

Basel II Pillar III Disclosure

(For the six months ended 30 June 11)

BBK B.S.C.

Basel II Pillar III Disclosure

(For the six months ended 30 June 11)

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1 . Capital Components - Consolidated

	<i>BHD '000</i> Jun-11	<i>BHD '000</i> Jun-10
Tier 1 Capital		
Share capital	80,903	82,290
General reserves	36,000	27,000
Statutory reserves	42,568	39,001
Share premium	39,919	39,919
Retained earnings & others	25,668	18,022
Minority interest	306	270
Unrealized losses arising from fair valuing equities	(7,419)	(3,071)
Deductions from Tier 1 capital	(40,382)	(40,625)
Total Tier 1 Capital	177,563	162,806
Tier 2 Capital		
Current year profit	23,084	23,423
45% of unrealized gains arising from fair valuing equities	1,877	2,096
Collective impairment provisions	13,717	18,367
Subordinated term debt	59,238	61,029
Deductions from Tier 2 capital	(40,382)	(40,625)
Total Tier 2 Capital	57,534	64,290
Total Available Capital (Tier 1 + Tier 2)	235,097	227,096
Aggregation	72,151	71,579
Total Eligible Capital	307,248	298,675

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

	Jun-11		Jun-10	
	Total Capital Ratio	Tier 1 Capital Ratio	Total Capital	Tier 1 Capital Ratio
BBK - Group	18.49%	15.03%	19.17%	15.04%
CrediMax	82.32%	73.86%	102.87%	80.30%
Capinnova Investment Bank	118.04%	118.04%	101.68%	101.68%

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

30 June 2011	Gross Credit Exposures (before Risk Mitigation)	Eligible Financial Collateral	Credit Risk after Risk Mitigation and Credit Conversion	Risk Weighted Asset	Regulatory Capital Required 12%
Sovereign	773,817	-	15,895	10,359	1,243
Public Sector Entities	172,971	-	23,548	9,010	1,081
Banks	477,603	1,221	475,269	219,743	26,369
Corporates	976,664	51,182	857,454	855,779	102,693
Regulatory retail	166,378	19,882	146,497	109,872	13,185
Mortgage	69,905	3,534	66,371	50,135	6,016
Equity	45,438	-	-	46,886	5,626
Investment in Funds	3,979	-	3,979	5,968	716
Past Due	24,242	1	24,241	34,443	4,133
Real Estate	32,116	-	-	53,279	6,393
Securitisation	3,939	-	3,939	3,939	473
Other assets	37,817	-	37,817	37,817	4,538
Cash Items	10,911	-	-	31	4
Total	2,795,780	75,820	1,655,010	1,437,261	172,470
Aggregation	56,843	-	56,843	56,843	6,821
Total Credit Risk	2,852,623	75,820	1,711,853	1,494,104	179,291
Market Risk				3,946	474
Operational Risk				163,610	19,633
Total Risk Weighted Exposure	2,852,623	75,820	1,711,853	1,661,660	199,398

30 June 2010	Gross Credit Exposures (before Risk Mitigation)	Eligible Financial Collateral	Credit Risk after Risk Mitigation and Credit Conversion	Risk Weighted Asset	Regulatory Capital Required 12%
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	985,358	76,057	824,883	810,166	97,220
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	24,546	-	24,546	34,893	4,187
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
Total	2,691,776	100,187	1,510,548	1,347,388	161,687
Aggregation	58,916	-	58,916	58,916	7,070
Total Credit Risk	2,750,692	100,187	1,569,464	1,406,304	168,756
Market Risk				6,290	755
Operational Risk				156,152	18,738
Total Risk Weighted Exposure	2,750,692	100,187	1,569,464	1,568,746	188,249

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

Total gross Credit Exposures	June 2011		June 2010	
	Total Funded Credit Exposure	Total Un-Funded Credit Exposure	Total Funded Credit Exposure	Total Un-Funded Credit Exposure
Sovereign	773,643	174	646,475	37,874
Public Sector Entities	149,105	23,865	147,002	25,291
Banks	345,189	132,413	355,376	131,631
Corporates	832,159	144,505	850,469	158,539
Regulatory retail	163,459	2,919	147,770	2,772
Mortgage	69,905	-	54,571	-
Equity	45,438	-	43,570	-
Investment in Funds	3,781	198	4,384	254
Past Due	24,242	-	896	-
Real Estate	32,116	-	28,467	-
Securitisation	3,939	-	2,987	-
Other assets	37,817	-	42,653	-
Cash Items	10,911	-	10,795	-
Total	2,491,704	304,074	2,335,415	356,361
Aggregation	56,843	-	58,916	-
Total Credit Risk	2,548,547	304,074	2,394,331	356,361

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5 . Average Quarterly Credit Exposure*BHD '000*

	June 2011	June 2010
Sovereign	722,084	606,119
Public Sector Entities	173,074	184,168
Banks	453,119	465,909
Corporates	993,622	1,013,376
Regulatory retail	166,180	148,142
Mortgage	70,165	53,450
Equity	44,333	47,675
Investment in Funds	3,998	4,533
Past Due	30,354	938
Real Estate	33,708	26,341
Securitisation	3,885	4,452
Other assets	38,338	50,495
Cash Items	12,729	11,789
Total	2,745,589	2,617,387
Aggregation	57,300	59,202
Total Credit Risk	2,802,889	2,676,589

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6 . Concentration of Credit Risk by Region

	GCC	North America	Europe	Asia	Others	Total June 2011
Cash and balances with central banks	347,305	-	-	3,631	-	350,936
Treasury bills	193,877	-	-	414	-	194,291
Deposits in banks & other financial institutions	115,545	7,840	19,761	6,358	217	149,721
Loans & advances to customers	1,175,009	297	10,172	83,685	11,858	1,281,021
Investment securities	363,111	20,267	41,369	29,209	12,777	466,733
Other assets	47,255	-	-	2,012	-	49,267
Total funded exposure	2,242,102	28,404	71,302	125,309	24,852	2,491,969
Unfunded commitments & contingents	217,195	6,612	21,749	52,642	5,876	304,074
Aggregation	56,843	-	-	-	-	56,843
Total Credit Risk	2,516,140	35,016	93,051	177,951	30,728	2,852,886

	GCC	North America	Europe	Asia	Others	Total June 2010
Cash and balances with central banks	277,965	-	-	3,132	3	281,100
Treasury bills	131,349	-	-	-	-	131,349
Financial assets at fair value through statement of income	-	-	-	2,014	-	2,014
Deposits in banks & other financial institutions	108,326	2,920	122,818	6,990	881	241,935
Loans & advances to customers	1,174,716	315	1,904	51,903	5,287	1,234,125
Investment securities	317,204	21,964	29,486	23,305	9,623	401,582
Other assets	41,620	-	-	1,686	-	43,306
Total funded exposure	2,051,181	25,200	154,208	89,030	15,794	2,335,411
Unfunded commitments & contingents	266,555	1,302	33,586	53,242	1,677	356,362
Aggregation	58,916	-	-	-	-	58,916
Total Credit Risk	2,376,652	26,502	187,794	142,272	17,471	2,750,689

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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 2011
Cash and balances with central banks	-	350,936	-	-	-	-	350,936
Treasury bills	-	-	-	194,291	-	-	194,291
Deposits in banks & other financial institutions	-	149,721	-	-	-	-	149,721
Loans & advances to customers	357,836	156,309	346,310	45,013	226,401	149,152	1,281,021
Investment securities	37,921	204,253	21,163	201,001	-	2,395	466,733
Other assets	-	172	-	-	106	48,989	49,267
Total funded exposure	395,757	861,391	367,473	440,305	226,507	200,536	2,491,969
Unfunded commitments & contingents	82,118	119,513	58,173	5,795	1,296	37,179	304,074
Aggregation		56,449				394	56,843
Total Credit Risk	477,875	1,037,353	425,646	446,100	227,803	238,109	2,852,886

	Trading and Manufacturing	Banks & Other Financial Institutions	Construction & Real Estate	Government & Public Sector	Individuals	Others	Total June 2010
Cash and balances with central banks	-	281,100	-	-	-	-	281,100
Treasury bills	-	-	-	131,349	-	-	131,349
Financial assets at fair value through statement of income	-	2,014	-	-	-	-	2,014
Deposits in banks & other financial institutions	-	241,764	-	-	-	171	241,935
Loans & advances to customers	305,270	146,605	308,467	84,699	224,791	164,293	1,234,125
Investment securities	36,778	171,058	30,473	159,841	-	3,432	401,582
Other assets	2	20	1	198	93	42,992	43,306
Total funded exposure	342,050	842,561	338,941	376,088	224,884	210,888	2,335,411
Unfunded commitments & contingents	111,597	145,601	74,381	1,553	6,986	16,244	356,362
Aggregation		58,703				213	58,916
Total Credit Risk	453,647	1,046,864	413,322	377,641	231,870	227,346	2,750,689

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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 2011
Cash and balances with central banks	293,316	-	-	-	-	-	-	57,620	350,936
Treasury bills	26,866	147,651	-	19,774	-	-	-	-	194,291
Deposits in banks & other financial institutions	121,702	19,519	6,875	-	1,625	-	-	-	149,721
Loans & advances to customers	103,955	112,774	84,794	63,666	459,421	299,488	53,096	103,827	1,281,021
Investment securities	213,185	9,067	12,270	39,743	80,860	59,986	1,613	50,009	466,733
Other assets	18,382	140	116	5	783	17	36	29,788	49,267
Total funded exposure	777,406	289,151	104,055	123,188	542,689	359,491	54,745	241,244	2,491,969
Unfunded commitments & contingents	64,994	66,189	45,046	119,710	7,238	517	29	351	304,074
Aggregation								56,843	56,843
Total Credit Risk	842,400	355,340	149,101	242,898	549,927	360,008	54,774	298,438	2,852,886

	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	229,090	-	-	-	-	-	-	52,010	281,100
Treasury bills	26,990	65,921	33,486	4,952	-	-	-	-	131,349
Financial assets at fair value through statement of income	-	2,014	-	-	-	-	-	-	2,014
Deposits in banks & other financial institutions	221,737	18,632	-	-	1,566	-	-	-	241,935
Loans & advances to customers	85,364	88,157	36,875	54,963	449,861	270,673	52,763	195,468	1,234,125
Investment securities	157,126	22,532	28,054	41,817	64,070	27,795	3,732	56,456	401,582
Other assets	14,246	103	83	10	385	19	-	28,459	43,306
Total funded exposure	734,553	197,359	98,499	101,742	515,883	298,487	56,495	332,393	2,335,411
Unfunded commitments & contingents	73,916	70,755	58,655	150,968	1,227	129	367	345	356,362
Aggregation								58,916	58,916
Total Credit Risk	808,469	268,114	157,153	252,710	517,110	298,615	56,863	391,654	2,750,689

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9 . Impaired Loans and Provisions*BHD '000*

	June, 2011			June, 2010		
	Principle & Interest Outstanding	Impaired Loans	Specific provisions	Principle & Interest Outstanding	Impaired Loans	Specific provisions
Manufacturing	204,734	22,349	14,516	228,314	19,826	13,778
Mining and quarrying	10,638	-	-	2,349	-	-
Agriculture, fishing and forestry	4,156	25	25	698	27	68
Construction	217,139	19,922	4,985	150,769	12,427	4,149
Financial	155,570	39,540	28,582	169,883	36,889	16,602
Trade	150,431	7,837	3,717	108,995	7,130	3,116
Personal / Consumer finance	134,496	20,490	16,278	92,150	15,684	13,817
Commercial real estate financing	217,173	1,325	605	253,240	3,479	1,214
Residential mortgage	71,944	5,131	1,246	56,750	2,058	281
Government	45,681	-	-	84,699	-	-
Technology, media and telecommunications	55,939	363	274	56,802	510	366
Transport	39,881	-	-	43,455	4,937	4,935
Other sectors	57,304	119	120	62,986	186	188
Total	1,365,086	117,101	70,348	1,311,090	103,153	58,514

10 . Reconciliation of Changes in Impaired Loans and Provisions

	30-Jun-2011		30-Jun-2010	
	Specific Impairment Provisions	Collective Impairment Provisions	Specific Impairment Provisions	Collective Impairment Provisions
At beginning of the year	68,955	13,733	58,122	6,248
Amounts written off	(2,311)	-	(1,381)	-
Write backs / cancellation due to improvement	(994)	30	(1,667)	(39)
Additional provisions made	4,364	-	3,658	12,430
Exchange adjustment and other movements	992	(46)	190	(272)
Notional interest on impaired loans	(658)	-	(408)	-
Balance at reporting date	70,348	13,717	58,514	18,367

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

	GCC	North America	Europe	Asia	Others	Total June 2011
Past Due Loans	114,448	-	-	2,653	-	117,101
Specific Impairment Provisions and Interest in Suspense	69,233	-	-	1,115	-	70,348
Collective Impairment Provisions	13,403	-	-	314	-	13,717

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

12 . Aging of Impaired and Past Due Loans*BHD '000*

	3 months up to 1 year	1 up to 3 years	Over 3 years	Total June 2011
Gross Impaired Loans	26,902	39,969	50,230	117,101
Less: specific provisions	1,938	24,974	25,919	52,831
Less: Interest in Suspense	376	3,657	13,484	17,517
Net Outstanding	24,588	11,338	10,827	46,753
Market value of collateral	11,306	18,136	21,984	51,426

	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
Net Outstanding	21,610	12,215	10,814	44,639
Market value of collateral	4,542	11,684	28,412	44,638

13 . Restructured Loans*BD'000*

	<i>June 2011</i>	<i>June 2010</i>
Loans restructured during the period	33,419	6,166
Impact of restructured facilities and loans on present and future earnings	-	-
Impact of restructured facilities and loans on provisions	-	-

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

**VaR Results for June 30th 2011 (10 day 99%)
Global (BAHRAIN & KUWAIT)
January 1, 2011 - June 30, 2011**

Asset Class	Limit	VaR 30/6/2011	High VaR	Low VaR	Average VaR
Foreign Exchange	641	77	165	25	66
Interest Rate	151	1	3	0	1
Total	792	78	165	26	67

**VaR Results for June 30th 2010 (10 day 99%)
Global (BAHRAIN & KUWAIT)
January 1, 2011 - June 30, 2010**

Asset Class	Limit	VaR 30/6/2010	High VaR	Low VaR	Average VaR
Foreign Exchange	641	81	323	37	159
Interest Rate	75	44	72	0	30
Total	716	125	339	37	189

15 . Currency Risk

The functional currency of the Group is the Bahraini Dinar.

The Group has the following significant non - strategic net exposures

	BHD '000	
	<i>2011</i>	<i>2010</i>
USD Dollars	(6,727)	(88,674)
EURO	(113)	(4)
G.C.C. Currencies	29,706	17,554
Kuwaiti Dinars	(838)	279
Others	692	(113)
Total	22,720	(70,958)

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

	<i>BHD '000</i>	
	<i>2011</i>	<i>2010</i>
Sovereign	585,547	270,980
Total	585,547	270,980

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17 . Derivatives

Derivatives	2011			2010		
	Positive fair	Negative fair	Notional	Positive fair	Negative fair	Notional
	value	value	amount	value	value	amount
<i>Derivatives held for trading</i>						
Forward foreign exchange contracts	392	158	19,758	4,048	(3,745)	121,254
Options	13	9	6,691	-	-	-
<i>Derivatives held as fair value hedges</i>						
Interest rate swap	120	6,538	235,471	16	(4,716)	91,432
Forward foreign exchange contracts	430	492	152,730	1,037	(377)	217,592
Total	955	7,197	414,650	5,102	(8,838)	430,278

18 . Credit Derivatives Exposure

	BHD '000	
	2011	2010
First to default	-	7,540
Credit default swap and credit debt obligations	119,335	130,254
Credit Derivatives Products sold	119,335	137,794

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19 . Related Party Transactions

	<i>BD '000</i>			
	<i>Major Shareholders</i>	<i>Associted & Others</i>	<i>Directors and key Management</i>	<i>June 2011</i>
Loans and advances to customers	-	7,092	1,447	8,539
Customers' current, savings and other deposits	321,135	664	1,987	323,786

No provision is required in respect of loans given to related parties (2010: nil)*The income and expenses in respect of related parties included in the consolidated income statement are as follows:*

Interest and similar income	-	29	2	31
Interest and similar expense	2,104	-	2	2,106

	<i>Major Shareholders</i>	<i>Associted & Others</i>	<i>Directors and key Management</i>	<i>June 2010</i>
Placment Loans and advances to customers	-	15,210	1,377	16,587
Non-trading investment securities	69	-	-	69
Customers' current, savings and other 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

20 . Compensation of the key management personnel including directors

	<i>June 2011 BD '000</i>	<i>June 2010 BD '000</i>
Salaries and other short term benefits	3,778	3,866
Post employment benefits	33	8
Share based compensation	7	281
Total compensation paid to key management personnel	3,818	4,155

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21 . Equity Positions in the Banking Book

	BHD '000	
	<i>Jun-11</i>	<i>Jun-10</i>
Publicly traded equity shares	42,664	39,639
Privately held equity shares	19,260	20,295
Total	61,924	59,934
Capital required	7,431	7,192

22 . Gains on equity instruments

Realised Gains/ Losses in statement of income	131	17,136
Unrealised Gains/ Losses in tier 1 capital (eligible portion)	(3,249)	1,586
Unrealised Gains/ Losses in tier 2 capital (eligible portion)	1,877	2,096

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23 . 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 2011, there were legal suits pending against the Group aggregating BD 0.872million. 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.

24 . 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 2.79%. (June 2010: 5.96%)

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 2.79%.(June 2010: 5.96%)