



BANK OF BAHRAIN & KUWAIT B.S.C.

FINANCIAL REPORTS FOR THE LAST FIVE YEARS

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BANK OF BAHRAIN & KUWAIT B.S.C.

(Incorporated in Bahrain with Limited Liability)

INDIAN BRANCHES

<i>BALANCE SHEET AS ON 31ST MARCH 2011</i>			<i>PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2011</i>				
Schedule	As on 31.03.2011 Rs. (000's)	As on 31.03.2010 Rs. (000's)	Schedule	Year Ended 31.03.2011 Rs. (000's)	Year Ended 31.03.2010 Rs. (000's)		
CAPITAL AND LIABILITIES			1 INCOME				
Capital	1	584,044	584,044	Interest earned	13	519,721	405,341
Reserves & surplus	2	476,725	418,270	Other income	14	96,017	101,766
Deposits	3	5,147,684	5,149,893	TOTAL:		615,738	507,107
Borrowings	4	955,950	549,000	2 EXPENDITURE			
Other liabilities and provisions	5	293,906	272,101	Interest expended	15	236,911	265,103
TOTAL:		7,458,309	6,973,308	Operating expenses	16	172,770	168,233
ASSETS			Provisions and contingencies		63,021	49,626	
Cash and balances with			TOTAL:		472,702	482,962	
Reserve Bank of India	6	452,716	418,863	3 PROFIT			
Balances with Banks and Money				Net profit for the year		143,036	24,145
at Call and Short Notice	7	576,422	148,699	TOTAL:		143,036	24,145
Investments	8	2,331,918	2,251,491	4 APPROPRIATIONS			
Advances	9	3,829,020	3,866,130	Transfer to Statutory Reserve		35,759	6,036
Fixed assets	10	47,842	54,562	Balance carried over to		107,277	18,109
Other assets	11	220,391	233,563	Balance Sheet			
TOTAL:		7,458,309	6,973,308	TOTAL:		143,036	24,145
Contingent Liabilities	12	3,452,636	3,176,968	Significant Accounting Policies			
Bills for Collection		553,232	415,809	and Notes to Accounts	17 & 18		
Significant Accounting Policies							
and Notes to Accounts	17 & 18						

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

As per our attached report of even date

For A. P. Sanzgiri & Co.
Firm Registration No. 116293W
Chartered Accountants

Sd/-
Mehul Shah
Partner
Membership No. 100909

Mumbai
Dated: June 08, 2011

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

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

Sd/-
V. Sankaran
Country Head - India

Sd/-
Mehjabeen Saifi
Vice President Financial Control - India



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CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

(Rs. in 000's)

Particulars	2010-11	2009-10
Cash flows from operating activities		
Net profit before taxation	153,412	63,625
Adjustments for:		
Depreciation on Fixed Assets	20,927	17,127
(Profit)/Loss on sale of fixed assets	(160)	197
Premium amortised on Held to Maturity category	4,676	4,676
Provision in respect of Non performing advances	57,590	10,479
Provision in respect of Non performing advances written back	(6,911)	(107,316)
Provision for investments written back	-	-
Bad Debts written off	3	93,090
Provision on country risk	150	-
Other Provisions	-	1,055
Provision on Restructured Assets	-	(3,005)
Provision on Standard Assets	(1,065)	-
Other assets written off	1,013	-
Provision on other assets written back	(1,013)	(2)
Provision on Investments	2,878	15,845
Operating profit before working capital changes	231,500	95,771
(Increase)/Decrease in Investments	(87,980)	(781,843)
(Increase)/Decrease in Advances	(13,572)	(994,162)
(Increase)/Decrease in Other Assets	(38,048)	30,733
Increase/(Decrease) in Deposits	(2,209)	430,854
Increase/(Decrease) in Other Liabilities & Provisions	22,721	(78,621)
Increase/(Decrease) in Borrowings	406,950	519,000
Income taxes (paid)/received	(43,739)	(6,994)
Net Cash Flow generated from/(used in) Operating Activities	475,623	(785,262)
Cash flows from investing activities		
Purchase of fixed assets	(14,388)	(12,074)
Proceeds from sale of fixed assets	341	1,143
Net Cash Flow generated from/(used in) Investing Activities	(14,047)	(10,931)
Cash flows from financing activities		
Injection of capital	-	-
Net increase/(decrease) in cash and cash equivalents	461,576	(796,193)
Cash and Cash equivalents at the beginning of the year	567,562	1,363,755
Cash and Cash equivalents at the end of the year	1,029,138	567,562

As per our attached report of even date

For A. P. Sanzgiri & Co.
Firm Registration No. 116293W
Chartered Accountants

Sd/-
Mehul Shah
Partner
Membership No. 100909

Mumbai
Dated: June 08, 2011

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SCHEDULES FORMING PART OF BALANCE SHEET

	As on 31.03.2011 Rs. (000's)	As on 31.03.2010 Rs. (000's)		As on 31.03.2011 Rs. (000's)	As on 31.03.2010 Rs. (000's)
SCHEDULE 1 – SHARE CAPITAL			SCHEDULE 4 – BORROWINGS		
(i) Amount of deposit kept with the Reserve Bank of India under section 11(2)(b) of the Banking Regulation Act, 1949	228,000	228,000	I Borrowings in India from		
(ii) Amount brought in by Bank by way of Capital	584,044	584,044	(i) Reserve Bank of India	415,000	50,000
Total	584,044	584,044	(ii) Other Banks	95,000	50,000
			(iii) Other institutions and agencies	-	-
SCHEDULE 2 – RESERVES AND SURPLUS			II Borrowings outside India	510,000	100,000
I Statutory Reserve			Total (I+II)	955,950	549,000
As per Last Balance Sheet	216,618	210,582			
Add: Transfer from Profit & Loss Account	35,759	6,036	Secured borrowings included in I & II above - Rs. Rs. 400,000 (Previous year 50,000) (Rs. in 000's)		
	252,377	216,618	SCHEDULE 5 – OTHER LIABILITIES AND PROVISIONS		
II Property Investment Reserve	9,976	9,976	I Bills Payable	65,724	37,136
III Capital Reserve	27,231	27,231	II Interest Accrued	34,494	36,401
IV Surplus Retained for Capital Adequacy	164,445	164,445	III Provision for standard assets	18,561	19,626
V Balance in Profit and Loss Account	22,696	-	IV Others (including provisions)	175,127	178,938
Total	476,725	418,270	Total	293,906	272,101
SCHEDULE 3 – DEPOSITS			SCHEDULE 6 CASH AND BALANCE WITH RESERVE BANK OF INDIA		
A I Demand Deposits			I Cash in hand (including foreign currency notes)	3,990	4,309
(i) From Banks	19,519	8,045	II Balances with Reserve Bank of India		
(ii) From Others	1,113,475	1,045,678	(i) In Current Account	448,726	414,554
	1,132,994	1,053,723	(ii) In Other Account	-	-
II Saving Bank Deposits	625,677	590,336	Total (I+II)	452,716	418,863
III Term Deposits			SCHEDULE 7 – BALANCES WITH BANKS & MONEY AT CALL & SHORT NOTICE		
(i) From Banks	1,991	-	I In India		
(ii) From Others	3,387,022	3,505,834	(i) Balances with Banks		
	3,389,013	3,505,834	(a) In Current Account	4,388	4,842
Total	5,147,684	5,149,893	(b) In Other Deposit Account	-	-
			(ii) Money at Call and Short Notice		
B (i) Deposits of branches in India	5,147,684	5,149,893	(a) With Banks	133,785	-
(ii) Deposits of branches outside India	-	-	(b) With Other Institutions	-	-
Total	5,147,684	5,149,893		138,173	4,842
			II Outside India		
			(i) In Current Account	72,570	13,647
			(ii) In Other Deposit Accounts	-	-
			(iii) Money at Call and Short Notice	365,679	130,210
			Total (I+II)	576,422	148,699



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SCHEDULES FORMING PART OF BALANCE SHEET

	As on 31.03.2011 Rs. (000's)	As on 31.03.2010 Rs. (000's)		As on 31.03.2011 Rs. (000's)	As on 31.03.2010 Rs. (000's)
SCHEDULE 8 – INVESTMENTS			SCHEDULE 10 – FIXED ASSETS		
I Investments in India in			I Premises		
(i) Government securities (*)	1,893,408	1,613,408	At cost as per last Balance Sheet	24,988	24,988
(ii) Other approved securities	-	-	Additions during the year	-	-
(iii) Shares	-	-	Deductions during the year	-	-
(iv) Debentures and bonds	-	-	Depreciation to date	(1,358)	(950)
(v) Others	438,510	638,083		23,630	24,038
	2,331,918	2,251,491	II Other fixed assets		
II Investments outside India	-	-	At cost as per last Balance Sheet	153,882	146,333
	2,331,918	2,251,491	Additions during the year	14,748	11,761
III Investments in India			Deductions during the year	(10,128)	(4,212)
Gross Value	2,364,090	2,280,785	Depreciation to date	(134,290)	(123,718)
Less:- Provision on Investments	(32,172)	(29,294)		24,212	30,164
Net Value	2,331,918	2,251,491	III Capital work in progress (including capital advances)	-	360
			Total	47,842	54,562
* includes Securities of book value of Rs. 50,760 (FV Rs. 50,000) (Previous Year BV 51,076 FV 50,000) deposited with CCIL, securities of FV of Rs. 420,000 (Previous Year 52,500) under LAF and securities of Face Value of Rs. 228,000 kept with RBI under section 11(2)(b) (ii) of Banking Regulation Act, 1949 (Previous Year FV Rs. 228,000) (Rs. in 000's).			SCHEDULE 11 – OTHER ASSETS		
SCHEDULE 9 – ADVANCES			I Interest accrued	39,140	31,429
A (i) Bills purchased and discounted	1,176,904	2,033,388	II Tax paid in advance/tax deducted at source (net of provisions)	48,748	25,648
(ii) Cash credits, Overdrafts & Loans	1,439,866	1,177,296	III Deferred Tax (net) (Refer Accounting Policy 10 & Notes to Accounts 38)	29,263	19,000
(iii) Term Loans	1,212,250	655,446	IV Stationary and stamps	16	75
Total	3,829,020	3,866,130	V Others (including debit balance in Profit and Loss Account of Rs. Nil for current year) (previous year Rs. 84,583) (Rs. in 000's)	103,224	157,411
B (i) Secured by tangible assets*	2,926,619	1,711,610	Total	220,391	233,563
(ii) Covered by Bank/ Government Guarantees	352,627	1,605,337	SCHEDULE 12 CONTINGENT LIABILITIES		
(iii) Unsecured	549,774	549,183	I Claims against the bank not acknowledged as debts	75,000	75,000
*includes advances against book debts			II Liabilities on account of outstanding forward exchange contracts	2,464,843	2,650,948
Total	3,829,020	3,866,130	III Guarantees given on behalf of constituents		
C I Advances in India			(a) In India	708,721	399,919
(i) Priority Sector	1,067,947	1,197,588	(b) Outside India	-	-
(ii) Public Sector	-	-	IV Acceptances, endorsements and other obligations	204,072	51,101
(iii) Banks	309,055	1,438,117	V Other items for which the Banks is not contingently liable	-	-
(iv) Others	2,452,018	1,230,425	Total	3,452,636	3,176,968
Sub-total	3,829,020	3,866,130			
II Advances outside India	-	-			
Sub-total	-	-			
Total	3,829,020	3,866,130			



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SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

	Year Ended 31.03.2011 Rs. (000's)	Year Ended 31.03.2010 Rs. (000's)		Year Ended 31.03.2011 Rs. (000's)	Year Ended 31.03.2010 Rs. (000's)
SCHEDULE 13 INTEREST EARNED			SCHEDULE 15 – INTEREST EXPENDED		
I Interest/Discount on Advances/Bills	391,289	305,955	I Interest on Deposits	190,859	254,087
II Income on Investments (net of premium amortised Rs. 4,676 in 000's) (Previous year Rs. 4,676 in 000's)	121,490	94,611	II Interest on RBI/Inter-bank borrowings	18,626	1,948
III Interest on balance with Reserve Bank of India and other inter-bank funds	4,049	4,775	III Others representing hedging cost	27,426	9,068
IV Others (includes interest on income tax refund of Rs. 2,893) (Previous Year Rs. Nil in 000's)	2,893	-	Total	236,911	265,103
Total	519,721	405,341	SCHEDULE 16 – OPERATING EXPENSES		
SCHEDULE 14 – OTHER INCOME			I Payment to and provisions for employees	82,829	72,493
I Commission, Exchange and Brokerage	44,143	52,088	II Rent, Taxes and Lighting	33,929	38,105
II Profit on sale of Investments (net)	657	17,973	III Printing and Stationary	2,221	2,662
III Profit/(Loss) on sale of assets (net)	160	(197)	IV Advertisement and Publicity	600	418
IV Profit on Exchange Transactions (net)	29,474	22,530	V Depreciation on Bank's Property	20,927	17,127
V Income earned by way of dividends, etc. from subsidiaries, companies, joint venture abroad/in India	-	3	VI Directors' Fees, Allowances and Expenses	-	-
VI Miscellaneous Income	21,583	9,369	VII Auditors' Fees and Expenses	600	1,000
Total	96,017	101,766	VIII Law Charges	957	378
			IX Postage, Telegrams, Telephones etc.	4,493	7,741
			X Repairs and Maintenance	6,277	5,252
			XI Insurance	6,841	5,404
			XII Other Expenditure	13,096	17,653
			Total	172,770	168,233

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES

1. Basis of preparation

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

2. Use of Estimates

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

3. Transaction involving foreign exchange

- Monetary assets and liabilities denominated in foreign currencies and outstanding forward exchange contracts except foreign currency deposit swaps are revalued at the year end exchange rates notified by the Foreign Exchange Dealers' Association of India (FEDAI) and the resultant gains or losses are recognised in Profit and Loss Account.
- Income and expenditure in foreign currencies are translated at the rates prevailing on the date of the transaction.
- Acceptances, endorsements and other obligations in foreign currencies are stated at the year end exchange rates notified by FEDAI.



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

4. Investments

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

Accounting and Classification

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

Valuation

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

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

Treasury Bills are valued at carrying cost.

Market value, in case of Government and other approved securities, 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).

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

Transfer between categories

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

Sale of Investments under Held to Maturity

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

Accounting for repos/reverse repos

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

5. Advances and Provisions

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

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

6. Fixed Assets and Depreciation

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

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

Assets	Rate
Vehicle	20.00%
Equipment	20.00%
Furniture	20.00%
Hardware & Software	33.33%
Leasehold Improvements	Over the Primary period of the lease

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.



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

7. Lease Transactions

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

8. Revenue Recognition

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

- a) Interest income on advances, other than on Non-Performing Advances, is recognised on accrual basis.
- b) Income from investments other than non performing investments is accounted for on accrual basis except dividend on shares of Corporates and Mutual Funds, if any, which is accounted for on cash basis.
- c) Interest income on Non-Performing Assets is recognised only on realisation in accordance with the norms prescribed by the Reserve Bank of India.
- d) Commission income on letters of credit is accounted on issuance of the letter of credit. Loan processing fees is recognised at inception of the loan. Guarantee commission exceeding Rs.1,00,000/- is accrued on a time proportion basis over the period of guarantee.

9. Employee Benefits

a) Gratuity

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

b) Provident Fund

The Bank operates a Provident Fund Scheme to which it contributes an amount on monthly basis at a determined rate. The contribution is remitted to a Trust established by the Bank for this purpose and such contribution is charged to the Profit and Loss Account. All employees of the Bank are eligible to receive benefits under the Provident Fund. Interest is payable to the members of such trust at a rate which shall not be lower than the statutory rate of interest declared by the Central Government. Shortfall if any, between the interest earned by the trust and the minimum amount to be distributed is provided for in the year to which it relates.

c) Compensated Absences

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

10. Taxation

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

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

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

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

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

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

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

11. Net Profit

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

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



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12. Provisions, Contingent Assets And Contingent Liabilities

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

- i. A possible obligation, arising from a past event (s), the existence of which will be confirmed by occurrence or non-occurrence of one or more uncertain future events not within the control of the Bank or
- ii. Any present obligation that arises from past events but is not recognized because:
 - a. It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
 - b. A reliable estimate of the amount of obligation cannot be made..

13. Cash and Cash Equivalents

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

SCHEDULE 18: NOTES TO ACCOUNTS

Disclosure requirements as per RBI guidelines

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

(Rs. in crore)

Particulars	Year ended 31.03.2011	Year ended 31.03.2010
Specific Provision for Non Performing Advances	5.76	1.05
Bad Debts written off	-	9.31
Provision for Non Performing Advances written back	(0.69)	(10.73)
Provision for depreciation on Investments	0.29	1.59
Other assets written off	0.10	-
Provision for other assets written off	(0.10)	-
Other Provisions	-	0.10
Provision for income tax	3.84	-
MAT credit entitlement	(3.84)	-
Provision for Income tax for earlier years	2.04	-
Provision for deferred tax	(1.03)	3.92
Provision for wealth tax	0.02	0.02
Provision for country risk	0.01	-
Provision for re-structured assets	-	(0.30)
Provision for standard assets	(0.10)	-
Total	6.30	4.96

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

Capital Adequacy Ratio	31.03.2011	31.03.2010
i) CRAR (%)	23.28%	25.01%
ii) CRAR - Tier I Capital (%)	22.89%	24.45%
iii) CRAR - Tier II Capital (%)	0.39%	0.56%
iv) Percentage of the shareholding of the Government of India in nationalized banks	N.A.	N.A.
v) Amount of subordinated debt raised as Tier-II capital	Nil	Nil

3. Business Ratios:

Particulars	31.03.2011	31.03.2010
a. Net NPAs to Net Advances	0.52%	1.95%
b. Interest income as a percentage to working funds (\$)	7.09%	6.90%
c. Non interest income as a percentage to working funds (\$)	1.31%	1.73%
d. Operating Profit as a percentage to working funds (\$)	2.81%	1.26%
e. Return on assets (@)	1.99%	0.37%
f. Business (Deposits plus Advances) per employee (#)	Rs. 8.96 Crore	Rs. 8.50 Crore
g. Profit per employee (#)	Rs. 0.14 Crore	Rs. 0.02 Crore

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

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

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



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4. Provision Coverage Ratio (PCR)

The provision coverage ratio of the Bank as on March 31, 2011 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 81.05%.

5. Miscellaneous income under Schedule 14 includes loan processing fees amounting to Rs. 1.15 crore (previous year 0.90 crore) and recovery from written off account amounting to Rs. 1.00 crore (previous year Nil).

6. Maturity Profile:

As at March 31, 2011

(Rs. in crore)

Maturity Profile	1 day	2-7 days	8-14 days	15-28 days	29 days-3 months	3-6 months	6-12 months	1-3 years	3-5 years	Over 5 years	Total
Deposits	2.66	14.76	21.39	9.73	69.52	51.63	159.61	182.42	3.05	-	514.77
Borrowings	-	41.50	9.50	44.60	-	-	-	-	-	-	95.60
Loans & Advances	7.62	22.58	25.80	19.98	88.72	4.83	10.29	176.62	21.56	4.90	382.90
Investments	-	24.56	21.63	17.48	22.01	16.59	50.56	77.88	0.96	1.52	233.19
Foreign currency assets	43.96	24.68	12.70	10.92	26.27	0.55	1.19	22.46	5.37	2.88	150.98
Foreign currency liabilities	5.79	2.75	4.65	49.50	14.42	28.20	115.65	12.32	0.06	-	233.34

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

As at March 31, 2010

(Rs. in crore)

Maturity Profile	1 day	2-7 days	8-14 days	15-28 days	29 days-3 months	3-6 months	6-12 months	1-3 years	3-5 years	Over 5 years	Total
Deposits	2.74	13.41	20.22	80.58	38.53	49.33	127.92	178.24	3.78	0.24	514.99
Borrowings	-	10.00	-	-	44.90	-	-	-	-	-	54.90
Loans & Advances	1.88	13.20	15.98	37.25	163.87	34.69	21.81	66.64	28.14	3.15	386.61
Investments	-	-	34.45	24.70	11.81	39.98	38.79	73.58	1.14	0.70	225.15
Foreign currency assets	14.47	0.32	0.25	3.46	14.48	24.91	14.76	10.54	10.45	3.67	97.31
Foreign currency liabilities	8.45	3.01	2.71	2.70	56.12	16.35	70.41	15.61	0.04	-	175.40

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

7. Movement in Non-Performing Advances:

(Rs. in crore)

Particulars	2010-2011			2009-2010		
	Gross NPA (net of interest in suspense)	Provisions	Net NPA	Gross NPA (net of interest in suspense)	Provisions	Net NPA
Opening balance	10.91	1.83	9.08	11.76	11.51	0.25
(+) Additions	1.13	5.76	(4.63)	19.09	1.05	18.04
(-) Recoveries	1.59	0.69	0.90	3.66	1.42	2.24
(-) Upgradations	-	-	-	6.97	-	6.97
(-) Write off	-	-	-	9.31	9.31	-
Closing balance	10.45	6.90	3.55	10.91	1.83	9.08
Less: Floating Provision	-	-	(1.57)	-	-	(1.57)
Net Closing balance	-	-	1.98	-	-	7.51

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

- Deducting the existing floating provisions from gross NPAs to arrive at net NPAs or
 - Reckoning it as part of Tier II capital subject to the overall ceiling of 1.25% of total Risk Weighted Assets.
- The bank has exercised the option of deducting such floating provisions from Gross NPAs to arrive at net NPAs.



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8. INVESTMENTS:

i. Details of Investments:

(Rs. in crore)

Particulars	2010-11	2009-10
1) Value of Investments		
i) Gross Value of Investments		
(a) In India	236.41	228.08
(b) Outside India	-	-
ii) Provision for Depreciation/Premium Charged		
(a) In India	(3.22)	(2.93)
(b) Outside India	-	-
iii) Net Value of Investments		
(a) In India	233.19	225.15
(b) Outside India	-	-
2) Movement of provisions held towards depreciation/premium charged		
i) Opening balance	2.93	1.34
ii) Add: Additions during the year	0.29	1.59
iii) Less: Write off/write back of excess provision during the year	-	-
iv) Closing balance	3.22	2.93

ii. Classification of net Investments is as under:

(Rs. in crore)

Particulars	2010-11	2009-10
Held for Trading		
a) Approved Securities	-	1.00
b) Unapproved Securities	24.56	19.89
Available for Sale		
a) Approved Securities	99.12	69.66
b) Unapproved Securities	-	24.62
Held for Maturity		
a) Approved Securities	90.22	90.69
b) Unapproved Securities	19.29	19.29
Total	233.19	225.15

9. i) Issuer composition of Non SLR investments

2010-2011

(Rs. in crore)

No.	Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities(*)	Extent of 'unlisted' securities(*)
1	PSU's	-	-	-	-	-
2	FI's (SIDBI deposits)	19.29	19.29	-	19.29	19.29
3	Banks (certificate of deposits)	24.56	24.56	-	-	-
4	Private corporates	-	-	-	-	-
5	Subsidiaries/ Joint ventures	-	-	-	-	-
6	Others	1.34	1.34	1.34	1.34	1.34
7	Provision held towards depreciation	(1.34)				
	Total	43.85	45.19	1.34	20.63	20.63



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2009-2010

(Rs. in crore)

No.	Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities (*)	Extent of 'unlisted' securities (*)
1	PSU's	-	-	-	-	-
2	FI's (SIDBI deposits)	19.29	19.29	-	19.29	19.29
3	Banks (certificate of deposits)	44.52	44.52	-	-	-
4	Private corporates	-	-	-	-	-
5	Subsidiaries/ Joint ventures	-	-	-	-	-
6	Others	1.34	1.34	1.34	1.34	1.34
7	Provision held towards depreciation	(1.34)	-	-	-	-
	Total	63.81	65.15	1.34	20.63	20.63

ii) Non-performing Non-SLR investments

(Rs. in crore)

Particulars	2010-2011	2009-2010
Opening balance	1.34	1.34
Additions during the year since 1st April	-	-
Reductions during the above period	-	-
Closing balance	1.34	1.34
Total provisions held	1.34	1.34

10. Provision for depreciation on Investments:

(Rs. in crore)

Particulars	2010-2011	2009-2010
Opening Balance	2.93	1.34
Add: Provisions for depreciation made during the year	0.29	1.59
Less: Write back of provisions during the year	-	-
Closing balance	3.22	2.93

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

2010-2011

(Rs. in crore)

	Minimum outstanding during the year (@)	Maximum outstanding during the year	Daily average outstanding during the year (#)	As on 31st March, 2011
Securities sold under repos	5.25	42.00	4.07	42.00
Securities purchased under reverse repos	5.25	78.75	6.21	Nil

2009-2010

(Rs. in crore)

	Minimum outstanding during the year (@)	Maximum outstanding during the year	Daily average outstanding during the year (#)	As on 31st March, 2010
Securities sold under repos	5.25	5.25	0.01	5.25
Securities purchased under reverse repos	5.25	42.00	7.67	Nil

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

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



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12. Lending to Sensitive Sectors

(A) Exposure to Real Estate Sector

(Rs. in crore)

Category	2010-2011	2009-2010
A Direct exposure (*)		
(i) Residential Mortgages – Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented - of which individual housing loans eligible for inclusions in priority sector advances	0.59	0.66
(ii) Commercial Real Estate –	22.88	15.44
(iii) Investments in Mortgage Backed Securities (MBS) and other securities exposure -		
a. Residential	-	-
b. Commercial Real Estate	-	-
B Indirect Exposure Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	-	-
Total Exposure to Real Estate Sector	23.47	16.10

(*) 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	2010-2011	2009-2010
(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;	0.75	-
(iii)	advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	0.52	0.20
(iv)	advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances;	-	-
(v)	secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	-	-
(vi)	loans sanctioned to corporates against security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
(vii)	bridge loans to companies against expected equity flows / issues;	-	-
(viii)	underwriting commitments taken up by banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	-	-
(ix)	financing to stockbrokers for margin trading;	-	-
(x)	all exposures to Venture Capital Funds (both registered and unregistered)	-	-
	Total Exposure to Capital Market	1.27	0.20

13. Letters of Comfort (LoCs):

(Rs. in crore)

Particulars	2010-2011	2009-2010
No. of LoCs issued during the year	18	1
Financial impact of LoCs issued during the year	-	-
Cumulative financial obligation under the LoCs issued in the past and outstanding	37.27	0.32

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



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

2010-11

(Rs. in crore)

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

@ Classification and outstanding are as at the year ended March 31, 2011.

2009-10

(Rs. in crore)

Category	Particulars	CDR Mechanism	SME Debt Restructuring	Others
Standard Advances Restructured	No. of Borrowers	-	-	-
	Amount Outstanding	-	-	-
	Sacrifice (diminution in the fair value)	-	-	-
Sub-Standard Advances Restructured	No. of Borrowers	1	-	-
	Amount Outstanding @	11.42	-	-
	Sacrifice (diminution in the fair value)	0.16	-	-
Doubtful Advances Restructured	No. of Borrowers	-	-	-
	Amount Outstanding	-	-	-
	Sacrifice (diminution in the fair value)	-	-	-
Total	No. of Borrowers	1	-	-
	Amount Outstanding	11.42	-	-
	Sacrifice (diminution in the fair value)	0.16	-	-

@ Classification and outstanding are as at the year ended March 31, 2011.

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

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

Arch Pharmalabs Ltd.	Grauer & Weil (India) Ltd.
Bajaj Electricals Ltd.	Alok Industries Limited
Fedders Lloyd Corp Ltd.	Madhucon Projects Ltd.
Hanung Toys & Textiles Ltd.	Unity Infraprojects Ltd.
Electronic Corporation of India Ltd.	Ankur Drugs and Pharma Ltd.
Godgrej Agrovet Ltd.	Sew Infrastructure Ltd.
Era Buildsys Limited	

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

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

(Rs. in crore)

Item	2010-2011	2009-2010
(i) No. of accounts	Nil	Nil
(ii) Aggregate value (net of provisions) of accounts sold to SC/RC	Nil	Nil
(iii) Aggregate consideration	Nil	Nil
(iv) Additional consideration realized in respect of accounts transferred in earlier years	Nil	Nil
(v) Aggregate gain/loss over net book value.	Nil	Nil



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19. Country Risk Management information:

(Rs. in crore)

Risk category	As on March 31, 2011		As on March 31, 2010	
	Exposures	Provisions	Exposures	Provisions
Insignificant	54.59	0.03	17.19	0.01
Low	54.78	0.03	6.48	-
Moderate	-	-	-	-

20. Movement in Floating Provision:

(Rs. in crore)

Particulars	2010-2011	2009-2010
Opening Balance	1.57	1.57
Add: Provisions made during the year	-	-
Less: Draw-down for allocation to NPA account	-	-
Closing balance	1.57	1.57

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

A. Details of non-performing financial assets purchased

(Rs. in crore)

Particulars	2010-2011	2009-2010
1. (a) No. of accounts purchased during the year	Nil	Nil
(b) Aggregate outstanding	Nil	Nil
2. (a) Of these, number of accounts restructured during the year	Nil	Nil
(b) Aggregate outstanding	Nil	Nil

B. Details of non-performing financial assets sold

(Rs. in crore)

Particulars	2010-2011	2009-2010
1. No. of accounts sold	Nil	Nil
2. Aggregate outstanding	Nil	Nil
3. Aggregate consideration received	Nil	Nil

22. Provision on Standard Asset (Rs. in crore)

As on 31.03.2011: Rs. 1.86

As on 31.03.2010: Rs. 1.96

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

Concentration of Deposits

(Rs. in crore)

Particulars	2010-2011	2009-2010
Total deposits of twenty largest depositors	172.23	212.95
% of deposits of twenty largest depositors to total deposits of the Bank	33.46%	41.35%

Concentration of Advances (net)

(Rs. in crore)

Particulars	2010-2011	2009-2010
Total Advances to twenty largest borrowers	330.76	191.29
% of Advances to twenty largest borrowers to total advances of the Bank	72.13%	68.36%

*Advances are computed as per the definition of credit exposure including derivatives furnished in RBI master circular on exposure norms DBOD.No.Dir.BC. 14/13.03.00/2010-11 dated July 1, 2010.

Note:- Advances to borrowers exclude exposure to banks.



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Concentration of Exposures (net)

(Rs. in crore)

Particulars	2010-2011	2009-2010
Total Exposure to twenty largest borrowers/customers	330.76	191.29
% of exposures to twenty largest borrowers/customers to total exposure of the Bank on borrowers/customers	72.13%	68.36%

*Exposure is computed based on credit and investment exposure as prescribed in RBI circular on exposure norms DBOD. No.Dir. BC. 14/13.03.00/2010-11 dated July 1, 2010.

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

Concentration of NPAs (net)

(Rs. in crore)

Particulars	2010-2011	2009-2010
Total Exposure to top four NPA accounts	1.98	7.45

Note:- (After netting of floating provisions)

24. Sector-wise NPAs (net):

Sr. No.	Sector	% of NPAs to Total Advances in that Sector 2010-2011	% of NPAs to Total Advances in that Sector 2009-2010
1	Agriculture & allied activities	Nil	Nil
2	Industry (Micro & small, medium and large)	Nil	Nil
3	Services	Nil	Nil
4	Personal Loans	Nil	0.62
5	Others	23.77	31.10

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

25. Overseas Assets, NPAs and Revenue:

(Rs. in crore)

Particulars	2010-2011	2009-2010
Total Assets	Nil	Nil
Total NPAs	Nil	Nil
Total Revenue	Nil	Nil

26. Off-balance Sheet SPVs sponsored:

Particulars	2010-2011	2009-2010
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	2010-2011	2009-2010
1.	For selling life insurance policies	0.08	0.09
2.	For selling non-life insurance policies	-	-
3.	For selling mutual fund products	0.48	0.86

28. Unsecured Advances:

(Rs. in crore)

Particulars	2010-2011	2009-2010
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



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29. Disclosure on derivatives

a. Qualitative Disclosure:

The Bank has very limited exposure to derivatives trading namely forward foreign exchange contracts.

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

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

The Bank has in place a Risk Management Committee (RMC) which reviews/approves policies and procedures and reviews adherence to various risk parameters and prudential limits..

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

a) Risk Measurement:

For forward foreign exchange contracts, risk is measured through a daily report called Value at Risk (VaR), which computes VaR on the foreign exchange, gaps using FEDAI VaR factors (at 99% confidence level).

b) Risk Reporting and Risk monitoring systems:

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

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

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

The Bank has the following two policy papers in place, approved at RMC:

- (i) Integrated Foreign Exchange policy and
- (ii) Asset-Liability Management (ALM) Policy

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

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

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

b. Quantitative Disclosure:

(Rs. in crore)

Sr. No	Particular	Currency swaps (Forward Foreign exchange contracts)
1	Derivatives (Notional Principal Amount)	
	a) For hedging	40.53
	b) For trading	205.95
2	Marked to Market Positions	
	a) Asset (+)	5.42
	b) Liability (-)	(1.96)
3	Credit Exposure	10.35
4	Likely impact of one percentage change in interest rate (100*PV01)	
	a) on hedging derivatives	-
	b) on trading derivatives	-
5	Maximum and Minimum of 100*PV01 observed during the year	
	a) on hedging	-
	b) on trading	-

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

31. Draw down from Reserves:

The Bank has not drawn down any reserves during the year ended March 31, 2011 (previous year Nil)..



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32. Analysis and Disclosure of complaints

A. Customer Complaints

Sr No	Particulars	2010-11	2009-10
(a)	No. of complaints pending at the beginning of the year	Nil	Nil
(b)	No. of complaints received during the year	4	16
(c)	No. of complaints redressed during the year	4	16
(d)	No. of complaints pending at the end of the year	Nil	Nil

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

B. Awards passed by the Banking Ombudsman

Sr No	Particulars	2010-11	2009-10
(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.

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

33. During the year, the Bank has retrospectively changed the estimated useful life of its fixed assets other than computer hardware and computer software. Consequent to the said change, the profits for the year are lower by Rs. 0.50 crore.

34. 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	2010-11	2009-10
Current service cost	0.15	0.50
Interest cost on benefit obligation	0.06	0.06
Expected return on plan assets	(0.05)	(0.06)
Net actuarial (gain)/loss recognised in the year	0.25	(0.82)
Past Service Cost	-	-
Cost of plan amendment	-	0.50
Net expenses	0.41	0.18
Actual return on plan assets	0.06	0.06

Balance Sheet: Details of provision for gratuity

(Rs. in crore)

Particulars	2010-11	2009-10
Fair value of plan assets	0.78	0.66
Present value of obligations	1.19	0.84
Asset/(Liability)	(0.41)	(0.18)
Asset/Liability recognised in the balance sheet	0.41	0.18

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

(Rs. in crore)

Particulars	2010-11	2009-10
Opening defined benefit obligation	0.84	0.75
Interest cost	0.07	0.06
Current service cost	0.15	0.50
Past service cost	-	-
Cost of Plan Amendment	-	0.50
Benefits paid	(0.12)	(0.15)
Actuarial (gains) / losses on obligation	0.25	(0.82)
Closing defined benefit obligation	1.19	0.84



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

(Rs. in crore)

Particulars	2010-11	2009-10
Opening fair value of plan assets	0.66	0.75
Expected return	0.05	0.06
Contributions by employer	0.18	–
Benefits paid	(0.12)	(0.15)
Actuarial gains / (losses)	0.01	–
Closing fair value of plan assets	0.78	0.66

Experience adjustments:

(Rs. in crore)

Particulars	2010-11	2009-10
Experience adjustments on plan liabilities (Gains)/Loss	0.23	0.19
Experience adjustments on plan assets Gain/(Loss)	0.01	–

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

Particulars	2010-11	2009-10
Discount Rate (%) p.a.	8.25%	8.00%
Expected rate of return on assets (%) p.a.	8.25%	8.00%
Salary escalation rate (%) p.a.	8.00%	8.00%
Employee turnover (%) p.a.	25.00%	25.00%

Compensated Absences

The actuarial liability of compensated absences of unencashable accumulated sick leaves of the employees of the Bank as of March 31, 2011 is given below:

(Rs. in crore)

Particulars	2010-11	2009-10
Total actuarial liability for sick leave	0.13	0.13

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

Particulars	2010-11	2009-10
Discount Rate (%) p.a.	8.25%	8.00%
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.

35. Segment Reporting

Segment Information about Primary Business Segments for the year March 31, 2011

(Rs. in crore)

Business Segment	Treasury	Corporate Banking	Retail Banking	Other Banking Operations	Total
Revenue	14.79	40.78	3.30	2.37	61.24
Unallocated Revenue					0.33
Total Segment revenue					61.57
Operating Profit	5.32	17.10	0.64	0.42	23.48
Unallocated operating profit					(2.87)
Net Operating Profit					20.61
Segment Result	5.03	11.93	0.83	0.42	18.21
Unallocated result					(2.87)
Total Segment Result					15.34
Income Taxes (net of deferred tax)					1.04
Net Profit					14.30
Other Information					
Segment Assets	327.75	381.00	25.26	0.86	734.87
Unallocated Assets					10.96
Total Assets					745.83
Segment Liabilities	98.14	142.53	385.48	6.89	633.04
Unallocated Liabilities					112.79
Total Liabilities					745.83

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



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Segment information for the year ended March 31, 2010

(i) Information about Primary Business Segments

(Rs. in crore)

Business Segments	Treasury	Corporate Banking	Retail Banking	Other Banking Operations	Total
Revenue	13.74	32.16	2.29	2.52	50.71
Unallocated Revenue					-
Total Segment revenue					50.71
Operating Profit	3.11	7.03	0.14	0.10	10.38
Unallocated operating profit					(3.01)
Net Operating Profit					7.37
Segment Result	1.55	7.67	0.11	0.08	9.41
Unallocated result					(3.06)
Total Segment Result					6.35
Income Taxes (net of deferred tax)					3.94
Net Profit					2.41
Other Information					
Segment Assets	270.02	388.24	21.95	1.25	681.46
Unallocated Assets					15.87
Total assets					697.33
Segment Liabilities	65.79	185.16	344.82	0.52	596.29
Unallocated liabilities					101.04
Total liabilities					697.33

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 now 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.

36. Related Parties

Parent

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

Subsidiaries of Parent

1. CrediMax
2. Invita
3. BBK Investment Fund Company
4. Global Payment Services
5. Capinnova Investment Bank



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Associated Company of Parent

1. Bahrain Commercial Facilities Company
2. Securities Investment Company
3. Bahrain Kuwait Insurance (BKIC)
4. Ithmaar Bank
5. Pension Fund Commission (PFA)
6. Social Insurance Organisation (GOSI)
7. Kuwait Investment Authority (KIA)
8. The Benefit Company
9. EBLA Computer Consultancy
10. Naseej Company
11. Alosra Bank
12. Kuwait Net Project Company
13. Sakana Holistic Housing Solutions

Key Management Personnel*

Mr. V. Sankaran – Country Head India

The following transactions were carried out with the related parties in the ordinary course of business:

(Rs in crore)

Items/Related Party	Parent & Overseas Branch			
	Outstanding as on 31st March 2011	Maximum Balance during the year 2010-2011	Outstanding as on 31st March 2010	Maximum Balance during the year 2009-2010
Borrowings	44.60	62.86	44.90	44.90
Lending	-	47.07	-	94.23
Deposits	1.95	2.06	0.61	3.97
Foreign exchange contracts	-	5.00	-	4.72

Items/Related Party	Parent & Overseas Branch	
	2010-2011	2009-2010
Interest Paid	0.36	0.02
Interest Received	0.01	0.03

*As per RBI circular dated July 1, 2009 on 'Disclosure in Financial Statements – Notes to Accounts, the Bank has not disclosed details pertaining to the related party where there is only one entity/person in any one category of related parties.

37. Operating Leases

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

(Rs. in crore)

Particulars	2010-2011	2009-2010
Not later than one year	2.47	3.30
Later than one year and not later than five years	Nil	2.50
Later than five years	Nil	Nil

- b) Lease payments of Rs. 3.30 crore (previous year Rs. 3.22 crore) have been recognized in the statement of profit and loss for the year.
- c) The lease agreements entered into pertain to use of premises (including fixed assets) at the branch. The lease agreements do not have any undue restrictive or onerous clauses other than those normally prevalent in similar agreement regarding use of assets, lease escalations, renewals and a restriction on sub-leases.

38. Deferred Taxes

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



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Items on which DTA is created are as follows:

	(Rs. in crore)	
	As at March 31, 2011	As at March 31, 2010
<u>Deferred Tax Assets</u>		
Provision for doubtful debts	2.52	-
Amortisation of premium of HTM Investments	0.83	-
Provision for Employee Benefits	0.09	-
Bonus payable	0.16	-
Carried forward losses	0.04	3.02
Others	0.11	-
Total	3.75	3.02
<u>Deferred Tax Liability</u>		
Depreciation on Fixed Assets	0.81	1.12
Premises Rent (AS – 19)	0.01	-
Total	0.82	1.12
Net Deferred tax asset	2.93	1.90

39. 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.

No disclosure of disputed income tax demand as a contingent liability is considered necessary, as in the Bank's view, duly supported by expert legal opinion/judicial pronouncements and also based on the favorable decisions for the Bank in its own earlier appeals, that these demands are not sustainable.

- (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.

40. Based on the available information, there are no outstanding dues towards principal amount or interest thereon remaining unpaid to any supplier covered under, Micro, Small and Medium Enterprises development Act, 2006 as at the end of the accounting year. Further, no interest was due or payable by the Bank to any supplier during the year under the provisions of the said Act.

41. Previous year figures have been regrouped wherever necessary to conform to current year's presentation.

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

Sd/-

V. Sankaran

Country Head - India

Sd/-

Mehjabeen Saifi

Vice President Financial Control – India

Mumbai

Dated: June 08, 2011



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Disclosures under the New Capital Adequacy Framework (BASEL II guidelines) for the year ended March 31, 2011

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:

a. Tier I Capital	(Rs. in crore)
Capital	58.40
Reserves	47.67
b. Tier II Capital	01.77
c. Deduction from Capital	02.93
d. Total Eligible Capital	104.91

3. Capital Adequacy:

Qualitative Disclosures:

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

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

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

Quantitative Disclosures:

Capital requirement for credit risk	
Portfolios subject to standardized approach	Rs. 33.97 crore
Securitization exposures	NIL
Total @ 9% CRAR	Rs. 33.97 crore

Capital requirement for market risk.

- Standardized duration approach

Interest Rate Risk	Rs. 1.13 crore
Foreign exchange risk (including gold)	Rs. 1.44 crore
Equity Risk	NIL

Capital requirement for operational risk;

Basic indicator approach

Capital required for operational risk	Rs. 4.03 crore
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Total and Tier 1 capital ratios

Tier I Capital	Rs. 103.14 crore
Tier II Capital	Rs. 1.77 crore
Total	Rs. 104.91 crore

Total CRAR	23.28%
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Core CRAR	22.89%
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4. General Disclosures:

Qualitative Disclosures:

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

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



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

Liquidity Risk:

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

Market Risk:

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

The Bank has clearly defined policies for conducting investment and foreign exchange business, which stipulates limits for these activities. The Bank has no exposure to equity and commodity markets.

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

Credit Risk:

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

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

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

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

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

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

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

Non-performing Assets:

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

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

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

Discussion of Bank's Credit Risk Management policy

As discussed under the sub head Credit risk



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Quantitative Disclosures:

- Total gross credit risk exposures – Fund based Rs. 751.15 crore
- Non-fund based Rs. 519.78 crore
- Geographic distribution of exposure-Fund based and non fund based separately.

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

- Industry type distribution of exposures- funded and non-funded exposure separately.

Industry Type Distribution of Exposures

(Rs. in crores)

CODE	INDUSTRY	FUND BASED O/S			NFB O/S
		STD	NPA	TOTAL	
003	Iron & Steel	0.00	0.00	0.00	0.00
005	All Engineering	12.50	0.00	12.50	8.11
006	Electricity	0.00	0.00	0.00	0.00
007	Cotton Textiles	28.38	0.00	28.38	0.00
009	Other Textiles	00.00	0.00	0.00	0.00
012	Food Processing	21.56	0.00	21.56	0.00
017	Chemicals, dyes paints etc.	34.05	0.00	34.05	6.19
0171	Of Which fertilizers	0.00	0.00	0.00	0.00
0172	Of Which petro chemicals	19.21	0.00	19.21	0.00
0173	Of Which drugs & pharmaceuticals	14.84	0.00	14.84	0.00
021	Construction	79.91	0.00	79.91	19.78
025	Infrastructure	35.74	0.00	35.74	0.00
0252	Of which telecommunications	0.00	0.00	0.00	0.00
0253	Of which road & ports	35.74	0.00	35.74	00.00
026	Other industries	136.00	1.98	137.98	57.20
027	NBFCs	9.06	0.00	9.06	0.00
028	Residual advances to balance gross adv.	22.15	0.00	22.15	0.00
Grand Total		379.35	1.98	381.33	91.28

- Residual Contractual Maturity break-down of assets:

(Rs. in crores)

	1 Day	2-7 Days	8 to 14 Days	15 to 28 Days	29 days-upto 3 months	3- upto 6 months	6- upto 12 months	1- upto 3 years	3- upto 5 years	5- upto 10 years	10-upto 20 years	Over 20 years	Total
1 Cash	0.40	-	-	-	-	-	-	-	-	-	-	-	0.40
2 Balance with RBI	1.67	1.10	2.35	4.14	5.22	3.93	11.99	13.88	0.23	0.36	-	-	44.87
3 Balances with banks & money at call & short notice	57.64	-	-	-	-	-	-	-	-	-	-	-	57.64
4 Investments	-	24.56	21.63	17.48	22.01	16.59	50.56	77.88	0.96	1.52	-	-	233.19
5 Advances	7.62	22.58	25.80	19.98	88.72	4.83	10.29	176.62	21.56	4.90	-	-	382.90
6 Fixed Assets	-	-	-	-	-	-	-	-	-	-	-	4.78	4.78
7 Other assets	0.19	0.67	0.65	1.57	0.98	0.32	2.93	8.30	-	6.43	-	-	22.04

- Amount of NPA's Gross

Substandard	Rs. 0.17 crore
Doubtful 1	Rs. 10.00 crore
Doubtful 2	Rs. 0.14 crore
Doubtful 3	Rs. 0.06 crore
Loss	Rs. 0.08 crore



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Disclosures under the New Capital Adequacy Framework (BASEL II guidelines) for the year ended March 31, 2011

• Net NPA's	Rs. 1.98 crore
• NPA Ratios	
Gross NPA's to Gross Advances	2.68%
Net NPA's to net advances	0.52%
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. 1.34 crore
Amount of provision held for Non –Performing Investments	Rs. 1.34 crore
Movement of provision for depreciation on investments	

(Rs. in crore)

Particulars	2010-2011
Opening Balance	2.93
Add: Provisions for depreciation made during the year	0.29
Less: Write-off	-
Less: Write back of provisions during the year	-
Closing balance	3.22

5. Credit Risk: Portfolios subject to standardized approach

Qualitative Disclosures:

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

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

Quantitative Disclosures:

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

Below 100% risk weight	Rs. 610.85 crore
100% risk weight	Rs. 204.57 crore
More than 100%	Rs. 33.45 crore
Deducted	Nil

6. Credit risk mitigation: Standardized approach

Quantitative 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 31-03-2011

	Gross outstanding	Financial Mitigant
Corporate Exposure*	57.31	19.55
Retail Exposure	0.07	0.07

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



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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 exposure to Capital Market.

Quantitative Disclosures:

The capital requirements for

- | | |
|----------------------------|---------------|
| i) Interest rate risk | Rs.1.13 crore |
| ii) Equity position risk | NIL |
| iii) Foreign exchange risk | Rs.1.44 crore |

9. Operational Risk

Qualitative Disclosures:

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

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

Interest Rate Risk in the Banking book

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

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

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

Qualitative Disclosures

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

Quantitative Disclosures

The impact on the bank's financial condition due to change in interest rate is being monitored. The impact of 200 basis points change upward/ downward in interest rate on Net Interest Income (NII) amounted to an expected loss of INR 0.54 crore based on Asset Liability position of March 2011 using the traditional gap analysis.



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AUDITORS' REPORT

On the financial statements of the Indian Branches of Bank of Bahrain & Kuwait B.S.C. under Section 30 of the Banking Regulation Act, 1949

We have audited the attached Balance Sheet of the Indian Branches of the Bank of Bahrain & Kuwait B.S.C. (hereinafter referred to as the 'Bank') as on 31st March 2011, the annexed Profit & Loss of the Indian Branches of the Bank for the year ended on that date and the Cash Flow Statement of the Indian Branches of the Bank for the year ended on that date. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of financial statements. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, of India read with the provision of sub-section (1), (2) and (5) of Section 211 and sub section (5) of section 227 of the Indian Companies Act, 1956, the Balance Sheet and the Profit & Loss Account are not required to be drawn up in accordance with Schedule VI of the Companies Act, 1956. The accounts are therefore drawn up in conformity with Form 'A' and 'B' of the Third Schedule to the Banking Regulation Act, 1949.

We report that:

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory.
- (ii) The transactions of the Indian Branches which have come to our notice have been, in our opinion, within the powers of the Bank.
- (iii) In our opinion, proper books of account, as required by law have been maintained by the Bank in so far as appears from our examination of those books.
- (iv) The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account;
- (v) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Indian Companies Act, 1956, in so far as they apply to Banks and are not inconsistent with the Banking Regulation Act 1949 and the method of accounting and disclosure prescribed by the Reserve Bank of India.
- (vi) In our opinion and to the best of our information and according to the explanation given to us, the said accounts read with the principal accounting policies and the notes thereon give the information required by the Indian Companies Act, 1956, in the manner so required for Banking Companies and on such basis give a true and fair view in conformity with the accounting principles generally accepted in India;
 - (a) in the case of the Balance Sheet, of the state of affairs of the Indian Branches of the Bank as on 31st March 2011;
 - (b) in the case of the Profit & Loss Account, of the profit of the Indian Branches of the Bank for the year ended on that date; and
 - (c) In the case of Cash Flow Statement, of the cash flows of the Indian Branches of the Bank for the year ended on that date.

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

Mehul Shah
Partner
M. No. 100909

Place: Mumbai
Date: June 08, 2011



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<i>BALANCE SHEET AS ON 31ST MARCH 2010</i>			<i>PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010</i>		
Schedule	As on 31.03.2010 Rs. (000's)	As on 31.03.2009 Rs. (000's)	Schedule	Year Ended 31.03.2010 Rs. (000's)	Year Ended 31.03.2009 Rs. (000's)
CAPITAL AND LIABILITIES			1 INCOME		
Capital	1	584,044	Interest earned	13	405,341
Reserves & surplus	2	418,270	Other income	14	101,766
Deposits	3	5,149,893	TOTAL:	507,107	634,072
Borrowings	4	499,000			
Other liabilities and provisions	5	272,101	2 EXPENDITURE		
TOTAL:	6,923,308	6,097,989	Interest expended	15	265,103
			Operating expenses	16	168,233
ASSETS			Provisions and contingencies		49,626
Cash and balances with			TOTAL:	482,962	460,000
Reserve Bank of India	6	418,863			
Balances with Banks and Money			3 PROFIT		
at Call and Short Notice	7	148,699	Net profit for the year	24,145	174,072
Investments	8	2,201,491	TOTAL:	24,145	174,072
Advances	9	3,866,130			
Fixed assets	10	54,562	4 APPROPRIATIONS		
Other assets	11	233,563	Transfer to Statutory Reserve	6,036	43,518
TOTAL:	6,923,308	6,097,989	Balance carried over to Balance Sheet	18,109	130,554
Contingent Liabilities	12	3,226,968	TOTAL:	24,145	174,072
Bills for Collection		415,809			
Significant Accounting Policies and Notes to Accounts	17 & 18	4,687,304	Significant Accounting Policies and Notes to Accounts	17 & 18	

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

As per our attached report of even date

For S. R. Batliboi & Co.
Firm Registration No. 301003E
Chartered Accountants

Sd/-
per Surekha Gracias
Partner
Membership No. 105488

Mumbai
Dated: June 24, 2010

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

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

Sd/-
V. Sankaran
General Manager &
Chief Executive Officer – India

Sd/-
Mehjabeen Saifi
Financial Controller – India



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CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2010

(Rs. in 000's)

Particulars	2009-2010	2008-2009
Cash flows from operating activities		
Net profit before taxation	63,625	222,460
Adjustments for:		
Depreciation on Fixed Assets	17,127	12,056
(Profit)/Loss on sale of fixed assets	197	415
Premium amortised on Held to Maturity category	4,676	3,428
Provision in respect of Non performing advances	10,479	42,508
Provision in respect of Non performing advances written back	(107,316)	(138,628)
Provision for investments written back	-	(94,346)
Bad Debts written off	93,090	123,859
Bad Debts written off -Investments	-	55,875
Other Provisions	1,055	355
Provision on Restructured Assets	(3,005)	3,005
Provision on Standard Assets	-	2,670
Provision on other assets	(2)	(1,497)
Provision on Investments	15,845	-
Operating profit before working capital changes	95,771	232,160
(Increase)/Decrease in Investments	(731,843)	(222,634)
(Increase)/Decrease in Advances	(994,162)	(92,712)
(Increase)/Decrease in Other Assets	30,733	(40,746)
Increase/(Decrease) in Deposits	430,854	765,075
Increase/(Decrease) in Other Liabilities & Provisions	(78,621)	138,175
Increase/(Decrease) in Borrowings	469,000	(170,600)
Income taxes (paid)/received	(6,994)	(20,278)
Net Cash Flow generated from/(used in) Operating Activities	(785,262)	588,440
Cash flows from investing activities		
Purchase of fixed assets	(12,074)	(21,918)
Proceeds from sale of fixed assets	1,143	57
Net Cash Flow generated from/(used in) Investing Activities	(10,931)	(21,861)
Cash flows from financing activities		
Injection of capital	-	-
Net increase/(decrease) in cash and cash equivalents	(796,193)	566,579
Cash and Cash equivalents at the beginning of the year	1,363,755	797,176
Cash and Cash equivalents at the end of the year	567,562	1,363,755

As per our attached report of even date

For S. R. Batliboi & Co.
Firm Registration No. 301003E
Chartered Accountants

Sd/-
per Surekha Gracias
Partner
Membership No. 105488

Mumbai
Dated: June 24, 2010

For Bank of Bahrain And Kuwait B.S.C.
Indian Branches

Sd/-
V. Sankaran
General Manager
& Chief Executive Officer – India

Sd/-
Mehjabeen Saifi
Financial Controller – India



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SCHEDULES FORMING PART OF BALANCE SHEET

	As on 31.03.2010 Rs. (000's)	As on 31.03.2009 Rs. (000's)		As on 31.03.2010 Rs. (000's)	As on 31.03.2009 Rs. (000's)
Schedule 1 – Share Capital			Schedule 4 – Borrowings		
(i) Amount of deposit kept with the Reserve Bank of India under section 11(2)(b) of the Banking Regulation Act, 1949	228,000	178,000	I Borrowings in India from		
(ii) Amount brought in by Bank by way of Capital	584,044	584,044	(i) Reserve Bank of India	–	30,000
Total	584,044	584,044	(ii) Other Banks	50,000	–
Schedule 2 – Reserves and Surplus			(iii) Other institutions and agencies	–	–
I Statutory Reserve				50,000	30,000
As per Last Balance Sheet	210,582	159,233	II Borrowings outside India	449,000	–
Add: Transfer from Profit & Loss Account	6,036	43,518	Total (I+II)	499,000	30,000
Add: Transfer from Capital Reserve Account	–	7,831			
	216,618	210,582	Secured borrowings included in I & II above - Rs. Nil (Previous year Rs. Nil)		
II Property Investment Reserve	9,976	9,976	Schedule 5 – Other Liabilities and Provisions		
III Capital Reserve			I Bills Payable	37,136	18,878
As per Last Balance Sheet	27,231	35,062	II Interest Accrued	36,401	50,159
Add: Transfer from Profit & Loss Account	–	–	III Provision for standard assets	19,626	19,626
	27,231	35,062	IV Others (including provisions)	178,938	264,009
Less: Transfer to Statutory Reserve Account	–	7,831	Total	272,101	352,672
	27,231	27,231			
IV Surplus Retained for Capital Adequacy	164,445	164,445	Schedule 6 – Cash and Balance with Reserve Bank of India		
Total	418,270	412,234	I Cash in hand (including foreign currency notes)	4,309	7,525
			II Balances with Reserve Bank of India		
Schedule 3 – Deposits			(i) In Current Account	414,554	287,815
A I Demand Deposits			(ii) In Other Account	–	–
(i) From Banks	8,045	6,393	Total (I+II)	418,863	295,340
(ii) From Others	1,045,678	470,705			
	1,053,723	477,098	Schedule 7 – Balances with Banks & Money At Call & Short Notice		
II Saving Bank Deposits	590,336	462,748	I In India		
III Term Deposits			(i) Balances with Banks		
(i) From Banks	–	–	(a) In Current Account	4,842	1,615
(ii) From Others	3,505,834	3,779,193	(b) In Other Deposit Account	–	–
	3,505,834	3,779,193	(ii) Money at Call and Short Notice		
Total	5,149,893	4,719,039	(a) With Banks	–	250,000
			(b) With Other Institutions	–	–
B (i) Deposits of branches in India	5,149,893	4,719,039		4,842	251,615
(ii) Deposits of branches outside India	–	–	II Outside India		
Total	5,149,893	4,719,039	(i) In Current Account	13,647	27,643
			(ii) In Other Deposit Accounts	–	23,558
			(iii) Money at Call and Short Notice	130,210	765,598
			Total (I+II)	143,857	816,799
				148,699	1,068,414



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SCHEDULES FORMING PART OF BALANCE SHEET

	As on 31.03.2010 Rs. (000's)	As on 31.03.2009 Rs. (000's)		As on 31.03.2010 Rs. (000's)	As on 31.03.2009 Rs. (000's)
Schedule 8 – Investments			Schedule 10 – Fixed Assets		
I Investments in India in			I Premises		
(i) Government securities (*)	1,563,408	1,490,168	At cost as per last Balance Sheet	24,988	24,988
(ii) Other approved securities	–	–	Additions during the year	–	–
(iii) Shares	–	–	Deductions during the year	–	–
(iv) Debentures and bonds	–	–	Depreciation to date	(950)	(543)
(v) Others	638,083	–		24,038	24,445
	2,201,491	1,490,168			
II Investments outside India	–	–	II Other fixed assets		
	2,201,491	1,490,168	At cost as per last Balance Sheet	146,333	122,452
III Investments in India			Additions during the year	11,761	26,328
Gross Value	2,230,785	1,503,617	Deductions during the year	(4,212)	(2,447)
Less:- Provision on Investments	(29,294)	(13,449)	Depreciation to date	(123,718)	(109,870)
Net Value	2,201,491	1,490,168		30,164	36,463
			III Capital work in progress (including capital advances)	360	47
			Total	54,562	60,955
* includes Securities of book value of Rs. 51,076 (FV Rs. 50,000) (Previous Year BV 51,338 FV 50,000) deposited with CCLL, securities of book value of Rs. 223,121 (FV Rs. 220,000) (Previous Year BV 223,200 FV 220,000) deposited with PDO-NDS and securities of FV of Rs. 2,500 (Previous Year Nil) as collateral under Liquidity Adjustment Facility (LAF) and excludes securities of FV of Rs. 50,000 (Previous Year Nil) under LAF. (Rs. in 000's).			Schedule 11 – Other Assets		
Schedule 9 – Advances			I Interest accrued	31,429	36,116
A (i) Bills purchased and discounted	2,033,388	1,445,318	II Tax paid in advance/tax deducted at source (net of provisions)	25,648	18,904
(ii) Cash credits, Overdrafts & Loans	1,177,296	748,440	III Deferred Tax (net) (Refer Accounting Policy 10 & Notes to Accounts 36)	19,000	58,230
(iii) Term Loans	655,446	674,462	IV Stationary and stamps	75	26
Total	3,866,130	2,868,220	V Others (including debit balance in Profit and Loss Account of Rs. 84,583 for current year) (previous year Rs. 102,692) (Rs. in 000's)	157,411	201,616
B (i) Secured by tangible assets*	1,711,610	1,342,836	Total	233,563	314,892
(ii) Covered by Bank/ Government Guarantees	1,605,337	1,228,295	Schedule 12 – Contingent Liabilities		
(iii) Unsecured	549,183	297,089	I Claims against the bank not acknowledged as debts	75,000	–
*includes advances against book debts			II Liabilities on account of outstanding forward exchange contracts	2,650,948	4,142,700
Total	3,866,130	2,868,220	III Guarantees given on behalf of constituents		
C I Advances in India			(a) In India	399,919	468,528
(i) Priority Sector	1,197,588	700,035	(b) Outside India	–	–
(ii) Public Sector	–	–	IV Acceptances, endorsements and other obligations	51,101	68,358
(iii) Banks	1,438,117	1,061,590	V Other items for which the Banks is not contingently liable		
(iv) Others	1,230,425	1,106,595	(a) Repo Agreements	50,000	–
Sub-total	3,866,130	2,868,220	(b) Capital Commitments	–	7,718
II Advances outside India	–	–	Total	3,226,968	4,687,304
Sub-total	–	–			
Total	3,866,130	2,868,220			



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SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

	Year Ended 31.03.2010 Rs. (000's)	Year Ended 31.03.2009 Rs. (000's)		Year Ended 31.03.2010 Rs. (000's)	Year Ended 31.03.2009 Rs. (000's)
Schedule 13 – Interest Earned			Schedule 15 – Interest Expended		
I Interest/Discount on Advances/Bills	305,955	349,177	I Interest on Deposits	254,087	217,697
II Income on Investments (includes premium amortised Rs. 4,676 in 000's) (Previous year Rs. 3,428 in 000's)	94,611	113,057	II Interest on RBI/Inter-bank borrowings	1,948	13,524
III Interest on balance with Reserve Bank of India and other inter-bank funds	4,775	21,511	III Others representing hedging cost	9,068	18,442
IV Others (includes interest on income tax refund of Rs. Nil) (Previous Year Rs. 1,880 in 000's)	–	1,880	Total	265,103	249,663
Total	405,341	485,625	Schedule 16 – Operating Expenses		
Schedule 14 – Other Income			I Payment to and provisions for employees	72,493	74,207
I Commission, Exchange and Brokerage	52,088	58,347	II Rent, Taxes and Lighting	38,105	45,188
II Profit on sale of Investments (net)	17,973	18,544	III Printing and Stationary	2,662	2,621
III Profit/(Loss) on sale of assets (net)	(197)	(415)	IV Advertisement and Publicity	418	860
IV Profit on Exchange Transactions (net)	22,530	26,605	V Depreciation on Bank's Property	17,127	12,056
V Income earned by way of dividends, etc. from subsidiaries, companies, joint venture abroad/in India	3	17,768	VI Directors' Fees, Allowances and Expenses	–	–
VI Miscellaneous Income	9,369	27,598	VII Auditors' Fees and Expenses	1,000	643
Total	101,766	148,447	VIII Law Charges	378	674
			IX Postage, Telegrams, Telephones etc.	7,741	5,563
			X Repairs and Maintenance	5,252	4,585
			XI Insurance	5,404	5,123
			XII Other Expenditure	17,653	16,628
			Total	168,233	168,148

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES

1. Basis of preparation

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

2. Use of Estimates

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

3. Transaction involving foreign exchange

- Monetary assets and liabilities denominated in foreign currencies and outstanding forward exchange contracts except foreign currency deposit swaps are revalued at the year end exchange rates notified by the Foreign Exchange Dealers' Association of India (FEDAI) and the resultant gains or losses are recognised in Profit and Loss Account.
- Income and expenditure in foreign currencies are translated at the rates prevailing on the date of the transaction.
- Acceptances, endorsements and other obligations in foreign currencies are stated at the year end exchange rates notified by FEDAI.



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

4. Investments

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

Accounting and Classification

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

Valuation

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

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

Treasury Bills are valued at carrying cost.

Market value, in case of Government and other approved securities, 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).

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

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

5. Advances and Provisions

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

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

6. Fixed Assets and Depreciation

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

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

Assets	Rate
Vehicle	15.00%
Equipment	7.50%
Furniture	7.50%
Hardware & Software	33.33%
Leasehold Improvements	Over the Primary period of the lease

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.



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

7. Lease Transactions

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

8. Revenue Recognition

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

- a) Interest income on advances, other than on Non-Performing Advances, is recognised on accrual basis.
- b) Income from investments other than non performing investments is accounted for on accrual basis except dividend on shares of Corporates and Mutual Funds, if any, which is accounted for on cash basis.
- c) Interest income on Non-Performing Assets is recognised only on realisation in accordance with the norms prescribed by the Reserve Bank of India.
- d) Commission income on letters of credit is accounted on issuance of the letter of credit. Loan processing fees is recognised at inception of the loan. Guarantee commission exceeding Rs.1,00,000/- is accrued on a time proportion basis over the period of guarantee.

9. Employee Benefits

a) Gratuity

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

b) Provident Fund

The Bank operates a Provident Fund Scheme to which it contributes an amount on monthly basis at a determined rate. The contribution is remitted to a Trust established by the Bank for this purpose and such contribution is charged to the Profit and Loss Account. All employees of the Bank are eligible to receive benefits under the Provident Fund. Interest is payable to the members of such trust at a rate which shall not be lower than the statutory rate of interest declared by the Central Government. Shortfall if any, between the interest earned by the trust and the minimum amount to be distributed is provided for in the year to which it relates.

c) Compensated Absences

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

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

10. Taxation

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

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

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

Deferred tax asset is recognised only to the extent that sufficient future taxable income will be available against which deferred tax asset will be realised.

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

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

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

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



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11. Net Profit

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

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

12. Provisions, Contingent Assets And Contingent Liabilities

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

- A possible obligation, arising from a past event (s), the existence of which will be confirmed by occurrence or non-occurrence of one or more uncertain future events not within the control of the Bank or
- Any present obligation that arises from past events but is not recognized because:
 - It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
 - A reliable estimate of the amount of obligation cannot be made.

13. Cash and Cash Equivalents

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

SCHEDULE 18: NOTES TO ACCOUNTS

Disclosure requirements as per RBI guidelines

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

(Rs. in crore)

Particulars	Year ended 31.03.2010	Year ended 31.03.2009
Specific Provision for Non Performing Advances	1.05	4.25
Bad Debts written off	9.31	17.97
Provision for Non Performing Advances written back	(10.73)	(13.86)
Provision for Non Performing investments written back	-	(9.43)
Provision on other assets	-	(0.15)
Provision for depreciation on Investments	1.59	-
Other Provisions	0.10	0.03
Provision for Income tax	-	2.43
Provision for deferred tax	3.92	2.38
Provision for wealth tax	0.02	0.03
Provision for re-structured assets	(0.30)	0.30
Provision for standard assets	-	0.27
Total	4.96	4.22

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

As per Basel II:

Capital Adequacy Ratio	31.03.2010	31.03.2009
i) CRAR (%)	25.01%	25.52%
ii) CRAR - Tier I Capital (%)	24.45%	24.47%
iii) CRAR - Tier II Capital (%)	0.56%	1.05%
iv) Percentage of the shareholding of the Government of India in nationalized banks	N.A.	N.A.
v) Amount of subordinated debt raised as Tier-II capital	Nil	Nil

3. Business Ratios:

Particulars	31.03.2010	31.03.2009
a. Net NPAs to Net Advances	1.95%	0.09%
b. Interest income as a percentage to working funds (\$)	6.79%	8.98%
c. Non interest income as a percentage to working funds (\$)	1.70%	2.75%
d. Operating Profit as a percentage to working funds (\$)	1.24%	4.01%
e. Return on assets (@)	0.38%	3.14%
f. Business (Deposits plus Advances) per employee (#)	Rs. 8.50 Crore	Rs.6.16 Crore
g. Profit per employee (#)	Rs. 0.02 Crore	Rs.0.14 Crore

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

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

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



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4. Provision Coverage Ratio (PCR)

The provision coverage ratio of the Bank as on March 31, 2010 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 31.16%.

5. Miscellaneous income under Schedule 14 includes loan processing fees amounting to Rs. 0.90 crore (previous year Rs. 1.38 crore).

6. Maturity Profile:

As at March 31, 2010

(Rs. in crore)

Maturity Profile	1 day	2-7 days	8-14 days	15-28 days	29 days-3 months	3-6 months	6-12 months	1-3 years	3-5 years	Over 5 years	Total
Deposits	2.74	13.41	20.22	80.58	38.53	49.33	127.92	178.24	3.78	0.24	514.99
Borrowings	-	5.00	-	-	44.90	-	-	-	-	-	49.90
Loans & Advances	1.88	13.20	15.98	37.25	163.87	34.69	21.81	66.64	28.14	3.15	386.61
Investments	-	-	30.27	23.19	11.81	39.04	36.42	70.25	1.15	8.02	220.15
Foreign currency assets	14.47	0.32	0.25	3.46	14.48	24.91	14.76	10.54	10.45	3.67	97.31
Foreign currency liabilities	8.45	3.01	2.71	2.70	56.12	16.35	70.41	15.61	0.04	-	175.40

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

As at March 31, 2009

(Rs. in crore)

Maturity Profile	1 day	2-7 days	8-14 days	15-28 days	29 days-3 months	3-6 months	6-12 months	1-3 years	3-5 years	Over 5 years	Total
Deposits	0.92	5.38	6.29	0.01	39.17	65.08	159.54	193.77	1.74	-	471.90
Borrowings	-	3.00	-	-	-	-	-	-	-	-	3.00
Loans & Advances	4.53	3.29	7.78	34.98	98.86	52.21	27.36	41.59	9.32	6.90	286.82
Investments	-	-	3.63	-	10.31	17.72	42.20	51.36	0.46	23.34	149.02
Foreign currency assets	2.88	62.87	0.06	0.36	2.01	31.12	9.75	2.88	7.44	8.60	127.97
Foreign currency liabilities	15.93	0.19	0.21	-	13.11	27.58	92.40	8.87	-	-	158.29

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

7. Movement in Non-Performing Advances:

(Rs. in crore)

Particulars	2009-2010			2008-2009		
	Gross NPA (net of interest in suspense)	Provisions	Net NPA	Gross NPA (net of interest in suspense)	Provisions	Net NPA
Opening balance	11.76	11.51	0.25	25.36	21.12	4.24
(+) Additions	19.09	1.05	18.04	0.64	4.25	(3.61)
(+) Floating Provision*	-	1.57	(1.57)	-	-	-
(-) Recoveries	3.66	1.42	2.24	1.86	1.48	0.38
(-) Upgradations	6.97	-	6.97	-	-	-
(-) Write off	9.31	9.31	-	12.38	12.38	-
Closing balance	10.91	3.40	7.51	11.76	11.51	0.25

* 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 had exercised the option of considering floating provisions as Tier II capital as at March 31, 2009. The bank is considering such floating provisions to arrive at net NPAs as at March 31, 2010.



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8. INVESTMENTS:

i. Details of Investments:

(Rs. in crore)

Particulars	2009-10	2008-09
1) Value of Investments		
i) Gross Value of Investments		
(a) In India	223.08	150.36
(b) Outside India	-	-
ii) Provision for Depreciation/Premium Charged		
(a) In India	(2.93)	(1.34)
(b) Outside India	-	-
iii) Net Value of Investments		
(a) In India	220.15	149.02
(b) Outside India	-	-
2) Movement of provisions held towards depreciation/premium charged		
i) Opening balance	1.34	10.77
ii) Add: Additions during the year	1.59	-
iii) Less: Write off/write back of excess provision during the year	-	9.43
iv) Closing balance	2.93	1.34

ii. Classification of net Investments is as under:

(Rs. in crore)

Particulars	2009-10	2008-09
Held for Trading		
a) Approved Securities	1.00	-
b) Unapproved Securities	19.89	-
Available for Sale		
a) Approved Securities	64.66	67.73
b) Unapproved Securities	24.62	-
Held for Maturity		
a) Approved Securities	90.69	81.29
b) Unapproved Securities	19.29	-
Total	220.15	149.02

9. i) Issuer composition of Non SLR investments

2009-2010

(Rs. in crore)

No.	Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities(*)	Extent of 'unlisted' securities(*)
1	PSU's	-	-	-	-	-
2	FI's (SIDBI deposits)	19.29	19.29	-	-	-
3	Banks (certificate of deposits)	44.52	44.52	-	-	-
4	Private corporates	1.34	1.34	-	1.34	1.34
5	Subsidiaries/ Joint ventures	-	-	-	-	-
6	Others	-	-	-	-	-
7	Provision held towards depreciation	(1.34)				
	Total	63.81	65.15	-	1.34	1.34

(* does not include deposits with SIDBI and certificate of deposits)



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2008-2009

(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	-	-	-	-	-
3	Banks	-	-	-	-	-
4	Private corporates	1.34	1.34	-	1.34	1.34
5	Subsidiaries/ Joint ventures	-	-	-	-	-
6	Others	-	-	-	-	-
7	Provision held towards depreciation	(1.34)	-	-	-	-
	Total	-	1.34	-	1.34	1.34

ii) Non-performing Non-SLR investments

(Rs. in crore)

Particulars	2009-2010	2008-2009
Opening balance	1.34	12.85
Additions during the year since 1st April	-	-
Reductions during the above period	-	11.51
Closing balance	1.34	1.34
Total provisions held	1.34	1.34

10. Provision for depreciation on Investments:

(Rs. in crore)

Particulars	2009-2010	2008-2009
Opening Balance	1.34	10.77
Add: Provisions for depreciation made during the year	1.59	-
Less: Write back of provisions during the year	-	9.43
Closing balance	2.93	1.34

11. Information on repos during the year (including Liquidity Adjustment facility with the Reserve Bank of India):

2009-2010

(Rs. in crore)

	Minimum outstanding during the year (@)	Maximum outstanding during the year	Daily average outstanding during the year (#)	As on 31st March, 2010
Securities sold under repos	5.00	5.00	0.01	5.00
Securities purchased under reverse repos	5.00	40.00	7.30	Nil

2008-2009

(Rs. in crore)

	Minimum outstanding during the year (@)	Maximum outstanding during the year	Daily average outstanding during the year (#)	As on 31st March, 2009
Securities sold under repos	5.00	10.00	0.32	Nil
Securities purchased under reverse repos	5.00	60.00	5.00	Nil

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

(#) Average consists of transactions outstanding divided by 365 days.



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12. Lending to Sensitive Sectors

(A) Exposure to Real Estate Sector

(Rs. in crore)

Category	Current Year	Previous Year
a) Direct exposure (*)		
(i) Residential Mortgages –	0.66	1.45
- Individual housing loans upto Rs. 20 Lacs	0.66	0.82
- Others	–	0.63
(ii) Commercial Real Estate –	15.44	13.74
- Fund Based	15.44	13.74
- Non Fund Based	–	-
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures –	–	-
a) Residential,	–	-
b) Commercial Real Estate.	–	-
b) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	–	-
Total Exposure to Real Estate Sector	16.10	15.19

(*) 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	Current Year	Previous Year
(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;	-	-
(iii)	advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity-oriented mutual funds are taken as primary security;	0.20	-
(iv)	advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity-oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity-oriented mutual funds does not fully cover the advances;	-	-
(v)	secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	-	-
(vi)	loans sanctioned to corporates against security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
(vii)	bridge loans to companies against expected equity flows / issues;	-	-
(viii)	underwriting commitments taken up by banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity-oriented mutual funds;	-	-
(ix)	financing to stockbrokers for margin trading;	-	-
(x)	all exposures to Venture Capital Funds (both registered and unregistered)	-	-
	Total Exposure to Capital Market	0.20	-

13. Letters of Comfort (LoCs):

(Rs. in crore)

Particulars	2009-10	2008-09
No. of LoCs issued during the year	1	-
Financial impact of LoCs issued during the year	0.32	-
Cumulative financial obligation under the LoCs issued in the past and outstanding	-	-



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

15. Information with respect to loan assets subjected to restructuring:

2009-10

(Rs. in crore)

Category	Particulars	CDR Mechanism	SME Debt Restructuring	Others
Standard Advances Restructured	No. of Borrowers	–	–	–
	Amount Outstanding	–	–	–
	Sacrifice (diminution in the fair value)	–	–	–
Sub-Standard Advances Restructured	No. of Borrowers	1	–	–
	Amount Outstanding @	11.42	–	–
	Sacrifice (diminution in the fair value)	0.16	–	–
Doubtful Advances Restructured	No. of Borrowers	–	–	–
	Amount Outstanding	–	–	–
	Sacrifice (diminution in the fair value)	–	–	–
Total	No. of Borrowers	1	–	–
	Amount Outstanding	11.42	–	–
	Sacrifice (diminution in the fair value)	0.16	–	–

@ Classification and outstanding are as at the year ended March 31, 2010.

2008-09

(Rs. in crore)

Category	Particulars	CDR Mechanism	SME Debt Restructuring	Others
Standard Advances Restructured	No. of Borrowers	1	–	–
	Amount Outstanding	6.01	–	–
	Sacrifice (diminution in the fair value)	0.30	–	–
Sub-Standard Advances Restructured	No. of Borrowers	–	–	–
	Amount Outstanding	–	–	–
	Sacrifice (diminution in the fair value)	–	–	–
Doubtful Advances Restructured	No. of Borrowers	–	–	–
	Amount Outstanding	–	–	–
	Sacrifice (diminution in the fair value)	–	–	–
Total	No. of Borrowers	1	–	–
	Amount Outstanding	6.01	–	–
	Sacrifice (diminution in the fair value)	0.30	–	–

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

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

Arch Pharma Ltd.
Bajaj Electricals Ltd.
Fedders Lloyd Corp Ltd.
Hanung Toys & Textiles Ltd.
Sew Infrastructure Ltd.

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

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

(Rs. in crore)

Item	2009-2010	2008-2009
(i) No. of accounts	Nil	1
(ii) Aggregate value (net of provisions) of accounts sold to SC/RC	Nil	Nil
(iii) Aggregate consideration	Nil	1.48
(iv) Additional consideration realized in respect of accounts transferred in earlier years	Nil	Nil
(v) Aggregate gain/loss over net book value.	Nil	1.48



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19. Country Risk Management information:

(Rs. in crore)

Risk category	As on March 31, 2010		As on March 31, 2009	
	Exposures	Provisions	Exposures	Provisions
Insignificant	17.19	0.01	49.84	0.03
Low	6.48	–	12.89	–
Moderate	–	–	–	–

20. Movement in Floating Provision:

(Rs. in crore)

Particulars	2009-2010	2008-2009
Opening Balance	1.57	1.57
Add: Provisions made during the year	–	–
Less: Draw down for allocation to NPA account	–	–
Closing balance	1.57	1.57

21 Details of non-performing financial assets purchased/sold:

A. Details of non-performing financial assets purchased

(Rs. in crore)

Particulars	2009-10	2008-09
1. (a) No. of accounts purchased during the year	Nil	Nil
(b) Aggregate outstanding	Nil	Nil
2. (a) Of these, number of accounts restructured during the year	Nil	Nil
(b) Aggregate outstanding	Nil	Nil

B. Details of non-performing financial assets sold

(Rs. in crore)

Particulars	2009-10	2008-09
1. No. of accounts sold	Nil	Nil
2. Aggregate outstanding	Nil	Nil
3. Aggregate consideration received	Nil	Nil

22. Provision on Standard Asset (Rs. in crore)

As on 31.03.2010: Rs. 1.96

As on 31.03.2009: Rs. 1.96

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

Concentration of Deposits

(Rs. in crore)

Particulars	2009-10
Total deposits of twenty largest depositors	212.95
% of deposits of twenty largest depositors to total deposits of the Bank	41.35%

Concentration of Advances (net)

(Rs. in crore)

Particulars	2009-10
Total Advances to twenty largest borrowers	191.29
% of Advances to twenty largest borrowers to total advances of the Bank	68.36%

*Advances are computed as per the definition of credit exposure including derivatives furnished in RBI master circular on exposure norms DBOD.No.Dir.BC. 15/13.03.00/2009-10 dated July 1, 2009.

Note:- Advances to borrowers exclude exposure to banks.



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Concentration of Exposures (net)

(Rs. in crore)

Particulars	2009-10
Total Exposure to twenty largest borrowers/customers	191.29
% of exposures to twenty largest borrowers/customers to total exposure of the Bank on borrowers/customers	68.36%

*Exposure is computed based on credit and investment exposure as prescribed in RBI circular on exposure norms DBOD. No.Dir. BC. 15/13.03.00/2009-10 dated July 1, 2009.

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

Concentration of NPAs (net)

(Rs. in crore)

Particulars	2009-10
Total Exposure to top four NPA accounts	7.45

Note:- (After netting of floating provisions)

24. Sector-wise NPAs (net):

Sr. No.	Sector	% of NPAs to Total Advances in that Sector 2009-10
1	Agriculture & allied activities	Nil
2	Industry (Micro & small, medium and large)	Nil
3	Services	Nil
4	Personal Loans	0.62
5	Others	31.10

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

25. Overseas Assets, NPAs and Revenue:

(Rs. in crore)

Particulars	2009-10
Total Assets	Nil
Total NPAs	Nil
Total Revenue	Nil

26. Off-balance Sheet SPVs sponsored:

Particulars	2009-10	2008-09
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	2009-10
1.	For selling life insurance policies	0.09
2.	For selling non-life insurance policies	-
3.	For selling mutual fund products	0.86

28. Unsecured Advances:

(Rs. in crore)

Particulars	2009-10	2008-09
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



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29. Disclosure on derivatives

a. Qualitative Disclosure:

The Bank has very limited exposure to derivatives trading namely forward foreign exchange contracts.

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

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

The Bank has in place a Risk Management Committee (RMC) which reviews/approves policies and procedures and reviews adherence to various risk parameters and prudential limits.

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

a) Risk Measurement:

For forward foreign exchange contracts, risk is measured through a daily report called Value at Risk (VaR), which computes VaR on the foreign exchange, gaps using FEDAI VaR factors (at 99% confidence level).

b) Risk Reporting and Risk monitoring systems:

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

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

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

The Bank has the following two policy papers in place, approved at RMC:

- (i) Integrated Foreign Exchange policy and
- (ii) Asset-Liability Management (ALM) Policy

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

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

As stated in Schedule 17: Principal accounting policies point no 2. (a) and (d). .

b. Quantitative Disclosure:

(Rs. in crore)

Sr. No	Particular	Currency swaps (Forward Foreign exchange contracts)
1	Derivatives (Notional Principal Amount)	
	a) For hedging	68.92
	b) For trading	196.18
2	Marked to Market Positions	
	a) Asset (+)	3.92
	b) Liability (-)	(4.94)
3	Credit Exposure	9.52
4	Likely impact of one percentage change in interest rate (100*PV01)	
	a) on hedging derivatives	-
	b) on trading derivatives	-
5	Maximum and Minimum of 100*PV01 observed during the year	
	a) on hedging	-
	b) on trading	-

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

31. Draw down from Reserves:

The Bank has not drawn down any reserves during the year ended March 31, 2010 (previous year Nil).



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32. Analysis and Disclosure of complaints

A. Customer Complaints

Sr No	Particulars	Current Year	Previous Year
(a)	No. of complaints pending at the beginning of the year	Nil	Nil
(b)	No. of complaints received during the year	16	8
(c)	No. of complaints redressed during the year	16	8
(d)	No. of complaints pending at the end of the year	Nil	Nil

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

B. Awards passed by the Banking Ombudsman

Sr No	Particulars	Current Year	Previous Year
(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.

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

33. 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	Current Year	Previous Year
Current service cost	0.50	0.27
Interest cost on benefit obligation	0.06	0.05
Expected return on plan assets	(0.06)	(0.06)
Net actuarial (gain)/loss recognised in the year	(0.82)	0.03
Past Service Cost	-	-
Cost of plan amendment	0.50	-
Net expenses	0.18	0.29
Actual return on plan assets	0.06	0.08

Balance Sheet: Details of provision for gratuity

(Rs. in crore)

Particulars	Current Year	Previous Year
Fair value of plan assets	0.66	0.75
Present value of obligations	0.84	(0.74)
Asset/(Liability)	(0.18)	0.01
Asset/Liability recognised in the balance sheet	0.18	0.01

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

(Rs. in crore)

Particulars	Current Year	Previous Year
Opening defined benefit obligation	0.75	0.59
Interest cost	0.06	0.04
Current service cost	0.50	0.27
Past service cost	-	-
Cost of Plan Amendment	0.50	-
Benefits paid	(0.15)	(0.22)
Actuarial (gains) / losses on obligation	(0.82)	0.06
Closing defined benefit obligation	0.84	0.74



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

Particulars	(Rs. in crore)	
	Current Year	Previous Year
Opening fair value of plan assets	0.75	0.77
Expected return	0.06	0.06
Contributions by employer	-	0.13
Benefits paid	(0.15)	(0.22)
Actuarial gains / (losses)	-	0.01
Closing fair value of plan assets	0.66	0.75

Experience adjustments:

Particulars	(Rs. in crore)	
	Current Year	Previous Year
Experience adjustments on plan liabilities (Gains)/Loss	0.19	0.67
Experience adjustments on plan assets Gain/(Loss)	-	0.02

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

Particulars	Current Year	Previous Year
Discount Rate (%) p.a.	8.00%	7.75%
Expected rate of return on assets (%) p.a.	8.00%	7.75%
Salary escalation rate (%) p.a.	8.00%	15.00%
Employee turnover (%) p.a.	25.00%	1.00%

Compensated Absences

The actuarial liability of compensated absences of unencashable accumulated sick leaves of the employees of the Bank as of March 31, 2010 is given below:

Particulars	(Rs. in crore)	
	Current Year	Previous Year
Total actuarial liability for sick leave	0.13	0.12

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

Particulars	Current Year	Previous Year
Discount Rate (%) p.a.	8.00%	7.75%
Salary escalation rate (%) p.a.	8.00%	15.00%

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.

34. Segment Reporting

Segment Information about Primary Business Segments for the year March 31, 2010

BUSINESS SEGMENT	(Rs. in crore)					
	Treasury	Corporate Banking	Retail Banking	Other Banking Services	Unallocated	Total
PARTICULARS						
Total Revenue	13.74	32.16	2.29	2.52	-	50.71
Result	1.55	7.67	0.11	0.08	(3.06)	6.35
Income Tax (net of deferred tax)						3.94
Extraordinary Profit / loss						-
Net profit						2.41
Other information						
Segment Assets	265.02	388.24	21.95	1.25	15.87	692.33
Segment Liabilities	60.79	185.16	344.82	0.52	101.04	692.33
Total Depreciation	0.33	0.86	0.10	0.24	0.18	1.71
Non cash expenses other than Depreciation of which:	1.59	(0.66)	0.03	0.02	0.04	1.02
Specific Provision for NPA & Write-off	-	(0.40)	0.03	-	-	(0.37)
General loss Provision	-	-	-	-	-	-
Gen. Prov. for Stand. Assets	-	(0.30)	-	-	-	(0.30)
Provision for depreciation on Investments	1.59	-	-	-	-	1.59
Provision for Country Risk	-	-	-	-	-	-
Other Provisions	-	0.04	-	0.02	0.04	0.10
Provision on other assets	-	-	-	-	-	-

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



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Segment information for the year ended March 31, 2009

(i) Information about Primary Business Segments

(Rs. in crore)

BUSINESS SEGMENTS	Treasury	Corporate Banking	Retail Banking	Other Banking Services	Unallocated	Total
PARTICULARS						
Revenue	19.74	39.35	2.93	1.20	0.19	63.41
Result	8.52	16.65	(0.80)	(0.99)	(1.14)	22.25
Income Taxes (net of deferred tax)						4.84
Extraordinary Profit / loss						-
Net Profit						17.41
Other Information						
Segment Assets	296.67	271.11	19.94	0.78	21.30	609.80
Segment Liabilities	20.53	160.17	326.09	0.52	102.49	609.80
Depreciation	0.31	0.51	0.11	0.15	0.13	1.21
Non cash expenses other than Depreciation of which:	(0.03)	(0.53)	(0.06)	-	-	(0.62)
Specific provision for Non Performing Assets & write-offs	-	(1.24)	0.17	-	-	(1.07)
General loss provision	-	-	-	-	-	-
Gen. Prov. for Stand. Assets	-	0.75	(0.18)	-	-	0.57
Provision for depreciation on Investments	-	-	-	-	-	-
Provision for Country Risk	-	-	-	-	-	-
Other Provisions	-	0.01	0.02	-	-	0.03
Provision on other assets	(0.03)	(0.05)	(0.07)	-	-	(0.15)

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 now 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.

35. Related Parties

Parent

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

Subsidiaries of Parent

1. CrediMax
2. Invita Company B.S.C
3. BBK Investment Fund Company
4. Global Payment Services
5. Capinnova Bank



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Associated Company of Parent

1. Bahrain Commercial Facilities Company
2. Ithmaar Bank
3. Bahrain Kuwait Insurance
4. Securities Investment Company
5. Pension Fund Commission
6. Social Insurance Organisation
7. Kuwait Investment Authority (KIA)
8. Benefit Company
9. EBLA
10. Naseej
11. Alosra Bank
12. Sakana Holistic Housing Solutions

Key Management Personnel*

Mr. V. Sankaran – General Manager & CEO

The following transactions were carried out with the related parties in the ordinary course of business:

(Rs in crore)

Items/Related Party	Parent & Overseas Branch			
	Outstanding as on 31st March 2010	Maximum Balance during the year 2009-2010	Outstanding as on 31st March 2009	Maximum Balance during the year 2008-2009
Borrowings	44.90	44.90	-	50.08
Lending	-	94.23	12.68	81.80
Deposits	0.61	3.97	0.43	5.63
Guarantees	29.63	31.38	35.45	35.45
Foreign exchange contracts	-	4.72	-	1.28

Items/Related Party	Parent & Overseas Branch	
	2009-2010	2008-2009
Interest Paid	0.02	0.89
Interest Received	0.03	-
Commission received	-	-
Commission paid	-	-

*As per RBI circular dated July 1, 2009 on 'Disclosure in Financial Statements – Notes to Accounts, the Bank has not disclosed details pertaining to the related party where there is only one entity/person in any one category of related parties.

36. Operating Leases

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

(Rs. in crore)

Particulars	2009-10	2008-09
Not later than one year	3.22	3.06
Later than one year and not later than five years	2.50	5.72
Later than five years	Nil	Nil

- b) Lease payments of Rs. 3.22 crore have been recognized in the statement of profit and loss for the year being minimum lease payments.
- c) The lease agreements entered into pertain to use of premises (including fixed assets) at the branch. The lease agreements do not have any undue restrictive or onerous clauses other than those normally prevalent in similar agreement regarding use of assets, lease escalations, renewals and a restriction on sub-leases.

37. 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 virtual certainty based on contracts and arrangements in place which will enable the Deferred Tax Asset to reverse.



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Items on which DTA is created are as follows:

(Rs. in crore)

	As at March 31, 2010	As at March 31, 2009
<u>Deferred Tax Assets</u>		
Provision for NPA's	-	3.90
Carried forward losses	3.02	3.29
Total	3.02	7.19
<u>Deferred Tax Liability</u>		
Depreciation on Fixed Assets	1.12	1.37
Total	1.12	1.37
Net Deferred tax asset	1.90	5.82

38. Provisions and contingencies

- (i) Claims against the Bank not acknowledged as debts:
Includes legal proceedings in the normal course of business, which are disputed by the Bank.
No disclosure of disputed income tax demand as a contingent liability is considered necessary, as in the Bank's view, duly supported by expert legal opinion/judicial pronouncements and also based on the favourable decisions for the Bank in its own earlier appeals, that these demands are not sustainable.
- (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.
- (iv) Other items for which the Bank is contingently liable represents repos outstanding on account of borrowing against Government securities, capital commitments.

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

40. Previous year's financials have been audited by another firm of Chartered Accountants.

41. Previous year figures have been regrouped wherever necessary to conform to current year's presentation.

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

Sd/-
V. Sankaran
General Manager &
Chief Executive Officer – India

Sd/-
Mehjabeen Saifi
Financial Controller – India

Mumbai
Dated: June 24, 2010



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BASEL II

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:

a. Tier 1 Capital	(Rs. in crore)
Capital	58.40
Reserves	41.83
Debit balance in Profit and Loss A/c (excluding current year's profit after appropriation)	10.27
b. Tier II Capital	02.02
c. Deduction from Capital	01.90
d. Total Eligible Capital	90.08

3. Capital Adequacy:

Qualitative Disclosures:

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

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

The Bank has finalized its ICAAP policy and will be reviewed on a yearly basis.

Quantitative Disclosures:

Capital requirement for credit risk	
Portfolios subject to standardized approach	Rs. 26.89 crore
Securitization exposures	NIL
Total @ 9% CRAR	Rs. 26.89 crore

Capital requirement for market risk.

- Standardized duration approach

Interest Rate Risk Rs. 0.75 crore

Foreign exchange risk (including gold) Rs. 1.20 crore

Equity Risk NIL

Capital requirement for operational risk;

Basic indicator approach

Capital required for operational risk Rs. 3.59 crore

Total and Tier 1 capital ratios

Tier I Capital Rs. 88.06 crore

Tier II Capital Rs. 2.02 crore

Total Rs. 90.08 crore

Total CRAR 25.01%

Core CRAR 24.45%

4. General Disclosures:

Qualitative Disclosures:

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



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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.

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

Liquidity Risk:

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

Market Risk:

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

The Bank has clearly defined policies for conducting investment and foreign exchange business, which stipulates limits for these activities. The Bank has no exposure to equity and commodity markets.

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

Credit Risk:

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

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

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

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

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

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

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

Non-performing Assets:

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

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

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



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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. 685.44 crore
- Non-fund based Rs. 53.22 crore
- Geographic distribution of exposure-Fund based and non fund based separately.

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

- Industry type distribution of exposures- funded and non-funded exposure separately.

Industry Type Distribution of Exposures

(Rs. in crores)

CODE	INDUSTRY	FUND BASED O/S			NFB O/S
		STD	NPA	TOTAL	
003	Iron & Steel	0.93	-	0.93	-
005	All Engineering	28.36	-	28.36	8.45
006	Electricity	-	-	0.00	-
007	Cotton Textiles	-	-	0.00	-
009	Other Textiles	13.47	-	13.47	0.64
012	Food Processing	21.94	-	21.94	-
017	Chemicals, dyes paints etc.	20.68	-	20.68	-
0171	- of Which fertilizers	7.08	-	7.08	-
0172	- of Which petro chemicals	13.60	-	13.60	-
0173	- of Which drugs & pharmaceuticals	-	-	0.00	-
021	Construction	15.97	-	15.97	0.20
025	Infrastructure	10.08	-	10.08	3.69
0252	- of which telecommunications	-	-	-	-
0253	- of which road & ports	10.08	-	10.08	3.69
026	Other industries	212.18	7.38	219.56	32.10
027	NBFCs	24.23	-	24.23	-
028	Residual advances to balance gross dv.	29.69	0.13	29.82	0.02
Grand Total		377.53	7.51	385.04	45.10

- Residual Contractual Maturity break-down of assets:

(Rs. in crores)

	1 Day	2-7 Days	8 to 14 Days	15 to 28 Days	29 days- upto 3 months	3- upto 6 months	6- upto 12 months	1- upto 3 years	3- upto 5 years	5- upto 10 years	10-upto 20 years	Over 20 years	Total
1 Cash	0.43	-	-	-	-	-	-	-	-	-	-	-	0.43
2 Balance with RBI	0.26	1.05	1.58	6.46	3.29	4.01	10.13	14.18	0.50	-	-	-	41.46
3 Balances with banks & money at call & short notice	14.87	-	-	-	-	-	-	-	-	-	-	-	14.87
4 Investments	-	-	30.27	23.19	11.81	39.04	36.42	70.25	1.15	8.02	-	-	220.15
5 Advances	1.88	13.20	15.98	37.25	163.87	34.69	21.81	66.64	28.14	3.15	-	-	386.61
6 Fixed Assets	-	-	-	-	-	-	-	-	-	-	-	5.46	5.46
7 Other assets	-	0.84	0.47	1.82	0.54	-	1.94	-	2.56	6.73	-	-	14.90

- Amount of NPA's Gross
 - Substandard Rs. 10.10 crore
 - Doubtful 1 Rs. 0.25 crore
 - Doubtful 2 Rs. 0.04 crore
 - Doubtful 3 Rs. 0.02 crore
 - Loss Rs. 0.50 crore



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- Net NPA's Rs. 7.51 crore
- NPA Ratios
 - Gross NPA's to Gross Advances 2.81%
 - Net NPA's to net advances 1.95%
- 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. 1.34 crore
- Amount of provision held for Non –Performing Investments Rs. 1.34 crore
- Movement of provision for depreciation on investments

(Rs. in crore)

Particulars	2009-2010
Opening Balance	1.34
Add: Provisions for depreciation made during the year	1.59
Less: Write-off	-
Less: Write back of provisions during the year	-
Closing balance	2.93

5. Credit Risk: Portfolios subject to standardized approach

Qualitative Disclosures:

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

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

Quantitative Disclosures:

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

Below 100% risk weight	Rs. 520.91 crore
100% risk weight	Rs. 157.65 crore
More than 100%	Rs. 45.91 crore
Deducted	Nil

6. Credit risk mitigation: Standardized approach

Quantitative 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 31-03-2010

	Gross outstanding	Financial Mitigant
Corporate Exposure*	17.41	3.70
Retail Exposure	0.05	0.03

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



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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 exposure to Capital Market.

Quantitative Disclosures:

The capital requirements for

i) Interest rate risk	Rs. 0.75 crore
ii) Equity position risk	NIL
iii) Foreign exchange risk	Rs. 1.20 crore

9. Operational Risk

Qualitative Disclosures:

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

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

Interest Rate Risk in the Banking book

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

It is the Bank's policy to keep its assets and liabilities mismatches at acceptable levels to maintain steady net interest income. The Bank monitors interest rate risk based on gap/duration 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 gain/loss of INR 0.93 crore based on Asset Liability position of March 2010 using the traditional gap analysis.



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The General Manager & Chief Executive Officer

AUDITORS' REPORT ON THE FINANCIAL STATEMENTS UNDER SECTION 30 OF THE BANKING REGULATION ACT, 1949

1. We have audited the attached balance sheet of Bank of Bahrain & Kuwait – Indian Branches (the 'Bank') as at 31 March 2010 and also the profit and loss account and cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. The balance sheet and profit and loss account are drawn up in conformity with Forms A and B (revised) of the Third Schedule to the Banking Regulation Act, 1949, read with Section 211 of the Companies Act, 1956 ('the Companies Act').
4. We report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory;
 - b) In our opinion, the transactions of the Bank which have come to our notice have been within its powers;
 - c) 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;
 - d) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - e) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub section (3C) of Section 211 of the Companies Act, read with guidelines issued by the Reserve Bank of India insofar as they apply to the Bank;
5. In our opinion and to the best of our information and according to the explanations given to us, the said financial statements give the information required by the Companies 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:
 - a) in the case of the balance sheet, of the state of the affairs of the Bank as at 31 March 2010;
 - b) in the case of the profit and loss account, of the profit for the year ended on that date; and
 - c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

For S.R. BATLIBOI & Co.

Chartered Accountants

Firm Registration number: 301300E

per Surekha Gracias

Partner

Membership No.:105488

Mumbai: 24 June 2010

