



# **Basel III Regulatory Capital Disclosures**

*(For the six month period ended 30 June  
2022)*

# Bank of Bahrain and Kuwait B.S.C. (BBK B.S.C.)

## Basel III Regulatory Capital Disclosures

(For the six month period ended 30 June 2022)

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1. Statement of Financial Position under the Regulatory Scope of Consolidation

All figures in BD millions

The table below shows the link between the statement of financial position in the published financial statements (accounting statement of financial position) and the regulatory statement of financial position.

	Statement of financial position as in published financial statements	Statement of financial position as per regulatory reporting	Reference
<b>Assets</b>			
<b>Cash and balances with central banks</b>	<b>284.5</b>	<b>284.5</b>	
<b>Treasury bills</b>	<b>301.0</b>	<b>301.0</b>	
<b>Deposits and amounts due from banks and other financial institutions</b>	<b>353.3</b>	<b>353.3</b>	
<b>Loans and advances to customers</b>	<b>1,639.4</b>	<b>1,639.4</b>	
Of which Expected Credit Loss (1.25% of Credit risk weighted assets)	26.6	26.6	a
Of which net loans and advances (gross of Expected Credit Loss)	1,612.8	1,612.8	
<b>Investment securities</b>	<b>916.1</b>	<b>916.1</b>	
Of which investments in financial entities under CET1		30.2	b
Of which investments in financial entities under Tier 2		2.3	c
Of which related to other investments		883.6	
<b>Interest receivable, derivative and other assets</b>	<b>109.9</b>	<b>107.9</b>	
Of which deferred tax assets due to temporary differences	1.1	1.1	d
Of which intangibles	5.2	5.2	e
Of which interest receivable and other assets	103.6	101.6	
<b>Investments in associated companies and joint ventures</b>	<b>64.6</b>	<b>66.9</b>	
Of which Investment in own shares	0.7	0.7	f
Of which equity investments in financial entities	40.0	40.0	g
Of which other investments	23.9	26.2	
<b>Premises and equipment</b>	<b>33.4</b>	<b>32.8</b>	
<b>Total assets</b>	<b>3,702.2</b>	<b>3,701.9</b>	
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
<b>Deposits and amounts due to banks and other financial institutions</b>	<b>298.5</b>	<b>298.5</b>	
<b>Borrowings under repurchase agreements</b>	<b>379.8</b>	<b>379.8</b>	
<b>Term borrowings</b>	<b>263.9</b>	<b>263.9</b>	
<b>Customers' current, savings and other deposits</b>	<b>2,141.5</b>	<b>2,144.2</b>	
<b>Interest payable, derivative and other liabilities</b>	<b>86.0</b>	<b>83.4</b>	
<b>Total liabilities</b>	<b>3,169.7</b>	<b>3,169.8</b>	
<b>Equity</b>			
<b>Share capital</b>	<b>164.8</b>	<b>164.8</b>	h
<b>Treasury stock</b>	<b>(3.6)</b>	<b>(3.6)</b>	i
<b>Share premium</b>	<b>105.6</b>	<b>105.6</b>	j
<b>Statutory reserve</b>	<b>72.1</b>	<b>72.1</b>	k
<b>General reserve</b>	<b>64.2</b>	<b>64.2</b>	l
<b>Cumulative changes in fair values</b>	<b>(18.9)</b>	<b>(18.9)</b>	
of which cumulative changes in fair values on bonds and equities	(18.8)	(18.8)	m
of which fair value changes in cash flow hedges	(0.0)	(0.0)	n
<b>Foreign currency translation adjustments</b>	<b>(14.4)</b>	<b>(14.4)</b>	
Of which related to unconsolidated subsidiary		-	o
Of which related to Parent		(14.4)	p
<b>Retained earnings</b>	<b>160.4</b>	<b>160.0</b>	
Of which employee stock options	4.2	4.2	q
Of which related to modification loss net of government assistance	(19.4)	(19.4)	r
Of which retained earnings	175.6	175.2	s
<b>Attributable to the owners of the Bank</b>	<b>530.2</b>	<b>529.8</b>	
<b>Non-controlling interests</b>	<b>2.3</b>	<b>2.3</b>	
<b>Total equity</b>	<b>532.5</b>	<b>532.1</b>	
<b>Total liabilities and equity</b>	<b>3,702.2</b>	<b>3,701.9</b>	

Legal entities included within the accounting scope of consolidation but excluded from the regulatory scope of consolidation:

Name	Principle activities	Total Assets	Total Equities
Invita Company B.S.C. (c)	Business processing and outsourcing services	6.1	3.5

2. Capital Ratios of Subsidiaries above 5% of group capital

	Total capital ratio	Tier 1 capital ratio
CrediMax B.S.C. (c)	64.31%	64.31%

There are no restrictions on the transfer of funds or regulatory capital within the Group.

**Bank of Bahrain and Kuwait B.S.C. (BBK B.S.C.)**  
**Basel III Regulatory Capital Disclosures**

**3. Regulatory Capital Components - Consolidated**

The table below provides a detailed breakdown of the bank's regulatory capital components, including all regulatory adjustments. The table also provides reference to the comparison displayed in the previous table between accounting and regulatory statement of financial positions.

*All figures in BD millions*

	Component of regulatory capital	Source based on reference letters of the statement of financial positions under the regulatory scope of consolidation
<b>Common Equity Tier 1: Instruments and reserves</b>		
Directly issued qualifying common share capital plus related stock surplus	266.8	h+i+j
Retained earnings	175.2	o+s
Accumulated other comprehensive income and losses (and other reserves)	103.1	k+l+m+n+p
<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>545.1</b>	
<b>Common Equity Tier 1 capital :regulatory adjustments</b>		
Other intangibles other than mortgage servicing rights (net of related tax liabilities)	5.2	e
Cash flow hedge reserve	(0.0)	n
Investments in own shares	0.7	f
<b>Total regulatory adjustments to Common equity Tier 1</b>	<b>5.9</b>	
<b>Common Equity Tier 1 capital (CET1)</b>	<b>539.2</b>	
<b>Additional Tier 1 capital: instruments</b>		
<b>Additional Tier 1 capital before regulatory adjustments</b>	-	
<b>Additional Tier 1 capital: regulatory adjustments</b>		
<b>Total regulatory adjustments to Additional Tier 1 capital</b>	-	
<b>Additional Tier 1 capital (AT1)</b>	-	
<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>539.2</b>	
<b>Tier 2 capital: instruments and provisions</b>		
Provisions	26.6	
<b>Tier 2 capital before regulatory adjustments</b>	<b>26.6</b>	
<b>Tier 2 capital: regulatory adjustments</b>		
<b>Total regulatory adjustments to Tier 2 capital</b>	-	
<b>Tier 2 capital (T2)</b>	<b>26.6</b>	
<b>Total capital (TC = T1 + T2)</b>	<b>565.8</b>	
<b>Total risk weighted assets</b>	<b>2,414.8</b>	
<b>Capital ratios and buffers</b>		
Common Equity Tier 1 (as a percentage of risk weighted assets)	22.33%	
Tier 1 (as a percentage of risk weighted assets)	22.33%	
Total capital (as a percentage of risk weighted assets)	23.43%	
Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of risk weighted assets)	10.50%	
of which: capital conservation buffer requirement	2.50%	
of which: bank specific countercyclical buffer requirement	N/A	
of which: G-SIB buffer requirement	1.50%	
Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	22.33%	
<b>National minima (where different from Basel III)</b>		
CBB Common Equity Tier 1 minimum ratio	10.50%	
CBB Tier 1 minimum ratio	12.00%	
CBB total capital minimum ratio	14.00%	
<b>Amounts below the thresholds for deduction (before risk weighting)</b>		
Non-significant investments in the capital of other financials	32.5	b+c
Significant investments in the common stock of financials	40.0	g
Deferred tax assets arising from temporary differences (net of related tax liability)	1.1	d
<b>Applicable caps on the inclusion of provisions in Tier 2</b>		
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	34.8	
Cap on inclusion of provisions in Tier 2 under standardised approach	26.6	a
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2019 and 1 Jan 2023)</b>		
Current cap on CET1 instruments subject to phase out arrangements	N/A	
Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	N/A	
Current cap on AT1 instruments subject to phase out arrangements	N/A	
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	N/A	
Current cap on T2 instruments subject to phase out arrangements	N/A	
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	N/A	

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(For the six month period ended 30 June 2022)

#### 4. Capital Requirement for Risk Weighted Exposure

All figures in BD millions

	Gross credit exposures (before risk mitigation)	Eligible financial collateral	Credit risk after risk mitigation	Risk weighted asset	Regulatory capital required 14.0%
Sovereign	1,123.5	-	1,123.5	45.3	6.3
Public sector entities	0.1	-	0.1	-	-
Banks	543.0	-	543.0	302.5	42.4
Corporates	1,227.8	88.6	1,139.2	893.3	125.1
Regulatory retail	552.9	4.2	548.7	404.6	56.6
Mortgage	140.4	0.3	140.1	105.0	14.7
Investment in securities #	108.8	-	108.8	174.9	24.5
Past due	26.6	0.1	26.5	27.6	3.9
Real estate	61.0	-	61.0	108.2	15.1
Other assets and cash items	89.2	-	89.2	70.7	9.9
<b>Total Credit Risk</b>	<b>3,873.3</b>	<b>93.2</b>	<b>3,780.1</b>	<b>2,132.1</b>	<b>298.5</b>
<b>Market Risk</b>	-	-	-	42.7	6.0
<b>Operational Risk*</b>	-	-	-	240.1	33.6
<b>Total Risk Weighted Exposure</b>	<b>3,873.3</b>	<b>93.2</b>	<b>3,780.1</b>	<b>2,414.9</b>	<b>338.1</b>

# Included in the Investment in securities category is an insurance entity that is risk weighted rather than deducted from eligible capital. This, if deducted, would reduce the eligible capital to BD 561.8 million.

Entity	Country of Domicile	Ownership %	Risk weighted asset	Impact on regulatory capital
Bahrain and Kuwait Insurance Company B.S.C. (c) "BKIC"	Bahrain	6.82%	4.0	0.6

\* The Bank is currently using the Basic Indicator Approach (BIA), whereby the operational risk weighted exposures and regulatory capital requirement are calculated by applying an alpha co-efficient of 15 per cent to the average gross income for the preceding three financial years adjusted for exceptional income. The amount of adjusted average gross income for the six months ended June 2022 is BD 128.0 million.

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(For the six month period ended 30 June 2022)

**5. Funded and Unfunded Total Credit Exposure***All figures in BD millions*

<b>Total gross credit exposures</b>	<b>Total funded credit exposure</b>	<b>Total un-funded credit exposure</b>	<b>Average quarterly credit exposure</b>
Sovereign	1,123.5	-	1,180.5
Public sector entities	0.1	-	0.1
Banks	489.0	54.0	470.0
Corporates	1,100.1	127.7	1,241.4
Regulatory retail	552.9	-	553.0
Mortgage	140.4	-	138.2
Investment in securities	108.8	-	111.9
Past due	26.6	-	26.8
Real estate	61.0	-	64.0
Other assets and cash items	89.2	-	93.6
<b>Total credit risk exposures</b>	<b>3,691.6</b>	<b>181.7</b>	<b>3,879.5</b>

**Bank of Bahrain and Kuwait B.S.C. (BBK B.S.C.)****Basel III Regulatory Capital Disclosures****(For the six month period ended 30 June 2022)****6 . Concentration of Credit Risk by Region (Exposures subject to risk weighting)***All figures in BD millions*

	<b>Gulf Cooperation Council (GCC)</b>	<b>North America</b>	<b>Europe</b>	<b>Asia</b>	<b>Others</b>	<b>Total</b>
Cash and balances with central banks	274.9	-	-	9.6	-	<b>284.5</b>
Treasury bills	301.0	-	-	-	-	<b>301.0</b>
Deposits in banks and other financial institutions	196.6	93.8	48.8	14.1	-	<b>353.3</b>
Loans and advances to customers	1,486.3	0.1	81.6	78.2	26.9	<b>1,673.1</b>
Investments in associated companies and joint ventures	44.6	-	18.7	-	-	<b>63.3</b>
Investment securities	710.2	16.9	88.6	80.5	22.4	<b>918.6</b>
Other assets	91.5	-	1.3	5.0	-	<b>97.8</b>
<b>Total funded exposure</b>	<b>3,105.1</b>	<b>110.8</b>	<b>239.0</b>	<b>187.4</b>	<b>49.3</b>	<b>3,691.6</b>
Unfunded commitments and contingencies	122.9	0.2	41.1	17.0	0.5	<b>181.7</b>
<b>Total credit risk exposures</b>	<b>3,228.0</b>	<b>111.0</b>	<b>280.1</b>	<b>204.4</b>	<b>49.8</b>	<b>3,873.3</b>

**Bank of Bahrain and Kuwait B.S.C. (BBK B.S.C.)**

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(For the six month period ended 30 June 2022)

**7 . Concentration of Credit Risk by Industry (Exposures subject to risk weighting)**

*All figures in BD millions*

	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	-	26.4	-	258.1	-	-	<b>284.5</b>
Treasury bills	-	-	-	301.0	-	-	<b>301.0</b>
Deposits in banks and other financial institutions	-	353.3	-	-	-	-	<b>353.3</b>
Loans and advances to customers	463.1	116.4	298.5	75.1	599.8	120.2	<b>1,673.1</b>
Investments in associated companies and joint ventures	-	45.0	18.3	-	-	-	<b>63.3</b>
Investment securities	123.5	178.3	13.1	568.7	-	35.0	<b>918.6</b>
Other assets	-	-	-	-	-	97.8	<b>97.8</b>
<b>Total funded exposure</b>	<b>586.6</b>	<b>719.4</b>	<b>329.9</b>	<b>1,202.9</b>	<b>599.8</b>	<b>253.0</b>	<b>3,691.6</b>
Unfunded commitments and contingencies	76.8	54.1	32.7	1.6	0.2	16.3	<b>181.7</b>
<b>Total credit risk exposures</b>	<b>663.4</b>	<b>773.5</b>	<b>362.6</b>	<b>1,204.5</b>	<b>600.0</b>	<b>269.3</b>	<b>3,873.3</b>

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Basel III Regulatory Capital Disclosures

(For the six month period ended 30 June 2022)

8 . Concentration of Credit Risk by Maturity (Exposures subject to risk weighting)

*All figures in BD millions*

	Within 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	10 to 20 years	Above 20 years	Total
Cash and balances with central banks	229.2	-	-	-	-	-	-	55.3	284.5
Treasury bills	30.6	94.8	107.3	68.3	-	-	-	-	301.0
Deposits in banks and other financial institutions	335.0	17.0	1.3	-	-	-	-	-	353.3
Loans and advances to customers	202.7	97.0	84.6	111.5	770.3	301.7	51.0	54.3	1,673.1
Investments in associated companies and joint ventures	-	-	-	-	-	-	-	63.3	63.3
Investment securities	17.2	15.3	29.9	51.8	291.9	267.6	200.0	44.9	918.6
Other assets	66.5	0.1	0.2	0.3	26.7	0.8	2.2	1.0	97.8
<b>Total funded exposure</b>	<b>881.2</b>	<b>224.2</b>	<b>223.3</b>	<b>231.9</b>	<b>1,088.9</b>	<b>570.1</b>	<b>253.2</b>	<b>218.8</b>	<b>3,691.6</b>
Unfunded commitments and contingencies	9.0	10.4	21.7	84.4	27.7	21.4	3.0	4.1	181.7
<b>Total credit risk exposures</b>	<b>890.2</b>	<b>234.6</b>	<b>245.0</b>	<b>316.3</b>	<b>1,116.6</b>	<b>591.5</b>	<b>256.2</b>	<b>222.9</b>	<b>3,873.3</b>

**Bank of Bahrain and Kuwait B.S.C. (BBK B.S.C.)****Basel III Regulatory Capital Disclosures**

(For the six month period ended 30 June 2022)

*All figures in BD millions***9 . Impaired Loans and Provisions**

	Impaired loans	Stage 3: Lifetime ECL credit- impaired	Stage 1: 12-month ECL and Stage 2: Lifetime ECL not credit- impaired	Net Specific charges during the period	Write offs during the period
Trading and manufacturing	46.0	35.2	22.2	(0.1)	0.8
Banks and other financial institutions	1.8	1.8	0.3	-	-
Construction and real estate	12.7	5.4	4.7	0.7	-
Government and public sector	16.2	8.9	-	-	-
Individuals	7.5	7.2	4.8	(0.9)	-
Others	1.9	1.0	1.7	-	-
<b>Total</b>	<b>86.1</b>	<b>59.5</b>	<b>33.7</b>	<b>(0.3)</b>	<b>0.8</b>

**10 . Reconciliation of Changes in Expected Credit Losses**

For reconciliation of expected credit losses, refer to note 6 of the interim condensed consolidated financial statements for the period ended in 30 June 2022.

## Bank of Bahrain and Kuwait B.S.C. (BBK B.S.C.)

### Basel III Regulatory Capital Disclosures

(For the six month period ended 30 June 2022)

#### 11 . Ageing of Impaired and Past Due Loans by Region

All figures in BD millions

	GCC	Europe	Asia	Others	Total
3 months up to 1 year	2.2	-	0.8	-	3.0
1 to 3 years	13.0	-	-	-	13.0
Over 3 years	70.1	-	-	-	70.1
<b>Total past due and impaired loans</b>	<b>85.3</b>	<b>-</b>	<b>0.8</b>	<b>-</b>	<b>86.1</b>
Stage 1: 12-month ECL and Stage 2: Lifetime ECL not credit- impaired	(33.1)	(0.3)	(0.2)	(0.1)	(33.7)
Stage 3: Lifetime ECL credit- impaired	(59.3)	-	(0.2)	-	(59.5)

#### 12 . Ageing of Impaired and Past Due Loans by Industry

	Trading and manufacturing	Banks and other financial institutions	Construction and real estate	Government and public sector	Individuals	Others	Total
3 months up to 1 year	0.8	-	0.8	-	1.2	0.2	3.0
1 to 3 years	5.9	-	4.9	-	2.1	0.1	13.0
Over 3 years	39.3	1.8	7.0	16.2	4.2	1.6	70.1
<b>Total past due and impaired loans</b>	<b>46.0</b>	<b>1.8</b>	<b>12.7</b>	<b>16.2</b>	<b>7.5</b>	<b>1.9</b>	<b>86.1</b>

#### 13 . Restructured Loans

Loans restructured during the period	1.3
Impact of restructured facilities and loans on provisions	0.1

The above restructurings did not have any significant impact on present and future earnings and were primarily extensions of the loan tenor, revisions in interest rate, and additional collateral received.

**14 . Market Risk Disclosures for banks using the Internal Models Approach (IMA) for trading portfolios***All figures in BD millions*

The “Market Risk Internal Model” is being used to measure Value-at-Risk (VaR) for calculating Capital Charge arising from Market Risk exposures (mainly Foreign Exchange and Interest Rate Risk positions) of the Trading Book. The VaR Model quantifies the maximum potential loss that could occur in the Trading book risk positions under normal market conditions, at 99% confidence level, on a 10-day horizon.

BBK maintains a prudent approach to Manage Market Risk exposures guided by Market Risk Policy and Procedure. The Position, Stoploss and VaR limits are monitored by Treasury Middle Office (reporting to Risk and Credit Management Department and Independent of Business unit) and a daily risk report is circulated to the Senior Management.

In addition to the above, the Treasury Middle Office also carries out valuation of the Investment Portfolio independently as per the internal policies and procedures. Furthermore, BBK also conducts Stress Testing and Back Testing of Market Risk positions.

The summary of VaR of the trading book for the period January 2022 to June 2022 is as follows:

**VaR Results for 2022 (10 day 99%)****Global (BAHRAIN and KUWAIT)****1 January 2022 to June 2022**

Asset class	Limit	VaR			Average VaR
		30 June 2022	High VaR	Low VaR	
Foreign exchange	0.64	0.38	0.44	0.31	0.37
Interest rate	0.15	0.00	0.01	0.00	0.00
	<b>0.79</b>	<b>0.39</b>	<b>0.45</b>	<b>0.31</b>	<b>0.37</b>

The Bank conducts Backtesting of VaR on a daily basis in compliance with CBB regulations to validate the internal VaR model and to check whether or not the model can predict potential losses with a fair degree of accuracy. Under Backtesting, the daily VaR numbers are compared with the mark-to-market profit or loss figures (on actual average Profit and Loss basis and also hypothetical Profit and Loss basis). If this comparison is close enough, the Backtest raises no issues regarding quality of the risk measurement model.

The Backtesting results for the period January 2022 to June 2022 confirmed that there was no occasion on which a daily trading loss exceeded VaR figure.

**Stress Testing**

The Bank conducts stress testing of VaR, under various ‘What If’ scenarios such as increasing volatility and varying correlations. The stress testing methodology uses historical data capturing periods of significant disturbance and covering all types of risks associated with the asset classes which are included in the trading book of the Bank. The stress VaR are then tabulated under each “what if” scenario and compared with corresponding Capital Adequacy Ratio (CAR). It was observed that the CAR was within the norm prescribed by CBB, under each stressed scenario.

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

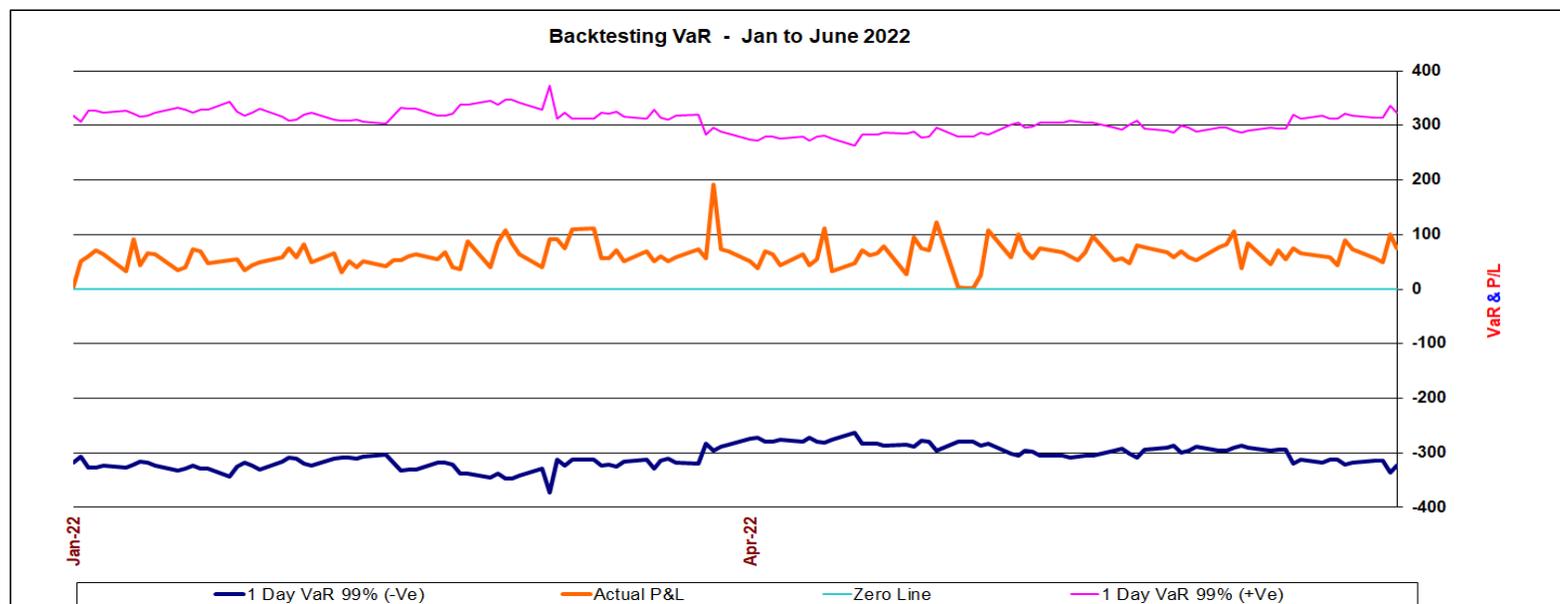
All figures in BD millions

Month end VaR (10 day 99%)

Month	VaR
January 2022	0.376
February 2022	0.411
March 2022	0.344
April 2022	0.353
May 2022	0.342
June 2022	0.386

The following graph shows the daily average Profit and Loss (Actual Average P & L basis) vis-à-vis one day VaR, for the review period.

Value- at-Risk Backtesting January – June 2022 (USD Millions)



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

*All figures in BD millions***For India Operations**

Market risk is defined as the risk of potential loss that may arise from adverse changes in the value of a financial instrument or portfolio of financial instruments due to movements in interest rates, foreign exchange rates, equity, commodity prices and derivatives. This risk arises from asset - liability mismatches, changes that occur in the yield curve, foreign exchange rates and changes in volatilities / implied volatilities in the market value of derivatives.

As banks in India are still in a nascent stage of developing internal risk management models, RBI has decided that, to start with, banks may adopt the standardised method and market risk shall be measured using "duration" method, which is considered as a more accurate method of measuring interest rate risk, as compared to maturity method. Accordingly, BBK India has adopted standardised duration method to arrive at the capital charge for market risk. As of 30 June 2022, capital charge calculated based on above parameters was as follows:

<b>Capital charge</b>	<b>30-Jun-22</b>	<b>30-Jun-21</b>
Foreign exchange	0.05	0.09
Interest rate	0.42	0.55
	<b>0.47</b>	<b>0.65</b>

## Bank of Bahrain and Kuwait B.S.C. (BBK B.S.C.)

### Basel III Regulatory Capital Disclosures

(For the six month period ended 30 June 2022)

#### 15 . Currency Risk

All figures in BD millions

The functional currency of the Bank together with their subsidiaries ("the Group") is Bahraini Dinar.

The Group has the following significant non - strategic net exposures denominated in foreign currencies as of 30 June 2022:

US Dollars	167.1
Euro	(0.1)
G.C.C. Currencies (pegged to the USD)	15.9
Kuwaiti Dinars	0.2
Others	0.1
<b>Total</b>	<b>183.2</b>

All of the above currency positions are unhedged.

#### 16 . Concentration Risk to Individuals Where the Total Exposure is in Excess of Single Obligor Limit of 15%

Sovereign	1,032.9
<b>Total</b>	<b>1,032.9</b>

#### 17 . Derivatives

Derivatives	Positive fair value	Negative fair value	Notional amount
<b>Derivatives held for trading</b>			
Forward foreign exchange contracts	0.9	0.1	234.0
<b>Derivatives held as fair value hedges</b>			
Interest rate swap	38.7	0.7	628.1
<b>Total</b>	<b>39.6</b>	<b>0.8</b>	<b>862.1</b>

#### 18 . Credit Derivative Exposures

BBK is not exposed to any credit derivatives as at 30 June 2022.

#### 19 . Related Party Transactions

Exposures to related parties are disclosed in note 12 of the interim condensed consolidated financial statements for the period ended 30 June 2022.

## Bank of Bahrain and Kuwait B.S.C. (BBK B.S.C.)

### Basel III Regulatory Capital Disclosures

(For the six month period ended 30 June 2022)

#### 20 . Equity Positions in the Banking Book

All figures in BD millions

Publicly traded equity shares	49.1
Privately held equity shares	23.1
<b>Total</b>	<b>72.2</b>
<b>Regulatory capital required 14.0%</b>	<b>10.1</b>

#### 21 . Net Gain on Equity Instruments

Realised gains in the statement of profit or loss	14.3
Realised gains in retained earnings	0.3
Unrealised gains in CET1 Capital	0.6

#### 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 2022, there were legal suits pending against the Group aggregating to BD 3.3 million. Based on the opinion of the Group's legal advisors, the management believes that no liability is likely to arise from these suits.

#### 23 . Interest Rate Risk in the Banking Book (IRRBB)

An increase of 200 basis points in interest rates, with all other variables held constant, will result in a negative impact on equity of approximately 9.9%. Similarly, a decrease of 200 basis points in interest rates, with all other variables held constant, will result in a positive impact on equity of approximately 9.9%.

## **Bank of Bahrain and Kuwait B.S.C. (BBK B.S.C.)**

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### **Basel III Regulatory Capital Disclosures**

(For the six month period ended 30 June 2022)

#### **24 . Leverage Ratio**

In November 2018, the Central Bank of Bahrain (CBB) issued its final Leverage regulation, with an effective date of 30 June 2019. The leverage ratio is a simple ratio that serves as a supplementary measure to the risk-based capital requirements. It aims to constrain the build-up of leverage in banking sector, reinforce the risk-based requirements with a simple non-risk based “backstop” measure, and serve as a broad measure of both the on and off-balance sheet sources of bank leverage.

The leverage ratio is measured as Tier 1 Capital divided by Total Exposures. Total Exposures consist of on-balance sheet, off-balance sheet, derivatives and securities financing transactions exposures. As per CBB regulations, Bahraini banks must meet a 3% leverage ratio minimum requirement at all times, except for Domestic Systemically Important Banks (DSIBs), where the minimum ratio is higher at 3.8%. Accordingly, as a DSIB bank, the minimum ratio applicable for BBK is 3.8%. As of 30 June 2022, the leverage ratio for BBK stood at a healthy position of 13.3%.