

Basel II Pillar III Disclosure

(For the six months ended 30 June 09)

BBK B.S.C.

Basel II Pillar III Disclosure

(For the six months ended 30 June 09)

Table No.	Content	Page no.
1 .	Capital Components - Consolidated	3
2 .	Capital Ratios - Consolidated and Subsidiaries Above 5% of Group Capital	4
3 .	Capital Requirement for Risk Weighted Exposure	5
4 .	Funded and Unfunded Total Credit Exposure	6
5 .	Quarterly Average Credit Exposure	7
6 .	Concentration of Credit Risk by Region	8
7 .	Concentration of credit risk by industry	9
8 .	Concentration of credit risk by maturity	10
9 .	Impaired loans and provisions	11
10 .	Reconciliation of Changes in Impaired Loans and Provisions	11
11 .	Past due loans by region	12
12 .	Aging of past due loans	12
13 .	Restructured loans	12
14 .	Market Risk Disclosures for banks using the Internal Models Approach (IMA) for trading portfolios	13
15 .	Currency Risk	13
16 .	Derivatives	14
18 .	Related Party Transactions	15
19 .	Compensation of the key management personnel including directors	15
20 .	Equity Positions in the Banking Book	16
21 .	Legal risk and claims	17
22 .	Interest rate risk in the banking book (IRRBB)	17

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

(For the six months ended 30 June 09)

1 . Capital Components - Consolidated	BHD '000 Jun-09
Tier 1 Capital	
Share capital	83,779
General reserves	20,000
Statutory reserves	35,500
Share premium	39,919
Retained earnings and others	17,058
Unrealized losses arising from fair valuing equities	(2,662)
Deductions from Tier 1 capital	(39,315)
Total Tier 1 Capital	154,279
Tier 2 Capital	
Current year profit	22,304
45% of unrealized gains arising from fair valuing equities	6,112
Collective impairment provisions	3,445
Subordinated term debt	87,362
Deductions from Tier 2 capital	(39,315)
Total Tier 2 Capital	79,908
Total Available Capital (Tier 1 + Tier 2)	234,188
Aggregation	70,874
Total Eligible Capital	305,062

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

(For the six months ended 30 June 09)

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

	Total Capital Ratio	Tier One Capital Ratio
	Jun-09	Jun-09
BBK - GROUP	18.50%	13.66%
CREDIMAX	83.32%	68.91%
CAPPINOVA	476.04%	485.82%

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

(For the six months ended 30 June 09)

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

	Gross Credit Exposures (before Risk Mitigation)	Eligible Financial Collateral	Credit Risk after Risk Mitigation and Credit Conversion	Risk Weighted Asset	Regulatory Capital Required 12%
Total gross credit exposures					
Sovereign	323,860	-	37,700	13,572	1,629
Public sector entities	239,959	-	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	-	-	50,999	6,120
Investment in funds	5,165	-	5,165	7,748	930
Past due	222	2	220	228	27
Real estate	24,465	-	-	48,931	5,872
Securitisation	7,680	-	7,680	7,077	849
Other assets	102,690	6,952	95,738	95,738	11,489
Cash items	11,035	-	-	70	8
Total	2,335,631	104,429	1,599,230	1,432,334	171,880
Aggregation	61,527	-	61,527	61,527	7,383
Total Credit Risk	2,397,158	104,429	1,660,757	1,493,861	179,263
Market Risk	-	-	-	12,746	1,530
Operational Risk	-	-	-	142,073	17,049
Total Risk Weighted Exposure	2,397,158	104,429	1,660,757	1,648,680	197,842

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

(For the six months ended 30 June 09)

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

Total gross credit exposures	Total Funded Credit Exposure	Total Un-Funded Credit Exposure
Sovereign	278,026	45,834
Public sector entities	215,667	24,293
Banks	237,901	152,230
Corporates	873,037	129,424
Regulatory retail	137,161	2,206
Mortgage	46,880	-
Equity	41,717	-
Investment in funds	4,883	283
Past due	222	-
Real estate	24,465	-
Securitisation	6,926	754
Other assets	88,158	14,532
Cash items	11,035	-
Total	1,966,076	369,555
Aggregation	61,527	-
Total Credit Risk	2,027,603	369,555

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

(For the six months ended 30 June 09)

5 . Quarterly Average Credit Exposure*BHD '000*

	2009 Quarterly Average
Sovereign	323,759
Public sector entities	239,374
Banks	377,671
Corporates	994,143
Regulatory retail	146,074
Mortgage	45,924
Equity	41,393
Investment in funds	5,393
Past due	5,593
Real estate	24,649
Securitisation	6,488
Other assets	112,141
Cash items	11,234
Total	2,333,837
Aggregation	61,800
Total Credit Risk	2,395,637

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

(For the six months ended 30 June 09)

6 . Concentration of Credit Risk by Region

	GCC	North America	Europe	Asia	Others	Total
Cash and balances with central banks	163,171	-	-	2,269	-	165,440
Treasury bills	9,978	-	-	-	-	9,978
Financial assets at fair value through	-	-	-	-	-	-
Deposits in banks and other financial	108,693	4,036	8,929	5,732	28	127,418
Loans and 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
Total funded exposure	1,795,391	36,221	40,039	68,528	25,023	1,965,202
Unfunded commitments and contingents	209,458	1,571	74,704	83,702	993	370,429
Aggregation	61,527	-	-	-	-	61,527
Total credit risk	2,066,376	37,792	114,743	152,230	26,017	2,397,158

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

(For the six months ended 30 June 09)

7 . Concentration of credit risk by industry*BHD '000*

	Trading and Manufacturing	Banks and Other Financial Institutions	Construction and Real Estate	Government and Public Sector	Individuals	Others	Total
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	-	-	-	-	-	-	-
Deposits in banks and other financial	-	127,418	-	-	-	-	127,418
Loans and 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
Total funded exposure	409,669	463,512	355,293	154,594	222,037	360,098	1,965,202
Unfunded commitments and contingents	71,391	212,541	55,597	4,433	16,400	10,067	370,429
Aggregation	-	61,527	-	-	-	-	61,527
Total credit risk	481,060	737,579	410,889	159,028	238,437	370,165	2,397,158

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

(For the six months ended 30 June 09)

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
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 throughout statement of income	-	-	-	-	-	-	-	-	-
Deposits in banks and other financial institutions	95,302	32,116	-	-	-	-	-	-	127,417
Loans and 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	0	1,030	-	-	31,489	33,875
Total funded exposure	430,613	188,993	84,551	177,920	499,881	345,532	103,977	133,734	1,965,202
Unfunded commitments and contingents	79,868	48,254	60,947	146,734	21,315	7,038	5,585	686	370,429
Aggregation	-	-	-	-	-	-	-	61,527	61,527
Total Credit Risk	510,482	237,248	145,499	324,654	521,196	352,571	109,562	195,948	2,397,158

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

(For the six months ended 30 June 09)

9 . Impaired loans and provisions*BHD '000*

	Principal and Interest Outstanding	Impaired Loans	Specific provisions
Manufacturing	258,269	20,567	14,017
Mining and quarrying	39,028	-	-
Agriculture, fishing and forestry	921	142	143
Construction	118,823	13,205	3,039
Financial	146,541	40,785	12,275
Trade	138,035	6,864	2,729
Personal / Consumer finance	130,554	13,461	12,581
Commercial real estate financing	285,950	1,802	1,145
Residential mortgage	48,514	139	15
Government	84,368	-	-
Technology, media and telecommunications	53,676	480	338
Transport	30,589	4,989	4,850
Other sectors	69,093	424	357
Total	1,404,360	102,858	51,489

10 . Reconciliation of Changes in Impaired Loans and Provisions

	Specific Impairment Provisions	Collective Impairment Provisions
At beginning of the year	52,187	3,710
Amounts written off	(4,963)	-
Write backs / cancellation due to improvement	(703)	(43)
Additional provisions made	5,876	(307)
Exchange adjustment and other movements	(573)	86
Notional interest on impaired assets	(336)	-
Balance at reporting date	51,489	3,445

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

(For the six months ended 30 June 09)

11 . Past due loans by region*BHD '000*

	GCC	North America	Europe	Asia	Others	Total
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 . Aging of past due loans*BHD '000*

	3 months up to 1 year	1 up to 3 years	Over 3 years	Total
Gross impaired loans	51,333	2,551	48,974	102,858
Less: specific provisions	8,574	1,212	28,371	38,158
Less: interest in suspense	799	278	12,254	13,331
Net outstanding	41,959	1,061	8,349	51,369
Market value of collateral	9,481	2,724	27,975	40,180

13 . Restructured loans*BD'000*

Loans restructured during the year	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 09)

14 . Market Risk Disclosures for banks using the Internal Models Approach (IMA) for trading portfolios**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
Total	1,900	659	823	523	691

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

	<i>BHD '000</i>
USD Dollars	(20,010)
EURO	75
G.C.C Currencies	19,706
Kuwaiti Dinars	(835)
Others	570
Total	(494)

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

(For the six months ended 30 June 09)

16 . Derivatives

Derivatives	Positive fair value	Negative fair value	BHD '000 Notional Amount
<i>Derivatives held for trading</i>			
Interest rate swap	276	(282)	15,080
Forward foreign exchange contracts	1,185	631	29,902
<i>Derivatives held as fair value hedges</i>			
Interest rate swap	987	(1,920)	20,348
Forward foreign exchange contracts	1,257	(207)	48,489
<i>Derivatives held as cash value hedges</i>			
Interest rate swap	2,144	(3,749)	47,050
Forward foreign exchange contracts	-	-	-
Total	5,848	(5,527)	160,869

17 . Credit Derivatives Exposure

	BHD '000
FTD	5,200
CDS	174,928
Credit Derivatives Products sold	180,128

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

(For the six months ended 30 June 09)

18 . Related Party Transactions

	<i>Major Shareholders</i>	<i>Associated & Others</i>	<i>Directors and key Management</i>	<i>BD '000</i>
Placment Loans and advances to customers	-	15,422	4,344	19,766
Non-trading investment securities	-	4,054	-	4,054
Borrowing and 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 income on loans and advances to customers	-	326	41	367
Gain on non-trading investment securities	-	64	-	64
Interest expense on deposits	3,189	2	29	3,220

19 . Compensation of the key management personnel including directors

	<i>BD '000</i>
Salaries and other short term benefits	4,721
Post employment benefits	13
Share based payments	74
Total compensation paid to key management personnel	4,808

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

(For the six months ended 30 June 09)

20 . Equity Positions in the Banking Book

	<i>BHD '000</i>
Publicly Traded Equity Shares	34,932
Privately Held Equity Shares	28,562
Total	63,493
Realised Gains/ Losses	10,921
Unrealised Gains/ Losses in Equity	-
Included in Tier Two Capital	6,112
<i>(45% of Cumulative change in fair value)</i>	
Capital Required	7,619

BBK B.S.C.

Basel II Pillar III Disclosure

(For the six months ended 30 June 09)

21 . 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 2008, there were legal suits pending against the Group aggregating BD 1.3 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.

22 . Interest rate risk in the banking book (IRRBB)

A increase of 200 basis point in interest rates, with all other variables held constant, will result in a negative impact on equity of approximately

Similarly, a decrease of 200 basis point in interest rates, with all other variables held constant, will result in a positive impact on equity of approximately 5.6%.