BANK OF BAHRAIN & KUWAIT B.S.C.

(Incorporated in Bahrain with Limited Liability)

INDIAN BRANCHES

BALANCE SHEET AS ON 31ST MARCH 2013

	Schedule	As on 31.03.2013 ₹ (000's)	As on 31.03.2012 ₹ (000's)
CAPITAL AND LIABILITIES			
Capital	1	2,027,350	2,027,350
Reserves & surplus	2	858,338	683,820
Deposits	3	6,958,264	6,718,844
Borrowings	4	1,557,135	2,211,875
Other liabilities and provisions	5	275,747	243,848
TOTAL:		**11,676,834**	**11,885,737**
ASSETS			
Cash and balances with Reserve Bank of India	6	547,685	410,310
Balances with Banks and Money at Call and Short Notice	7	612,280	1,360,054
Investments	8	3,254,318	3,394,681
Advances	9	6,926,002	6,435,475
Fixed assets	10	54,554	51,055
Other assets	11	281,995	234,162
TOTAL:		**11,676,834**	**11,885,737**
Contingent Liabilities	12	2,022,611	6,395,086
Bills for Collection		1,697,734	1,243,603
Significant Accounting Policies and Notes to Accounts	17 & 18		

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2013

	Schedule	Year Ended 31.03.2013 ₹ (000's)	Year Ended 31.03.2012 ₹ (000's)
1 INCOME			
Interest earned	13	946,506	759,596
Other income	14	104,555	106,628
		1,051,061	**866,224**
2 EXPENDITURE			
Interest expended	15	421,007	288,757
Operating expenses	16	190,829	185,786
Provisions and contingencies		264,707	184,586
		876,543	**659,129**
3 PROFIT			
Net Profit for the year		174,518	207,095
Profit/(Loss) Brought Forward		-	22,696
		174,518	**229,791**
4 APPROPRIATIONS			
Transfer to Statutory Reserve		43,630	51,774
Transfer to Investment Reserve Account		3,759	–
Transfer to surplus retained for Capital Adequacy		127,129	178,017
Balance carried over to Balance Sheet		–	–
		174,518	**229,791**
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 24, 2013

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

BANK OF BAHRAIN & KUWAIT B.S.C.

(Incorporated in Bahrain with Limited Liability)

INDIAN BRANCHES

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2013

(₹ in 000's)

Particulars	2012-13	2011-12
Cash flows from operating activities		
Net profit before taxation	256,995	337,982
Adjustments for:		
Depreciation on Fixed Assets	14,374	14,553
(Profit)/Loss on sale of fixed assets	(38)	(482)
Premium amortised on Held to Maturity category	3,105	4,676
Provision in respect of Non performing advances	225,739	32,935
Provision in respect of Non performing advances written back	(37,964)	(1,909)
Bad Debts written off	157	177
Provision on country risk	3,514	1,102
Other Provisions	-	-
Provision on Standard Assets	(573)	10,425
Provision on Investments	(8,644)	10,969
Operating profit before working capital changes	**456,665**	**410,428**
(Increase)/Decrease in Investments	145,902	(1,078,408)
(Increase)/Decrease in Advances	(678,459)	(2,637,658)
(Increase)/Decrease in Other Assets	23,373	(50,161)
Increase/(Decrease) in Deposits	239,420	1,571,160
Increase/(Decrease) in Other Liabilities & Provisions	12,107	(61,648)
Increase/(Decrease) in Borrowings	(654,740)	1,255,925
Income taxes (paid)/received	(136,832)	(94,434)
Net Cash Flow generated from/(used in) Operating Activities	**(592,564)**	**(684,796)**
Cash flows from investing activities		
Purchase of fixed assets	(17,880)	(17,777)
Proceeds from sale of fixed assets	45	493
Net Cash Flow generated from/(used in) Investing Activities	**(17,835)**	**(17,284)**
Cash flows from financing activities		
Injection of capital	-	1,443,306
Net increase/(decrease) in cash and cash equivalents	**(610,399)**	**741,226**
Cash and Cash equivalents at the beginning of the year	1,770,364	1,029,138
Cash and Cash equivalents at the end of the year	**1,159,965**	**1,770,364**

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 24, 2013

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

BANK OF BAHRAIN & KUWAIT B.S.C.

(Incorporated in Bahrain with Limited Liability)

INDIAN BRANCHES

SCHEDULES FORMING PART OF ACCOUNTS

	As on 31.03.2013 ₹ (000's)	As on 31.03.2012 ₹ (000's)
SCHEDULE 1 – SHARE CAPITAL		
(i) Amount of deposit kept with the Reserve Bank of India under section 11(2)(b) of the Banking Regulation Act, 1949	340,000	290,000
(ii) Amount brought in by Bank by way of Capital		
Opening Balance	2,027,350	584,044
Add: Capital infusion during the year	–	1,443,306
Total	**2,027,350**	**2,027,350**
SCHEDULE 2 – RESERVES AND SURPLUS		
I Statutory Reserve		
As per Last Balance Sheet	304,151	252,377
Add: Transfer from Profit & Loss Account	43,630	51,774
	347,781	304,151
II Property Investment Reserve	9,976	9,976
III Capital Reserve	27,231	27,231
IV Surplus Retained for Capital Adequacy		
As per Last Balance Sheet	342,462	164,445
Add: Transfer from Profit & Loss Account	127,129	178,017
	469,591	342,462
V Investment Reserve Account (IRA)		
As per Last Balance Sheet	–	–
Add: Transfer from Profit & Loss Account	3,759	–
	3,759	–
VI Balance in Profit and Loss Account	–	–
Total	**858,338**	**683,820**
SCHEDULE 3 – DEPOSITS		
A I Demand Deposits		
(i) From Banks	6,111	60,384
(ii) From Others	903,113	1,610,773
	909,224	1,671,157
II Saving Bank Deposits	608,446	698,416
III Term Deposits		
(i) From Banks	7,288	2,135
(ii) From Others	5,433,306	4,347,136
	5,440,594	4,349,271
Total	**6,958,264**	**6,718,844**
B (i) Deposits of branches in India	6,958,264	6,718,844
(ii) Deposits of branches outside India	–	–
Total	**6,958,264**	**6,718,844**

	As on 31.03.2013 ₹ (000's)	As on 31.03.2012 ₹ (000's)
SCHEDULE 4 – BORROWINGS		
I Borrowings in India from		
(i) Reserve Bank of India	750,000	450,000
(ii) Other Banks	210,000	490,000
(iii) Other institutions and agencies	–	–
	960,000	940,000
II Borrowings outside India	597,135	1,271,875
Total (I+II)	**1,557,135**	**2,211,875**
Secured borrowings included in I & II above – ₹ 750,000 (Previous year ₹ 450,000) (₹ in 000's)		
SCHEDULE 5 – OTHER LIABILITIES AND PROVISIONS		
I Bills Payable	8,483	9,085
II Interest Accrued	53,242	54,931
III Provision for standard assets	26,813	27,386
IV Provision for tax (net of advance tax)	16,914	63
V Others (including provisions)	170,295	152,383
Total	**275,747**	**243,848**
SCHEDULE 6 – CASH AND BALANCE WITH RESERVE BANK OF INDIA		
I Cash in hand (including foreign currency notes)	8,450	7,926
II Balances with Reserve Bank of India		
(i) In Current Account	539,235	402,384
(ii) In Other Account	–	–
Total (I+II)	**547,685**	**410,310**
SCHEDULE 7 – BALANCES WITH BANKS & MONEY AT CALL & SHORT NOTICE		
I In India		
(i) Balances with Banks		
(a) In Current Account	25,871	819
(b) In Other Deposit Account	200,000	–
(ii) Money at Call and Short Notice		
(a) With Banks (*)	100,000	200,875
(b) With Other Institutions	–	–
	325,871	201,694
II Outside India		
(i) In Current Account	242,981	1,107,485
(ii) In Other Deposit Accounts	–	–
(iii) Money at Call and Short Notice	43,428	50,875
	286,409	1,158,360
Total (I+II)	**612,280**	**1,360,054**

* includes lending under LAF of Rs. Nil (previous year ₹ 150,000 in 000's)

BANK OF BAHRAIN & KUWAIT B.S.C.

(Incorporated in Bahrain with Limited Liability)

INDIAN BRANCHES

SCHEDULES FORMING PART OF ACCOUNTS

	As on 31.03.2013 ₹ (000's)	As on 31.03.2012 ₹ (000's)
SCHEDULE 8 – INVESTMENTS		
I Investments in India in		
(i) Government securities (*)	2,638,283	2,473,798
(ii) Other approved securities	–	–
(iii) Shares	–	–
(iv) Debentures and bonds	241,993	240,000
(v) Subsidiaries/Joint Ventures	–	–
(vi) Others	374,042	680,883
	3,254,318	**3,394,681**
II Investments outside India	–	–
	3,254,318	**3,394,681**
III Investments in India		
Gross Value	3,288,814	3,437,822
Less:- Provision on Investments	(34,496)	(43,141)
Net Value	**3,254,318**	**3,394,681**

* includes Securities of book value of Rs. 53,303 (FV ₹ 50,000) (Previous Year BV 50,038 FV 50,000) deposited with CCIL, securities of FV of Rs. 787,500 (Previous Year ₹ 472,500) given under LAF and securities of Face Value of ₹ 340,000 kept with RBI under section 11(2)(b)(ii) of Banking Regulation Act, 1949 (Previous Year FV ₹ 290,000). Excludes securities of FV of Rs. Nil (Previous Year ₹157,500) received under LAF (₹ in 000's).

	As on 31.03.2013 ₹ (000's)	As on 31.03.2012 ₹ (000's)
SCHEDULE 9 – ADVANCES		
A (i) Bills purchased and discounted	1,212,796	1,618,145
(ii) Cash credits, Overdrafts & Loans	3,102,564	2,484,955
(iii) Term Loans	2,610,642	2,332,375
Total	**6,926,002**	**6,435,475**
B (i) Secured by tangible assets*	4,064,127	3,837,420
(ii) Covered by Bank/ Government Guarantees	583,984	1,059,554
(iii) Unsecured	2,277,891	1,538,501
* includes advances against book debts		
Total	**6,926,002**	**6,435,475**
C I Advances in India		
(i) Priority Sector	2,180,803	1,884,471
(ii) Public Sector	–	–
(iii) Banks	482,438	460,756
(iv) Others	4,262,761	4,090,248
Sub-total	**6,926,002**	**6,435,475**
II Advances outside India	–	–
Sub-total	–	–
Total	**6,926,002**	**6,435,475**

	As on 31.03.2013 ₹ (000's)	As on 31.03.2012 ₹ (000's)
SCHEDULE 10 – FIXED ASSETS		
I Premises		
At cost as per last Balance Sheet	24,988	24,988
Additions during the year	–	–
Deductions during the year	–	–
Depreciation to date	(2,172)	(1,765)
	22,816	23,223
II Other fixed assets		
At cost as per last Balance Sheet	152,532	158,502
Additions during the year	17,171	15,662
Deductions during the year	(944)	(21,632)
Depreciation to date	(139,845)	(126,815)
	28,914	25,717
III Capital work in progress (including capital advances)	2,824	2,115
Total	**54,554**	**51,055**
SCHEDULE 11 – OTHER ASSETS		
I Interest accrued	46,888	51,472
II Tax paid in advance/tax deducted at source (net of provisions)	–	–
III Deferred Tax (net) (Refer Accounting Policy 10 & Notes to Accounts 38)	112,826	41,620
IV Stationery and stamps	19	23
V Others	122,262	141,047
Total	**281,995**	**234,162**
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	355,932	5,113,626
III Guarantees given on behalf of constituents		
(a) In India	218,368	310,944
(b) Outside India	792,515	515,496
IV Acceptances, endorsements and other obligations	580,796	376,890
V Other items for which the Banks is contingently liable		
– Capital Commitments	–	3,130
Total	**2,022,611**	**6,395,086**

BANK OF BAHRAIN & KUWAIT B.S.C.

(Incorporated in Bahrain with Limited Liability)

INDIAN BRANCHES

SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2013

	31.03.2013 ₹ (000's)	31.03.2012 ₹ (000's)
SCHEDULE 13 – INTEREST EARNED		
I Interest/Discount on Advances/Bills	667,815	544,359
II Income on Investments (net of premium amortised ₹ 3,105 in 000's) (Previous year ₹ 4,676 in 000's)	268,010	209,555
III Interest on balance with Reserve Bank of India and other inter-bank funds	3,524	3,090
IV Others (includes interest on income tax refund of ₹ 7,157 in 000's) (Previous Year ₹ 2,592 in 000's)	7,157	2,592
Total	**946,506**	**759,596**
SCHEDULE 14 – OTHER INCOME		
I Commission, Exchange and Brokerage	46,154	58,710
II Profit/(Loss) on sale of Investments (net)	1,544	536
III Profit/(Loss) on sale of assets (net)	38	482
IV Profit/(Loss) on Exchange Transactions (net)	21,614	15,453
V Income earned by way of dividends, etc. from subsidiaries, companies, joint venture abroad/ in India	–	–
VI Processing Fee	35,080	28,924
VII Miscellaneous Income	125	2,523
Total	**104,555**	**106,628**

	31.03.2013 ₹ (000's)	31.03.2012 ₹ (000's)
SCHEDULE 15 – INTEREST EXPENDED		
I Interest on Deposits	382,107	200,436
II Interest on RBI/Inter-bank borrowings	38,844	48,126
III Others representing hedging cost	56	40,195
Total	**421,007**	**288,757**
SCHEDULE 16 – OPERATING EXPENSES		
I Payment to and provisions for employees	86,702	87,947
II Rent, Taxes and Lighting	45,894	39,919
III Printing and Stationery	1,559	1,890
IV Advertisement and Publicity	550	1,305
V Depreciation on Bank's Property	14,374	14,553
VI Directors' Fees, Allowances and Expenses	–	–
VII Auditors' Fees and Expenses	717	717
VIII Law Charges	780	644
IX Postage, Telegrams, Telephones etc.	3,185	4,054
X Repairs and Maintenance	8,705	8,355
XI Insurance	7,536	6,982
XII Other Expenditure	20,827	19,420
Total	**190,829**	**185,786**

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

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

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

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

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

4. Investments

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

Accounting and Classification

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

Valuation

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

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

Treasury Bills 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 are in accordance with or higher than the prudential norms on income recognition, asset classification and provisioning pertaining to Advances laid down by the Reserve Bank of India.

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

6. Fixed Assets and Depreciation

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

b) 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.

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

All employees of the Bank are eligible to receive benefits under the Provident Fund. The Bank operated its own Provident Fund Scheme upto March 2013 to which it contributed an amount on monthly basis at a determined rate. The contribution was remitted to a Trust established by the Bank for this purpose and such contribution was charged to the Profit and Loss Account. Interest was payable to the members of such trust at a rate which shall not be lower than the statutory rate of interest declared by the Central Government. Shortfall if any, between the interest earned by the trust and the minimum amount to be distributed is provided for by the Bank in the year to which it relates. The Bank has transferred the Provident Fund balances to the Employees Provident Fund Organisation (EPFO) during the Financial Year ended March 31, 2013. After the transfer of such balances the provident fund contributions are now a defined contribution plan and the amount contributed to the EPFO is charged to the Profit and Loss Account.

c) Compensated Absences

The bank provides for long term compensated absences on the balance sheet date based on an actuarial valuation carried out by an independent external actuary.
Short term compensated absences are provided for without discounting the liability.

10. Taxation

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

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

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

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

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

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

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

11. Net Profit

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

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

12. Provisions, Contingent Assets And Contingent Liabilities

The Bank establishes provisions when it has a present obligation as a result of past event (s) that probably requires an outflow of resources embodying economic benefit to settle the obligation will be required and a reliable estimate can be made of such an obligation. Such provisions are not discounted to present value. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Contingent assets are not recognized in the Financial Statements. A disclosure of Contingent Liability is made when there is:

i. A possible obligation, arising from a past event (s), the existence of which will be confirmed by occurrence or non-occurrence of one or more uncertain future events not within the control of the Bank or

ii. Any present obligation that arises from past events but is not recognized because:

   a. It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation;

   b. A reliable estimate of the amount of obligation cannot be made.

13. Cash and Cash Equivalents

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

SCHEDULE 18: NOTES TO ACCOUNTS

Disclosure requirements as per RBI guidelines

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

(₹ in crore)

Particulars	Year ended 31.03.2013	Year ended 31.03.2012
Specific Provision for Non Performing Advances	22.57	3.29
Bad Debts written off	0.02	0.02
Provision for Non Performing Advances written back	(3.80)	(0.19)
Provision for depreciation on Investments	(0.86)	1.09
Provision for income tax (including earlier years)	15.34	14.30
Provision for deferred tax	(7.12)	(1.23)
Provision for wealth tax	0.03	0.03
Provision for country risk	0.35	0.11
Provision for standard assets	(0.06)	1.04
Total	**26.47**	**18.46**

BANK OF BAHRAIN & KUWAIT B.S.C.

(Incorporated in Bahrain with Limited Liability)

INDIAN BRANCHES

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 II:

Capital Adequacy Ratio	31.03.2013	31.03.2012
i) CRAR (%)	34.70%	38.60%
ii) CRAR - Tier I Capital (%)	34.25%	38.18%
iii) CRAR - Tier II Capital (%)	0.45%	0.42%
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	31.03.2013	31.03.2012
a. Net NPAs to Net Advances	3.16%	2.49%
b. Interest income as a percentage to working funds ($)	9.39%	8.46%
c. Non interest income as a percentage to working funds ($)	1.04%	1.19%
d. Operating Profit as a percentage to working funds ($)	4.36%	4.36%
e. Return on assets (@)	1.48%	2.14%
f. Business (Deposits plus Advances) per employee (#)	₹ 14.60 Crore	₹ 13.36 Crore
g. Profit per employee (#)	₹ 0.18 Crore	₹ 0.21 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, 2013 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 58.30% (previous year 42.32%).

5. **Maturity Profile:**
As at March 31, 2013 (₹ 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.

As at March 31, 2012 (₹ 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	3.45	25.66	26.57	16.80	72.63	58.21	215.31	251.66	1.59	-	671.88
Borrowings	-	136.14	-	-	76.05	9.00	-	-	-	-	221.19
Loans & Advances	10.20	21.81	20.98	114.55	63.43	79.34	85.99	220.94	22.72	3.59	643.55
Investments	-	-	34.46	5.00	109.91	18.21	74.52	95.46	0.45	1.46	339.47
Foreign currency assets	117.83	16.14	2.41	46.56	32.24	41.65	8.53	42.47	1.70	4.05	313.58
Foreign currency liabilities	1.03	72.76	10.49	4.08	89.60	33.47	54.19	116.40	0.02	-	382.04

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

BANK OF BAHRAIN & KUWAIT B.S.C.

(Incorporated in Bahrain with Limited Liability)

INDIAN BRANCHES

6. Movement in Non-Performing Advances:

(₹ in crore)

Particulars	2012-2013			2011-2012		
	Gross NPA (net of interest in suspense)	Provisions	Net NPA	Gross NPA (net of interest in suspense)	Provisions	Net NPA
Opening balance	27.72	10.16	17.56	10.45	7.06	3.39
(+) Additions	49.13	22.57	26.56	22.78	3.29	19.49
(-) Recoveries	24.43	3.71	20.72	2.42	0.05	2.37
(-) Upgradations	0.08	0.07	0.01	3.07	0.12	2.95
(-) Write off	0.02	0.02	-	0.02	0.02	-
Closing balance	**52.32**	**28.93**	**23.39**	**27.72**	**10.16**	**17.56**
Less: Floating Provision	-	-	**(1.57)**	-	-	**(1.57)**
Net Closing balance	-	-	**21.82**	-	-	**15.99**

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

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

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

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

7. INVESTMENTS

i. Details of Investments:

(₹ in crore)

Particulars	2012-13	2011-12
1) Value of Investments		
i) Gross Value of Investments		
(a) In India	328.88	343.78
(b) Outside India	-	-
ii) Provision for Depreciation/Premium Charged		
(a) In India	(3.45)	(4.31)
(b) Outside India		-
iii) Net Value of Investments		
(a) In India	325.43	339.47
(b) Outside India	-	-
2) Movement of provisions held towards depreciation/premium charged		
i) Opening balance	4.31	3.22
ii) Add: Additions during the year	0.79	1.20
iii) Less: Write off/write back of excess provision during the year	1.65	0.11
iv) Closing balance	3.45	4.31

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

(₹ in crore)

Particulars	2012-13	2011-12
Held for Trading		
a) Approved Securities	39.95	73.98
b) Unapproved Securities	-	-
Available for Sale		
a) Approved Securities	164.44	83.65
b) Unapproved Securities	61.60	72.80
Held for Maturity		
a) Approved Securities	59.44	89.75
b) Unapproved Securities	-	19.29
Total	**325.43**	**339.47**

BANK OF BAHRAIN & KUWAIT B.S.C.

(Incorporated in Bahrain with Limited Liability)

INDIAN BRANCHES

8. i) Issuer composition of Non SLR investments

2012-2013

(₹ 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**

2011-2012

(₹ 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)	19.29	19.29		19.29	19.29
3	Banks (certificate of deposits)	–	–	–	–	–
4	Private corporates	73.18	73.18	-	-	24.53
5	Subsidiaries/ Joint ventures	–	–	–	–	–
6	Others	1.34	1.34	1.34	1.34	1.34
7	Provision held towards depreciation	(1.73)				
	Total	**92.08**	**93.81**	**1.34**	**20.63**	**45.16**

ii) Non performing Non-SLR investments

(₹ in crore)

Particulars	2012-2013	2011-2012
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. Provision for depreciation on Investments:

(₹ in crore)

Particulars	2012-2013	2011-2012
Opening Balance	4.31	3.22
Add: Provisions for depreciation made during the year	0.79	1.20
Less: write off	-	-
Less: Write back of provisions during the year	1.65	0.11
Closing balance	**3.45**	**4.31**

BANK OF BAHRAIN & KUWAIT B.S.C.

(Incorporated in Bahrain with Limited Liability)

INDIAN BRANCHES

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

2012-2013 (₹ 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	-

2011-2012 (₹ in crore)

	Minimum outstanding during the year (@)	Maximum outstanding during the year	Daily average outstanding during the year (#)	As on March 31, 2012
Securities sold under repos	10.50	63.00	22.97	47.25
Securities purchased under reverse repos	5.25	52.50	1.48	15.75

(@) Minimum outstanding is considered only for those days when such transactions were outstanding.
(#) Average is based of transactions outstanding divided by 365 for 2013 and 366 days for 2012.

11. Lending to Sensitive Sectors

(A) Exposure to Real Estate Sector

(₹ in crore)

	Category	2012-2013	2011-2012
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	0.95	0.91
	- of which individual housing loans eligible for inclusions in priority sector advances	-	-
	(ii) Commercial Real Estate –	5.74	23.81
	(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	**6.69**	**24.72**

(*) 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

(₹ in crore)

Sr. No.	Particulars	2012-2013	2011-2012
(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;	0.20	0.38

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

(₹ in crore)

Sr. No.	Particulars	2012-2013	2011-2012
(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;	–	0.20
(iv)	advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/convertible bonds/convertible debentures/units of equity oriented mutual funds does not fully cover the advances;	–	–
(v)	secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	–	–
(vi)	loans sanctioned to corporates against security of shares/bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	–	–
(vii)	bridge loans to companies against expected equity flows / issues;	–	–
(viii)	underwriting commitments taken up by banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	–	–
(ix)	financing to stockbrokers for margin trading;	–	–
(x)	all exposures to Venture Capital Funds (both registered and unregistered);	–	–
	Total Exposure to Capital Market	**0.20**	**0.58**

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

12. Letters of Comfort (LoCs):

(₹ in crore)

Particulars	2012-13	2011-12
No. of LoCs issued during the year	104	58
Financial impact of LoCs issued during the year	-	-
Cumulative financial obligation under the LoCs issued in the past and outstanding	75.67	51.55

13. Subordinated Debt raised during the year ₹ Nil (Previous year ₹ Nil)

BANK OF BAHRAIN & KUWAIT B.S.C.

(Incorporated in Bahrain with Limited Liability)

INDIAN BRANCHES

14. Disclosure of Restructured Accounts
As at 31 March 2013

(₹ in crores)

Sr No	Type of Restructuring→ / Asset Classification→ / Details↓		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
			Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
1	Restructured Accounts as on April 1, 2012	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Fresh restructuring during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Upgradations to restructured standard category during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Restructured standard advances which cease to attract higher provisioning and/ or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Downgradations of restructured accounts during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Write-offs of restructured accounts during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Restructured Accounts as on March 31, 2013	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

BANK OF BAHRAIN & KUWAIT B.S.C.

(Incorporated in Bahrain with Limited Liability)

INDIAN BRANCHES

As at 31 March 2012 (₹ in crores)

Sr No	Type of Restructuring→ / Asset Classification→ / Details↓		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
			Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
1	Restructured Accounts as on April 1, 2012	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Fresh restructuring during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Upgradations to restructured standard category during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Restructured standard advances which cease to attract higher provisioning and/ or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Downgradations of restructured accounts during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Write-offs of restructured accounts during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Restructured Accounts as on March 31, 2013	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

BBK بنك البحرين والكويت

BANK OF BAHRAIN & KUWAIT B.S.C.

(Incorporated in Bahrain with Limited Liability)

INDIAN BRANCHES

15. Information with respect to loan assets subjected to restructuring during the year:
2012-13

(₹ in crore)

Category	Particulars	CDR Mechanism	SME Debt Restructuring	Others
Standard Advances Restructured	No. of Borrowers Amount Outstanding Sacrifice (diminution in the fair value)	– – –	– – –	– – –
Sub-Standard Advances Restructured	No. of Borrowers Amount Outstanding @ Sacrifice (diminution in the fair value)	– – –	– – –	– – –
Doubtful Advances Restructured	No. of Borrowers Amount Outstanding Sacrifice (diminution in the fair value)	– – –	– – –	– – –
Total	**No. of Borrowers** **Amount Outstanding** **Sacrifice (diminution in the fair value)**	– – –	– – –	– – –

@ Classification and outstanding are as at the year ended March 31, 2013.

2011-12

(₹ in crore)

Category	Particulars	CDR Mechanism	SME Debt Restructuring	Others
Standard Advances Restructured	No. of Borrowers Amount Outstanding Sacrifice (diminution in the fair value)	– – –	– – –	– – –
Sub-Standard Advances Restructured	No. of Borrowers Amount Outstanding @ Sacrifice (diminution in the fair value)	– – –	– – –	– – –
Doubtful Advances Restructured	No. of Borrowers Amount Outstanding Sacrifice (diminution in the fair value)	– – –	– – –	– – –
Total	**No. of Borrowers** **Amount Outstanding** **Sacrifice (diminution in the fair value)**	– – –	– – –	– – –

@ Classification and outstanding are as at the year ended March 31, 2012.

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

17. 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:

Arch Pharmalabs Ltd.
Fedders Llyod Corporation Ltd.
PSL Ltd.

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).

18. Details of financial assets sold to Securitisation/Reconstruction Company for Asset Reconstruction during the year:

(₹ in crore)

	Item	2012-2013	2011-2012
(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

BANK OF BAHRAIN & KUWAIT B.S.C.
(Incorporated in Bahrain with Limited Liability)

INDIAN BRANCHES

19. Disclosures relating to Securitisation:
The bank is not the originating bank to any securitization transactions during the year under review (previous year Nil).

20. Credit Default Swaps:
The bank has not entered into any credit default swaps during the year under review (previous year Nil).

21. Disclosure on remuneration:

Quantitative disclosures

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

Summary terms of reference, roles and responsibilities:

- The Board appoints Nomination, Remuneration and Corporate Governance Committee with not less than three members for a one year term.
- The Chairman must be elected by the members of the Committee, from amongst the independent non-executive directors, in its first meeting after the appointment of the members, the majority of members should also be independent.
- Minimum number of meetings required each year: 4
- Quorum shall be more than half of the members and must include the 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 Chief Executive, General Manager of Shared Services Group, Chief Internal Auditor and a representative of the External Auditors shall attend the meetings.

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:
Reviews the internal audit programme and internal control system, considers major findings of internal audit reviews, investigations and management's response, ensures coordination among Internal and External auditors, monitors trading activities of Key Persons and ensures prohibition of the abuse of inside information and disclosure requirements.

Members
1. **Murad Ali Murad** Chairman (Independent)
2. **Dr. Abdulmohsen Medej Al Medej** Deputy Chairman (Non-independent)
3. **Sh. Khalifa bin Duaij Al Khalifa** Member (Independent)

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

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

The Objectives of remuneration policy are:
a) Effective governance of compensation.
b) Effective alignment of compensation with prudent risk taking.
c) Effective supervisory oversight and engagement by stakeholders.

(c) Description of the ways in which current and future processes risks are taken into account in the remuneration including the nature and type of the key measures used to take account of these risks.	Ensuring effective alignment of compensation with prudent risk taking. The annual goals of executives in Business segment shall include Key Performance Indicators that measure the risk profile such as RAROC, NPAs, ROA, ROE and weighted average loan grading of portfolio etc. Suitable qualitative KPIs are used for other support and control executives.

BANK OF BAHRAIN & KUWAIT B.S.C.

(Incorporated in Bahrain with Limited Liability)

INDIAN BRANCHES

Quantitative disclosures

(d)	Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration.	At the end of the period, the performances are appraised against measurable business and other qualitative goals, in a scale of 1 to 5 (5 being maximum). The increment percentage is then decided based on the approved performance matrix and pay positioning.
(e)	A discussion of the bank's policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting.	Variable pay, in form of Bonus is decided with reference to the performance measurement and is capped at 70% of the Fixed Pay. Variable pay upto 50% is paid immediately on vesting. If the variable pay exceeds 50% but upto 60%, then 60% of such vested bonus is paid immediately and the balance 40% is deferred over the next 3 years. If the same is between 60% and 65%, then 50% of vested bonus is paid, (and if the same is 65% or above, then 40% of vested bonus is paid) and the balance is deferred over the next 3 years.
(f)	Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the bank utilizes and the rationale for using these different forms.	**i) Bonus**: paid on the basis of performance measurement, to incentivize the performance and as motivation. **ii) Employee Performance Share Plan**: Shares are allotted as per plan approved by the Board of Directors. Country Head & CEO (India) is the eligible employee for this Plan. Shares are vested after 3 years. This is to attract and retain the performing / critical talent and to provide long term wealth creation opportunities.
(g)	Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.	i) 4 meetings were held during 2012-13. ii) Rs. 0.08 crore was paid as remuneration.

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

(i)	• Total amount of outstanding deferred remuneration, split remuneration, split into cash, shares and share-linked instruments and other forms.	Total Deferred Remuneration outstanding: Cash: NIL outstanding. Employee Performance Share Plan: 48,537 shares.
	• Total amount of deferred remuneration paid out in the financial year.	Deferred Remuneration paid in 2012-13: Cash: NIL Employee Performance Share Plan: 14,549 shares granted in the current year.
(j)	• Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.	(₹ in crore)

	Fixed	Variable
Deferred	-	-
Non-deferred	2.24	0.54

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

BANK OF BAHRAIN & KUWAIT B.S.C.

(Incorporated in Bahrain with Limited Liability)

INDIAN BRANCHES

22. Country Risk Management information:

(₹ in crore)

Risk category	As on March 31, 2013		As on March 31, 2012	
	Exposures	Provisions	Exposures	Provisions
Insignificant	65.31	0.03	146.50	0.08
Low	22.42	-	82.38	0.10
Moderate	18.18	0.50	-	-
High	0.82	-	0.75	-
Very High	8.14	-	2.63	-
Restricted	-	-	-	-
Total	**114.87**	**0.53**	**232.26**	**0.18**

23. Movement in Floating Provision:

(₹ in crore)

Particulars	2012-2013	2011-2012
Opening Balance	1.57	1.57
Add: Provisions made during the year	-	-
Less: Draw-down for allocation to NPA account	-	-
Closing balance	**1.57**	**1.57**

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

A. Details of non-performing financial assets purchased

(₹ in crore)

Particulars	2012-2013	2011-2012
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

(₹ in crore)

Particulars	2012-2013	2011-2012
1. No. of accounts sold	Nil	Nil
2. Aggregate outstanding	Nil	Nil
3. Aggregate consideration received	Nil	Nil

25. Provision on Standard Asset: (₹ in crore)

As on 31.03.2013: ₹ 2.68

As on 31.03.2012: ₹ 2.74

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

Concentration of Deposits

(₹ in crore)

Particulars	2012-2013	2011-2012
Total deposits of twenty largest depositors	213.23	232.93
% of deposits of twenty largest depositors to total deposits of the Bank	30.64%	34.67%

Concentration of Advances (net)

(₹ in crore)

Particulars	2012-2013	2011-2012
Total Advances to twenty largest borrowers	643.37	551.99
% of Advances to twenty largest borrowers to total advances of the Bank	67.47%	68.92%

*Advances are computed as per the definition of credit exposure including derivatives furnished in RBI master circular on exposure norms DBOD.No.Dir.BC. 3/13.03.00/2012-13 dated July 1, 2012.

Note:- Advances to borrowers exclude exposure to banks.

BANK OF BAHRAIN & KUWAIT B.S.C.

(Incorporated in Bahrain with Limited Liability)

INDIAN BRANCHES

Concentration of Exposures (net)

(₹ in crore)

Particulars	2012-2013	2011-2012
Total Exposure to twenty largest borrowers/customers	658.20	582.57
% of exposures to twenty largest borrowers/customers to total exposure of the Bank on borrowers/customers	64.84%	66.65%

*Exposure is computed based on credit and investment exposure as prescribed in RBI circular on exposure norms DBOD. No.Dir. BC. 3/13.03.00/2012-13 dated July 1, 2012.

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

Concentration of NPAs (net)

(₹ in crore)

Particulars	2012-2013	2011-2012
Total Exposure to top four NPA accounts	19.47	15.79

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

27. Sector-wise NPAs (net):

Sr. No.	Sector	% of NPAs to Total Advances in that Sector 2012-13	% of NPAs to Total Advances in that Sector 2011-12
1	Agriculture & allied activities	Nil	Nil
2	Industry (Micro & small, medium and large)	2.83	2.65
3	Services	Nil	Nil
4	Personal Loans	Nil	1.06
5	Others	100.00	44.29

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

28. Overseas Assets, NPAs and Revenue:

(₹ in crore)

Particulars	2012-13	2011-12
Total Assets	Nil	Nil
Total NPAs	Nil	Nil
Total Revenue	Nil	Nil

29. Off-balance Sheet SPVs sponsored:

Particulars	2012-13	2011-12
Domestic:-		
Name of the SPV sponsored	Nil	Nil
Overseas:-		
Name of the SPV sponsored	Nil	Nil

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

(₹ in crore)

Sr. No.	Nature of Income	2012-13	2011-12
1.	For selling life insurance policies	0.01	0.02
2.	For selling non-life insurance policies	-	-
3.	For selling mutual fund products	0.51	0.68

31. Unsecured Advances:

(₹ in crore)

Particulars	2012-13	2011-12
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

32. 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 trading 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).

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

(₹ in crore)

Sr. No	Particular	Currency swaps (Forward Foreign exchange contracts)
1	Derivatives (Notional Principal Amount)	
	a) For hedging	–
	b) For trading	35.59
2	Marked to Market Positions	
	a) Asset (+)	0.41
	b) Liability (-)	(0.21)
3	Credit Exposure	1.26
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	–

BANK OF BAHRAIN & KUWAIT B.S.C.

(Incorporated in Bahrain with Limited Liability)

INDIAN BRANCHES

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

34. Draw down from Reserves:

The Bank has not drawn down any reserves during the year ended March 31, 2013 (previous year Nil).

35. Analysis and Disclosure of complaints:

A. Customer Complaints

Sr. No.	Particulars	2012-13	2011-12
(a)	No. of complaints pending at the beginning of the year	Nil	Nil
(b)	No. of complaints received during the year	2	Nil
(c)	No. of complaints redressed during the year	2	Nil
(d)	No. of complaints pending at the end of the year	Nil	Nil

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

B. Awards passed by the Banking Ombudsman

Sr. No.	Particulars	2012-13	2011-12
(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	1	Nil
(c)	No. of Awards implemented during the year	1	Nil
(d)	No. of unimplemented Awards at the end of the year	Nil	Nill

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

36. Sale and transfer to/from HTM category

There was no sale and transfer to/from HTM category during the year (previous year Nil).

37. 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

(₹ in crore)

Particulars	As at 31 March 2013	As at 31 March 2012
At cost at March 31st of preceding year	6.19	6.29
Additions during the year	1.01	0.41
Deductions during the year	–	0.51
Depreciation to date	6.04	5.43
Net block	**1.16**	**0.76**

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

38. 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)

(₹ in crore)

Particulars	2012-13	2011-12
Current service cost	0.16	0.09
Interest cost on benefit obligation	0.10	0.10
Expected return on plan assets	(0.10)	(0.06)
Net actuarial (gain)/loss recognised in the year	0.07	(0.16)
Past Service Cost	-	-
Cost of plan amendment	-	-
Net expenses	**0.23**	**(0.03)**
Actual return on plan assets	0.08	0.11

BANK OF BAHRAIN & KUWAIT B.S.C.

(Incorporated in Bahrain with Limited Liability)

INDIAN BRANCHES

Balance Sheet: Details of provision for gratuity

(₹ in crore)

Particulars	2012-13	2011-12
Fair value of plan assets	1.10	1.16
Present value of obligations	1.30	1.13
Asset/(Liability)	(0.20)	0.03
Asset/Liability recognised in the balance sheet	(0.20)	0.03

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

(₹ in crore)

Particulars	2012-13	2011-12
Opening defined benefit obligation	1.13	1.19
Interest cost	0.10	0.10
Current service cost	0.16	0.09
Past service cost	-	-
Cost of Plan Amendment	-	-
Benefits paid	(0.14)	(0.14)
Actuarial (gains) / losses on obligation	0.05	(0.11)
Closing defined benefit obligation	**1.30**	**1.13**

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

(₹ in crore)

Particulars	2012-13	2011-12
Opening fair value of plan assets	1.16	0.78
Expected return	0.10	0.06
Contributions by employer	-	0.41
Benefits paid	(0.14)	(0.14)
Actuarial gains / (losses)	(0.02)	0.05
Closing fair value of plan assets	**1.10**	**1.16**

Experience adjustments:

(₹ in crore)

Particulars	2012-13	2011-12
Experience adjustments on plan liabilities (Gains)/Loss	(0.01)	(0.06)
Experience adjustments on plan assets Gain/(Loss)	(0.02)	0.04

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

Particulars	2012-13	2011-12
Discount Rate (%) p.a.	8.25%	8.50%
Expected rate of return on assets (%) p.a.	8.70%	8.50%
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, 2013 is given below:

(₹ in crore)

Particulars	2012-13	2011-12
Total actuarial liability for sick leave	0.16	0.15

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

Particulars	2012-13	2011-12
Discount Rate (%) p.a.	8.25%	8.50%
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.

BANK OF BAHRAIN & KUWAIT B.S.C.

(Incorporated in Bahrain with Limited Liability)

INDIAN BRANCHES

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).

39. Segment Reporting

Segment Information about Primary Business Segments for the year March 31, 2013

(₹ 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)	0.54	47.15
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.

Segment information for the year ended March 31, 2012

(i) Information about Primary Business Segments

(₹ in crore)

Business Segments	Treasury	Corporate Banking	Retail Banking	Other Banking Operations	Total
Revenue	17.79	63.28	2.85	2.39	86.31
Unallocated Revenue					0.31
Total Segment revenue					86.62
Expense	9.33	29.56	2.53	2.13	43.55
Unallocated Expense					3.91
Total Segment Expense					47.46
Operating Profit	8.38	33.80	0.32	0.26	42.76
Unallocated operating profit					(3.60)
Net Operating Profit					39.16
Segment Result	7.30	29.70	0.15	0.26	37.41
Unallocated result					(3.60)
Total Segment Result					33.81
Income Taxes (net of deferred tax)					13.10
Net Profit					20.71
Other Information					
Segment Assets	433.17	719.58	21.42	0.88	1,175.05
Unallocated Assets					13.52
Total assets					1,188.57
Segment Liabilities	223.41	219.28	466.26	0.37	909.32
Unallocated liabilities					279.25
Total liabilities					1,188.57

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

BANK OF BAHRAIN & KUWAIT B.S.C.

(Incorporated in Bahrain with Limited Liability)

INDIAN BRANCHES

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.

40. Related Parties

Parent

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

Subsidiaries of Parent

1. CrediMax
2. Invita
3. Global Payment Services
4. Capinnova Investment Bank

Associated Companies of Parent

1. Bahrain Commercial Facilities Company
2. Securities Investment Company
3. Bahrain Kuwait Insurance (BKIC)
4. Ithmaar Bank
5. Pension Fund Commission (PFA)
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 Harameen Al Ola Limited
15. Saudi MAIS Company for Medical Products
16. BBK Geojit Securities KSC

Key Management Personnel

Mr. V. Sankaran – Country Head India (Till 31st Dec 2012)
Mr. Mallikarjun Kota – Country Head & CEO - India (From 01st Jan 2013)

In line with the RBI circular DBOD.BP.BC.No.14/21.04.018/2012-13 dated July 01, 2012 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.

41. Operating Leases

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

(₹ in crore)

Particulars	2012-13	2011-12
Not later than one year	3.19	3.75
Later than one year and not later than five years	0.80	3.43
Later than five years	Nil	Nil

BANK OF BAHRAIN & KUWAIT B.S.C.

(Incorporated in Bahrain with Limited Liability)

INDIAN BRANCHES

b) Lease payments of Rs. 3.76 crore (previous year Rs. 3.45 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.

42. 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:

(₹ in crore)

	As at March 31, 2013	As at March 31, 2012
Deferred Tax Assets		
Provision for doubtful debts	11.00	3.48
Amortisation of premium of HTM Investments	0.65	1.02
Provision for Employee Benefits	0.11	0.11
Bonus payable	0.18	0.18
Others	0.11	0.11
Total	**12.05**	**4.90**
Deferred Tax Liability		
Depreciation on Fixed Assets	0.77	0.74
Premises Rent (AS – 19)	0.00	0.00
Total	**0.77**	**0.74**
Net Deferred tax asset	**11.28**	**4.16**

43. 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.

44. Based on the available information, there are no outstanding dues towards principal amount or interest thereon remaining unpaid to any supplier covered under, Micro, Small and Medium Enterprises development Act, 2006 as at the end of the 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.

45. 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 24, 2013

BANK OF BAHRAIN & KUWAIT B.S.C.

(Incorporated in Bahrain with Limited Liability)

INDIAN BRANCHES

Disclosures under the New Capital Adequacy Framework (BASEL II guidelines) for the year ended March 31, 2013

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:

		(₹ in crore)
a.	**Tier I Capital**	
	Capital	202.73
	Reserves	85.46
b.	Deduction from Capital (Deferred Tax Asset and Software)	12.44
c.	Tier II Capital	03.59
	Total Eligible Capital	279.34

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	₹ 62.94 crore
Securitization exposures	₹ 0.00
Total @ 9% CRAR	₹ 62.94 crore
Capital requirement for market risk.	
- Standardized duration approach	
Interest Rate Risk	₹ 2.55 crore
Foreign exchange risk (including gold)	₹ 1.04 crore
Equity Risk	NIL
Capital requirement for operational risk;	
Basic indicator approach	
Capital required for operational risk	₹ 5.93 crore
Total and Tier 1 capital ratios	
Tier I Capital	₹ 275.75 crore
Tier II Capital	₹ 03.59 crore
Total	₹ 279.34 crore
Total CRAR	34.70%
Core CRAR	34.25%

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

Qualitative Disclosures:

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

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

BANK OF BAHRAIN & KUWAIT B.S.C.

(Incorporated in Bahrain with Limited Liability)

INDIAN BRANCHES

Disclosures under the New Capital Adequacy Framework (BASEL II guidelines) for the year ended March 31, 2013

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 inters 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

Quantitative Disclosures:

- Total gross credit risk exposures – Fund based ₹ 1,187.36 crore
- Non-fund based ₹ 314.17 crore
- Geographic distribution of exposure-Fund based and non fund based separately.

BANK OF BAHRAIN & KUWAIT B.S.C.

(Incorporated in Bahrain with Limited Liability)

INDIAN BRANCHES

Disclosures under the New Capital Adequacy Framework (BASEL II guidelines) for the year ended March 31, 2013

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

(₹ in crore)

CODE	INDUSTRY	FUND BASED O/S			NFB O/S
		STD	NPA	TOTAL	
003	Iron & Steel	–	–	–	–
005	All Engineering	104.33	9.23	113.56	19.93
006	Electricity	–	–	–	–
007	Cotton Textiles	19.01	–	19.01	5.13
009	Other Textiles	–	–	–	–
012	Food Processing	33.55	–	33.55	–
017	Chemicals, dyes paints etc.	147.50	–	147.50	78.69
0171	- of Which fertilizers	5.65	–	5.65	–
0172	- of Which petro chemicals	16.71	–	16.71	57.03
0173	- of Which drugs & pharmaceuticals	125.14	–	125.14	21.66
021	Construction	49.14	3.02	52.16	–
025	Infrastructure	71.36	8.78	80.14	23.19
0252	- of which telecommunications	–	–	–	–
0253	- of which road & ports	71.36	8.78	80.14	23.19
026	Other industries	185.47	2.36	187.83	32.22
027	NBFCS	42.88	–	42.88	–
028	Residual advances to balance gross adv.	15.97	0.00	15.97	–
	Total	669.21	23.39	692.60	159.16
Less:	Floating provision	–	1.57	–	–
	Grand Total	**669.21**	**21.82**	**692.60**	**159.16**

- Residual Contractual Maturity break-down of assets:

(₹ in crore)

	1 Day	2-7 Days	8 to 14 Days	15 to 28 Days	29 day-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	0.85	–	–	–	–	–	–	–	–	–	–	–	0.85
2 Balance with RBI	–	–	8.15	2.10	7.26	4.92	12.47	18.37	0.65	–	–	–	53.92
3 Balances with banks & money at call & short notice	31.23	10.00	20.00	–	–	–	–	–	–	–	–	–	61.23
4 Investments	-	48.98	24.86	47.30	83.16	17.50	41.85	59.78	2.00	–	–	–	325.43
5 Advances	48.41	12.23	11.00	48.48	205.11	130.42	77.94	132.50	23.71	2.80	–	–	692.60
6 Fixed Assets	–	–	–	–	–	–	–	–	–	–	–	5.46	5.46
7 Other assets	–	0.65	0.02	0.07	3.43	0.58	0.99	11.78	–	10.68	–	–	28.20

- Amount of NPA's Gross

Substandard	₹ 24.90 crore
Doubtful 1	₹ 17.25 crore
Doubtful 2	₹ 10.02 crore
Doubtful 3	₹ 0.02 crore
Loss	₹ 0.13 crore

- Net NPA's (net of floating provision) ₹ 21.82 crore
- NPA Ratios

Gross NPA's to Gross Advances	7.25%
Net NPA's to net advances	3.16%

BANK OF BAHRAIN & KUWAIT B.S.C.

(Incorporated in Bahrain with Limited Liability)

INDIAN BRANCHES

Disclosures under the New Capital Adequacy Framework (BASEL II guidelines) for the year ended March 31, 2013

Movement of NPA's (Gross)

Disclosed in Schedule 18 of the year accounts Note no 7.

Movement of provisions for NPA's

Disclosed in Schedule 18 of the year accounts Note no 7.

Amount of Non-Performing Investments	₹ 1.34 crore
Amount of provision held for Non-Performing Investments	₹ 1.34 crore

Movement of provision for depreciation on investments

(₹ in crore)

Particulars	2012-2013
Opening Balance	4.31
Add: Provisions for depreciation made during the year	0.79
Less: Write-off	–
Less: Write back of provisions during the year	1.65
Closing balance	3.45

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	₹ 210.50 crore
100% risk weight	₹ 329.52 crore
More than 100%	₹ 159.33 crore
Deducted	Nil

6. **Credit risk mitigation: Standardized approach**

Qualitative Disclosures:

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

Quantitative Disclosures:

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

	₹ in crore as of 31-03-2013	
	Gross outstanding	**Financial Mitigant**
Corporate loans*	115.80	29.02
Retail Loans	0.01	0.01

* 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.

BANK OF BAHRAIN & KUWAIT B.S.C.

(Incorporated in Bahrain with Limited Liability)

INDIAN BRANCHES

Disclosures under the New Capital Adequacy Framework (BASEL II guidelines) for the year ended March 31, 2013

8. Market Risk

Qualitative Disclosures:

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

Securities held under HFT and AFS categories
Forward foreign exchange contracts

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

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

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

Quantitative Disclosures:

The capital requirements for

i)	Interest rate risk	₹ 2.55 crore
ii)	Equity position risk	NIL
iii)	Foreign exchange risk	₹ 1.04 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 3.53 crore based on Asset Liability position of March 2013 using the traditional gap analysis.

BANK OF BAHRAIN & KUWAIT B.S.C.

(Incorporated in Bahrain with Limited Liability)

INDIAN BRANCHES

INDEPENDENT AUDITOR'S REPORT

To
The Country Head & CEO India

Report on the Financial Statements

1. We have audited the accompanying financial statements of the Indian Branches of **Bank of Bahrain & Kuwait, B.S.C. (hereinafter referred to as 'Bank')**, which comprise the Balance Sheet as at 31st March, 2013 and the Statement of Profit and Loss and the cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation of these financial statements in accordance with Section 29 and Form A & Form B of the Third Schedule to the Banking Regulation Act, 1949. 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 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 *subject to Schedule 17 Para (a) regarding accounts being prepared on a going concern basis*, give a true and fair view in conformity with the accounting Principles generally accepted in India:
   (i) In the case of the Balance Sheet, of the state of affairs of the Indian Branches of the Bank as at 31st March, 2013;
   (ii) In the case of the Profit and Loss Account, of the profit of the Indian Branches 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 Indian Branches of the Bank for the year ended on that date.

Report on Other Legal and Regulatory Matters

7. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 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 Indian Branches of Bank, which have come to our notice, have been within the powers of the Bank.
   9. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 to the extent applicable.
10. We further report that:
   (i) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
   (ii) In our opinion, proper books of account as required by law have been kept by the Indian Branches of Bank so far as appears from our examination of those books.
   (iii) As per information and explanation given to us the Central Government has, till date, not prescribed any cess payable under section 441A of the Companies Act, 1956,

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

Mehul Shah
Partner
M. No. 100909

Place: Mumbai
Date: June 24, 2013