves)	-		
4	<i>Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies I)</i>	-		
	<i>Public sector capital injections grandfathered until January 1 2018</i>			
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	2,907		
	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	6	D1
10	Deferred tax assets 2	68	103	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 rights ⁴ (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% threshold ⁶	-		
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 adjustments ⁷ (26a+26b+26c+26d)	-		
26a	<i>of which:</i> Investments in the equity capital of the unconsolidated insurance subsidiaries	-		
26b	<i>of which:</i> Investments in the equity capital of unconsolidated non-financial subsidiaries	-		
26c	<i>of which:</i> Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank ⁹	-		



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(Rs. in million)

Sr No	Particulars	Amount	Amounts Subject to Pre-Basel III Treatment	Ref No.
26d	<i>of which:</i> Unamortised pension funds expenditures Regulatory Adjustments Applied to Common Equity Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment	-		
	<i>of which:</i> [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	109		
28	Total regulatory adjustments to Common equity Tier 1	181		
29	Common Equity Tier 1 capital (CET1)	2,726		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (31+32)	-		
31	<i>of which:</i> classified as equity under applicable accounting standards (Perpetual Non-Cumulative Preference Shares)	-		
32	<i>of which:</i> classified as liabilities under applicable accounting standards (Perpetual debt Instruments)	-		
33	<i>Directly issued capital instruments subject to phase out from Additional Tier 1</i>	-		
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	<i>of which:</i> 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)	-		
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	-		
	<i>of which:DTA</i>	103		
	<i>Intangibles other than mortgage-servicing rights (net of related tax liability)</i>	6		
	<i>of which:</i> [INSERT TYPE OF ADJUSTMENT e.g. existing adjustments which are deducted from Tier 1 at 50%]	-		
	<i>of which:</i> [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	109		
44	Additional Tier 1 capital (AT1)	(109)		
44a	Additional Tier 1 capital reckoned for capital adequacy¹¹	-		
45	Tier 1 capital (T1 = CET1 + AT1) (29 + 44a)	2,726		



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(Rs. in million)				
Sr No	Particulars	Amount	Amounts Subject to Pre-Basel III Treatment	Ref No.
	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	<i>of which: instruments issued by subsidiaries subject to phase out</i>	-		
50	Provisions ¹²	49		C1+C2
51	Tier 2 capital before regulatory adjustments	49		
	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 investments ¹³ in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-		
56a	<i>of which: Investments in the Tier 2 capital of unconsolidated insurance subsidiaries</i>	-		
56b	<i>of which: Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the bank</i>	-		
	Regulatory Adjustments Applied To Tier 2 in respect of	-		
	Amounts Subject to Pre-Basel III Treatment	-		
	<i>of which: [INSERT TYPE OF ADJUSTMENT e.g. existing adjustments which are deducted from Tier 2 at 50%]</i>	-		
	<i>of which: [INSERT TYPE OF ADJUSTMENT]</i>	-		
57	Total regulatory adjustments to Tier 2 capital	-		
58	Tier 2 capital (T2)	49		
58a	Tier 2 capital reckoned for capital adequacy¹⁴	49		
58b	Excess Additional Tier 1 capital reckoned as Tier 2 capital	-		
58c	Total Tier 2 capital admissible for capital adequacy (58a + 58b)	49		
59	Total capital (TC = T1 + T2) (45 + 58c)	2,775		
60	Total risk weighted assets (60a + 60b + 60c)	8,266		
60a	<i>of which: total credit risk weighted assets</i>	7,149		
60b	<i>of which: total market risk weighted assets</i>	875		
60c	<i>of which: total operational risk weighted assets</i>	242		
	Capital ratios			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	33		
62	Tier 1 (as a percentage of risk weighted assets)	33		
63	Total capital (as a percentage of risk weighted assets)	34		
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets)	-		



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(Rs. in million)

Sr No	Particulars	Amount	Amounts Subject to Pre-Basel III Treatment	Ref No.
65	<i>of which: capital conservation buffer requirement</i>	-		
66	<i>of which: bank specific countercyclical buffer requirement</i>	-		
67	<i>of which: G-SIB buffer requirement</i>	-		
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)	49		
77	Cap on inclusion of provisions in Tier 2 under standardised approach	89		
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 arrangements	N.A.		
		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.		



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XII. The Reconciliation of Regulatory Capital Items as on 31st March 2014 is Given Below:

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	2,027	2,027
	Reserves & Surplus	958	958
	Minority Interest	-	-
	Total Capital	2,985	2,985
ii	Deposits	8,398	8,398
	<i>of which:</i> Deposits from banks	12	12
	<i>of which:</i> Customer deposits	8,386	8,386
	<i>of which:</i> Other deposits (pl. specify)	-	-
iii	Borrowings	143	143
	<i>of which:</i> From RBI	70	70
	<i>of which:</i> From banks	73	73
	<i>of which:</i> From other institutions & agencies	-	-
	<i>of which:</i> Others (pl. specify)	-	-
	<i>of which:</i> Capital instruments	-	-
iv	Other liabilities & provisions	601	601
	Total	12,127	12,127
B	Assets		
i	Cash and balances with Reserve Bank of India	350	350
	Balance with banks and money at call and short notice	1,188	1,188
ii	Investments:	2,744	2,744
	<i>of which:</i> Government securities	2,332	2,332
	<i>of which:</i> Other approved securities	-	-
	<i>of which:</i> Shares	-	-
	<i>of which:</i> Debentures & Bonds	-	-
	<i>of which:</i> Subsidiaries / Joint Ventures / Associates	-	-
	<i>of which:</i> Others (Commercial Papers, Mutual Funds etc.)	412	412
iii	Loans and advances	7,379	7,379
	<i>of which:</i> Loans and advances to banks	-	-
	<i>of which:</i> Loans and advances to customers	7,379	7,379
iv	Fixed assets	57	57
v	Other assets	409	409
	<i>of which:</i> Goodwill and intangible assets	-	-
	<i>of which:</i> Deferred tax assets	171	171
vi	Goodwill on consolidation	-	-
vii	Debit balance in Profit & Loss account	-	-
	Total Assets	12,127	12,127



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XII. The Reconciliation of Regulatory Capital Items as on 31st March 2014 is Given Below:

				(Rs in million)
Step 2				
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	2,027	2,027	
	of which: Amount eligible for CET1	2,027	2,027	A1
	of which: Amount eligible for AT1			
	Reserves & Surplus	958	958	
	of which:			
	Statutory Reserve	373	373	B1
	Property Investment Reserve	10	10	B2
	Capital Reserve	27	27	B3
	Capital Adequacy	470	470	B4
	Investment Reserve Account	3	3	C1
	Balance in Profit /Loss A/c	76	76	
	Total Capital	2,985	2,985	
ii	Deposits	8,398	8,398	
	of which: Deposits from banks	12	12	
	of which: Customer deposits	8,386	8,386	
	of which: Other deposits (pl. specify)	-	-	
iii	Borrowings	143	143	
	of which: From RBI	70	70	
	of which: From banks	73	73	
	of which: From other institutions & agencies	-	-	
iv	Other liabilities & provisions	601	601	
	of which: Provision for Standard Advances	46	46	C2
	TOTAL Capital & Liabilities	12,127	12,127	
B	ASSETS			
i	Cash and balances with Reserve Bank of India	350	350	
	Balance with banks and money at call and short notice	1,188	1,188	
ii	Investments	2,744	2,744	
	of which: Government securities of which:			
	Other approved securities	2,332	2,332	
	of which: Shares	-	-	
	of which: Debentures & Bonds	-	-	
	of which: Subsidiaries / Joint Ventures / Associates	-	-	
	of which: Others (Commercial Papers, Mutual Funds etc.)	412	412	
iii	Loans and advances	7,379	7,379	
	of which: Loans and advances to Banks	-	-	
	of which: Loans and advances to customers	7,379	7,379	
iv	Fixed assets	57	57	
	of which: Intangibles	10	10	D1
v	Other assets	409	409	
	of which: Goodwill and intangible assets			
	of which: Deferred tax assets	171	171	E1
vi	Goodwill on consolidation	-	-	
vii	Debit balance in Profit & Loss account	-	-	
	Total Assets	12,127	12,127	

XIII & XIV - Not Applicable



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INDIAN BRANCHES

INDEPENDENT AUDITOR'S REPORT

To

The Country Head & CEO India

Bank of Bahrain & Kuwait B.S.C. – Indian Operations

Report on the Financial Statements

1. We have audited the accompanying financial statements of the **Bank of Bahrain & Kuwait B.S.C. – India Branches** (hereinafter referred to as 'Bank'), which comprise the Balance Sheet as at March 31, 2014, the Profit and Loss Account and the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with Section 29 of the Banking Regulation Act, 1949, Accounting Standards notified under the Companies Act, 1956 read with General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013, in so far as they apply to Banks and the Guidelines and Circulars issued by the Reserve Bank of India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. 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.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, 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 and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 1956, in the manner so required for the banking companies and give a true and fair view in conformity with the accounting Principles generally accepted in India:
 - (i) In the case of the Balance Sheet, of the state of affairs of the Bank as at 31st March, 2014;
 - (ii) In the case of the Profit and Loss Account of the profit of the Bank for the year ended on that date; and
 - (iii) In the case of the Cash Flow Statement, of cash flows of the Bank for the year ended on that date.

Report on Other Legal and Regulatory Matters

7. The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 211 of the Companies Act, 1956.
8. We report that:
 - a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory.
 - b) The transactions of the Bank, which have come to our notice, have been within the powers of the Bank.
 - c) The financial accounting systems of the Bank are centralized and therefore, accounting returns for the purpose of preparing financial statements are not required to be submitted by the branches. We have visited two Indian branches of the Bank for the purpose of our audit.
9. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the Accounting Standards notified under the Act read with General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013, to the extent they apply to Banks.
10. We further report that:
 - (i) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - (ii) In our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books.

For and on behalf of
A. P. Sanzgiri & Co.
 Chartered Accountants
 Firm Reg. No.: 116293W

Mehul Shah
 Partner
 M. No. 100909

Place: Mumbai
 Date: June 23, 2014