

# Basel II Pillar III Disclosure

*(For the six months ended 30 June 10)*

## **BBK B.S.C.**

### **Basel II Pillar III Disclosure**

*(For the six months ended 30 June 10)*

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**1 . Capital Components - Consolidated**

	<i>BHD '000</i>	<i>BHD '000</i>
	<b>Jun-10</b>	<b>Jun-09</b>
<b>Tier 1 Capital</b>		
Share capital	82,290	83,779
General reserves	27,000	20,000
Statutory reserves	39,001	35,500
Share premium	39,919	39,919
Retained earnings and others	18,292	17,058
Unrealized losses arising from fair valuing equities	(3,071)	(2,662)
Deductions from Tier 1 capital	(40,625)	(39,314)
<b>Total Tier 1 Capital</b>	<b>162,806</b>	<b>154,280</b>
<b>Tier 2 Capital</b>		
Current year profit	23,423	22,304
45% of unrealized gains arising from fair valuing equities	2,096	6,112
Collective impairment provisions	18,367	3,445
Subordinated term debt	61,029	87,362
Deductions from Tier 2 capital	(40,625)	(39,314)
<b>Total Tier 2 Capital</b>	<b>64,290</b>	<b>79,909</b>
<b>Total Available Capital (Tier 1 + Tier 2)</b>	<b>227,096</b>	<b>234,189</b>
Aggregation of unconsolidated subsidiaries and associated companies	71,579	70,874
<b>Total Eligible Capital</b>	<b>298,675</b>	<b>305,063</b>

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**2 . Capital Ratios - Consolidated & Subsidiaries Above 5% of Group Capital**

	<b>Jun-10</b>		<b>Jun-09</b>	
	<b>Total Capital Ratio</b>	<b>Tier One Capital Ratio</b>	<b>Total Capital</b>	<b>Tier One Capital Ratio</b>
BBK - GROUP	19.17%	15.04%	18.50%	13.66%
CREDIMAX	102.87%	80.30%	83.32%	68.91%
CAPPINOVA	101.68%	101.68%	192.90%	192.90%

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(For the six months ended 30 June 10)

**3. Capital Requirement for Risk Weighted Exposure***BHD '000*

<b>30 June 2010</b>	<b>Gross Credit Exposures (before Risk Mitigation)</b>	<b>Eligible Financial Collateral</b>	<b>Credit Risk after Risk Mitigation and Credit Conversion</b>	<b>Risk Weighted Asset</b>	<b>Regulatory Capital Required 12%</b>
Total gross Credit Exposures					
Sovereign	684,349	-	49,815	24,289	2,915
Public Sector Entities	172,294	-	6,277	2,152	258
Banks	487,007	1,507	372,260	183,575	22,029
Corporates	1,009,008	76,057	848,533	833,816	100,058
Regulatory retail	150,541	19,654	130,887	98,166	11,780
Mortgage	54,571	2,969	51,602	38,924	4,671
Equity	43,570	-	-	45,589	5,471
Investment in Funds	4,638	-	4,638	6,957	835
Past Due	896	-	896	908	109
Real Estate	28,467	-	-	56,933	6,832
Securitisation	2,987	-	2,987	2,987	358
Other assets	42,653	-	42,653	42,653	5,118
Cash Items	10,795	-	-	106	13
<b>Total</b>	<b>2,691,776</b>	<b>100,187</b>	<b>1,510,548</b>	<b>1,337,055</b>	<b>160,447</b>
Aggregation of unconsolidated subsidiaries and associated companies	58,916	-	58,916	58,916	7,070
<b>Total Credit Risk</b>	<b>2,750,692</b>	<b>100,187</b>	<b>1,569,464</b>	<b>1,395,971</b>	<b>167,517</b>
Market Risk	-	-	-	6,290	755
Operational Risk	-	-	-	156,152	18,738
<b>Total Risk Weighted Exposure</b>	<b>2,750,692</b>	<b>100,187</b>	<b>1,569,464</b>	<b>1,558,413</b>	<b>187,010</b>

<b>30 June 2009</b>	<b>Gross Credit Exposures (before Risk Mitigation)</b>	<b>Eligible Financial Collateral</b>	<b>Credit Risk after Risk Mitigation and Credit Conversion</b>	<b>Risk Weighted Asset</b>	<b>Regulatory Capital Required 12%</b>
Total gross Credit Exposures					
Sovereign	323,860	0	37,700	13,572	1,629
Public Sector Entities	239,959	0	11,114	3,166	380
Banks	390,131	1,920	354,963	164,847	19,782
Corporates	1,002,461	73,385	922,574	916,660	109,999
Regulatory retail	139,367	18,739	120,627	90,470	10,856
Mortgage	46,880	3,431	43,449	32,827	3,939
Equity	41,717	0	0	50,999	6,120
Investment in Funds	5,165	0	5,165	7,748	930
Past Due	222	2	220	228	27
Real Estate	24,465	0	0	48,931	5,872
Securitisation	7,680	0	7,680	7,077	849
Other assets	102,690	6,952	95,738	95,738	11,489
Cash Items	11,035	0	0	70	8
<b>Total</b>	<b>2,335,631</b>	<b>104,429</b>	<b>1,599,230</b>	<b>1,432,334</b>	<b>171,880</b>
Aggregation of unconsolidated subsidiaries and associated companies	61,527	0	61,527	61,527	7,383
<b>Total Credit Risk</b>	<b>2,397,158</b>	<b>104,429</b>	<b>1,660,757</b>	<b>1,493,861</b>	<b>179,263</b>
Market Risk	0	0	0	12,746	1,530
Operational Risk	0	0	0	142,073	17,049
<b>Total Risk Weighted Exposure</b>	<b>2,397,158</b>	<b>104,429</b>	<b>1,660,757</b>	<b>1,648,680</b>	<b>197,842</b>

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(For the six months ended 30 June 10)

**4 . Funded and Unfunded Total Credit Exposure***BHD '000*

<b>Total gross Credit Exposures</b>	<b>June 2010</b>		<b>June 2009</b>	
	<b>Total Funded Credit Exposure</b>	<b>Total Un-Funded Credit Exposure</b>	<b>Total Funded Credit Exposure</b>	<b>Total Un-Funded Credit Exposure</b>
Sovereign	646,475	37,874	278,026	45,834
Public Sector Entities	147,002	25,291	215,667	24,293
Banks	355,376	131,631	237,027	153,103
Corporates	850,469	158,539	873,037	129,424
Regulatory retail	147,770	2,772	137,160	2,206
Mortgage	54,571	-	46,880	-
Equity	43,570	-	41,717	-
Investment in Funds	4,384	254	4,883	283
Past Due	896	-	222	-
Real Estate	28,467	-	24,465	-
Securitisation	2,987	-	6,926	754
Other assets	42,653	-	88,158	14,532
Cash Items	10,795	-	11,035	-
<b>Total</b>	<b>2,335,415</b>	<b>356,361</b>	<b>1,965,202</b>	<b>370,429</b>
Aggregation of unconsolidated subsidiaries and associated companies	58,916	-	61,527	-
<b>Total Credit Risk</b>	<b>2,394,331</b>	<b>356,361</b>	<b>2,026,729</b>	<b>370,429</b>

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(For the six months ended 30 June 10)

**5 . Quarterly Average Credit Exposure***BHD '000*

	<b>June 2010</b>	<b>June 2009</b>
	<b>Quarterly Average</b>	<b>Quarterly Average</b>
Sovereign	606,119	323,759
Public Sector Entities	184,168	239,374
Banks	465,909	377,671
Corporates	1,013,376	994,143
Regulatory retail	148,142	146,074
Mortgage	53,450	45,924
Equity	47,675	41,393
Investment in Funds	4,533	5,393
Past Due	938	5,593
Real Estate	26,341	24,649
Securitisation	4,452	6,488
Other assets	50,495	112,141
Cash Items	11,789	11,234
<b>Total</b>	<b>2,617,387</b>	<b>2,333,837</b>
Aggregation of unconsolidated subsidiaries and associated companies	59,202	61,800
<b>Total Credit Risk</b>	<b>2,676,589</b>	<b>2,395,637</b>

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(For the six months ended 30 June 10)

**6 . Concentration of Credit Risk by Region**

	<b>GCC</b>	<b>North America</b>	<b>Europe</b>	<b>Asia</b>	<b>Others</b>	<b>Total June 2010</b>
Cash and balances with central banks	277,965	-	-	3,132	2	<b>281,099</b>
Treasury bills	131,349	-	-	-	-	<b>131,349</b>
Financial assets at fair value through statement of income	-	-	-	2,014	-	<b>2,014</b>
Deposits in banks & other financial	108,326	2,920	122,818	6,990	882	<b>241,936</b>
Loans & advances to customers	1,174,716	315	1,904	51,903	5,287	<b>1,234,125</b>
Investment securities	317,204	21,964	29,486	23,305	9,623	<b>401,582</b>
Other assets	41,620	-	-	1,686	-	<b>43,306</b>
<b>Total funded exposure</b>	<b>2,051,180</b>	<b>25,199</b>	<b>154,208</b>	<b>89,030</b>	<b>15,794</b>	<b>2,335,411</b>
Unfunded commitments & contingents	266,555	1,302	33,586	53,242	1,676	<b>356,361</b>
Aggregation of unconsolidated subsidiaries and associated companies	58,916	-	-	-	-	<b>58,916</b>
<b>Total Credit Risk</b>	<b>2,376,651</b>	<b>26,501</b>	<b>187,794</b>	<b>142,272</b>	<b>17,470</b>	<b>2,750,688</b>

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	<b>GCC</b>	<b>North America</b>	<b>Europe</b>	<b>Asia</b>	<b>Others</b>	<b>Total June 2009</b>
Cash and balances with central banks	163,171	-	-	2,269	-	165,440
Treasury bills	9,978	-	-	-	-	9,978
Financial assets at fair value through statement of income	-	-	-	-	-	-
Deposits in banks & other financial institutions	108,693	4,036	8,929	5,732	28	127,418
Loans & advances to customers	1,287,858	353	5,586	46,006	6,629	1,346,431
Investment securities	194,053	31,832	25,524	12,286	18,366	282,061
Other assets	31,638	-	-	2,236	-	33,874
<b>Total funded exposure</b>	<b>1,795,391</b>	<b>36,221</b>	<b>40,039</b>	<b>68,528</b>	<b>25,023</b>	<b>1,965,202</b>
Unfunded commitments & contingents	209,458	1,571	74,704	83,702	993	370,429
Aggregation of unconsolidated subsidiaries and associated companies	61,527	-	-	-	-	61,527
<b>Total Credit Risk</b>	<b>2,066,376</b>	<b>37,792</b>	<b>114,743</b>	<b>152,230</b>	<b>26,017</b>	<b>2,397,158</b>

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(For the six months ended 30 June 10)

**7. Concentration of Credit Risk by Industry***BHD '000*

	Trading and Manufacturing	Banks & Other Financial Institutions	Construction & Real Estate	Government & Public Sector	Individuals	Others	Total June 2010
Cash and balances with central banks	-	1,285	-	3,077	-	276,738	<b>281,100</b>
Treasury bills	-	-	-	131,349	-	-	<b>131,349</b>
Financial assets at fair value through statement of income	-	2,014	-	-	-	-	<b>2,014</b>
Deposits in banks & other financial institutions	-	241,764	-	-	-	171	<b>241,935</b>
Loans & advances to customers	305,270	146,605	308,467	84,699	224,791	164,293	<b>1,234,125</b>
Investment securities	36,778	171,058	30,473	159,841	-	3,431	<b>401,581</b>
Other assets	2	20	1	198	93	42,992	<b>43,306</b>
<b>Total funded exposure</b>	<b>342,050</b>	<b>562,746</b>	<b>338,941</b>	<b>379,164</b>	<b>224,884</b>	<b>487,625</b>	<b>2,335,410</b>
Unfunded commitments & contingents	111,597	145,601	74,381	1,553	6,986	16,244	<b>356,362</b>
Aggregation of unconsolidated subsidiaries and associated companies	-	58,916	-	-	-	-	<b>58,916</b>
<b>Total Credit Risk</b>	<b>453,647</b>	<b>767,263</b>	<b>413,322</b>	<b>380,717</b>	<b>231,870</b>	<b>503,869</b>	<b>2,750,688</b>

	Trading and Manufacturing	Banks & Other Financial Institutions	Construction & Real Estate	Government & Public Sector	Individuals	Others	Total June 2009
Cash and balances with central banks	-	2,745	-	-	-	162,695	165,440
Treasury bills	-	-	-	9,978	-	-	9,978
Financial assets at fair value through statement of income	-	-	-	-	-	-	-
Deposits in banks & other financial institutions	-	127,418	-	-	-	-	127,418
Loans & advances to customers	398,799	161,758	324,984	84,368	222,037	154,485	1,346,431
Investment securities	10,870	171,590	30,309	60,248	-	9,044	282,061
Other assets	-	-	-	-	-	33,874	33,874
<b>Total funded exposure</b>	<b>409,669</b>	<b>463,512</b>	<b>355,293</b>	<b>154,594</b>	<b>222,037</b>	<b>360,098</b>	<b>1,965,202</b>
Unfunded commitments & contingents	71,391	212,541	55,597	4,433	16,400	10,067	370,429
Aggregation of unconsolidated subsidiaries and associated companies	-	61,527	-	-	-	-	61,527
<b>Total Credit Risk</b>	<b>481,060</b>	<b>737,579</b>	<b>410,889</b>	<b>159,028</b>	<b>238,437</b>	<b>370,165</b>	<b>2,397,158</b>

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(For the six months ended 30 June 10)

**8 . Concentration of Credit Risk by Maturity***BHD '000*

	Less than 1 Month	1 Month to 3 Months	3 Months to 6 Months	6 Months to 1 Year	1 to 5 Years	5 to 10 Years	10 to 20 Years	More than 20 Years	Total June 2010
Cash and balances with central banks	278,255	398	313	839	1,295	-	-	-	281,100
Treasury bills	26,990	65,921	33,486	4,953	-	-	-	-	131,350
Financial assets at fair value through statement of income	-	2,014	-	-	-	-	-	-	2,014
Deposits in banks & other financial institutions	211,374	28,995	-	-	1,565	-	-	-	241,934
Loans & advances to customers	101,833	92,643	116,400	72,211	415,020	338,113	59,401	38,506	1,234,127
Investment securities	10,806	31,502	49,196	34,338	136,913	71,493	3,732	63,602	401,582
Other assets	4,881	103	83	10	385	19	-	37,826	43,307
<b>Total funded exposure</b>	<b>634,139</b>	<b>221,576</b>	<b>199,478</b>	<b>112,351</b>	<b>555,178</b>	<b>409,625</b>	<b>63,133</b>	<b>139,934</b>	<b>2,335,414</b>
Unfunded commitments & contingents	73,916	70,755	58,655	150,968	1,227	129	367	345	356,362
Aggregation of unconsolidated subsidiaries and associated companies								58,916	58,916
<b>Total Credit Risk</b>	<b>708,055</b>	<b>292,331</b>	<b>258,133</b>	<b>263,319</b>	<b>556,405</b>	<b>409,754</b>	<b>63,500</b>	<b>199,195</b>	<b>2,750,692</b>

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	Less than 1 Month	1 Month to 3 Months	3 Months to 6 Months	6 Months to 1 Year	1 to 5 Years	5 to 10 Years	10 to 20 Years	More than 20 Years	Total June 2009
Cash and balances with central banks	163,414	168	384	890	584	-	-	-	165,440
Treasury bills	9,978	-	-	-	-	-	-	-	9,978
Financial assets at fair value through statement of income	-	-	-	-	-	-	-	-	-
Deposits in banks & other financial institutions	95,302	32,116	-	-	-	-	-	-	127,417
Loans & advances to customers	160,709	143,102	69,222	106,210	425,153	299,703	103,977	38,355	1,346,431
Investment securities	944	12,589	14,874	70,820	73,114	45,829	-	63,890	282,061
Other assets	266	1,018	71	-	1,030	-	-	31,489	33,875
<b>Total funded exposure</b>	<b>430,613</b>	<b>188,993</b>	<b>84,551</b>	<b>177,920</b>	<b>499,881</b>	<b>345,532</b>	<b>103,977</b>	<b>133,734</b>	<b>1,965,202</b>
Unfunded commitments & contingents	79,868	48,254	60,947	146,734	21,315	7,038	5,585	686	370,429
Aggregation of unconsolidated subsidiaries and associated companies	-	-	-	-	-	-	-	61,527	61,527
<b>Total Credit Risk</b>	<b>510,482</b>	<b>237,248</b>	<b>145,499</b>	<b>324,654</b>	<b>521,196</b>	<b>352,571</b>	<b>109,562</b>	<b>195,948</b>	<b>2,397,158</b>

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**9 . Impaired Loans and Provisions***BHD '000*

	June, 2010			June, 2009		
	Principal & Interest Outstanding	Impaired Loans	Specific provisions	Principal & Interest Outstanding	Impaired Loans	Specific provisions
Manufacturing	228,314	19,826	13,778	258,269	20,567	14,017
Mining and quarrying	2,349	-	-	39,028	-	-
Agriculture, fishing and forestry	698	27	68	921	142	143
Construction	150,769	12,427	4,149	118,823	13,205	3,039
Financial	169,883	36,889	16,602	146,541	40,785	12,275
Trade	108,995	7,130	3,116	138,035	6,864	2,729
Personal / Consumer finance	92,150	15,684	13,817	130,554	13,461	12,581
Commercial real estate financing	253,240	3,479	1,214	285,950	1,802	1,145
Residential mortgage	56,750	2,058	281	48,514	139	15
Government	84,699	-	-	84,368	-	-
Technology, media and telecommunications	56,802	510	366	53,676	480	338
Transport	43,455	4,937	4,935	30,589	4,989	4,850
Other sectors	62,986	186	188	69,093	424	357
<b>Total</b>	<b>1,311,090</b>	<b>103,153</b>	<b>58,514</b>	<b>1,404,360</b>	<b>102,858</b>	<b>51,489</b>

**10 . Reconciliation of Changes in Impaired Loans and Provisions**

	2010		2009	
	Specific Impairment Provisions	Collective Impairment Provisions	Specific Impairment Provisions	Collective Impairment Provisions
At beginning of the year	58,122	6,248	52,187	3,710
Amounts written off	(1,381)	-	(4,963)	-
Write backs / cancellation due to improvement	(1,667)	(39)	(703)	(43)
Additional provisions made	3,658	12,430	5,876	(307)
Exchange adjustment and other movements	190	(272)	(573)	86
Notional interest on impaired assets	(408)	-	(336)	-
<b>Balance at reporting date</b>	<b>58,514</b>	<b>18,367</b>	<b>51,489</b>	<b>3,445</b>

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(For the six months ended 30 June 10)

**11 . Past Due Loans by Region***BHD '000*

	GCC	North America	Europe	Asia	Others	Total June 2010
Past Due Loans	102,121	-	-	1,032	-	103,153
Specific Impairment Provisions	58,154	-	-	360	-	58,514
Collective Impairment Provisions	18,080	-	-	287	-	18,367

  

	GCC	North America	Europe	Asia	Others	Total June 2009
Past Due Loans	101,946	-	-	912	-	102,858
Specific Impairment Provisions	50,597	-	-	892	-	51,489
Collective Impairment Provisions	3,144	-	-	301	-	3,445

**12 . Ageing of Past Due Loans***BHD '000*

	3 months up to 1 year	1 up to 3 years	Over 3 years	Total June 2010
Gross Impaired Loans	34,939	15,372	52,841	103,152
Less: Specific Provisions	11,306	2,807	28,380	42,493
Less: Interest in Suspense	2,023	350	13,647	16,020
<b>Net Outstanding</b>	<b>21,610</b>	<b>12,215</b>	<b>10,814</b>	<b>44,639</b>
Market value of collateral	4,542	11,684	28,412	44,638

  

	3 months up to 1 year	1 up to 3 years	Over 3 years	Total June 2009
Gross Impaired Loans	51,332	2,551	48,974	102,857
Less: specific provisions	8,574	1,212	28,371	38,157
Less: Interest in Suspense	799	278	12,254	13,331
<b>Net Outstanding</b>	<b>41,959</b>	<b>1,061</b>	<b>8,349</b>	<b>51,369</b>
Market value of collateral	9,481	2,724	27,975	40,180

**13 . Restructured Loans***BD'000*

	June 2010	June 2009
Loans restructured during the year	6,166	22,955
Impact of restructured facilities and loans on present and future earnings	-	-
Impact of restructured facilities and loans on provisions	-	-

**BBK B.S.C.****Basel II Pillar III Disclosure**

(For the six months ended 30 June 10)

**14 . Market Risk Disclosures for banks using the Internal Models Approach (IMA) for trading portfolios**

**VaR Results for June 30th 2010 (10 day 99%)  
Global (BAHRAIN & KUWAIT)  
January 1, - June 30, 2010**

Asset Class	Limit	VaR 30/6/2010	High VaR	Low VaR	Average VaR
Foreign Exchange	1,700	215	858	98	<b>423</b>
Interest Rate	200	116	190	0	<b>79</b>
<b>Total</b>	<b>1,900</b>	<b>331</b>	<b>898</b>	<b>99</b>	<b>502</b>

**VaR Results for June 30th 2009 (10 day 99%)  
Global (BAHRAIN & KUWAIT)  
January 1, - June 30, 2009**

Asset Class	Limit	VaR 30/6/2009	High VaR	Low VaR	Average VaR
Foreign Exchange	1,700	648	788	516	669
Interest Rate	200	11	113	2	22
<b>Total</b>	<b>1,900</b>	<b>659</b>	<b>823</b>	<b>523</b>	<b>691</b>

**15 . Currency Risk**

The functional currency of the Group is the Bahraini Dinar.

The Group has the following significant non - strategic net exposures denominated in foreign currencies as of 30th June 2010:

	BHD '000	
	<b>2010</b>	<b>2009</b>
USD Dollars	(88,674)	(20,010)
EURO	(4)	75
G.C.C Currencies	17,554	19,706
Kuwaiti Dinars	279	(835)
Others	(113)	570
<b>Total</b>	<b>(70,958)</b>	<b>(494)</b>

**16. Concentration risk to individuals where the total exposure is in excess of single obligor limit of 15%**

	BHD '000	
	<b>2010</b>	<b>2009</b>
Sovereign	270,980	159,925
Corporate	-	-
<b>Total</b>	<b>270,980</b>	<b>159,925</b>

**BBK B.S.C.****Basel II Pillar III Disclosure**

(For the six months ended 30 June 10)

**17 . Derivatives**

<b>Derivatives</b>	<b>2010</b>			<b>2009</b>			<i>BHD '000</i>
	<b>Positive fair</b>	<b>Negative fair</b>	<b>Notional</b>	<b>Positive fair</b>	<b>Negative fair</b>	<b>Notional</b>	
	<b>value</b>	<b>value</b>	<b>Amount</b>	<b>value</b>	<b>value</b>	<b>Amount</b>	
<i>Derivatives held for trading</i>							
Interest rate swap	-	-	-	276	(282)	15,080	
Forward foreign exchange contracts	4,048	(3,745)	121,254	1,185	631	29,902	
<i>Derivatives held as fair value hedges</i>							
Interest rate swap	-	(589)	10,384	987	(1,920)	20,348	
Forward foreign exchange contracts	1,037	(377)	217,592	1,257	(207)	48,489	
<i>Derivatives held as cash value hedges</i>							
Interest rate swap	16	(4,126)	81,047	2,144	(3,749)	47,050	
Forward foreign exchange contracts	-	-	-	-	-	-	
<b>Total</b>	<b>5,101</b>	<b>(8,837)</b>	<b>430,277</b>	<b>5,848</b>	<b>(5,527)</b>	<b>160,869</b>	

**18 . Credit Derivatives Exposure**

	<i>BHD '000</i>	
	<b>2010</b>	<b>2009</b>
FTD	7,540	5,200
CDS	130,254	174,928
<b>Credit Derivatives</b>	<b>137,794</b>	<b>180,128</b>

**BBK B.S.C.****Basel II Pillar III Disclosure**

(For the six months ended 30 June 10)

**19 . Related Party Transactions**

	<i>BD '000</i>			
	<i>Major Shareholders</i>	<i>Associated &amp; Others</i>	<i>Directors and key Management</i>	<i>June 2010</i>
Placement Loans and advances to customers	-	15,210	1,377	16,587
Non-trading investment securities	69	-	-	69
Borrowing & Deposits	225,455	823	3,455	229,733

No provision is required in respect of loans given to related parties (2009: nil)

*The income and expenses in respect of related parties included in the consolidated income statement are as follows:*

Interest and similar income	16	272	17	305
Interest and similar expense	4,023	1	24	4,048

	<i>Major Shareholders</i>	<i>Associated &amp; Others</i>	<i>Directors and key Management</i>	<i>June 2009</i>
Placement Loans and advances to customers	-	15,422	4,344	19,766
Non-trading investment securities	-	4,054	-	4,054
Borrowing & Deposits	192,973	658	3,192	196,823

No provision is required in respect of loans given to related parties (2008: nil)

*The income and expenses in respect of related parties included in the consolidated income statement are as follows:*

Interest and similar income	-	390	41	431
Interest and similar expense	3,189	2	29	3,220

**20 . Compensation of the key management personnel including directors**

	<i>June 2010 BD '000</i>	<i>June 2009 BD '000</i>
Salaries and other short term benefits	3,866	4,721
Post employment benefits	8	13
Share based payments	281	21
<b>Total compensation of the key management personnel</b>	<b>4,155</b>	<b>4,755</b>

**BBK B.S.C.****Basel II Pillar III Disclosure**

(For the six months ended 30 June 10)

**21 . Equity Positions in the Banking Book**

	<b>BHD '000</b>	
	<b><i>Jun-10</i></b>	<b><i>Jun-09</i></b>
Publicly Traded Equity Shares	39,639	34,932
Privately Held Equity Shares	20,295	28,562
<b>Total</b>	<b>59,934</b>	<b>63,493</b>
<b>Realised Gains/ Losses</b>	<b>17,136</b>	<b>-</b>
<b>Unrealised Gains/ Losses in Equity</b>	<b>1,586</b>	<b>10,921</b>
<b>Included in Tier Two Capital</b> <i>(45% of Cumulative change in fair value)</i>	<b>2,096</b>	<b>6,112</b>
<b>Capital Required</b>	<b>7,192</b>	<b>7,619</b>

## **BBK B.S.C.**

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### **Basel II Pillar III Disclosure**

(For the six months ended 30 June 10)

#### **22 . Legal risk and claims**

Legal risk is the risk relating to losses due to legal or regulatory action that invalidates or otherwise precludes performance by the end user or its counterparty under the terms of the contract or related netting agreements.

The Group has developed sufficient preventive controls and formalised procedures to identify legal risks so that potential losses arising from non-adherence to laws and regulations, negative publicity, etc. are avoided. The Group also has well established legal procedures to scrutinize product offerings and manage risks arising out of its transactions.

As at 30 June 2010, there were legal suits pending against the Group aggregating BD 0.986 million. Based on the opinion of the Group's legal advisors, the management believes that no liability is likely to arise from these suits and does not consider it necessary to carry any provisions in this regard.

#### **23 . Interest rate risk in the banking book (IRRBB)**

A increase of 100 basis point in interest rates, with all other variables held constant, will result in a negative impact on equity of approximately 5.96% (2009: 2.78%).

Similarly, a decrease of 100 basis point in interest rates, with all other variables held constant, will result in a positive impact on equity of approximately 5.96% (2009: 2.78%).