

BAHRAIN DEVELOPMENT BANK B.S.C. (c)

Risk and Capital Management Disclosures

For the six months period ended 30 June 2018

These disclosures have been prepared in accordance with the Public Disclosure Module ("PD"), CBB Rule Book, Volume I for Conventional banks.

These disclosures have been reviewed by the Bank's external auditors Ernst & Young based upon agreed-upon procedures as required under Para PD-A.2.4 of the PD Module.

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For the six months period ended 30 June 2018

1 EXECUTIVE SUMMARY

This report has been prepared in accordance with Pillar III disclosure requirements prescribed by the Central Bank of Bahrain, herein referred to as "CBB". The report has been designed to provide BDB Group's stakeholders with detailed information on the Bank's approach in managing capital and risk, having due regard to the operating environment.

The Bank applies the Basel framework in the measurement of its capital adequacy, and in its capital management strategy and risk management framework. CBB's Basel III capital rules and guidelines became effective on 1st January 2015 as the common framework for the implementation of the Basel Committee on Banking Supervision's (Basel Committee) Basel III capital adequacy framework for banks incorporated in the Kingdom of Bahrain.

BDB has adopted the Standardized Approach for Credit Risk, Market Risk and the Basic Indicator Approach for Operational Risk to determine the capital requirement.

The disclosures in this report are in addition to the disclosures set out in the consolidated financial statements for the six months period ended 30th June 2018 presented in accordance with the International Financial Reporting Standards (IFRS).

2 INTRODUCTION TO THE BASEL III FRAMEWORK

The CBB's Basel III capital framework is based on three pillars consistent with the Basel III framework developed by the Basel Committee, as follows:-

- Pillar I: calculation of the Risk Weighted Assets (RWAs) and capital requirement.
- Pillar II: the supervisory review process, including the Internal Capital Adequacy Assessment Process (ICAAP).
- Pillar III: rules for the disclosure of risk management and capital adequacy information.

Amongst the three pillars, it is Pillar I that has been affected most and largely amended with the introduction of Basel III. Additional disclosure requirements have also been introduced under Pillar III.

CBB CAPITAL ADEQUACY RULES:

CBB minimum required total capital adequacy ratio (including CCB) increased from 12 percent to 12.5 percent, compared to 10.5 percent recommended by the Basel Committee. Moreover, there are newly introduced limits and minima by the CBB under Basel III, such as minimum Common Equity Tier 1 Capital Ratio "CET1" of 9 percent (including CCB) and minimum T1 Capital Ratio of 10.5 percent (including CCB).

The table below summarizes the approaches available for calculating RWAs for each risk type in accordance with the CBB's Basel III capital adequacy framework.

Credit Risk	Operational Risk
Standardised Approach	Basic Indicator Approach Standardised Approach

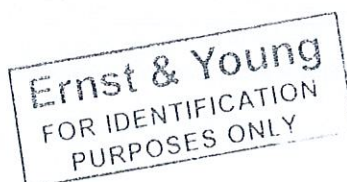
For regulatory reporting purposes, BDB is using the Standardised Approach for credit risk and market risk, and Basic Indicator Approach for operational risk.

i) Credit Risk

Credit Risk represents the potential financial loss as a consequence of a customer's inability to honour the terms and conditions of a credit facility. Such risk is measured with respect to counterparties for both on-balance sheet assets and off-balance sheet items. The bank has a robust credit risk management architecture which is explained in greater detail in Note 2 of the interim condensed consolidated financial statements.

The Bank does not use any external credit assessment institutions and the risk rating for the exposures are based on the internal credit framework and policy guidelines of the Bank.

For regulatory reporting purposes, BDB is using the Standardised Approach for credit risk.



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2 INTRODUCTION TO THE BASEL III FRAMEWORK (continued)

ii) Market Risk

Market Risk is the risk of potential losses arising from movements in market prices of financial instruments as a result of changes in market rates (such as interest rates and foreign exchange rates).

For the regulatory market risk capital requirement, BDB is using the Standardised Approach for the calculation of regulatory market risk capital.

iii) Operational Risk

Operational Risk is the risk of monetary loss on account of human error, fraud, systems failures or the failure to record transactions. In order to manage and mitigate such risks, the Bank ensures that proper systems and resources (financial and personnel) are available to support the Bank's operations. Proper segregation of duties and other controls (including reconciliation, monitoring and reporting) are implemented to support the various operations and activities.

For the regulatory market risk capital requirement, BDB is using the Standardised Approach for the calculation of regulatory market risk capital.

Regulatory Reforms

The Bank is operating as a retail bank with special waivers under a license issued by the Central Bank of Bahrain ("CBB"), with headquarters and branches in Bahrain. The Bank's capital adequacy requirements are computed on a consolidated basis.

3 GROUP STRUCTURE

The Group's financial statements are prepared and published on a full consolidation basis, with all subsidiaries being consolidated in accordance with IFRS. The Group consists of the Bank and its following subsidiaries:

Name	Country of incorporation	Ownership interest	Year end
Bahrain Business Incubator Centre (S.P.C.)	Kingdom of Bahrain	100%	31 December
BDB SME Fund Company BSC (C) *	Kingdom of Bahrain	99%	31 December
Bahrain Export Development Center S.P.C	Kingdom of Bahrain	100%	31 December
Al-Waha Venture Capital Fund Company	Kingdom of Bahrain	99%	31 December
Middle East Corner Consultancy CO. WLL**	Kingdom of Bahrain	28.6%	31 December

* The shareholders of BDB SME Fund Company in their meeting dated 14 December 2016, decided to voluntarily liquidate the Company. The Company does not have any operations.

** The Bank is exposed, or has rights, to variable returns from its involvement with Middle East Corner Consultancy Co. WLL; and has the ability to affect those returns through its power over Middle East Corner Consultancy Co. WLL and thus is deemed as subsidiary of the Bank.

Restrictions on capital and transfer of funds within the Group

Since the Bank's subsidiaries are not regulated financial institutions, there is no regulatory impediment to the transfer of retained earnings to the Bank. However, as a separate legally incorporated entity, the transfer of paid in capital and mandatory reserves would require shareholder action. As the major shareholder (either direct or indirect) in the entity, the Bank has the power to undertake the legal processes for the transfer of such capital. The Bank's subsidiaries are registered and domiciled in Bahrain and there are no exchange controls or other restrictions on the transfer of funds.

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4 CAPITAL STRUCTURE AND CAPITAL ADEQUACY

The Bank's regulatory capital base comprises of (a) CET 1 capital which includes share capital, reserves and retained earnings. (b) Tier 2 capital which consist of general loan loss provisions.

Capital structure, minimum capital and capital adequacy

The Bank's paid up capital consists only of ordinary shares and does not have any other type of capital instruments.

The Bank's regulatory capital base is as detailed below:

	As at 30 June 2018
Common Equity Tier 1 (CET1)	
Issued and full paid ordinary shares	65,000
Legal / Statutory reserve	1,186
Retained earnings	(1,257)
Other reserves	4,048
Current year Profit	242
Cumulative fair value changes on FVOCI investments (Debt)	(362)
Total Common Equity Tier 1 (CET1) (A)	68,857
Additional Tier 1 (AT1)	-
Total Tier 1 (T1)	68,857
Tier 2 Capital (T2)	
Expected Credit Losses (ECL)	1,900
Total Tier 2 (T2) (B)	1,900
Total Capital Base (Tier 1 + Tier 2) (C=A+B)	70,757

Capital Requirement for Risk Weighted Exposure	Credit Exposure before credit risk mitigant	Eligible financial collateral	Credit Exposure after risk mitigant	Risk weighted exposure	Capital Requirement at 12.5%
As at 30 June 2018					
Cash items	285	-	285	-	-
Sovereigns	53,194	-	53,194	-	-
PSE	-	-	-	-	-
Banks	17,079	-	17,079	8,507	1,063
Corporates	96,648	646	96,002	94,693	11,837
Regulatory retail	-	-	-	-	-
Residential mortgages	-	-	-	-	-
Past due exposures	10,880	38	10,842	12,414	1,552
Investment in securities	5,559	-	5,559	8,282	1,035
Holding of Real Estate	13,422	-	13,422	26,162	3,270
Others assets	1,977	-	1,977	1,977	247
Total Credit Risk Exposure	199,044	684	198,360	152,035	19,004
Market Risk				231	29
Operational Risk				18,131	2,266
Total Risk Weighted Assets (D)				170,397	21,300
Capital Adequacy Ratio (B)/(D)				41.52%	
CET1 Capital Adequacy Ratio (A)/(D)				40.41%	

CAPITAL RATIOS OF SUBSIDIARIES ABOVE 5% OF GROUP CAPITAL

	Total capital ratio	Tier 1 capital ratio
Bahrain Business Incubator Centre (S.P.C.)	17.96%	17.96%

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5 CREDIT RISK – PILLAR III DISCLOSURES

This section describes BDB's exposure to credit risk, and provides detailed disclosures on credit risk in accordance with the CBB's Basel III framework, in relation to Pillar III disclosure requirements.

Definition of exposure classes

The Bank has a diversified funded and unfunded credit exposure. These exposures are classified as standard portfolio per CBB's Basel III requirements.

Brief description of applicable standard portfolio are as follows:

a. Claims on sovereigns:

These pertain to exposures to governments and their central banks. Claims on Bahrain and GCC sovereigns are risk weighted at 0%. Claims on all other sovereigns are given a risk weighting of 0% where such claims are denominated and funded in the relevant domestic currency of that sovereign. Claims on sovereigns, other than those mentioned above are risk weighted based on their credit ratings.

b. Investment in securities and sukuk

Investments in listed equities are risk weighted at 100% while unlisted equities are risk weighted at 150%.

c. Claims on banks:

Claims on banks are risk weighted based on external rating agencies. Short-term claims on locally incorporated banks are assigned a risk weighting of 20% where such claims on the banks are of an original maturity of three months or less and the claims are denominated and funded in either Bahraini Dinars or US Dollar.

Preferential risk weighting that is one category more favourable than the standard risk weighting is assigned to claims on foreign banks licensed in Bahrain of an original maturity of three months or less denominated and funded in the relevant domestic currency. Such preferential risk weight for short-term claims on banks licensed in other jurisdictions are allowed only if the relevant supervisor also allows this preferential risk weighting to short-term claims on its banks.

No claim on an unrated bank would receive a risk weight lower than that applied to claims on its sovereign of incorporation.

d. Claims on corporates:

Claims on corporates are risk weighted based on credit ratings. Risk weighting for unrated (corporate) claims are assigned at 100%.

e. Impairment of assets

The Bank assesses at each reporting date whether there is any objective evidence that a specific financial asset is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'impairment event') and that impairment event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include indications that the borrower is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that it will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

f. Restructured financing facilities:

Where possible, the Bank seeks to restructure facilities rather than to take ownership of collateral. This may involve extending the payment arrangements and the agreement of new financing facility conditions. Management continuously reviews renegotiated financing facilities to ensure that all criteria are met and that future payments are likely to occur. The financing facilities continue to be subject to impairment assessment, calculated using the facility's original effective interest rate.

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5 CREDIT RISK – PILLAR III DISCLOSURES (continued)

g. Past due exposures

This includes claims, for which the repayment is overdue for more than 90 days. The risk weighting for such loans is either 100% or 150% is applied depending on the level of provisions maintained against the assets.

h. Equity Portfolio:

Investment in securities and financial entities are risk weighted at a minimum risk weight of 100% for listed entities or 150% for unlisted entities, unless such investments exceed 10% of the eligible capital of investee entity, in which case they are deducted from the Bank's capital.

i. Other assets:

These are risk weighted at 100%.

j. Holding of real estate

All other holdings of real estate by banks (i.e. owned directly, subsidiaries or associate companies or other arrangements such as trusts, funds or REITs) are risk-weighted at 200%. Investment in listed real estate companies and investment in unlisted real estate companies are risk-weighted at 300% and 400% respectively. Premises occupied by the Group are weighted at 100%.

k. Related party transactions and balances:

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include entities over which the Bank exercises significant influence, major shareholders, directors and executive management of the Bank. Such related parties in the ordinary course of business at commercial interest and commission rates (Refer note 13 of the interim condensed consolidated financial statements).

Amounts due from related parties are unsecured.

l. Highly leveraged counterparties

The Bank does not lend to highly leveraged and other high risk counterparties as defined in PD-1-3-24(e).

6 Funded and Unfunded Total Credit Exposure

	Total funded credit exposure	Total un-funded credit exposure	Average quarterly credit exposure
Sovereigns	21,348		18,623
PSE	-		-
Banks	17,079		19,162
Corporates	92,331	13,156	106,397
Regulatory retail	-		-
Mortgages	-		-
Past due exposures	10,880		10,672
Investment in securities	5,559		5,645
Holding of Real Estate	13,422		13,483
Other assets and Cash items	2,087		2,175
Total credit risk	162,706	13,156	176,155

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7 Concentration of credit risk by industry & region (Exposures subject to risk weighting)

	Region	2018		Total
		Funded	Unfunded	
Government & public sector	GCC	21,348	-	21,348
Banks and financial institutions	GCC	18,027	-	18,027
Trading and Manufacturing	GCC	49,899	746	50,645
Educational Institutions & Healthcare	GCC	13,449	8,179	21,628
Hospitality, media and transportation	GCC	8,796	139	8,935
Fisheries, agriculture & dairy	GCC	5,540	-	5,540
Food processing	GCC	4,055	-	4,055
Others	GCC	41,592	4,092	45,684
TOTAL		162,706	13,156	175,862

8 CREDIT CONCENTRATION GREATER THAN 15% INDIVIDUAL OBLIGOR LIMIT

Total credit exposures in excess of 15% individual obligor limit	2018
Sovereigns	53,194

9 COUNTERPARTY WISE BREAKDOWN OF NON PERFORMING LOANS AND IMPAIRMENT PROVISION

	Impaired loans (net of provision)	Stage 3: Lifetime ECL creditimpaired	Charge for the period	Write off
Project finance	9,385	20,402	745	581
Fisheries and Agriculture	1,495	-	-	-
	10,880	20,402	745	581

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10 RESIDUAL CONTRACTUAL MATURITY

Maturity analysis of assets

The table below summarises the residual contractual maturity profile of the Group's assets as at 30 June 2018

2018	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	5 to 10 years	10 to 20 years	Above 20 years	Total
Assets										
Cash and balances with Central Bank of Bahrain	2,294	-	-	-	-	-	-	-	-	2,294
Due from banks and other financial institutions	10,422	7,757	-	-	-	-	-	-	-	18,179
Accounts receivable and other assets	-	-	2,575	-	-	-	-	-	-	2,575
Loans and advances to customers	3,407	6,906	9,913	17,447	12,644	42,168	9,404	13	1,309	103,211
Investment securities	16,640	-	-	-	-	-	6,222	-	-	22,862
Investment in associates	-	-	-	-	-	-	259	-	-	259
Investment property	-	-	-	-	-	-	-	-	11,818	11,818
Property, plant and equipment	-	-	-	-	-	-	-	-	1,508	1,508
Total assets	32,763	14,663	12,488	17,447	12,644	42,168	15,885	13	14,635	162,706

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11 PAST DUE AND IMPAIRED LOANS - AGE ANALYSIS

i) By Geographical area

	2018			Total
	Three months to one year	One to three years	Over three years	
GCC	33,423	3,313	1,566	38,302
TOTAL	33,423	3,313	1,566	38,302

ii) By Counterparty wise

	2018			Total
	Three months to one year	One to three years	Over three years	
Project finance	31,559	2,961	1,300	35,820
Fisheries and Agriculture	1,865	352	265	2,482
TOTAL	33,424	3,313	1,565	38,302

12 GEOGRAPHICAL DISTRIBUTION OF IMPAIRMENT PROVISIONS FOR LOANS AND ADVANCES TO CUSTOMERS

The Bank and its subsidiaries operate and grant loans/financing facilities locally to Bahrain entities and persons only.

	2018
GCC	
Specific impairment provision - Stage 3	20,402
TOTAL	20,402

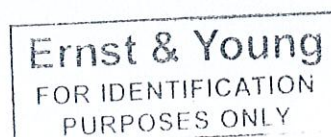
13 Reconciliation of changes in Expected credit losses

	2018		Total
	Stage 3: Lifetime ECL credit impaired	Stage 1: 12-month ECL and stage 2: Lifetime ECL not credit-impaired	
Balance at 31 December 2017	18,096	940	19,036
Recognition of expected credit losses under IFRS 9	2,142	1,110	3,252
Balance at 1 January 2018	20,238	2,050	22,288
Amounts written off during the period	(581)	-	(581)
Charge for the period	1,774	72	1,846
Recoveries during the period	(1,029)	(542)	(1,571)
At 30 June 2018	20,402	1,580	21,982

Restructured Credit Facilities

The Bank has restructured credit facilities amounting to BD 227 thousands during the period ended 30 June 2018. Restructuring concessions mainly related to deferral of loan installments to assist customers overcome temporary cash crunch situations or to realign the repayment with the borrower's revised cash flow projections.

The above restructurings did not have a significant impact on the present or future earnings and were primarily extensions of the loan/financing tenor.



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14 CREDIT RISK MITIGATION

The reduction of the capital requirement attributable to credit risk mitigation is calculated in different ways, depending on the type of credit risk mitigation. The main collaterals taken for risk mitigation on credit exposures are deposits held by customers, pledge of quoted shares, residential / commercial property mortgage, investment securities, counter-guarantees from other banks, etc. However, for purposes of capital adequacy computation, only eligible collateral recognized under Basel 3 is taken into consideration.

15 ELIGIBLE FINANCIAL COLLATERAL AND GUARANTEES

Eligible financial collateral, and guarantees, presented by standard portfolio are as under:

	Gross credit exposure	Financial collateral	Credit exposure after credit risk mitigant
As at 30 June 2018			
Sovereigns	53,194	-	53,194
PSE	-	-	-
Banks	17,079	-	17,079
Corporates	96,648	646	96,002
Regulatory retail	-	-	-
Residential mortgages	-	-	-
Past due exposures	10,880	38	10,842
Investments in equities/funds	5,559	-	5,559
Holding of Real Estate	13,422	-	13,422
Others assets and Cash items	2,262	-	2,262
	<u>199,044</u>	<u>684</u>	<u>198,360</u>

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16 SENSITIVITY ANALYSIS - INTEREST RATE RISK (IRRBB)

Impact on net interest income for the period ended 30 June 2018

	2018
Bahraini Dinar	
Assets	182,093
Liabilities	<u>153,482</u>
(+) 200 basis points	572
(-) 200 basis points	(572)
US Dollar	
Assets	63,159
Liabilities	<u>43,791</u>
(+) 200 basis points	387
(-) 200 basis points	(387)
Kuwaiti Dinar	
Assets	2,163
Liabilities	<u>1,970</u>
(+) 200 basis points	4
(-) 200 basis points	(4)
Saudi Riyals	
Assets	8,882
Liabilities	<u>8,851</u>
(+) 200 basis points	1
(-) 200 basis points	(1)

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17 MARKET RISK, INTEREST RATE GAP

Market risk

Market risk is defined as potential adverse changes in the fair value or future cash flows of a trading position or portfolio of financial instruments resulting from the movement of market variables, such as interest rates, currency rates, equity prices and commodity prices, market indices as well as volatilities and correlations between markets. As its primary tool, the Bank measures its market risk exposure using the Standardised Approach under Basel III.

The Bank uses the Standardised Approach for calculating market risk capital charges for the following market risk components:

- Equity exposure risk
- Interest rate exposure risk
- Foreign currency exposure risk
- Commodity risk

The Bank's market risk capital charge is largely composed of foreign currency risk arising from the Bank's foreign exchange exposure on investments denominated mainly in Kuwaiti dinars, Saudi riyals and USD, and interest rate risk arising on the bond portfolio. The capital requirement for market risk using the Standardised Approach as at 30 June 2018 was as follows:

Risk Type	Capital requirements			
	2018	Maximum	Minimum	Average
Equity risk capital	-	-	-	-
Foreign exchange risk capital	18	18	16	8.5
Interest rate risk capital	-	-	-	-
Commodity risk capital	-	-	-	-

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17 MARKET RISK, INTEREST RATE GAP (continued)

Interest rate risk

Interest rate risk arises from the possibility that changes the interest rates will affect future profitability or the fair values of the financial instruments. The Bank is exposed to interest rate risks due to mismatches of interest rate repricing on maturity of assets and liabilities. Positions are monitored periodically to ensure that this is maintained within the established limits. The Banks assets and liabilities reprice only on maturity.

The Bank's interest rate sensitivity position is based on the maturity dates, as follows

2018	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
Assets								
Cash and balances with Central Bank of Bahrain	-	-	-	-	-	-	2,294	2,294
Due from banks and other financial institutions	10,422	7,757	-	-	-	-	-	18,179
Accounts receivable and other assets	16,640	-	-	-	-	-	22,382	39,022
Loans and advances to customers *	3,407	6,906	9,913	17,447	54,738	10,800	-	103,211
Total assets	30,469	14,663	9,913	17,447	54,738	10,800	24,676	162,706
Liabilities								
Deposits	15,946	5,456	7,723	694	-	10,000	-	39,819
Accounts payable and other liabilities	-	-	-	-	-	-	5,266	5,266
Long term loans	-	251	641	2,890	28,631	16,369	-	48,782
Total liabilities	15,946	5,707	8,364	3,584	28,631	26,369	5,266	93,867
Net liquidity gap	14,523	8,956	1,549	13,863	26,107	(15,569)	19,410	

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18 EQUITY POSITION IN THE BANKING BOOK

	2018	
	Net exposure	Capital requirement
Publicly traded	113	14
Privately held	5,951	744
TOTAL	6,064	758

19 GAINS ON EQUITY INVESTMENTS

	2018
(i) Realised Gains/ Losses in the statement of profit or loss	-
(ii) Realised Gains/ Losses in retained earnings	(20)
(iii) Unrealised Gains/ Losses in CET1 Capital	(523)

The Bank does not have any equity investments subject to supervisory transition or grandfathering provisions.

20 DERIVATIVES

	Derivatives
	Foreign exchange contracts
Notional – Banking book	31,846

21 OPERATIONAL AND LEGAL RISKS

Operational risk is the risk of loss arising from errors that can be made in instructing payments or settling transactions, breakdown in technology and internal control systems. The Bank uses the Basic Indicator Approach under the Basel III framework for measuring and managing its operational risk. Currently, the Bank conducts its business from a single location. BDB is a retail bank with some restrictions and accordingly, the number of client relationships and volume of transactions at BDB are moderate on average.

BDB's operations are conducted according to well-defined procedures. These procedures include a comprehensive system of internal controls, including segregation of duties and other internal checks, which are designed to prevent either inadvertent staff errors or malfeasance prior to the release of a transaction. The Bank also engages in subsequent monitoring of accounting records, daily reconciliation of cash and securities accounts and other checks to enable it detect any erroneous or improper transactions which may have occurred. Specific limits are set up to mitigate and monitor the Bank's exposure.

Operational risk is managed by the Risk management department. The scope of the Internal Audit department encompasses audits and reviews of all business units, support services and branches. The internal audit process focuses primarily on assessing risks and controls and ensuring compliance with established policies, procedures and delegated authorities. Products and services are reviewed by the Internal Audit department and assessed for operational risks. The Internal Audit department is operationally independent and reports significant internal control deficiencies to the Audit Committee.

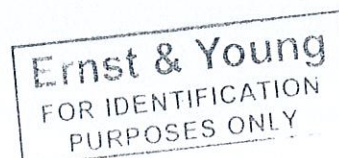
The Bank has a Business Continuity Plan (BCP) to ensure that the critical activities are supported in case of an emergency. The BCP is approved by the Board of Directors.

Bank's ICAAP limit of 25% has been fixed to absorb any unforeseen event as compared to regulatory capital requirement of 12.5%.

Legal risk is the risk arising from the potential that unenforceable contracts, lawsuits or adverse judgments can disrupt or otherwise negatively affect the operations of the group. The Group has developed controls and procedures to identify legal risks and believes that losses will not be material.

22 FINES & PENALTY

	Amount in BHD Actual 2018
Penalty paid to Central Bank of Bahrain	-



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**Composition of capital disclosure requirements
For the six months period ended 30 June 2018**

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PD 2 : Reconciliation of regulatory capital

Step 1: Disclosure of Balance Sheet under Regulatory scope of Consolidation

This step is not applicable to the Bank since the scope of regulatory consolidation and accounting consolidation is identical.

BAHRAIN DEVELOPMENT BANK B.S.C. (c)
For the six months period ended 30 June 2018

PD 2 : Reconciliation of regulatory capital (continued)
Step 2: Expansion of the Balance Sheet under Regulatory scope of Consolidation

	in published financial statements	Consolidated PIR data
Assets		
Cash and balances at central banks	2,294	2,294
Placements with banks and other financial institutions	18,179	18,374
Investment securities	22,862	22,862
Investments in associates	259	259
Total Investment	23,121	23,121
of which:		
Significant investments in capital of financial institutions exceeds the 10% of CET1		
Amount in excess of 10% of CET1 to be deducted		
Amount in excess of 10% of CET1 to be deducted in year 1		
Investment property	11,818	11,818
Loans and advances	103,211	104,791
of which: General loan loss provision which qualify as capital	2,001	2,001
Prepayments, accrued income and other assets	2,575	2,801
Property, plant and equipment	1,508	1,508
Total assets	162,706	164,707
Liabilities		
Deposits from banks and other financial institutions	-	-
Customer accounts	39,819	39,819
Term Loans	48,782	48,782
Repurchase agreements and other similar secured borrowing		
Derivative financial instruments		
Accruals, deferred income and other liabilities	5,266	5,266
Total liabilities	93,867	93,867
Shareholders' Equity		
Paid-in share capital	65,000	65,000
Shares under employee share incentive scheme		
Total share capital	65,000	65,000
of which amount eligible for CET1	-	65,000
of which amount eligible for AT1	-	-
Retained earnings	(1,015)	(1,015)
Statutory reserve	1,186	1,186
Other Reserve	4,048	4,048
General reserve		
Share premium		
Donations and charity reserve		
General loan loss provision which qualify as capital		2,001
Available for sale revaluation reserve	(362)	(362)
Share of Available for sale revaluation reserve relating to associates not considered for regulatory capital		
Minority interest in subsidiaries' share capital	(18)	(18)
Total shareholders' equity	68,839	70,840
Total liabilities & Shareholders' Equity	162,706	164,707

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PD 3 : Main features of regulatory capital instruments

1	Issuer	Bahrain Development Bank BSC
2	Unique identifier (Bahrain Bourse ticker)	BDB
3	Governing law of the instrument	All applicable laws and regulations of the Kingdom of Bahrain
	<i>Regulatory treatment</i>	
4	Transitional CBB rules	Common Equity Tier 1
5	Post-transitional CBB rules	Common Equity Tier 1
6	Eligible at solo/group/group & solo	Group
7	Instrument Type	Common Equity shares
8	Amount recognized in regulatory capital (currency in Millions, as of most recent reporting date)	BD65,000
9	Par Value of instrument	BD1.00
10	Accounting classification	Shareholders' Equity
11	Original date of issuance	Not Applicable
12	Perpetual or dated	Not Applicable
13	Original maturity date	Not Applicable
14	Issuer call subject to prior supervisory approval	Not Applicable
15	Optional call date, contingent call dates and redemption amount	Not Applicable
16	Subsequent call dates, if applicable	Not Applicable
	Coupons / dividends	Not Applicable
17	Fixed or floating dividend/coupon	Not Applicable
18	Coupon rate and any related index	Not Applicable
19	Existence of a dividend stopper	Not Applicable
20	Fully discretionary, partially discretionary or mandatory	Not Applicable
21	Existence of step up or other incentive to redeem	Not Applicable
22	Noncumulative or cumulative	Not Applicable
23	Convertible or non-convertible	Not Applicable
24	If convertible, conversion trigger (s)	Not Applicable
25	If convertible, fully or partially	Not Applicable
26	If convertible, conversion rate	Not Applicable
27	If convertible, mandatory or optional conversion	Not Applicable
28	If convertible, specify instrument type convertible into	Not Applicable
29	If convertible, specify issuer of instrument it converts into	Not Applicable
30	Write-down feature	Not Applicable
31	If write-down, write-down trigger(s)	Not Applicable
32	If write-down, full or partial	Not Applicable
33	If write-down, permanent or temporary	Not Applicable
34	If temporary write-down, description of write-up mechanism	Not Applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not Applicable
36	Non-compliant transitioned features	Not Applicable
37	If yes, specify non-compliant features	Not Applicable

PD 4: Capital composition disclosure template

	Common disclosure template to be used during the transition of regulatory adjustments (i.e. from 30 June 2015 to 31 December 2018)	Amounts subject to pre-2015 treatment	Reference
Common Equity Tier 1 capital: instruments and reserves			
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	65,000	
2	Retained earnings	(1,015)	
3	Accumulated other comprehensive income (and other reserves)	5,234	
4	Not Applicable	-	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-	
6	Common Equity Tier 1 capital before regulatory adjustments	69,219	
Common Equity Tier 1 capital: regulatory adjustments			
7	Prudential valuation adjustments	-	
8	Goodwill (net of related tax liability)	-	
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	-	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
11	Cash-flow hedge reserve	-	
12	Shortfall of provisions to expected losses	-	
13	Securitisation 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 (if not already netted off paid-in capital on reported balance sheet)	-	
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)	-	
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% threshold)	-	
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 of financials	-	
24	of which: mortgage servicing rights	-	
25	of which: deferred tax assets arising from temporary differences	-	
26	National specific regulatory adjustments	-	
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-2015 TREATMENT	-	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
28	Total regulatory adjustments to Common equity Tier 1	69,219	
29	Common Equity Tier 1 capital (CET1)	-	
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 10% threshold)	-	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
41	National specific regulatory adjustments	-	
	REGULATORY ADJUSTMENTS APPLIED TO ADDITIONAL TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-2015 TREATMENT	-	
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 1 capital (T1 = CET1 + AT1)	69,219	
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	2,001	
51	Tier 2 capital before regulatory adjustments	2,001	
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)	-	
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	-	
	REGULATORY ADJUSTMENTS APPLIED TO TIER 2 IN RESPECT OF AMOUNTS SUBJECT TO PRE-2015 TREATMENT	-	
57	Total regulatory adjustments to Tier 2 capital	-	
58	Tier 2 capital (T2)	2,001	
59	Total capital (TC = T1 + T2)	71,220	
	RISK WEIGHTED ASSETS IN RESPECT OF AMOUNTS SUBJECT TO PRE-2015 TREATMENT		
60	Total risk weighted assets	170,397	
Capital ratios			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	40.41%	
62	Tier 1 (as a percentage of risk weighted assets)	40.41%	
63	Total capital (as a percentage of risk weighted assets)	41.52%	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus D-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)	0.00%	
67	of which: D-SIB buffer requirement (N/A)	0.00%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	40.41%	
National minima including CCB (if different from Basel 3)			
69	CBB Common Equity Tier 1 minimum ratio	9.00%	
70	CBB Tier 1 minimum ratio	10.50%	
71	CBB total capital minimum ratio	12.50%	
Amounts below the thresholds for deduction (before risk weighting)			
72	Non-significant investments in the capital of other financials	689	
73	Significant investments in the common stock of financials	259	
74	Mortgage servicing rights (net of related tax liability)	-	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-	

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)	2,001	
77	Cap on inclusion of provisions in Tier 2 under standardised approach (1.25% of Credit Risk weighted Assets)	1,900	
78	N/A	-	
79	N/A	-	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2020 and 1 Jan 2024)			
80	Current cap on CET1 instruments subject to phase out arrangements	-	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	
82	Current cap on AT1 instruments subject to phase out arrangements	-	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	
84	Current cap on T2 instruments subject to phase out arrangements	-	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	

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