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

(Incorporated in Bahrain with Limited Liability)

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

1. We have audited the accompanying financial statements of **Bank of Bahrain and Kuwait B.S.C. – Indian Branches** ("the Bank"), which comprises the Balance Sheet as at 31 March 2018, the Profit and Loss Account and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. The Bank's Management is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, provisions of Section 29 of the Banking Regulation Act, 1949 and the circulars, guidelines and directions issued by the Reserve Bank of India ("RBI") from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies, making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit.
4. We have taken into account the applicable provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.
5. We conducted our audit in accordance with Standards on Auditing specified under section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
6. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Bank's management, as well as evaluating the overall presentation of the financial statements.
7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements together with the notes thereon give the information required by the Banking Regulation Act, 1949 as well as the Act, in the manner so required for banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India:
   i. in the case of the Balance Sheet, of the state of affairs of the Bank as at 31 March 2018;
   ii. in the case of the Profit and Loss account, of the profit of the Bank for the year ended on that date; and
   iii. in the case of the Cash Flow Statement, of the cash flows of the Bank for the year ended on that date.

Report on Other Legal and Regulatory Requirements

9. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 133 of the Act. As required sub section (3) of section 30 of the Banking Regulation Act, 1949 and the appointment letter dated May 16, 2018, we report that:
   i. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;
   ii. The transactions of the Bank, which have come to our notice, have been within the powers of the Bank;
   iii. The financial accounting systems of the Bank are centralized and therefore, accounting returns for the purpose of preparing financial statements are not required to be submitted by the branches.
10. Further, as required by section 143(3) of the Act, we further report that:
   i. We have sought and obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit;
   ii. In our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books.
   iii. The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account.
   iv. In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act to the extent they are not inconsistent with the accounting guidelines prescribed by the RBI.
   v. The requirements of Section 164 (2) of the Act are not applicable considering the Bank is a branch of Bank of Bahrain and Kuwait B.S.C. which is incorporated with limited liability in Bahrain.
   vi. With respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".

Other Matters

11. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
   i. The Bank has disclosed the impact of pending litigations on its financial position in its financial statements. Refer Schedule 12 and Note 54 of Schedule 18 to the financial statements.
   ii. The Bank did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses. Refer Note 56 of Schedule 18 to the financial statements.
   iii. There were no amounts which were required to be transferred to the Investor Education and Protection fund by the Bank.
12. The financial statements of the Bank for the year ended March 31, 2017, were audited by another auditor who expressed an unmodified opinion on these statements on June 23, 2017.

For and on behalf of
Bilimoria Mehta & Co.
Chartered Accountants
Firm's Reg. No. 101490W
Sd/-
Kiran Suvarna
Partner
M. No. 113784

Place: Mumbai
Date: June 28, 2018

Annexure A to the Independent Auditor's Report of even date on the Financial Statements of Bank of Bahrain and Kuwait B.S.C. – Indian Branches

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of **Bank of Bahrain and Kuwait B.S.C. – Indian Branches** ("the Bank") as of March 31, 2018 in conjunction with our audit of the financial statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Bank's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') issued by the Institute of Chartered Accountants of India ('the ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A Banks internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Bank's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Bank are being made only in accordance with authorisations of management of the Bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Bank's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

For and on behalf of
Bilimoria Mehta & Co.
Chartered Accountants
Firm's Reg. No. 101490W
Sd/-
Kiran Suvarna
Partner
M. No. 113784

Place: Mumbai
Date: June 28, 2018

BALANCE SHEET AS AT MARCH 31, 2018

	Schedule	As at March 31, 2018 Rs. (000's)	As at March 31, 2017 Rs. (000's)
CAPITAL AND LIABILITIES			
Capital	1	2,928,863	2,928,863
Reserves & Surplus	2	1,396,499	1,298,754
Deposits	3	17,871,268	14,734,406
Borrowings	4	849,958	500,000
Other Liabilities and Provisions	5	530,681	471,497
TOTAL		**23,577,269**	**19,933,520**
ASSETS			
Cash and balances with Reserve Bank of India	6	955,508	787,586
Balances with Banks and Money at Call and Short Notice	7	812,897	2,862,803
Investments	8	4,689,158	3,820,388
Advances	9	16,201,815	11,570,144
Fixed Assets	10	265,783	61,508
Other Assets	11	652,108	831,091
TOTAL		**23,577,269**	**19,933,520**
Contingent Liabilities	12	7,587,273	5,883,192
Bills for Collection		2,234,958	2,037,295
Significant Accounting Policies and Notes to Accounts	17 & 18		

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

As per our report of even date attached

For **Bilimoria Mehta & Co.** **Chartered Accountants**
Firm Registration
No. 101490W
Sd/-
Kiran Suvarna
Partner
Membership No. 113784

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
Date: June 28, 2018

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2018

	Schedule	For the year ended March 31, 2018 Rs (000's)	For the year ended March 31, 2017 Rs (000's)
INCOME			
Interest Earned	13	1,321,798	1,271,292
Other Income	14	215,571	241,188
		1,537,369	**1,512,480**
EXPENDITURE			
Interest Expended	15	830,854	727,516
Operating Expenses	16	347,264	312,749
Provisions and Contingencies		235,964	289,440
		1,414,082	**1,329,705**
PROFIT			
Net Profit for the year		123,287	182,775
Profit/(Loss) Brought Forward		26,400	22,380
		149,687	**205,155**
APPROPRIATIONS			
Transfer to Statutory Reserve		30,822	45,694
Transfer to/(from) Investment Reserve Account		-	4,966
Transfer to Capital Reserve Account		475	-
Remittance of profits		25,542	13,324
Transfer to surplus retained for Capital Adequacy		858	114,771
Balance carried over to Balance Sheet		91,990	26,400
		149,687	**205,155**
Significant Accounting Policies and Notes to Accounts	17 & 18		

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

As per our report of even date attached

For **Bilimoria Mehta & Co.** **Chartered Accountants**
Firm Registration
No. 101490W
Sd/-
Kiran Suvarna
Partner
Membership No. 113784

For **Bank of Bahrain & Kuwait B.S.C.** **Indian Branches**
Sd/-
Mallikarjun Kota
Country Head &
CEO - India

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Mehjabeen Saifi
Vice President
Financial Control - India

Place: Mumbai
Date: June 28, 2018

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2018

	For the year ended March 31, 2018 Rs (000's)	For the year ended March 31, 2017 Rs (000's)
Cash flows from operating activities		
Net profit/(loss) before taxation	186,169	279,726
Adjustments for:		
Depreciation on Fixed Assets	19,588	16,291
(Profit)/Loss on sale of fixed assets	408	(32)
Other Provisions	(577)	698
Provision in respect of Non performing advances	56,265	178,487
Provision in respect of Non performing advances written back	(582,255)	(96,684)
Provision for Diminution in Fair Value of restructured advances	(2,600)	(1,900)
Bad Debts written off	631,975	112,045
Provision on country risk	-	1,234
Provision on Standard Assets	15,877	10,280
Provision on Investments	54,394	(11,670)
Operating profit before working capital changes	**379,244**	**488,475**
(Increase)/Decrease in Investments	(923,164)	92,582
(Increase)/Decrease in Advances	(4,735,056)	(2,720,347)
(Increase)/Decrease in Other Assets	124,370	48,259
Increase/(Decrease) in Deposits	3,136,862	2,293,739
Increase/(Decrease) in Other Liabilities & Provisions	43,307	(9,506)
Increase/(Decrease) in Borrowings	349,958	500,000
Income taxes (paid)/received	(7,690)	(150,834)
Net Cash Flow generated from/(used in) Operating Activities	**(1,632,170)**	**542,367**
Cash flows from investing activities		
Purchase of fixed assets	(224,926)	(22,096)
Proceeds from sale of fixed assets	655	39
Net Cash Flow generated from/(used in) Investing Activities	**(224,271)**	**(22,057)**
Cash flows from financing activities		
Injection of capital	-	-
Remittance of profits	(25,542)	(13,324)
Net Cash Flow generated from/(used in) Financing Activities	**(25,542)**	**(13,324)**
Net increase/(decrease) in cash and cash equivalents	**(1,881,983)**	**506,986**
Cash and Cash equivalents at the beginning of the year	3,650,388	3,143,402
Cash and Cash equivalents at the end of the year	**1,768,405**	**3,650,388**

As per our report of even date attached

For **Bilimoria Mehta & Co.** **Chartered Accountants**
Firm Registration
No. 101490W
Sd/-
Kiran Suvarna
Partner
Membership No. 113784

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
Date: June 28, 2018

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS AS ON MARCH 31, 2018

	As at March 31, 2018 Rs. (000's)	As at March 31, 2017 Rs. (000's)
SCHEDULE 1		
SHARE CAPITAL		
(i) Amount of deposit kept with the Reserve Bank of India under section 11(2)(b) of the Banking Regulation Act, 1949	470,000	440,000
(ii) Amount brought in by Bank by way of Capital		
Opening Balance	2,928,863	2,928,863
Add: Capital infusion during the year	-	-
Total	**2,928,863**	**2,928,863**
SCHEDULE 2		
RESERVES AND SURPLUS		
I STATUTORY RESERVE		
As per Last Balance Sheet	464,351	418,657
Add: Transfer from Profit & Loss Account	30,822	45,694
	495,173	464,351
II PROPERTY INVESTMENT RESERVE	9,976	9,976
III CAPITAL RESERVE	27,231	27,231
Add: Transfer from Profit & Loss Account	475	-
	27,706	27,231
IV SURPLUS RETAINED FOR CAPITAL ADEQUACY		
As per Last Balance Sheet	751,837	637,066
Add: Transfer from Profit & Loss Account	858	114,771
	752,695	751,837
V INVESTMENT RESERVE ACCOUNT (IRA)		
As per Last Balance Sheet	18,959	13,993
Add/(Less): Transfer from/(to) Profit & Loss Account	-	4,966
	18,959	18,959
VI BALANCE IN PROFIT AND LOSS ACCOUNT	91,990	26,400
Total	**1,396,499**	**1,298,754**
SCHEDULE 3		
DEPOSITS		
A I Demand Deposits		
(i) From Banks	1,878	15,942
(ii) From Others	4,942,285	2,854,076
	4,944,163	2,870,018
II Saving Bank Deposits	1,316,969	1,161,536
III Term Deposits		
(i) From Banks	-	-
(ii) From Others	11,610,136	10,702,852
	11,610,136	10,702,852
Total	**17,871,268**	**14,734,406**
B (i) Deposits of branches in India	17,871,268	14,734,406
(ii) Deposits of branches outside India	-	-
Total	**17,871,268**	**14,734,406**
SCHEDULE 4		
BORROWINGS		
I Borrowings in India from		
(i) Reserve Bank of India	-	-
(ii) Other Banks	750,000	500,000
(iii) Other institutions and agencies	99,958	-
	849,958	500,000
II Borrowings outside India	-	-
Total (I+II)	**849,958**	**500,000**
Secured borrowings included in I & II above - Rs. 10 crores (Previous year Rs. Nil)		
SCHEDULE 5		
OTHER LIABILITIES AND PROVISIONS		
I Bills Payable	5,666	6,714
II Interest Accrued	118,559	111,758
III Provision for standard assets	64,455	50,661
IV Provision for tax (net of advance tax)	-	-
V Others (including provisions)	342,001	302,364
Total	**530,681**	**471,497**
SCHEDULE 6		
CASH AND BALANCE WITH RESERVE BANK OF INDIA		
I Cash in hand (including foreign currency notes)	13,500	13,686
II Balances with Reserve Bank of India		
(i) In Current Account	942,008	773,900
(ii) In Other Account	-	-
Total (I+II)	**955,508**	**787,586**
SCHEDULE 7		
BALANCES WITH BANKS & MONEY AT CALL & SHORT NOTICE		
I In India		
(i) Balances with Banks		
(a) In Current Account	25,856	35,437
(b) In Other Deposit Account	-	-
(ii) Money at Call and Short Notice		
(a) With Banks	-	-
(b) With Other Institutions	-	-
(c) Lending under reverse repo (RBI and banks)	380,000	710,000
	405,856	745,437
II Outside India		
(i) In Current Account	367,936	353,446
(ii) In Other Deposit Accounts	-	-
(iii) Money at Call and Short Notice	39,105	1,763,920
	407,041	2,117,366
Total (I+II)	**812,897**	**2,862,803**
SCHEDULE 8		
INVESTMENTS		
I Investments in India		
(i) Government securities (*)	4,522,626	3,669,088
(ii) Other approved securities	-	-
(iii) Shares	-	-
(iv) Debentures and bonds	17,429	-
(v) Subsidiaries / Joint Ventures	-	-
(vi) Others	149,103	151,300
	4,689,158	**3,820,388**
II Investments outside India	-	-
	4,689,158	**3,820,388**
III Investments in India		
Gross Value	4,749,003	3,825,838
Less:- Provision on Investments	(59,845)	(5,450)
Net Value	**4,689,158**	**3,820,388**
* includes Securities of book value of Rs. 8,09,013 (FV Rs. 8,03,300) (Previous Year BV 7,98,946 FV 8,03,000) deposited with CCIL,securities of FV of Rs. 3,98,310 (Previous Year Rs. 6,67,000) received under LAF and securities of FV of Rs. 470,000 kept with RBI under section 11(2) (b)(ii) of Banking Regulation Act, 1949 (Previous Year FV Rs. 450,000).		
SCHEDULE 9		
ADVANCES		
A (i) Bills purchased and discounted	2,779,840	2,463,495
(ii) Cash credits, Overdrafts & Loans repayable on demand	7,869,228	5,197,143
(iii) Term Loans	5,552,747	3,909,506
Total	**16,201,815**	**11,570,144**
B (i) Secured by tangible assets*	7,253,781	5,473,469
(ii) Covered by Bank/Government Guarantees	2,098,081	2,148,468
(iii) Unsecured	6,849,953	3,948,207
*includes advances against book debts		
Total	**16,201,815**	**11,570,144**
C I Advances in India		
(i) Priority Sector	5,206,027	3,575,801
(ii) Public Sector	-	-
(iii) Banks	-	-
(iv) Others	10,995,788	7,994,343
Sub-total	**16,201,815**	**11,570,144**
II Advances outside India	-	-
Sub-total	-	-
Total	**16,201,815**	**11,570,144**
SCHEDULE 10		
FIXED ASSETS		
I Premises		
At cost as per last Balance Sheet	24,988	24,988
Additions during the year	163,717	-
Deductions during the year	-	-
Depreciation to date	(4,436)	(3,801)
	184,269	21,187
II Other fixed assets		
At cost as per last Balance Sheet	230,624	222,383
Additions during the year	76,936	8,617
Deductions during the year	(6,861)	(377)
Depreciation to date	(219,654)	(206,498)
	81,045	24,125
III Capital work in progress (including capital advances)	469	16,196
Total	**265,783**	**61,508**
SCHEDULE 11		
OTHER ASSETS		
I Interest accrued	61,338	110,393
II Tax paid in advance/ tax deducted at source (net of provisions)	125,322	119,229
III Deferred Tax (net) (Refer Accounting Policy 10 & Notes to Accounts 53)	223,666	284,948
IV Stationery and stamps	12	10
V Others	241,770	316,511
Total	**652,108**	**831,091**
SCHEDULE 12		
CONTINGENT LIABILITIES		
I Claims against the bank not acknowledged as debts	91,400	91,400
II Liabilities on account of outstanding forward exchange contracts	5,176,850	3,813,670
III Guarantees given on behalf of constituents		
(a) In India	1,171,758	928,776
(b) Outside India	332,783	69,419
IV Acceptances, endorsements and other obligations	781,832	820,751
V Other items for which the Banks is contingently liable		
- Capital Commitments	8,400	137,400
- Unclaimed customer balances transferred to RBI DEAF Scheme	10,750	10,276
- Securities of Staff Gratuity Trust held in Constituent SGL	13,500	11,500
Total	**7,587,273**	**5,883,192**

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

	For the year ended March 31, 2018 Rs (000's)	For the year ended March 31, 2017 Rs (000's)
SCHEDULE 13		
INTEREST EARNED		
I Interest/Discount on Advances/Bills	942,039	989,396
II Income on Investments	278,181	245,475
III Interest on balance with Reserve Bank of India and other inter-bank funds	98,405	36,390
IV Others	3,173	31
Total	**1,321,798**	**1,271,292**
SCHEDULE 14		
OTHER INCOME		
I Commission, Exchange and Brokerage	88,159	89,327
II Profit/(Loss) on sale of Investments (net)	3,959	13,638
III Profit/(Loss) on sale of assets (net)	(408)	32
IV Profit/(Loss) on Exchange Transactions (net)	100,102	118,288
V Income earned by way of dividends, etc. from subsidiaries, companies, joint venture abroad/in India	-	-
VI Processing Fee	16,866	16,382
VII Miscellaneous Income	6,893	3,521
Total	**215,571**	**241,188**
SCHEDULE 15		
INTEREST EXPENDED		
I Interest on Deposits	789,536	678,050
II Interest on RBI/Inter-bank borrowings	29,590	33,660
III Others representing hedging cost	11,728	15,806
Total	**830,854**	**727,516**
SCHEDULE 16		
OPERATING EXPENSES		
I Payment to and provisions for employees	164,496	156,055
II Rent, Taxes and Lighting	78,696	75,629
III Printing and Stationery	1,629	1,649
IV Advertisement and Publicity	751	1,049
V Depreciation on Bank's Property	19,588	16,291
VI Directors' Fees, Allowances and Expenses	-	-
VII Auditors' Fees and Expenses	1,010	982
VIII Law Charges	1,383	1,568
IX Postage, Telegrams, Telephones etc.	1,194	205
X Repairs and Maintenance	12,237	10,058
XI Insurance	18,284	14,589
XII Other Expenditure	47,996	34,674
Total	**347,264**	**312,749**

BBK

بنك البحرين والكويت

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

(Incorporated in Bahrain with Limited Liability)

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES

1. Basis of preparation

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

2. Use of estimates

The preparation of financial statements requires the Management to make estimates and assumptions that affect the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses for the reporting period. Management believes that the estimates used in the preparation of the Financial Statements are prudent and reasonable. Future results could differ from these estimates. Any revisions to accounting estimates are recognized prospectively in the current and future periods.

3. Transaction involving foreign exchange

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

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

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

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

4. Investments

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

Accounting and Classification

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

Valuation

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

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

Treasury bills and Commercial papers are valued at carrying cost.

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

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

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

Transfer between categories

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

Sale of Investments under Held to Maturity

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

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

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

5. Advances and Provisions

Advances are stated net of bills re-discounted, specific loan loss provisions and unrealised interest on non-performing advances. Specific provision for loan losses in 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 the rates 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) Considering the applicability of Schedule II of the Companies Act 2013, the management has estimated useful lives and residual values of all its fixed assets. The management believes that depreciation rates currently used fairly reflect its estimate of the useful lives and residual values of fixed assets. Depreciation on fixed assets is provided on straight-line method, over estimated useful lives, determined by the management, as mentioned below:

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

*Depreciated as per RBI Guidelines

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

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

d) The Bank considers fixed assets as corporate assets of the banking business (cash-generating unit) as a whole. The Bank assesses at each balance sheet date whether there is any indication that an asset may be impaired and provides for impairment loss, if any, in the profit and loss account.

7. Lease Transactions

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

8. Revenue Recognition

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

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

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

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

d) Commission income on letters of credit is accounted on issuance of the letter of credit. Loan processing fees is recognised at inception of the loan. Guarantee commission is accrued on a time proportion basis over the period of guarantee.

9. Employee Benefits

a) **Gratuity**

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

b) **Provident Fund**

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

c) **Compensated Absences**

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

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

10. Taxation

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

Current Tax is determined in accordance with the provisions of Income Tax Act, 1961 and rules framed there under after considering the contested past adjustments on a prudent basis based on management estimates.

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 subject 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:

a) 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

b) Any present obligation that arises from past events but is not recognized because:

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

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

13. Cash and Cash Equivalents

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

SCHEDULE 18: NOTES TO ACCOUNTS

Disclosure requirements as per RBI guidelines

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

(Rs. in crore)

Particulars	Year ended 31.03.2018	Year ended 31.03.2017
Specific Provision for Non Performing Advances	5.63	17.85
Bad Debts written off	63.20	11.20
Provision for Non Performing Advances written back	(58.23)	(9.67)
Provision for Diminution in fair value of restructured advances written back	(0.26)	(0.19)
Provision for depreciation on Investments (Net)	5.44	(1.17)
Provision for income tax (including earlier years)	0.16	14.09
MAT credit (entitlement)/reversal	-	0.96
Provision for deferred tax	6.13	(5.35)
Other Provisions	(0.06)	0.07
Provision for country risk	-	0.12
Provision for Unhedged Foreign Currency Exposure	0.21	-
Provision for standard assets	1.38	1.03
Total	**23.60**	**28.94**

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

As per Basel III: **(Rs. in Crores)**

Particulars	31 March, 2018	31 March, 2017
Capital Adequacy		
Common Equity Tier I	395.40	389.03
Tier I Capital	395.40	389.03
Including capital infusion during the year	-	-
Tier II Capital	9.94	8.36
Amount of Tier II capital raised	-	-
Amount of subordinated debt raised as Tier–II capital	-	-
Total Capital	405.34	397.39
Percentage of the shareholding of the Government of India in nationalized Banks	N.A.	N.A.
Total risk weighted assets and contingents	1460.93	1611.99
Capital Ratios		
Common Equity Tier I	27.07%	24.13%
Tier I	27.07%	24.13%
Tier II	0.68%	0.52%
CRAR	27.75%	24.65%

3. Business Ratios:

	Particulars	31.03.2018	31.03.2017
a.	Net NPAs to Net Advances(*)(**)	0.78%	-
b.	Interest income as a percentage to working funds **($)**	6.86%	7.41%
c.	Non-interest income as a percentage to working funds **($)**	1.12%	1.41%
d.	Operating Profit as a percentage to working funds **($)**	1.87%	2.75%
e.	Return on assets **(@)**	0.57%	0.99%
f.	Business (Deposits plus Advances) per employee **(#)**	31.55 Crore	24.57 Crore
g.	Profit per employee **(#)**	0.11 Crore	0.17 Crore

(*) excludes net non-performing Investments of Rs. 1.73 crores (Previous year Rs. Nil).

(**) excluding deferred write off on sale of NPA amounting to Rs. Nil crores (previous year Rs.4.99 crores) as per RBI Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances DBR No.BP.BC.2/21.04.048/2015-16 dated July 1, 2015.

($) 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, 2018 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 31.70% (previous year 99.96%).

5. Maturity Profile:

As at March 31, 2018 **(Rs. in crore)**

Maturity Profile	1 day	2-7 days	8-14 days	15-30 days	31 days-2 Months	2 -3 Months	3-6 months	6-12 months	1-3 years	3-5 years	Over 5 years	Total
Deposits	11.80	65.94	66.53	32.67	60.25	58.87	145.80	420.36	856.03	68.84	0.04	**1787.13**
Borrowings	-	59.99	-	25	-	-	-	-	-	-	-	**84.99**
Loans & Advances	30.42	13.09	12.60	36.10	66.31	52.68	151.32	90.75	1101.68	51.39	13.84	**1620.18**
Investments	-	-	23.92	33.30	43.63	50.03	106.03	61.60	123.76	9.99	16.66	**468.92**
Foreign currency assets	45.94	10.60	11.62	9.30	4.27	-	11.23	0.75	209.09	-	12.71	**315.51**
Foreign currency liabilities	3.43	26.41	20.55	6.05	13.62	7.02	53.10	111.91	228.87	2.77	-	**473.73**

As at March 31, 2017 **(Rs. in crore)**

Maturity Profile	1 day	2-7 days	8-14 days	15-30 days	31 days-2 Months	2 -3 Months	3-6 months	6-12 months	1-3 years	3-5 years	Over 5 years	Total
Deposits	11.51	65.21	43.42	28.20	66.32	39.34	144.46	335.33	694.87	44.78		**1,473.44**
Borrowings	-	-	-	-	-	-	50.00	-	-	-	-	**50.00**
Loans & Advances	0.20	1.44	2.86	25.76	134.43	27.99	114.89	82.37	705.57	50.14	11.36	**1,157.01**
Investments		24.98	49.25	34.00	29.41	5.63	40.22	76.42	100.60	6.40	15.13	**382.04**
Foreign currency assets	43.59	174.00	6.24	13.57	16.75	7.08	10.37	22.03	133.14	-	12.65	**439.42**
Foreign currency liabilities	1.03	14.39	6.11	2.58	9.33	4.29	21.49	56.12	115.00	3.30	-	**233.64**

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

6. A) Movement in Non-Performing Advances: **(Rs. in crore)**

Particulars	2017-18 Gross NPA (net of interest in suspense)	2017-18 Provisions	2017-18 Net NPA	2016-17 Gross NPA (net of interest in suspense)	2016-17 Provisions	2016-17 Net NPA
Opening balance	58.52	58.50	0.02	71.61	50.32	21.29
(+) Additions	30.08	5.63	24.45	0.04	17.85	(17.81)
(-) Recoveries	0.84	0.02	0.82	8.57	5.11	3.46
(-) Upgradations (*)	10.93	-	10.93	-	-	-
(-)Technical/Prudential Write-offs	-	-	-	-	-	-
(-)Other Write-offs	58.21	58.21	-	4.56	4.56	-
Closing balance	**18.62**	**5.90**	**12.72**	**58.52**	**58.50**	**0.02**
Less: Floating Provision (**)			**NA**			**NA**
Net Closing balance			**12.72**			**0.02**

(*) Out of the amount of Rs.10.93 crores, Part A –Rs. 5.63 crores is treated as a standard assets and Part B –Rs. 5.30 crores is classified as a non performing investment as per the scheme for sustainable structuring of stressed assets.

(**)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 reckoning floating provision as part of Tier II capital subject to the overall ceiling of 1.25% of total Risk Weighted Assets. In the previous year the bank had exercised the option of deducting such floating provisions from Gross NPAs to arrive at net NPAs.

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

(Rs. in crore)

Particulars	2017-18	2016-17
Opening Balance of Technical/Prudential written-off accounts	-	-
(+) Additions	-	-
(-) Recoveries	-	-
Closing Balance of Technical/Prudential written-off accounts	-	-

7. Movement in Floating Provision:

Particulars	2017-18	2016-17
Opening Balance	1.05	1.05
Add: Provisions made during the year	-	-
Less: Amount of draw-down made during the year	-	-
Closing balance	**1.05**	**1.05**

8. INVESTMENTS

i. Details of Investments: **(Rs. in crore)**

	Particulars	2017-18	2016-17
1)	Value of Investments		
i)	Gross Value of Investments		
	(a) In India	474.90	382.58
	(b) Outside India	-	-
ii)	Provision for Depreciation		
	(a) In India	(5.98)	(0.54)
	(b) Outside India		
iii)	Net Value of Investments		
	(a) In India	468.92	382.04
	(b) Outside India		
2)	Movement of provisions held towards depreciation on Investments		
	i) Opening balance	0.54	1.71
	ii) Add: Additions during the year	6.69	0.13
	iii) Less: Write off/write back of excess provision during the year	1.26	1.30
	iv) Closing balance	5.97	0.54

ii. As per RBI Circular No.DBR.No.BP.BC.102/21.04.048/2017-18 dated April 2, 2018 RBI grants the banks an option to spread provisioning for MTM Losses on investments in AFS and HFT portfolio for the quarters ended 31st December 2017 and 31st March 2018 equally over the four quarters commencing with the quarter in which the loss has been incurred. The bank has availed this option and accordingly the Bank has charged depreciation of Rs. 1.88 crore related to quarter ended December 31, 2017 and March 31, 2018 and MTM losses to the tune of Rs.2.50 crore is spread over to the subsequent quarters of ensuing financial year.

iii. Classification of net Investments under various categories is as under: **(Rs. in crore)**

Particulars	2017-18	2016-17
Held for Trading		
a) Approved Securities	-	-
b) Unapproved Securities	-	-
Available for Salefc		
a) Approved Securities	422.85	332.60
b) Unapproved Securities	16.65	15.13
Held for Maturity		
a) Approved Securities	29.42	34.31
b) Unapproved Securities	-	-
Total	**468.92**	**382.04**

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

2017-18 **(Rs. in crore)**

No.	Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' Securities (*)	Extent of 'unlisted' securities (*)
1	PSU's	-	-	-	-	-
2	FI's	14.92	14.92	14.92	14.92	14.92
3	Banks (certificate of deposits)	-	-	-	-	-
4	Private corporates	5.30	5.30	5.30	5.30	5.30
5	Subsidiaries/ Joint ventures	-	-	-	-	-
6	Others	0.54	0.54	0.54	0.54	0.54
7	Provision held towards depreciation	**(4.11)**				
	Total	**16.65**				

2016-17 **(Rs. in crore)**

No.	Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' Securities	Extent of 'unlisted' securities
1	PSU's	-	-	-	-	-
2	FI's	15.13	15.13	15.13	15.13	15.13
3	Banks (certificate of deposits)	-	-	-	-	-
4	Private corporates	-	-	-	-	-
5	Subsidiaries/ Joint ventures	-	-	-	-	-
6	Others	0.54	0.54	0.54	0.54	0.54
7	Provision held towards depreciation	**(0.54)**				
	Total	**15.13**				

ii) **Non performing Non-SLR investments**

(Rs. in crore)

Particulars	2017-18	2016-17
Opening balance	0.54	2.18
Additions during the year since 1st April	5.30	-
Reductions during the above period	-	(1.64)
Closing balance	5.84	0.54
Total provisions held	**4.11**	**0.54**

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

2017-18 **(Rs in crore)**

	Minimum outstanding during the year (@)	Maximum outstanding during the year	Daily average outstanding during the year (#)	As on March 31, 2018
Securities sold under repos	2.07	15.31	0.06	-
Securities purchased under reverse repos	1.94	370.10	106.75	39.83

2016-17 **(Rs in crore)**

	Minimum outstanding during the year (@)	Maximum outstanding during the year	Daily average outstanding during the year (#)	As on March 31, 2016
Securities sold under repos	1.04	1.04	0.01	-
Securities purchased under reverse repos	1.04	177.84	20.26	66.70

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

(#) Average is based on transactions outstanding divided by 365/366 days as relevant.

11. Lending to Sensitive Sectors

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

	Category	2017-18	2016-17
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	14.15	10.22
	- of which individual housing loans eligible for inclusions in priority sector advances	-	-
(ii)	Commercial Real Estate –	-	-
(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).	45.00	30.00
	Total Exposure to Real Estate Sector	**59.15**	**40.22**

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

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

Sr. No.	Particulars	2017-18	2016-17
(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;	0.03	0.18
(iii)	advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	-	-
(iv)	advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances;	-	-
(v)	secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	-	-
(vi)	loans sanctioned to corporates against security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
(vii)	bridge loans to companies against expected equity flows / issues;	-	-
(viii)	underwriting commitments taken up by Banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	-	-

BBK

بنك البحرين والكويت

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

(Incorporated in Bahrain with Limited Liability)

Sr. No.	Particulars	2017-18	2016-17
(ix)	financing to stockbrokers for margin trading;	-	-
(x)	all exposures to Venture Capital Funds (both registered and unregistered);	-	-
Total Exposure to Capital Market		**0.03**	**0.18**

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

12. Letters of Comfort (LoCs): **(Rs. in crore)**

Particulars	2017-18	2016-17
No. of LoCs issued during the year	14	32
Financial impact of LoCs issued during the year	-	-
Cumulative financial obligation under the LoCs issued in the past and outstanding	6.07	5.04

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

14. Disclosure of Restructured Accounts

As at 31 March 2018 **(Rs. in Crore)**

Sr. No.	Type of Restructuring →		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification → Details ↓		Standard	Sub-Standard	Doubful	Loss	Total	Standard	Sub-Standard	Doubful	Loss	Total	Standard	Sub-Standard	Doubful	Loss	Total	Standard	Sub-Standard	Doubful	Loss	Total
1	Restructured Accounts as on April 1, 2017	No. of borrowers	1	-	1	-	2	-	-	-	-	-	-	-	-	-	-	1	-	1	-	2
		Amount outstanding	10.21	-	27.68	-	37.89	-	-	-	-	-	-	-	-	-	-	10.21	-	27.68	-	37.89
		Provision thereon	0.77	-	27.68	-	28.45	-	-	-	-	-	-	-	-	-	-	0.77	-	27.68	-	28.45
2	Additional/Fresh restructuring during the year (*)	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	(0.27)				(0.27)	-	-	-	-	-	-	-	-	-	-	(0.27)	-	-	-	(0.27)
		Provision thereon					-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Upgradations to restructured standard category during the FY (**)	**No. of borrowers**	1	-	-	-	1	-	-	-	-	-	-	-	-	-	-	1	-	-	-	1
		Amount outstanding	9.94	-	-	-	9.94	-	-	-	-	-	-	-	-	-	-	9.94	-	-	-	9.94
		Provision thereon	0.77	-	-	-	0.77	-	-	-	-	-	-	-	-	-	-	0.77	-	-	-	0.77
4	Restructured standard advances which cease to attract higher provisioning and/ or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	-				-	-				-	-				-	-				-
		Amount outstanding	-				-	-				-	-				-	-				-
		Provision thereon	-				-	-				-	-				-	-				-
5	Downgradations of restructured accounts during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Write-offs of restructured accounts during the FY	No. of borrowers	-	-	1	-	1	-	-	-	-	-	-	-	-	-	-	-	-	1	-	1
		Amount outstanding	-	-	27.68	-	27.68	-	-	-	-	-	-	-	-	-	-	-	-	27.68	-	27.68
		Provision thereon	-	-	27.68	-	27.68	-	-	-	-	-	-	-	-	-	-	-	-	27.68	-	27.68
8	Restructured Accounts as on March 31, 2018	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

(*) decrease in asset outstanding mainly on account of recovery.

(**) account partially upgraded as per the scheme for sustainable structuring of stressed assets.

As at 31 March 2017 **(Rs. in Crore)**

Sr. No.	Type of Restructuring →		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification → Details ↓		Standard	Sub-Standard	Doubful	Loss	Total	Standard	Sub-Standard	Doubful	Loss	Total	Standard	Sub-Standard	Doubful	Loss	Total	Standard	Sub-Standard	Doubful	Loss	Total
1	Restructured Accounts as on April 1, 2016	No. of borrowers	1	-	1	-	2	-	-	-	-	-	-	-	-	-	-	1	-	1	-	2
		Amount outstanding	11.48	-	29	-	40.80	-	-	-	-	-	-	-	-	-	-	11.48	-	29.32	-	40.80
		Provision thereon	0.97	-	21.89	-	22.86	-	-	-	-	-	-	-	-	-	-	0.97	-	21.89	-	22.86
2	Additional/Fresh restructuring during the year (*)	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	(1.27)	-	(1.64)	-	(2.91)	-	-	-	-	-	-	-	-	-	-	(1.27)	-	(2)	-	(2.91)
		Provision thereon	(0.20)	-	5.79	-	5.59	-	-	-	-	-	-	-	-	-	-	(0.20)	-	6	-	5.59
3	Upgradations to restructured standard category during the FY	No. of borrowers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Restructured standard advances which cease to attract higher provisioning and/ or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	-				-	-				-	-				-	-				-
		Amount outstanding	-				-	-				-	-				-	-				-
		Provision thereon	-				-	-				-	-				-	-				-
5	Downgradations of restructured accounts during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Write-offs of restructured accounts during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding (**)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Restructured Accounts as on March 31, 2017	No. of borrowers	1	-	1	-	2	-	-	-	-	-	-	-	-	-	-	1	-	1	-	2
		Amount outstanding	**10.21**	-	**27.68**	-	37.89	-	-	-	-	-	-	-	-	-	-	10.21	-	27.68	-	37.89
		Provision thereon	**0.77**	-	**27.68**	-	28.45	-	-	-	-	-	-	-	-	-	-	0.77	-	27.68	-	28.45

(*) decrease in asset outstanding mainly on account of recovery.

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

16. The bank has not exceeded regulatory single and group borrower exposure limits during the year.

During the year March 31, 2017 the Bank has/had exposure in excess of the single borrower prudential exposure ceiling in the following cases during the year:

1. Rastriya Chemicals and Fertilzers Limited
2. Laurus Labs Private Limited

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

The bank has not exceeded regulatory group borrower exposure limits during the previous year.

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

Item	2017-18	2016-17
No. of accounts	-	-
Aggregate value (net of provisions) of accounts sold to SC/RC	NA	NA
Aggregate consideration	NA	NA
Additional consideration realized in respect of accounts transferred in earlier years	NA	NA
Aggregate gain/(loss) over net book value.	NA	NA

18. Disclosures relating to Securitisation:

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

19. Credit Default Swaps:

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

20. Disclosure on remuneration:

Qualitative disclosure

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

Summary terms of reference, roles and responsibilities:

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

Summary of responsibilities:

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

Members

- **Murad Ali Murad** Chairman
- **Sh. Khalifa bin Duaij Al Khalifa** -Member
- **Marwan Mohammed Al Saleh** -Member
- **Mohamed Abdulrahman Hussain - Member**

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

The remuneration is designed with the following pay components.

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

The Objectives of remuneration policy are:

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

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

Quantitative disclosures

(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 2017-18.(Previous year – 4 meetings) ii) Rs. 0.14 crores was paid as remuneration.(Previous year – Rs. 0.12 crores)

(h)

• Number of employees having received a variable remuneration award during the financial year/ (Previous Year - 7)	5
• Number and total amount of sign-on awards made during the financial year. (Previous Year – Nil)	Nil
• Details of guaranteed bonus, if any, paid as joining / sign on bonus. (Previous Year – Nil)	Nil
• Details of severance pay, in addition to accrued benefits, if any. (Previous Year – Nil)	Nil

(i)

• *Total amount of outstanding deferred remuneration, split remuneration, split into cash, shares and share-linked instruments and other forms.*	**Total Deferred Remuneration outstanding**: **Cash**: Rs.0.21 Crores (Previous Year – 0.18 Crore) **Employee Performance Share Plan**: 57,950 shares. (Previous Year – 50,067 shares)
• *Total amount of deferred remuneration paid out in the financial year.*	**Deferred Remuneration paid in 2017-18**: **Cash**: 0.19 Crore (Previous Year – 0.23 Crore) **Employee Performance Share Plan**: 6,172 shares in the current year. (Previous Year – 6,480 shares)

(j) • *Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.*

Rs. in crore

2017-18:	Fixed	Variable
Deferred	-	0.22
Non-deferred	2.98	0.32

2016-17:	Fixed	Variable
Deferred	-	0.18
Non-deferred	2.65	0.59

(k)

• Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments. (Previous Year – 0.18)	0.21
• Total amount of reductions during the financial year due to ex- post explicit adjustments. (Previous Year - Nil)	Nil
• Total amount of reductions during the financial year due to ex- post implicit adjustments. (Previous Year - Nil)	Nil

21. Risk Category wise Country Exposure: **(Rs. in crore)**

	As on March 31, 2018		As on March 31, 2017	
Risk category	**Exposures**	**Provisions**	**Exposures**	**Provisions**
Insignificant	270.88	0.15	222.34	0.12
Low Risk	182.58	0.14	226.52	0.17
Moderate Low Risk	-	-	5.97	-
Moderate Risk	-	-	1.80	-
Moderate High Risk	8.58	-	-	-
High Risk	-	-	-	-
Very High Risk	-	-	-	-
Total	**462.04**	**0.29**	**456.63**	**0.29**

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

A. Details of non-performing financial assets purchased

(Rs. in crore)

Particulars	2017-18	2016-17
1. (a) No. of accounts purchased during the year	Nil	Nil
(b) Aggregate outstanding	NA	NA
2. (a) Of these, number of accounts restructured during the year	Nil	Nil
(b) Aggregate outstanding	NA	NA

B. Details of non-performing financial assets sold

(Rs. in crore)

Particulars	2017-18	2016-17
1. No. of accounts sold	Nil	Nil
2. Aggregate outstanding	NA	NA
3. Aggregate consideration received	NA	NA

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

As on 31.03.2018: Rs. 6.45

As on 31.03.2017: Rs. 5.07

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

Concentration of Deposits **(Rs. in crore)**

Particulars	2017-18	2016-17
Total deposits of twenty largest depositors	731.58	582.80
% of deposits of twenty largest depositors to total deposits of the Bank	40.94%	39.55%

Concentration of Advances (net) **(Rs. in crore)**

Particulars	2017-18	2016-17
Total Advances to twenty largest borrowers	1009.55	936.59
% of Advances to twenty largest borrowers to total advances of the Bank	51.40%	61.66%

*Advances are computed as per the definition of credit exposure including derivatives furnished in RBI master circular on exposure norms DBOD.No.Dir.BC. 12/13.03.00/2015-16 dated July 1, 2015.

Note:- Advances to borrowers exclude exposure to Banks.

Concentration of Exposures (net) **(Rs. in crore)**

Particulars	2017-18	2016-17
Total Exposure to twenty largest borrowers/customers	1009.55	936.59
% of exposures to twenty largest borrowers/customers to total exposure of the Bank on borrowers/customers	50.97%	61.05%

*Exposure is computed based on credit and investment exposure as prescribed in RBI circular on exposure norms DBOD.No.Dir.BC. 12/13.03.00/2015-16 dated July 1, 2015.

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

Concentration of NPAs (net) (including non-performing Investments) **(Rs. in crore)**

Particulars	2017-18	2016-17
Total Exposure to top four NPA accounts	14.45	0.02

25. Overseas Assets, NPAs and Revenue: **(Rs. in crore)**

Particulars	2017-18	2016-17
Total Assets	Nil	Nil
Total NPAs	Nil	Nil
Total Revenue	Nil	Nil

26. Off-balance Sheet SPVs sponsored:

Particulars	2017-18	2016-17
Domestic:-		
Name of the SPV sponsored	Nil	Nil
Overseas:-		
Name of the SPV sponsored	Nil	Nil

27. Fee/remuneration received in respect of bancassurance business: **(Rs. in crore)**

Sr. No.	Nature of Income	2017-18	2016-17
1.	For selling life insurance policies	0.04	0.03
2.	For selling non-life insurance policies	0.01	-
3.	For selling mutual fund products	0.71	0.34

28. Unsecured Advances: **(Rs. in crore)**

Particulars	2017-18	2016-17
Total amount of advances for which intangible securities such as charge over rights, licenses, authority etc has been taken	Nil	Nil
Estimated value of intangibles collaterals as stated above	Nil	Nil

29. Disclosure on derivatives:

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

a. Qualitative Disclosure

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

Treasury operation is segregated into three different department's viz. front office, mid-office and back office. The primary role of front office is to conduct business, that of mid-office is to ensure compliance in accordance with set norms and policies and that of back office is to process / settle the transactions.

The Bank has in place policies / procedures which have been approved by the Management Committee to ensure adherence to various risk parameters and prudential limits.

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

a) Risk Measurement:

For forward foreign exchange contracts, risk is measured through a daily report called Value at Risk (VaR), which computes VaR on the foreign exchange, gaps using FEDAI VaR factors.

b) Risk Reporting and Risk monitoring systems:

The Bank has the following reports/systems in place which are reviewed by the top management:

(i) VaR
(ii) Net open position
(iii) AGL / IGL
(iv) Dealer wise limits
(v) Stop loss limits
(vi) Bankline limits

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

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

(i) Integrated Foreign Exchange policy and

(ii) Asset – Liability Management (ALM) Policy

The Bank monitors the hedges/mitigants on a continuous basis through daily and monthly reports that are reviewed by the dealing room/top management.

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

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

b. Quantitative Disclosure **(Rs. in crore)**

Sr. No	Particular	Currency swaps (Forward Foreign exchange contracts)	
		As on March 31, 2018	**As on March 31, 2017**
1	Derivatives (Notional Principal Amount)		
	a) For hedging	32.58	32.42
	b) For trading	413.48	195.85
2	Marked to Market Positions		
	a) Asset (+)	1.28	5.67
	b) Liability (-)	0.67	1.81
3	Credit Exposure	9.55	9.58
4	Likely impact of one percentage change in interest rate (100*PV01)		
	a) on hedging derivatives	-	-
	b) on trading derivatives	-	-
5	Maximum and Minimum of 100*PV01 observed during the year		
	a) on hedging	-	-
	b) on trading	-	-

30. No penalties were levied by Reserve Bank of India during the year. (Previous year :Reserve Bank of India had imposed a penalty of Rs. 32,185/- for an instance of shortfall on a single day in maintenance of cash reserve ratio under section 42 of Reserve Bank of India Act, 1934.)

31. Draw down from Reserves:

Investment Reserve Account: **(Rs. in crore)**

Particulars	2017-18	2016-17
Opening Balance	1.90	1.40
(+) Additions during the year	-	0.50
(-) Utilized during the year	-	-
Closing Balance	**1.90**	**1.90**

32. Analysis and Disclosure of complaints:

A. Customer Complaints

Sr. No.	Particulars	2017-18	2016-17
(a)	No. of complaints pending at the beginning of the year	Nil	Nil
(b)	No. of complaints received during the year	1	3
(c)	No. of complaints redressed during the year	1	3
(d)	No. of complaints pending at the end of the year	Nil	Nil

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

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

B. Awards passed by the Banking Ombudsman

Sr. No.	Particulars	2017-18	2016-17
(a)	No. of unimplemented Awards at the beginning of the year	Nil	Nil
(b)	No. of Awards passed by the Banking Ombudsmen during the year	Nil	Nil
(c)	No. of Awards implemented during the year	Nil	Nil
(d)	No. of unimplemented Awards at the end of the year	Nil	Nil

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

33. Sale and transfer to/from HTM category

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

34. Fixed Assets

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

(Rs. in crore)

Particulars	As at 31 March 2018	As at 31 March 2017
At cost at March 31st of preceding year	9.13	8.82
Additions during the year	3.90	0.31
Deductions during the year	-	-
Depreciation to date	9.36	8.43
Net block	**3.67**	**0.70**

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

a) **Information Technology Governance**

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

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

(Incorporated in Bahrain with Limited Liability)

b) **Information Security**

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

c) **IT operations**

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

d) **IT services outsourcing**

Only ATM card management activity of the Bank is outsourced.

e) **IS Audit**

The vital observations of IS Audit last conducted have been addressed.

f) **Cyber frauds**

There was no instance of cyber-crime resulting in loss of money to the Bank. The Bank has set up required machinery to monitor the frauds.

g) **Business Continuity Planning**

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

h) **Customer education**

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

i) **Legal issues**

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

36. Corporate Social Responsibility

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

As required under provisions of Companies Act, 2013, Bank is required to contribute 2% of average profits before tax of three immediately preceding financial years which works out to Rs.0.42 crores. During the year, Bank has contributed an aggregate of Rs. 0.42 crores towards measures of environment preservation and eradication of hunger and malnutrition which is included under Other Expenditure of Schedule 16.

37. Sector-wise Advances **(Rs. in crore)**

Sl. No.	Sector	Current year			Previous year		
		Outstanding Total Advances	Gross NPAs	% of Gross NPAs to Total Advances in that sector	Outstanding Total Advances	Gross NPAs	% of Gross NPAs to Total Advances in that sector
A	**Priority Sector**						
1	Agriculture and allied activities	0.52	-	-	0.60	-	-
2	Advances to industries sector eligible as priority sector lending (*)	429.14	-	-	242.25	6.38	2.63%
3	Services	90.95	-	-	121.10	-	-
4	Personal loans	-	-	-	-	-	-
	Sub-total (A)	520.60	-	-	363.96	6.38	1.75%
B	**Non Priority Sector**						
1	Agriculture and allied activities	-			-	-	-
2	Industry (*)	578.47	18.17	3.14%	461.30	51.82	11.23%
3	Services (#)	471.58	-	-	342.81	-	-
4	Personal loans	55.44	0.45	0.81%	47.71	0.32	0.68%
	Sub-total (B)	1,105.48	18.62	1.68%	851.81	52.14	6.12%
	Total (A+B)	**1,626.80**	**18.62**	**1.15%**	**1215.77**	**58.52**	**4.81%**
	* Industry of which						
	Chemicals, dyes paints etc.	223.73	-	0.00%	155.28	4.89	3.15%
	All Engineering	121.03	-	0.00%	121.29	25.63	21.13%
	Infrastructure	192.10	18.17	9.46%	131.34	27.68	21.07%
	# Services of which						
	NBFC	263.79	-	-	160.00	-	-

38. Transfer to Depositor Education and Awareness Fund (DEAF) **(Rs. in crore)**

Particulars	2017-18	2016-17
Opening balance of amounts transferred to DEAF	1.03	0.94
(+)Amounts transferred to DEAF during the year	0.07	0.12
(-) Amounts reimbursed by DEAF towards Claims	-	(0.03)
Closing balance of amounts transferred to DEAF	**1.10**	**1.03**

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

39. Unhedged Foreign Currency Exposure

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

The Bank has maintained provision of Rs. 0.26 crores (previous year of Rs. 0.05 crores) and additional capital of Rs. Nil crores (previous year of Rs. Nil crores) on account of Unhedged Foreign Currency Exposure of its borrowers as at March 31, 2018.

40. Intra group exposures

RBI Circular No.RBI/201 3-14/487 DBOD.No.BP.BC. 96/21.06.102/2013-14 dated Feb 11, 2014 deals with Management of Intra Group Exposure and Transactions. As per Point no. 2.4 c on entities exempted from definition of group entities of the said circular, exposure of Foreign Banks' (operating as branches in India) to their Head Office and overseas branches of the parent bank are not covered under these guidelines (except for proprietary derivative transactions undertaken with them). Also, the Bank has no other Group Entities in India and thus no Intra-Group exposure to be reported as on March 31, 2018.

41. Liquidity Coverage Ratio

a) **Quantitative disclosure**

2018

	Particulars	Q1 2017-18		Q2 2017-18		Q3 2017-18		Q4 2017-18	
		Total Unweighted	Total Weighted	Total Unweighted	Total Weighted	Total Unweighted	Total Weighted	Total Unweighted	Total Weighted
		Value (average)	Value (average)	Value (average)	Value (average)	Value (average)	Value (average)	Value (average)	Value (average)
High Quality Liquid Assets									
1	Total High Quality Liquid Assets (HQLA)	371.53	371.53	475.75	475.75	276.24	276.24	231.22	231.22
Cash Outflows									
2	Retail deposits and deposits from small business customers, of which:	182.29	18.14	173.18	16.61	203.29	20.24	216.12	21.52
(i)	Stable deposits	1.81	0.09	1.74	0.09	1.78	0.09	1.81	0.09
(ii)	Less stable deposits	180.48	18.05	171.43	16.52	201.51	20.15	214.31	21.43
3	Unsecured wholesale funding, of which :	299.45	132.95	324.59	152.88	309.80	136.72	350.15	150.13
(i)	Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii)	Non-operational deposits (all counterparties)	299.45	132.95	324.59	152.88	309.80	136.72	350.15	150.13
(iii)	Unsecured debt	-	-	-	-	-	-	-	-
4	Secured wholesale funding	17.94	-	-	-	10.00	-	21.66	-
5	Additional requirements, of which	-	-	-	-	-	-	-	-
(i)	Outflows related to derivative exposures and other collateral requirements	-	-	-	-	-	-	-	-
(ii)	Outflows related to loss of funding on debt products-	-	-	-	-	-	-	-	-
(iii)	Credit and liquidity facilities	398.44	37.83	446.19	41.55	448.69	42.60	315.22	29.25
6	Other contractual funding obligations	55.00	55.00	37.33	37.33	-	-	46.67	46.67
7	Other contingent funding obligations	122.47	3.67	126.18	3.79	136.02	4.08	161.41	4.84
8	Total Cash Outflows	1,075.59	247.59	1,107.48	252.16	1,107.80	203.64	1,111.23	252.41
Cash Inflows		-	-	-	-	-	-	-	-
9	Secured lending (e.g. reverse repos)	155.33	-	233.67	-	54.48	-	14.33	-
10	Inflows from fully performing exposures	9.47	4.74	8.78	4.39	24.20	12.10	8.65	4.32
11	Other cash inflows	159.37	159.37	181.23	181.23	171.75	171.75	94.18	94.18
12	Total Cash Inflows	324.17	164.11	423.68	185.62	250.43	183.85	117.16	98.50
Total Adjusted Value									
21	TOTAL HQLA		371.53		475.75		276.24		231.22
22	Total Net Cash Outflows		83.48		111.42		50.91		158.40
23	Liquidity Coverage Ratio (%)		**445.04%**		**426.97%**		**542.59%**		**145.97%**

2017

	Particulars	Q1 2016-17		Q2 2016-17		Q3 2016-17		Q4 2016-17	
		Total Unweighted	Total Weighted	Total Unweighted	Total Weighted	Total Unweighted	Total Weighted	Total Unweighted	Total Weighted
		Value (average)	Value (average)	Value (average)	Value (average)	Value (average)	Value (average)	Value (average)	Value (average)
High Quality Liquid Assets									
1	Total High Quality Liquid Assets (HQLA)	192.28	192.28	174.95	174.95	198.98	198.98	215.09	215.09
Cash Outflows									
2	Retail deposits and deposits from small business customers, of which:	165.11	16.41	152.12	14.86	184.46	17.00	182.30	18.13
(i)	Stable deposits	1.96	0.10	1.98	0.10	2.10	0.11	1.96	0.10
(ii)	Less stable deposits	163.16	16.32	150.14	14.76	182.36	16.90	180.34	18.03
3	Unsecured wholesale funding, of which :	380.08	184.92	316.20	154.05	323.77	142.58	298.40	130.04
(i)	Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii)	Non-operational deposits (all counterparties)	380.08	184.92	316.20	154.05	323.77	142.58	298.40	130.04
(iii)	Unsecured debt	-	-	-	-	-	-	-	-
4	Secured wholesale funding	18.19	-	17.00	-	17.81	-	-	-
5	Additional requirements, of which	-	-	-	-	-	-	-	-
(i)	Outflows related to derivative exposures and other collateral requirements	-	-	-	-	-	-	-	-
(ii)	Outflows related to loss of funding on debt products-	-	-	-	-	-	-	-	-
(iii)	Credit and liquidity facilities	133.27	13.21	163.73	16.25	229.23	22.82	324.12	31.80
6	Other contractual funding obligations	-	-	61.67	61.67	25.00	25.00	63.67	63.67
7	Other contingent funding obligations	122.71	3.68	386.00	11.58	119.96	3.60	133.12	3.99
8	Total Cash Outflows	819.37	218.22	1,096.71	258.41	900.24	211.00	1,001.61	247.63
Cash Inflows		-	-	-	-	-	-	-	-
9	Secured lending (e.g. reverse repos)	-	-	17.67	-	11.00	-	32.00	-
10	Inflows from fully performing exposures	12.87	6.43	85.23	46.02	61.28	30.64	23.77	11.88
11	Other cash inflows	169.01	169.01	96.21	49.63	121.07	121.07	125.24	125.24
12	Total Cash Inflows	181.88	175.44	199.11	95.65	193.34	151.70	181.01	137.12
Total Adjusted Value									
21	TOTAL HQLA		192.28		174.95		198.98		215.09
22	Total Net Cash Outflows		54.56		162.76		59.30		110.50
23	Liquidity Coverage Ratio (%)		**352.45%**		**107.49%**		**335.58%**		**194.65%**

b) **Qualitative disclosure**

The LCR standard aims to ensure that a bank maintains an adequate level of unencumbered HQLA that can be converted into cash to meet its liquidity needs for a 30 calendar day time horizon under a significantly severe liquidity stress scenario as specified by supervisors. At a minimum, the stock of liquid assets should enable the Bank to survive until day 30 of the stress scenario, by which time it is assumed that appropriate corrective action can be taken.

(a) Main drivers of LCR and evolution of contribution of inputs

The Liquidity Coverage Ratio (LCR) standard aims to ensure that a bank maintains an adequate level of unencumbered High Quality Liquid Assets (HQLAs) that can be converted into cash to meet its liquidity needs for a 30 days' time horizon under a significantly severe liquidity stress scenario, by which time it is assumed that appropriate corrective actions can be taken. The LCR position depends upon the level of High Quality Liquid Assets (HQLA) and level of inflows and outflows in 30 days stress horizon computed as per the RBI guidelines in this regard.

(b) Intra period changes

The intra period changes are mainly on account of changes in unencumbered excess SLR positions.

(c) The composition of High Quality Liquid Assets(HQLA)

Banks' High Quality Liquid Assets consists of the following

i. Cash

ii. Balance with RBI in excess of CRR requirement

iii. Un encumbered portion of investments in Government securities in excess of SLR requirement.

iv. Investments in Government securities held within the mandatory SLR requirement, to the extent allowed by RBI under Marginal Standing facility (MSF)

v. Investment in Government Securities held up to 8% of Net Demand and Time Liabilities (NDTL) permissible under Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR).

(d) Concentration of funding

The Bank seeks to diversify its funding sources across retail, commercial, corporate and institutional clients, as well as across products, tenors and currency. Funding from significant counterparties, products/instruments and currency is monitored regularly as part of its ongoing liquidity management. The Bank endeavors to fund its current needs from deposits and capital, thereby ensuring minimal / no reliance on interbank borrowing.

(e) Derivative exposure and potential collateral calls

Bank does not have derivative business except forward contracts. Exposure to derivative contracts has been incorporated in the calculation of LCR.

(f) Currency Mismatch in LCR

LCR computation is aggregated across currencies, with the predominant currency being INR. The Bank's foreign currency liabilities support its foreign currency exposures, however all HQLA is maintained in INR only.

(g) Centralisation of liquidity management

Banks' liquidity management and monitoring is centralized. Bank has a Board adopted liquidity management policy in line with RBI regulation and guidelines.

(h) Other Inflows and outflows in the LCR calculation that are not captured

All Inflows and outflows are comprehensively captured in LCR.

Bank's LCR is higher than minimum required LCR and as such Bank is in compliance with RBI guidelines.

42. Details of Investments held as Security Receipts received by sale of NPA to securitization/Reconstruction Company are as follows-

(Rs. in crore)

Particulars	Backed by NPAs sold by the Bank as underlying		Backed by NPAs sold by other banks/ financial institutions/ non-banking financial companies as underlying		Total	
	As at March 31, 2018	**As at March 31, 2017**	**As at March 31, 2018**	**As at March 31, 2017**	**As at March 31, 2018**	**As at March 31, 2017**
Book value of investments in security receipts	14.92	15.13	Nil	Nil	14.92	15.13

43. The Bank has no case of fraud during the financial year ended 31st March 2018. (Previous year –1 case amounting to Rs. 0.07 Provision held Rs. 0.07).

44. The Bank does not provide any factoring services.

45. Divergence in asset classification and provisioning for NPA's-(Ref: DBR. BP.BC.NO. 63/ 21.04.018/2016-17 dated April 18, 2017)

There was no divergence in asset classification and provisioning observed by RBI for the financial year ended 31st March 2017.

46. Priority Sector Lending Certificates (PSLC) (RBI circular FIDD.CO.Plan. BC.23/ 04.09.01/2015-16 dated April 7, 2016)

During the financial year the bank has not traded in priority sector portfolio by selling or buying PSLC's.(Previous year: Nil)

47. Disclosures on the Scheme for Sustainable Structuring of Stressed Assets (S4A) and Strategic Debt Restructuring Scheme (Accounts which are currently under the stand-still period)

Disclosures on the Scheme for sustainable Structuring of stressed assets (S4A), as on 31st March 2018.

(Rs. in crore)

No. of accounts where S4A has been applied	Aggregate amount outstanding	Amount outstanding		Provision Held
		In part A as Standard	In part B as NPA	
Classified as Standard	10.62	5.32	5.30	5.32

(Previous Year: Nil)

48. Implementation of Indian Accounting standards (Ind As)

The Institute of Chartered Accountants of India has issued IndAS (a revised set of accounting standards) which largely converges the Indian accounting standards with International Financial Reporting Standards (IFRS). The Ministry of Corporate Affairs (MCA) has notified these accounting standards (IndAS) for adoption. The Reserve Bank of India (RBI) through its press release dated April 5, 2018 has deferred the implementation of Indian Accounting Standards (IndAS) by one year for scheduled commercial banks. In accordance with the same, the IndAS is applicable to banks from April 1, 2019. In preparedness towards achieving the same, the Bank had prepared proforma financial statements as per Ind-AS as on 30th September 2016 and 30th June 2017 as per extant regulatory guidelines and submitted the same to the RBI. The Bank will continue its preparation towards migration to adopting Ind-AS as per regulatory requirement.

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

49. Employee Benefits (AS-15)

Gratuity

The following tables summarise the components of net benefit expense recognised in the Profit and Loss Account and the funded status and amount recognised in the Balance Sheet for the respective plans.

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

(Rs. in crore)

Particulars	2017-18	2016-17
Current service cost	0.41	0.33
Interest cost	0.26	0.24
Expected return on plan assets	0.22	(0.12)
Actuarial (gains)/losses	-	0.10
Past Service Cost	-	-
Net expenses	**0.45**	**0.55**

Balance Sheet: Details of provision for gratuity **(Rs. in crore)**

Particulars	2017-18	2016-17
Fair value of plan assets	3.38	3.03
Present value of obligations	3.83	3.58
Asset/(Liability)	(0.45)	(0.55)
Asset/Liability recognised in the balance sheet	(0.45)	(0.55)

Changes in the present value of the defined benefit obligation are as follows: **(Rs. in crore)**

Particulars	2017-18	2016-17
Opening defined benefit obligation	3.58	3.02
Interest cost	0.26	0.24
Current service cost	0.41	0.33
Past service cost	-	-
Cost of Plan Amendment	-	-
Benefits paid	(0.40)	(0.17)
Actuarial (gains) / losses on obligation	(0.01)	0.16
Closing defined benefit obligation	**3.84**	**3.58**

Changes in the fair value of plan assets are as follow: **(Rs. in crore)**

Particulars	2017-18	2016-17
Opening fair value of plan assets	3.03	1.49
Expected return	0.22	0.12
Contributions by employer	0.55	1.53
Benefits paid	(0.40)	(0.17)
Actuarial gains / (losses) on plan assets	(0.02)	0.06
Closing fair value of plan assets	**3.38**	**3.03**

Experience adjustments: **(Rs. in crore)**

Particulars	2017-18	2016-17
(Gain)/Loss on obligation due to change in assumption	(0.24)	0.21
Experience (Gain)/Loss on obligation	0.23	(0.05)
Actuarial Gain/(Loss) on planned assets	(0.02)	0.06

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

Particulars	2017-18	2016-17
Discount Rate (%) p.a.	7.88%	7.27 %
Expected rate of return on assets (%) p.a.	7.88%	7.27%
Salary escalation rate (%) p.a.	8.00%	8.00%
Attrition Rate (%) p.a. : For first 4 years	25.00%	25.00%
: After 4 years	2.00%	2.00%

Compensated Absences

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

(Rs. in crore)

Particulars	2017-18	2016-17
Total actuarial liability for sick leave	0.44	0.38

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

Particulars	2017-18	2016-17
Discount Rate (%) p.a.	7.88%	7.27%
Salary escalation rate (%) p.a.	8.00%	8.00%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Unamortised Pension and Gratuity Liabilities

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

50. Segment Reporting

Segment Information about Primary Business Segments for the year March 31, 2018.

(Rs. in crore)

Business Segments	Treasury	Corporate Banking	Retail Banking	Other Banking Operations	Total
Revenue	47.57	97.02	5.97	3.21	153.77
Unallocated Revenue					(0.04)
Total Segment revenue					153.73
Expense	33.00	72.36	6.00	1.13	112.49
Unallocated Expense					5.31
Total Segment Expense					117.80
Operating Profit	14.57	24.66	(0.03)	2.08	41.28
Unallocated operating profit					(5.34)
Net Operating Profit					35.94
Segment Result	12.70	9.41	(0.28)	2.14	23.97
Unallocated result					(5.35)
Total Segment Result					18.62
Income Taxes (net of deferred tax)					(6.29)
Net Profit					12.33
Other Information					
Segment Assets	648.92	1588.33	56.75	0.24	2294.24
Unallocated Assets					63.49
Total Assets					2357.73
Segment Liabilities	86.25	684.70	1141.77	0.20	1912.92
Unallocated Liabilities					444.81
Total Liabilities					2357.73

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. - INDIAN BRANCHES

(Incorporated in Bahrain with Limited Liability)

Segment Information about Primary Business Segments for the year March 31, 2017.

(Rs. in crore)

Business Segments	Treasury	Corporate Banking	Retail Banking	Other Banking Operations	Total
Revenue	41.38	100.99	5.76	3.11	151.24
Unallocated Revenue					0.01
Total Segment revenue					151.25
Expense	23.97	67.75	6.53	0.89	99.14
Unallocated Expense					4.96
Total Segment Expense					104.10
Operating Profit	17.41	33.24	(0.77)	2.22	52.10
Unallocated operating profit					(4.95)
Net Operating Profit					47.15
Segment Result	17.41	14.12	(0.83)	2.22	32.92
Unallocated result					(4.95)
Total Segment Result					27.97
Income Taxes (net of deferred tax)					(9.69)
Net Profit					18.28
Other Information					
Segment Assets	754.46	1132.64	50.00	0.14	1937.24
Unallocated Assets					56.12
Total assets					1993.36
Segment Liabilities	52.34	549.58	960.28	0.18	1562.38
Unallocated liabilities					430.98
Total liabilities					1993.36

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

Notes: -

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

(ii) The Bank is organised into three main business segments, namely:

- Treasury – primarily comprising of Dealing Room operations, trading/ investments in Bonds and Government securities.
- Corporate Banking – primarily comprising of Wholesale Loans and Advances to Corporates, Investments in Corporate Bonds.
- Retail Banking – Primarily comprising of retail loans & advances to customers.

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

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

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

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

51. Related Parties

Parent

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

Subsidiaries of Parent

1. CrediMax
2. Invita Bahrain
3. Global Payment Services
4. Invita-Kuwait
5. BBK Shares Incentive

Associated Company of Parent

1. Bahrain Commercial Facilities Company
2. Securities Investment Company
3. Bahrain Kuwait Insurance (BKIC)
4. Ithmaar Bank
5. Pension Fund Commission (PFC)
6. Social Insurance Organisation (GOSI)
7. Kuwait Investment Authority (KIA)
8. The Benefit Company
9. Naseej Company
10. Alosra Bank
11. Sakana Holistic Housing Solutions
12. Diyyar Al Harameen Al Ola Limited
13. BBK Geojit Securities KSC
14. Aegila Capital Management Limited
15. Bahrain Liquidity Fund

Key Management Personnel

Mr. Mallikarjun Kota – Country Head & CEO - India

In line with the RBI circular DBR.BP.BC.No.23/21.04.018/2015-16 dated July 01, 2015 the Bank is not required to disclose details pertaining to related party where under a category there is only one entity (i.e. Head Office & its branches). Similarly there has been only one entity/person under Key Management Personnel at any point of time and therefore those details are also not disclosed.

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

52. Operating Leases

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

(Rs. in crore)

Particulars	2017-18	2016-17
Not later than one year	6.25	6.26
Later than one year and not later than five years	8.60	14.19
Later than five years	Nil	Nil

b) Lease payments of Rs. 6.79 crore (previous year Rs. 6.05 crore) have been recognized in the Profit and Loss Account for the year.

c) The lease agreements entered into pertain to use of premises (including fixed assets) at the branches. 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.

53. 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 be reversed.

Items on which DTA is created are as follows: **(Rs. in crore)**

	As at March 31, 2018	As at March 31, 2017
Deferred Tax Assets		
Provision on Advances	6.09	27.55
Provision for Employee Benefits	0.28	0.24
Bonus payable	0.76	0.52
Depreciation on Fixed Assets	-	0.07
Carried forward losses	15.37	-
Others	0.11	0.11
Total	**22.61**	**28.49**
Deferred Tax Liability		
Depreciation on Fixed Assets	0.25	-
Total	**0.25**	**-**
Net Deferred tax asset	**22.36**	**28.49**

54. 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.

55. There are no outstanding dues towards principal amount or interest thereon remaining unpaid to any supplier covered under Micro, Small and Medium Enterprises Development Act, 2006 as at the end of accounting year. Further, no interest was due or payable by the Bank to any supplier during the year under the provisions of the said Act. The determination has been made to the extent such parties were identified based on the available information (2017: Nil)

56. Provision for Long Term Contracts

The Bank has a process whereby periodically all long term contracts (including derivative contracts) are assessed for material foreseeable losses. At the year end, the Bank has reviewed and recorded adequate provision as required under any law / accounting standards for material foreseeable losses on such long term contracts (including derivative contracts) in the books of account and disclosed the same under the relevant notes in the financial statements.

57. Previous years financials were audited by another firm of Chartered Accountants. Previous years figures have been regrouped wherever necessary to conform to current year's presentation.

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

Mallikarjun Kota
Country Head & CEO - India

Mehjabeen Saifi
Vice President Financial Control - India

Place: Mumbai
Dated: June 28, 2018

Disclosures under the New Capital Adequacy Framework (BASEL II guidelines) for the year ended March 31, 2018

1. Scope of application:

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

2. Capital Structure:

Qualitative Disclosures:

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

Regulatory deductions are on account of intangible assets being deferred tax asset

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

Quantitative Disclosures: **(Rs. in crore)**

a.	**Tier I Capital**	
	Capital	292.89
	Reserves	128.55
b.	Deduction from Capital (Deferred Tax Asset and Software)	26.04
c.	Tier II Capital	9.94
	Total Eligible Capital	405.34

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 10.875 % for the next two years. For maintaining adequate capital, Bank has the additional option of augmenting the capital by raising subordinated debt.

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

Quantitative Disclosures:

Capital requirement for credit risk	
Portfolios subject to standardized approach	Rs. 1218.46 crore
Securitization exposures	Rs. 0.00
Total @ 10.875% CRAR	Rs. 132.51 crore

Capital requirement for market risk.

- Standardized duration approach

Interest Rate Risk	Rs. 6.99 crore
Foreign exchange risk (including gold)	Rs. 1.49 crore
Equity Risk	Rs. 0.00 crore
Specific Risk Capital Charge - Security Receipts	Rs. 3.70 crore

Capital requirement for operational risk;

Basic indicator approach

Capital required for operational risk	Rs. 14.18 crore
Total and Tier 1 capital ratios	
Tier I Capital	Rs. 395.40 crore
Tier II Capital	Rs. 9.94 crore
Total	Rs. 405.34crore
Total CRAR	27.75%
Core CRAR	27.07%

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

Qualitative Disclosures:

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

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

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

Liquidity Risk:

Liquidity risk is defined as the potential inability of the Bank to meet its financial obligations (liquidity needs) due to funding mismatch, The Bank has in place ALM policy which describes the measures for tracking and managing liquidity. It is the Bank's policy to keep part of its assets in high quality liquid assets such as 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 direct exposure to equity except the cases where debt has been converted as a part of Debt Restructuring package. The Bank has no exposure to commodity markets.

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

Credit Risk:

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

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

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

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

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

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

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

Non-performing Assets:

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

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

(i) Interest and /or installment of principal amount remains overdue for a period of 90 days or above in respect of a term loan

(ii) The account remains out of order for a period of more than 90 days in respect of Overdraft/Cash Credit

(iii) Bills remain overdue for a period of more than 90 days in case of bills purchased/discounted.

(iv) Any amount to be received remains overdue for a period of more than 90 days in respect of other accounts.

Discussion of Bank's Credit Risk Management policy

As discussed under the sub head Credit risk

Quantitative Disclosures:

- Total gross credit risk exposures – Fund based Rs. 2342.59 crore
- Non-fund based Rs. 535.12 crore
- Geographic distribution of exposure-Fund based and non fund based separately.

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

Industry break up as 31-03-2018

		Amount in crores					
CODE	**INDUSTRY**	**FUND BASED O/S**			**NFB O/S**		
		STD	**NPA**	**TOTAL**	**STD**	**NPA**	**TOTAL**
003	Iron & Steel	-	-	-	-	-	-
5	All Engineering	121.03	-	121.03	39.26	-	39.26
6	Electricity	-	-	-	-	-	-
7	Cotton Textiles	19.37	-	19.37	0.93	-	0.93
9	Other Textiles	9.57	-	9.57	-	-	-
12	Food Processing	57.95	-	57.95	-	-	-
17	Chemicals, dyes paints etc.	223.73	-	223.73	57.22	-	57.22
171	Of Which fertilizers	-	-	-	-	-	-
172	Of Which petro chemicals	-	-	-	-	-	-
173	Of Which drugs & pharmaceuticals	122.98	-	122.98	12.89	-	12.89
21	Construction	32.50	-	32.50	-	-	-
25	Infrastructure	173.51	12.72	186.65	20.00	-	20.00
252	Of which telecommunications			-		-	-
253	Of which road & ports	88.51	12.72	101.65	20.00	-	20.00
26	Other industries	650.51	-	650.81	110.92	-	110.92
27	NBFCS	263.79	-	263.79	-	-	-
28	Residual advances to balance gross adv.	55.50	-	55.50	0.31	-	0.31
	Grand Total	1,607.46	12.72	1,620.18	228.64	-	228.64

- Residual Contractual Maturity break-down of assets:

(Rs. in crore)

		1 Day	2 – 7 Days	8 to 14 Days	15 to 30 Days	31 days – 2 months	2 month– 3 months	3 - 6 months	6 - 12 months	1 - 3 years	3 - 5 years	5 –10 years	10 - 20 years	Over 20 Years	Total
1	Cash	1.35	-	-	-	-	-	-	-	-	-	-	-	-	1.35
2	Balance with RBI	-	-	8.53	1.72	3.16	3.05	7.81	22.05	44.31	3.57	-	-	-	94.20
3	Balances with banks & money at call & short notice	43.29	38	-	-	-	-	-	-	-	-	-	-	-	81.29
4	Investments	-	-	23.82	33.30	43.63	50.04	106.05	61.62	123.81	9.99	16.66	-	-	468.92
5	Advances	30.42	13.09	12.60	36.10	66.31	52.68	151.32	90.75	1101.68	51.39	13.84		-	1620.18
6	Fixed Assets	-	-	-	-	-	-	-	-	-	-	-	-	26.58	26.58
7	Other assets	-	-	2.96	1.95	0.79	1.70	1.49	0.26	37.87	-	18.19	-	-	65.21

- Amount of NPA's Gross

  Substandard Rs. 18.35 crore

  Doubtful 1 Rs. 0.01 crore

  Doubtful 2 Rs. 0.00 crore

  Doubtful 3 Rs. 0.02 crore

  Loss Rs. 0.25 crore
- Net NPA's Rs. 12.72 crore
- NPA Ratios

  Gross NPA's to Gross Advances 1.14%

  Net NPA's to net advances 0.78%

  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 Rs. 5.85 crore

  Amount of provision held for Non – Performing Investments Rs. 4.11 crore

  Movement of provision for depreciation on investments

(Rs. in crore)

Particulars	2017-2018
Opening Balance	0.54
Add: Provisions for depreciation made during the year	6.69
Less: Write-off/ write back of excess provision during the year	1.26
Closing balance	5.97

5. Credit Risk: Portfolios subject to standardized approach

Qualitative Disclosures:

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

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

Quantitative Disclosures:

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

Below 100% risk weight Rs. 2327.59 crore

100% risk weight Rs. 665.60 crore

More than 100% Rs. 63.96 crore

Deducted Nil

6. Credit risk mitigation: Standardized approach

Qualitative Disclosures:

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

Quantitative Disclosures:

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

	Rs. in crore as of 31-03-2018 Gross outstanding	Financial Mitigant
Corporate loans*	127.06	37.00
Retail Loans	0.00	0.00

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

7. Securitisation: Standardised approach

The Bank has not securitized any of its assets portfolios.

8. Market Risk

Qualitative Disclosures:

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

Securities held under HFT and AFS categories

Forward foreign exchange contracts

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

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

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

Quantitative Disclosures:

The capital requirements for

i) Interest rate risk Rs.6.99 crore

ii) Equity position risk Rs.0.00 crore

iii) Foreign exchange risk Rs.1.49 crore

iv) Specific Risk Capital Charge - Security Receipts Rs.3.70 crores

9. Operational Risk

Qualitative Disclosures:

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

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

Interest Rate Risk in the Banking book

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

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

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

Qualitative Disclosures

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

Quantitative Disclosures

The impact on the bank's financial condition due to change in interest rate is being monitored. The impact of 200 basis points change upward/ downward in interest rate on Net Interest Income (NII) amounted to an expected loss of INR 4.24 crore based on Asset Liability position of March 2018 using the traditional gap analysis.

Table DF-11: Composition of Capital
Part II: Template to be used before March, 2018
(i.e. during the transition period of Basel III regulatory adjustments)

(Rs. in million)

Sr No.	Particulars	Amount	Amt Subject to Pre Basel III Treatment	Ref No.
	Common Equity Tier 1 capital: instruments and reserves			
1	Funds from Head Office	2,929		A1
2	Retained earnings	1,286		B1+B2+B3+B4
3	Accumulated other comprehensive income (and other reserves)	-		
4	*Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies1)*	-		
	Public sector capital injections grandfathered until January 1 2018			
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-		
6	**Common Equity Tier 1 capital before regulatory adjustments**	4,214		
	Common Equity Tier 1 capital: regulatory adjustments			
7	Prudential valuation adjustments	-		
8	Goodwill (net of related tax liability)	-		
9	Intangibles other than mortgage-servicing rights (net of related tax liability)	37	-	D1
10	Deferred tax assets 2	224	-	E1
11	Cash-flow hedge reserve	-		
12	Shortfall of provisions to expected losses	-		
13	Securitisation gain on sale	-		
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-		
15	Defined-benefit pension fund net assets	-		
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-		
17	Reciprocal cross-holdings in common equity	-		

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

(Incorporated in Bahrain with Limited Liability)

Sr No.	Particulars	Amount	Amt Subject to Pre Basel III Treatment	Ref No.
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-		
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)3	-		
20	Mortgage servicing rights4 (amount above 10% threshold)	-		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-		
22	Amount exceeding the 15% threshold6	-		
23	of which: significant investments in the common stock of financial entities	-		
24	of which: mortgage servicing rights	-		
25	of which: deferred tax assets arising from temporary differences	-		
26	National specific regulatory adjustments7 (26a+26b+26c+26d)	-		
26a	*of which:* Investments in the equity capital of the unconsolidated insurance subsidiaries	-		
26b	*of which:* Investments in the equity capital of unconsolidated non-financial subsidiaries	-		
26c	*of which:* Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank9	-		
26d	*of which:* Unamortised pension funds expenditures Regulatory Adjustments Applied to Common Equity Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment	-		
	of which: [INSERT TYPE OF ADJUSTMENT]	-		
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-		
28	**Total regulatory adjustments to Common equity Tier 1**	261		
29	**Common Equity Tier 1 capital (CET1)**	3,953		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (31+32)	-		
31	of which: classified as equity under applicable accounting standards (Perpetual Non-Cumulative Preference Shares)	-		
32	of which: classified as liabilities under applicable accounting standards (Perpetual debt Instruments)	-		
33	*Directly issued capital instruments subject to phase out from Additional Tier 1*	-		
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-		
35	*of which: instruments issued by subsidiaries subject to Phase out*	-		
36	**Additional Tier 1 capital before regulatory adjustments**	-		
Additional Tier 1 capital: regulatory adjustments				
37	Investments in own Additional Tier 1 instruments	-		
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-		
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10 %of the issued common share capital of the entity(Amount above 10 % threshold)	-		
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)10	-		
41	National specific regulatory adjustments (41a+41b)	-		
41a	Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries	-		
41b	Shortfall in the Additional Tier 1 capital of majority owned financial entities which have not been consolidated with the bank	-		
	Regulatory Adjustments Applied to Additional Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment	-		
	*of which:*DTA	-		
	Intangibles other than mortgage-servicing rights (net of related tax liability)	-		
	of which: [INSERT TYPE OF ADJUSTMENT e.g. existing adjustments which are deducted from Tier 1 at 50%]	-		
	of which: [INSERT TYPE OF ADJUSTMENT]	-		
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-		
43	**Total regulatory adjustments to Additional Tier 1 capital**	-		
44	**Additional Tier 1 capital (AT1)**	-		
44a	**Additional Tier 1 capital reckoned for capital adequacy11**	-		
45	**Tier 1 capital (T1 = CET1 + AT1) (29 + 44a)**	3,953		
Tier 2 capital: instruments and provisions				
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-		
47	Directly issued capital instruments subject to phase out from Tier 2	-		
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-		
49	*of which: instruments issued by subsidiaries subject to phase out*	-		
50	Provisions(provision for Standard advances,unhedged foreign currency exposures and country risk provisions)	99		C1+C2
51	**Tier 2 capital before regulatory adjustments**	99		
Tier 2 capital: regulatory adjustments				
52	Investments in own Tier 2 instruments	-		
53	Reciprocal cross-holdings in Tier 2 instruments	-		
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-		
55	Significant investments13 in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-		
56a	of which: Investments in the Tier 2 capital of unconsolidated insurance subsidiaries	-		
56b	*of which:* Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the bank	-		
	Regulatory Adjustments Applied To Tier 2 in respect of	-		
	Amounts Subject to Pre-Basel III Treatment	-		
	of which: [INSERT TYPE OF ADJUSTMENT e.g. existing adjustments which are deducted from Tier 2 at 50%]	-		
	of which: [INSERT TYPE OF ADJUSTMENT	-		
57	**Total regulatory adjustments to Tier 2 capital**	-		
58	**Tier 2 capital (T2)**	99		
58a	**Tier 2 capital reckoned for capital adequacy14**	99		
58b	**Excess Additional Tier 1 capital reckoned as Tier 2 capital**	-		
58c	**Total Tier 2 capital admissible for capital adequacy (58a + 58b)**	99		
59	**Total capital (TC = T1 + T2) (45 + 58c)**	4,052		
60	**Total risk weighted assets (60a + 60b + 60c)**	14,610		
60a	*of which: total credit risk weighted assets*	12,185		
60b	*of which: total market risk weighted assets*	1,121		
60c	*of which: total operational risk weighted assets*	1,304		
	Capital ratios			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	27.07%		
62	Tier 1 (as a percentage of risk weighted assets)	27.07%		
63	Total capital (as a percentage of risk weighted assets)	27.75%		
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets)	7.375%		
65	*of which: capital conservation buffer requirement*	1.875%		
66	*of which: bank specific countercyclical buffer requirement*	-		
67	*of which: G-SIB buffer requirement*	-		
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	-		
	National minima (if different from Basel III)			
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	5.50%		
70	National Tier 1 minimum ratio (if different from Basel III minimum)	7.00%		
71	National total capital minimum ratio (if different from Basel III minimum)	9.00%		
	Amounts below the thresholds for deduction (before risk weighting)			
72	Non-significant investments in the capital of other financial entities	-		
73	Significant investments in the common stock of financial entities	-		
74	Mortgage servicing rights (net of related tax liability)	N.A.		
75	Deferred tax assets arising from temporary differences (net of related tax liability)	N.A.		
	Applicable caps on the inclusion of provisions in Tier 2			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	99		
77	Cap on inclusion of provisions in Tier 2 under standardised approach	99		
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	N.A.		
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	N.A.		
	Capital instruments subject to phase-out arrangements			
	(only applicable between March 31, 2017 and March 31, 2022)			
80	*Current cap on CET1 instruments subject to phase out arrangements*	N.A.		
81	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	N.A.		
82	*Current cap on AT1 instruments subject to phase out*	N.A.		
	arrangements	N.A.		
83	*Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)*	N.A.		
84	*Current cap on T2 instruments subject to phase out arrangements*	N.A.		
85	*Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)*	N.A.		

DF-12 Composition of Capital-Reconciliation Requirements

Step 1 (Rs in Million)

Sr No.	Particulars	Balance sheet as in financial statements	Balance Sheet under regulatory scope of consolidation
A	**Capital & Liabilities**		
i	**Paid-up Capital**	2,929	2,929
	Reserves & Surplus	1,396	1,396
	Minority Interest	-	-
	Total Capital	4,325	4,325
ii	**Deposits**	17,871	17,871
	of which: Deposits from banks	2	2
	of which: Customer deposits	17,869	17,869
	of which: Other deposits (pl. specify)	-	-
iii	**Borrowings**	850	850
	of which: From RBI		-
	of which: From banks	750	750
	of which: From other institutions & agencies	100	100
	of which: Others (Borrowings outside India)	-	-
	of which: Capital instruments	-	-
iv	**Other liabilities & provisions**	531	531
	Total	**23,577**	**23,577**
B	**Assets**		
i	Cash and balances with Reserve Bank of India	955	955
	Balance with banks and money at call and short notice	813	813
ii	**Investments:**	4,689	4,689
	of which: Government securities	4,523	4,523
	of which: Other approved securities		
	of which: Shares	-	-
	of which: Debentures & Bonds	17	17
	of which: Subsidiaries / Joint Ventures / Associates	-	-
	of which: Others (Commercial Papers, Mutual Funds etc.)	149	149
iii	**Loans and advances**	16,202	16,202
	of which: Loans and advances to banks	-	
	of which: Loans and advances to customers	16,202	16,202
iv	**Fixed assets**	266	266
v	**Other assets**	652	652
	of which: Goodwill and intangible assets	-	-
	of which: Deferred tax assets	224	224
vi	Goodwill on consolidation	-	-
vii	Debit balance in Profit & Loss account	-	-
	Total Assets	**23,577**	**23,577**

Step 2 (Rs in Million)

Sr No.	Particulars	Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation	Reference No.
A	**Capital & Liabilities**			
i	**Paid-up Capital**	2,929	2,929	
	of which: Amount eligible for CET1	2,929	2,929	A1
	of which: Amount eligible for AT1			
	Reserves & Surplus	1,396	1,396	
	of which:			
	Statutory Reserve	495	495	B1
	Property Investment Reserve	10	10	B2
	Capital Reserve	28	28	B3
	Capital Adequacy	753	753	B4
	Investment Reserve Account	19	19	C1
	Balance in Profit /Loss A/c	92	92	
	Total Capital	**4,325**	**4,325**	
ii	**Deposits**	17,871	17,871	
	of which: Deposits from banks	2	2	
	of which: Customer deposits	17,869	17,869	
	of which: Other deposits (pl. specify)	-	-	
iii	**Borrowings**	850	850	
	of which: From RBI	-	-	
	of which: From banks	750	750	
	of which: From other institutions & agencies	100	100	
	of which: Others (Borrowings outside India)	-	-	
iv	**Other liabilities & provisions**	531	531	
	of which:Provision for Standard Advances,Country Risk,Unhedged foreign currency Exposures)	80	80	C2
	TOTAL Capital & Liabilities	**23,577**	**23,577**	
B	**ASSETS**			
i	Cash and balances with Reserve Bank of India	955	955	
	Balance with banks and money at call and short notice	813	813	
ii	**Investments**	4,689	4,689	
	of which: Government securities *of which*: Other approved securities	4,523	4,523	
	of which: Shares	-	-	
	of which: Debentures & Bonds	-	-	
	of which: Subsidiaries / Joint	17	17	
	Ventures / Associates	-	-	
	of which: Others (Commercial Papers,Mutual Funds etc.)	149	149	
iii	**Loans and advances**	16,202	16,202	
	of which: *Loans and advances to Banks*	-	-	
	of which: Loans and advances to customers	16,202	16,202	
iv	**Fixed assets**	266	266	
	of which:Intangibles	37	37	D1
v	**Other assets**	652	652	
	of which: Goodwill and intangible assets			
	of which: Deferred tax assets	224	224	E1
vi	**Goodwill on consolidation**	-	-	
vii	**Debit balance in Profit & Loss account**	-	-	
	Total Assets	**23,577**	**23,577**	

Leverage Ratio

The Basel III leverage ratio is defined as the capital measure (Tier-1 capital of the risk based capital framework) divided by the exposure measure, with this ratio expressed as a percentage. As per RBI guidelines, disclosures required for leverage ratio for the Bank at the consolidated level at March 31, 2018 is as follows

a) **Table DF 17- Summary comparison of accounting assets vs. leverage ratio exposure measure**

Sr. No.	Particulars	In Rs.000's
1	Total consolidated assets as per published financial statements	23,577,269
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
4	Adjustments for derivative financial instruments	95,497
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	-
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off- balance sheet exposures)	2,388,106
7	Other adjustments	-260,366
8	**Leverage ratio exposure**	**25,800,505**

b) Table DF-18: Leverage ratio common disclosure template (In Rs.000's)

Sr. No.	Particulars	In Rs.000's
	On-balance sheet exposures	
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	23,197,269
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	-260366
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**22,936,903**
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	12,801
5	Add-on amounts for PFE associated with all derivatives transactions	82,696
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8	(Exempted CCP leg of client-cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11	**Total derivative exposures (sum of lines 4 to 10)**	**95,497**
	Securities financing transaction exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	380000
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	CCR exposure for SFT assets	-
15	Agent transaction exposures	-
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**	**380000**
	Other off-balance sheet exposures	
17	Off-balance sheet exposure at gross notional amount	5,351,213
18	(Adjustments for conversion to credit equivalent amounts)	-2,963,107
19	**Off-balance sheet items (sum of lines 17 and 18)**	**2,388,106**
	Capital and total exposures	
20	**Tier 1 capital**	**3,954,047**
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**25,800,505**
	Leverage ratio	
22	**Basel III leverage ratio**	**15.33%**