

Basel III Pillar III Disclosure

*(For the six month period ended 30 June
2015)*

BBK B.S.C.

Basel III Pillar III Disclosure

(For the six month period ended 30 June 2015)

Table No.	Content	Page no.
1 .	Balance sheet under the regulatory scope of consolidation	3
2 .	Capital Ratios - Consolidated & Subsidiaries Above 5% of Group Capital	3
3 .	Regulatory Capital Components	4
4 .	Capital Requirement for Risk Weighted Exposure	6
5 .	Funded and Unfunded Total Credit Exposure	7
6 .	Average credit exposure	8
7 .	Concentration of Credit Risk by Region	9
8 .	Concentration of Credit Risk by Industry	10
9 .	Concentration of Credit Risk by Maturity	11
10 .	Impaired Loans and Provisions	12
11 .	Reconciliation of Changes in Impaired Loans and Provisions	12
12 .	Impaired and past due loans by region	13
13 .	Aging of impaired past due loans	13
14 .	Restructured Loans	13
15 .	Market Risk Disclosures for banks using the Internal Models Approach (IMA) for trading portfolios	14
16 .	Currency Risk	16
17 .	Concentration risk to individuals where the total exposure is in excess of single obligor limit of 15%	16
18 .	Derivatives	17
19 .	Credit Derivatives Exposure	17
20 .	Related Party Transactions	18
21 .	Compensation of the key management personnel including directors	18
22 .	Equity Positions in the Banking Book	19
23 .	Gains on equity instruments	19
24 .	Legal risk and claims	20
25 .	Interest rate risk in the banking book (IRRBB)	20

1. Balance sheet under the regulatory scope of consolidation

	Balance sheet as in published financial statements	Consolidated PIR data	Reference
	BD '000	BD '000	
Assets			
Cash and balances with central banks	360,785	360,785	
Treasury bills	437,703	437,703	
Deposits and amounts due from banks and other financial institutions	295,943	295,943	
Loans and advances to customers	1,812,103	1,812,103	
Of which general provisions	(39,143)	(39,143)	a
Of which net loans and advances (gross of general provisions)	1,851,246	1,851,246	
Non-trading investment securities	778,597	778,597	
Of which related to equity investments in financial entities	57,770	57,770	
Of which related to CET1	36,735	36,735	b
Of which related to Tier 1	1,979	1,979	c
Of which related to Tier 2	19,056	19,056	d
Of which related to other investments	720,827	720,827	
Investments in associated companies and joint ventures	34,476	36,821	
Of which equity investments in financial entities	26,369	26,369	e
Of which other investments	8,107	10,452	
Interest receivable and other assets	52,304	50,535	
Of which deferred tax assets due to temporary differences	1,091	1,091	f
Of which Interest receivable and other assets	51,213	49,444	
Premises and equipment	24,438	24,264	
Total assets	3,796,349	3,796,751	
Liabilities and Equities			
Liabilities			
Deposits and amounts due to banks and other financial institutions	241,968	241,968	
Borrowings under repurchase agreement	37,704	37,704	
Term borrowings	392,452	392,452	
Customers' current, savings and other deposits	2,642,878	2,644,379	
Interest payable and other liabilities	110,097	109,511	
Total liabilities	3,425,099	3,426,014	
Equity			
Share capital	108,165	108,165	g
Treasury stock	(6,698)	(6,698)	h
Share premium	39,919	39,919	i
Statutory reserve	51,507	51,507	j
General reserve	51,507	51,507	k
Cumulative changes in fair values	23,404	23,404	
of which cumulative changes in fair values on bonds and equities	23,751	23,751	l
of which Fair value changes in cash flow hedges	(347)	(347)	
Foreign currency translation adjustments	(9,421)	(9,319)	m
Retained earnings	111,354	111,253	
Of which employee stock options	1,766	1,766	
Of which Retained earnings	109,588	109,487	n
Appropriations	-	-	
ATTRIBUTABLE TO THE OWNERS			
OF THE BANK	369,737	369,738	
Non-controlling interest	1,513	999	
Total equity	371,250	370,737	
Total Liabilities and equities	3,796,349	3,796,751	

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 B.S.C. (c)	Business process outsourcing services	3,444	2,858

2. Capital Adequacy

Capital ratios - consolidated and subsidiaries above 5% of group capital

	Total capital ratio	Tier 1 capital ratio
BBK - GROUP	15.23%	14.14%
CrediMax	63.22%	63.22%

3 Regulatory Capital Components

		Component of regulatory capital	Amounts subject to pre-2015 treatment	Source based on reference letters of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1: Instruments and reserves				
1	Directly issued qualifying common share capital plus related stock surplus	141,386		g+h+i
2	Retained earnings	109,487		n
3	Accumulated other comprehensive income and losses (and other reserves)	117,100		j+k+l+m
4	Not applicable			
5	Common shares issued by subsidiaries and held by third parties (amount allowed in group CET1)	-		
6	Common Equity Tier 1 capital before regulatory adjustments	367,973	-	
Common Equity Tier 1 capital :regulatory adjustments				
7	Prudential valuation adjustment			
8	Goodwill (net of related tax liabilities)	-		
9	Other intangibles other than mortgage servicing rights (net of related tax liabilities)	-		
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liabilities)	-		
11	Cash flow hedge reserve	(346.00)		
12	Shortfall of provisions to expected losses			
13	Securitization gain on sale (as set out in paragraph 562 of Basel II framework)	-		
14	Not applicable			
15	Defined benefit pension fund net assets	-		
16	Investments in own shares	-		
17	Reciprocal cross holdings in Common equity	-		
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	2,663	34,072	b
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-		
20	Mortgage servicing rights (amount above 10% of CET1c)	-		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-		
22	Amount exceeding the 15% threshold	-		
23	of which: significant investments in the common stock			
24	of which: mortgage servicing rights			
25	of which: deferred tax assets arising from temporary differences			
26	CBB specific regulatory adjustments			
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	143	1,836	c
28	Total regulatory adjustments to Common equity Tier 1	2,460.00	35,908.00	
29	Common Equity Tier 1 capital (CET1)	365,513.00	- 35,908.00	
Additional Tier 1 capital: instruments				
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-		
31	of which: classified as equity under applicable accounting standards			
32	of which: classified as liabilities under applicable accounting standards			
33	Directly issued capital instruments subject to phase out from Additional Tier 1			
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)			
35	of which: instruments issued by subsidiaries subject to phase out			
36	Additional Tier 1 capital before regulatory adjustments	-	-	
Additional Tier 1 capital: regulatory adjustments				
37	Investments in own Additional Tier 1 instruments			
38	Reciprocal cross-holdings in Additional Tier 1 instruments			
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)			
40	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)			
41	CBB specific regulatory adjustments			
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions			
43	Total regulatory adjustments to Additional Tier 1 capital	-	-	
44	Additional Tier 1 capital (AT1)	-	-	
45	Tier capital (T1 = CET1 + AT1)	365,513.00	(35,908.00)	
Tier 2 capital: instruments and provisions				
46	Directly issued qualifying Tier 2 instruments plus related stock surplus			
47	Directly issued capital instruments subject to phase out from Tier 2			
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)			
49	of which: instruments issued by subsidiaries subject to phase out			
50	Provisions	29,549		
51	Tier 2 capital before regulatory adjustments	29,549.00		
Tier 2 capital: regulatory adjustments				
52	Investments in own Tier 2 instruments			
53	Reciprocal cross-holdings in Tier 2 instruments			
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	1,381	17,675	d
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)			
56	National specific regulatory adjustments			
57	Total regulatory adjustments to Tier 2 capital	1,381	17,675	
58	Tier 2 capital (T2)	28,168.00	- 17,675.00	
59	Total capital (TC = T1 + T2)	393,681.00	- 53,583.00	
60	Total risk weighted assets	2,584,743.00	-	
Capital ratios and buffers				
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	14.14%		

62	Tier 1 (as a percentage of risk weighted assets)	14.14%		
63	Total capital (as a percentage of risk weighted assets)	15.23%		
64	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)	9.00%		
65	of which: capital conservation buffer requirement	2.50%		
66	of which: bank specific countercyclical buffer requirement	N/A		
67	of which: G-SIB buffer requirement	N/A		
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	14.15%		
National minima (where different from Basel III)				
69	CBB Common Equity Tier 1 minimum ratio	6.50%		
70	CBB Tier 1 minimum ratio	8.00%		
71	CBB total capital minimum ratio	10.00%		
Amounts below the thresholds for deduction (before risk weighting)				
72	Non-significant investments in the capital of other financials	53,582		
73	Significant investments in the common stock of financials	26,369		e
74	Mortgage servicing rights (net of related tax liability)			
75	Deferred tax assets arising from temporary differences (net of related tax liability)	1,091		f
Applicable caps on the inclusion of provisions in Tier 2				
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	39,143		a
77	Cap on inclusion of provisions in Tier 2 under standardised approach	29,549		
78	N/A			
79	N/A			
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2019 and 1 Jan 2023)				
84	Current cap on CET1 instruments subject to phase out arrangements			
85	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)			
86	Current cap on AT1 instruments subject to phase out arrangements			
87	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)			
88	Current cap on T2 instruments subject to phase out arrangements			
89	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)			

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

(For the six month period ended 30 June 2015)

4. Capital Requirement for Risk Weighted Exposure**BD '000**

	Gross credit exposures (before risk mitigation)	Eligible financial collateral	Credit risk after risk mitigation	Risk weighted asset	Regulatory capital required 12.5%
Sovereign	1,067,108	-	47,531	27,658	3,457
Public Sector Entities	210,338	-	98,462	41,735	5,217
Banks	668,428	-	668,428	346,390	43,299
Corporates	1,383,054	21,989	1,344,769	1,340,086	167,511
Regulatory retail	273,733	268	273,465	205,099	25,637
Mortgage	91,350	102	91,248	68,436	8,555
Equity	113,718	-	0	159,184	19,898
Investment in Funds	1,676	-	1,676	2,514	314
Past Due	39,324	2,178	37,146	48,326	6,041
Real Estate	41,078	-	-	66,140	8,268
Other assets	56,665	-	55,348	58,302	7,288
Cash Items	15,210	-	-	91	11
Total	3,961,682	24,537	2,618,073	2,363,961	295,495
Total Credit Risk	3,961,682	24,537	2,618,073	2,363,961	295,495
Market Risk	-	-	-	15,838	1,980
Operational Risk	-	-	-	204,947	25,618
Total Risk Weighted Exposure	3,961,682	24,537	2,618,073	2,584,746	323,093

Included in the equity category investment in insurance entity that is risk weighted rather than deducted from eligible capital, this if deducted will reduce the eligible capital to BD 389,241 thousands:

Entity	Country of Domicile	Ownership %	Risk weighted asset	Impact on regulatory capital
Bahrain and Kuwait Insurance Company B.S.C. © "BKIC"	Bahrain	6.82%	2,781	348

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

(For the six month period ended 30 June 2015)

5. Funded and Unfunded Total Credit Exposure*BD '000*

Total gross credit exposures	Total funded credit exposure	Total un-funded credit exposure
Sovereign	1,066,778	330
Public sector entities	210,338	0
Banks	630,015	38,413
Corporates	1,251,404	131,650
Regulatory retail	273,731	2
Mortgage	91,350	-
Equity	113,718	-
Investment in funds	1,676	-
Past due	39,324	-
Real estate	41,078	-
Other assets	56,665	-
Cash items	15,210	-
Total credit risk	3,791,287	170,395

BBK B.S.C.

Basel III Pillar III Disclosure

(For the six month period ended 30 June 2015)

6. Average credit exposure

The following are the average quarterly balances for the six months ended 30 June 2015:

	<i>BD'000</i>
Sovereign	963,787
Public sector entities	225,106
Banks	697,956
Corporates	1,390,568
Regulatory retail	263,394
Mortgage	90,030
Equity	117,226
Investment in funds	1,709
Past Due	39,854
Real estate	40,285
Other assets	62,563
Cash items	16,378
Total credit risk	3,908,856

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

(For the six month period ended 30 June 2015)

7. Concentration of credit risk by region*BD'000*

	GCC	North America	Europe	Asia	Others	Total
Cash and balances with central banks	357,863	-	-	2,922	-	360,785
Treasury bills	430,674	-	-	7,029	-	437,703
Deposits in banks & other financial institutions	220,125	17,974	15,831	41,990	23	295,943
Loans & advances to customers	1,522,930	5,268	64,032	194,202	25,671	1,812,103
Investments in associated companies	29,514	-	-	-	4,962	34,476
Investment securities	476,777	24,636	139,283	92,765	40,947	774,408
Investment in unconsolidated Subsidiaries	844	-	-	-	-	844
Other assets	72,158	-	-	2,867	-	75,025
Total funded exposure	3,110,885	47,878	219,146	341,775	71,603	3,791,287
Unfunded commitments & contingencies	133,539	56	6,899	27,169	2,732	170,395
Total credit risk	3,244,424	47,934	226,045	368,944	74,335	3,961,682

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

(For the six month period ended 30 June 2015)

8 . Concentration of credit risk by industry*BD '000*

	Trading and manufacturing	Banks & other financial institutions	Construction & real estate	Government & public sector	Individuals	Others	Total
Cash and balances with central banks	-	14,754	-	346,031	-	-	360,785
Treasury bills	-	-	-	437,703	-	-	437,703
Deposits in banks & other financial institutions	-	295,943	-	-	-	-	295,943
Loans & advances to customers	615,843	221,222	432,615	24,376	317,500	200,547	1,812,103
Investments in associated companies	-	23,274	8,057	-	-	3,145	34,476
Investment securities	26,174	274,798	16,817	454,943	-	1,676	774,408
Investment in unconsolidated Subsidiaries	-	-	-	-	-	844	844
Other assets	-	-	-	-	-	75,025	75,025
Total funded exposure	642,017	829,991	457,489	1,263,053	317,500	281,237	3,791,287
Unfunded commitments & contingencies	75,138	44,478	34,079	330	893	15,477	170,395
Total credit risk	717,155	874,469	491,568	1,263,383	318,393	296,714	3,961,682

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

(For the six month period ended 30 June 2015)

9 . Concentration of credit risk by maturity*BD '000*

	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	267,754	-	-	-	-	-	-	93,031	360,785
Treasury bills	62,384	187,285	69,252	118,782	-	-	-	-	437,703
Deposits in banks & other financial institutions	198,110	86,505	11,328	-	-	-	-	-	295,943
Loans & advances to customers	95,190	167,634	108,528	122,662	882,323	196,402	53,732	185,632	1,812,103
Investments in associated companies	-	-	-	-	-	-	-	34,476	34,476
Investment securities	8,742	9,247	58,271	47,413	256,962	241,795	2,036	149,942	774,408
Investment in unconsolidated Subsidiaries	-	-	-	-	-	-	-	844	844
Other assets	45,945	76	9	11	23,780	1,471	417	3,316	75,025
Total funded exposure	678,125	450,747	247,388	288,868	1,163,065	439,668	56,185	467,241	3,791,287
Unfunded commitments & contingencies	32,785	37,282	30,776	56,109	9,354	3,289	28	772	170,395
Total credit risk	710,910	488,029	278,164	344,977	1,172,419	442,957	56,213	468,013	3,961,682

Basel III Pillar III Disclosure

(For the six month period ended 30 June 2015)

BD '000
10 . Impaired loans and provisions

	Principle & interest outstanding	Impaired loans	Specific provisions
Manufacturing	364,403	5,817	6,785
Mining and quarrying	22,438	-	-
Agriculture, fishing and forestry	2,884	10	10
Construction	191,877	9,864	3,606
Financial	237,113	9,485	10,457
Trade	249,762	4,402	850
Personal / Consumer finance	288,530	8,569	8,266
Credit cards	43,299	1,405	1,637
Commercial real estate financing	161,760	25,797	9,603
Residential mortgage	102,813	5,812	1,021
Government	24,756	-	-
Technology, media and telecommunications	118,920	8,582	7,703
Transport	13,754	-	-
Other sectors	79,609	1,167	734
Total	1,901,918	80,910	50,672

11 . Reconciliation of changes in impaired loans and provisions
BD'000

	Specific impairment provisions	Collective impairment provisions
At beginning of the year	52,548	34,205
Amounts written off	(885)	-
Write backs/cancellation due to improvement	(909)	-
Additional provisions made	3,804	4,014
Exchange adjustment and other movements	(3,886)	924
Notional interest on impaired loans	-	-
Balance at reporting date	50,672	39,143

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

(For the six month period ended 30 June 2015)

12 . Impaired and past due loans by region*BD '000*

	GCC	North America	Europe	Asia	Others	Total
Past Due loans	112,068	-	-	321	-	112,389
Impaired loans	75,109	-	-	5,801	-	80,910
Specific impairment provisions	45,283	-	-	5,389	-	50,672
Collective impairment provisions	39,143	-	-	-	-	39,143

13 . Aging of impaired past due loans*BD '000*

	3 months up to 1 year	1 to 3 years	Over 3 years	Total
Impaired past due loans	16,923	14,309	49,678	80,910
Less: specific provisions	10,692	3,394	36,586	50,672
Net outstanding	6,231	10,915	13,092	30,238
Market value of collateral	1,806	11,659	60,075	73,540

14 . Restructured Loans*BD'000*

Loans restructured during the period	6,438
Impact of restructured facilities and loans on provisions	982

The above restructuring 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.

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

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 handle 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 & 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 2015 to June 2015 is as follows:

**VaR Results for 2015 (10 day 99%)
Global (BAHRAIN & KUWAIT)
1 January 2015 to 30 June 2015**

Asset class	Limit	VaR			<i>BD '000</i>
		30 June 2015	High VaR	Low VaR	Average VaR
Foreign exchange	640.90	25.81	106.73	22.63	39.20
Interest rate	150.80	0.76	2.07	0.02	0.44
	791.70	26.57	108.26	23.25	39.64

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 & Loss basis and also hypothetical Profit & 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-June 2015 confirmed that there was no occasion on which a daily trading loss exceeded VaR figure.

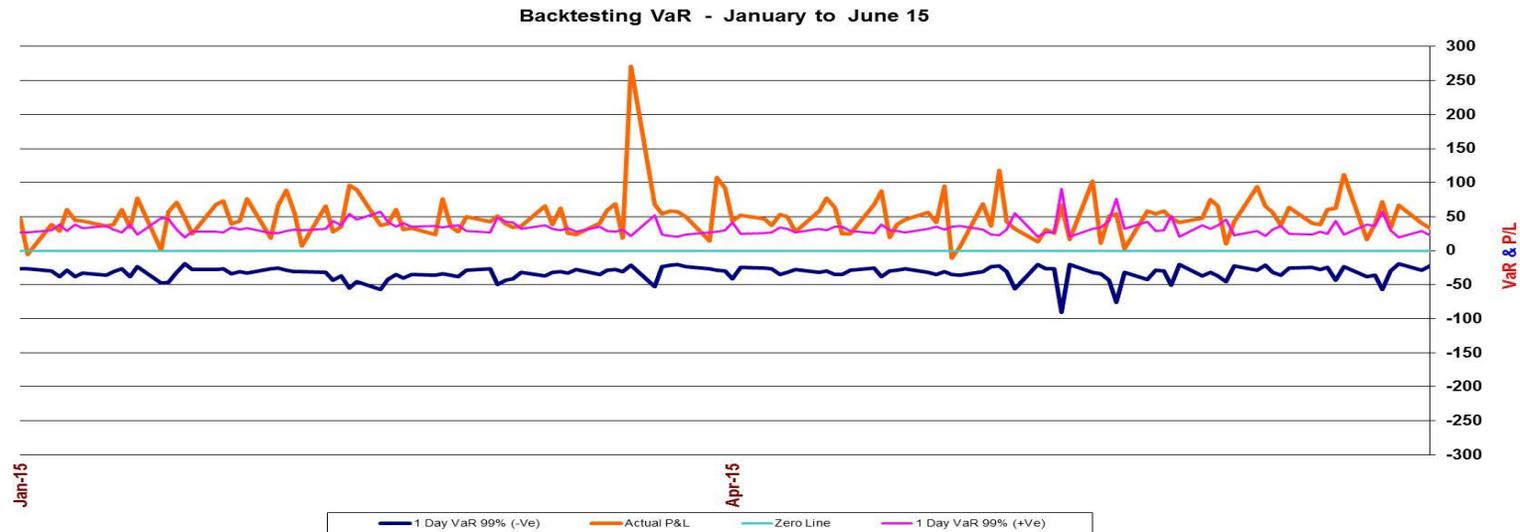
15 . Market Risk Disclosures for banks using the Internal Models Approach (IMA) for trading portfolios (continued)

Month end VaR (10 day 99%)

Month	VaR in BD'000
January 2015	39
February 2015	34
March 2015	34
April 2015	42
May 2015	24
June 2015	27

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

Value- at-Risk Backtesting January – June 2015



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

(For the six month period ended 30 June 2015)

16 . Currency Risk

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

The Group has the following significant non - strategic net exposures denominated in foreign currencies as of 30 June 2015:

	<u><i>BD '000</i></u>
US Dollars	(16,560)
EURO	238
G.C.C. Currencies (pegged to the USD)	23,192
Kuwaiti Dinars	550
Others	314
Total	<u>7,734</u>

* All of the above currency positions are unhedged

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

	<u><i>BD '000</i></u>
Sovereign	882,252
Total	<u>882,252</u>

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

(For the six months ended 30 June 2015)

18 . Derivatives

	<u>BD '000</u>		
Derivatives	Positive fair value	Negative fair value	Notional Amount
<i>Derivatives held for Trading</i>			
Interest rate swap	-	-	-
Forward foreign exchange contracts	226	91	38,390
Options	-	-	1,938
<i>Derivatives held as fair value hedges</i>			
Interest rate swap	3,766	9,744	506,681
Forward foreign exchange contracts	268	201	173,949
<i>Derivatives held as cash flow hedges</i>			
Interest rate swap	-	180	57,519
Forward foreign exchange contracts	-	-	-
Total	4,260	10,216	778,477

19 . Credit Derivatives Exposure

BBK is not exposed to any credit derivatives as at 30 June 2015.

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

(For the six months ended 30 June 2015)

20 . Related Party Transactions

	Major shareholders	Associated & others	Directors and key management	<i>BD '000</i>
Loans and advances to customers	-	8,905	1,302	10,207
Customer Current, Saving and other deposits	321,506	6,791	8,118	336,415

No provision is required in respect of loans given to related parties

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

Interest and similar income	-	134	9	143
Interest and similar expense	2,407	51	51	2,509

21 . Compensation of the key management personnel including directors

	<i>BD '000</i>
Salaries and other short term benefits	3,532
Post employment benefits	96
Share based payments	(63)
Total compensation paid to key management personnel	3,565

Basel III Pillar III Disclosure

(For the six month period ended 30 June 2015)

22 . Equity positions in the banking book

	<i>BD '000</i>
Publicly traded equity shares	78,971
Privately held equity shares	24,353
Total	103,324
Capital required	12,916

23 . Gains on equity instruments

	<i>BD '000</i>
Realised Gains/ Losses in statement of income	2,528
Unrealised Gains/ Losses in CET1 Capital	14,668

BBK B.S.C.

Basel III Pillar III Disclosure

(For the six months ended 30 June 2015)

24 . 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 2015, there were legal suits pending against the Group aggregating to BD 824 thousand. 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.

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

Based on the consolidated statement of financial position as at 30 June 2015 an increase of 100 basis point in interest rates, with all variables held constant, will result in an increase in the net interest income, for the following next 12 months, by approximately BD 9,967 thousand. However, further downward movement of interest rates by 100 basis points might not be practical assumption in the current environment, given the current low levels of interest rates, and hence capping the downward movement of interest rates at 0%, the negative impact on the net interest income as at 30 June 2015 estimated at BD 3,096 thousands. On the other hand, the scope for interest rates increase from its current levels is most probable which the Bank shall benefit.

	Rate Shock Forecasting June 2015	
	+ 100 bsp	- 100 bsp
BHD	3,638	2,156
USD	5,123	681
KWD	783	-
OTHERS	423	260
TOTAL	9,967	3,096

An increase of 100 basis point in interest rates, with all other variables held constant, will result in a negative impact on equity of approximately 2.65%. 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 2.65%.