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

Basel III Pillar III Disclosures
For the year ended

31 December 2016

Commercial registration no.	26226 obtained on 20 January 1992
Registered office	Building 170 Road 1703 Diplomatic Area PO Box 20501 Manama Kingdom of Bahrain

1 REPORTING ENTITY

Bahrain Development Bank B.S.C. (c) ("the Bank" or "BDB") was established as a Bahraini closed shareholding company by Legislative Decree number 19 dated 11 December 1991 and commenced operations on 20 January 1992. The Bank is registered with the Ministry of Industry and Commerce under commercial registration (CR) number 26226. The Bank's registered office is in Kingdom of Bahrain.

The core activities of the Bank consist of granting loans and islamic financing for project finance, working capital, premises and equipment for developing industries and service sectors such as tourism, health and education in the Kingdom of Bahrain. As part of this activity, the Bank also renders management consultancy services and subscribes in ordinary and preference shares in Bahraini companies. Additionally, loans and islamic financing are provided for agriculture, fisheries and higher education purposes. Other activities of the Bank comprise making direct contributions toward the economic development of the Kingdom of Bahrain.

As at 31 December 2016, 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
Middle East Corner Consultancy CO. WLL	Kingdom of Bahrain	28.6%	31 December

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.

Basis of consolidation

Financial statements incorporate the financial statements of the Bank and its subsidiaries. The financial statements of the subsidiary is prepared for the same reporting year as the Bank using consistent accounting policies.

All intra group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated on consolidation.

The subsidiary is consolidated from the date on which control is transferred to the Bank and cease to be consolidated from the date on which control is transferred out of the Bank.

Restrictions on capital and transfer of funds within the Group

Since the Bank's subsidiaries are not regulated financial institution, 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.

(Expressed in Thousands Bahrain Dinars)

TABLE 1 - CAPITAL STRUCTURE

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.

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

	2016	
A. NET AVAILABLE CAPITAL	***CET 1***	***Tier 2***
Paid-up share capital	**65,000**	**-**
Legal / Statutory reserve	**1,186**	**-**
Retained earnings	**11,174**	**-**
Other reserves	**4,048**	**-**
Current year (Loss) / Profit	**(1,053)**	**-**
General loan loss provisions	**-**	**940**
TOTAL CAPITAL BEFORE REGULATORY DEDUCTIONS	**80,355**	**940**
Less : Regulatory deductions	**-**	**-**
NET AVAILABLE CAPITAL	**80,355**	**940**
TOTAL ELIGIBLE CAPITAL BASE (CET 1 + Tier 2)		**81,295**

B. CAPITAL ADEQUACY RATIO		**2016**
Total eligible capital base		**81,295**
Credit risk weighted exposures		**193,501**
Market risk weighted exposures		**213**
Operational risk weighted exposures		**16,838**
Total risk weighted exposures		**210,552**
	CET 1 capital ratio	***Total capital ratio***
Capital Adequacy Ratio	**38.16%**	**38.61%**

RISK WEIGHTED ASSETS PROFILE AND CAPITAL REQUIREMENT FOR CREDIT, MARKET AND OPERATIONAL RISK

The Bank has adopted the standardized approach for credit risk and basic indicator approach for operational risk for regulatory reporting purpose.

Credit Risk

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 banks:

Claims on banks are risk weighted based on external rating agency. 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 weight that is one category more favorable than the standard risk weighting are 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.

b. Claims on corporates:

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

c. Loans restructured:

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

d. 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.

e. Other exposures:

These are risk weighted at 100%.

f. 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 24 in the audited financial statements).

Amounts due from related parties are unsecured.

(Expressed in Thousands Bahrain Dinars)

TABLE 2 - REGULATORY CAPITAL REQUIREMENT FOR CREDIT RISK

	2016 *Capital requirement*
Claims on sovereign	**-**
Claims on public sector entities	**-**
Claims on banks	**1,035**
Claims on corporate	**18,171**
Regulatory retail exposures	**-**
Residential retail exposures	**-**
Equity	**1,079**
Other exposures	**3,647**
TOTAL CREDIT RISK CAPITAL REQUIREMENT (STANDARDISED APPROACH)	**23,932**

TABLE 3 - REGULATORY CAPITAL REQUIREMENT FOR MARKET RISK

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 31 December 2016 was as follows:

	Capital requirements		
	2016	**Maximum**	**Minimum**
Equity risk capital	**-**	**-**	**-**
Foreign exchange risk capital	**17**	**18**	**17**
Interest rate risk capital	**-**	**-**	**-**
Commodity risk capital	**-**	**-**	**-**

	2016
TOTAL MARKET RISK CAPITAL REQUIREMENT (STANDARDISED APPROACH)	**27**

TABLE 4 - REGULATORY CAPITAL REQUIREMENT FOR OPERATIONAL RISK

The Bank follows the Basic Indicator Approach for assessing the capital requirement for Operational Risk. The capital requirement of BD 2,105 thousands is based on the gross operating income (excluding profit/loss on Investments and any exceptional items of income) for the last 3 years multiplied by 12.5 (the reciprocal of the 8 percent minimum capital ratio) to arrive at the operational risk-weighted exposure.

TABLE 5 - GROSS CREDIT EXPOSURES SUBJECT TO CREDIT RISK MITIGANTS (CRM)

	2016	**2016 Average**
Balances with Central Bank of Bahrain	**3,758**	**2,888**
Investment securities	**8,185**	**5,859**
Placement with banks and other financial institutions	**37,106**	**25,654**
Loans and advances to customers	**139,221**	**144,867**
Interest Receivable	**206**	**168**
Other assets	**2,143**	**1,860**
TOTAL FUNDED EXPOSURES	**190,619**	**181,296**
Contingent liabilities	**4,684**	**3,637**
Other commitments	**8,293**	**9,939**
TOTAL UNFUNDED EXPOSURES	**12,977**	**13,576**
TOTAL CREDIT RISK EXPOSURE	**203,596**	**194,872**

The gross average credit risk exposure are based on quarterly reporting.

(Expressed in Thousands Bahrain Dinars)

TABLE 6 - SECTORAL CLASSIFICATION OF GROSS CREDIT EXPOSURES

	2016		
	Funded	***Unfunded***	***Total***
Banks and financial institutions	**40,864**	**-**	**40,864**
Trading and Manufacturing	**72,292**	**-**	**72,292**
Education and Health	**8,840**	**-**	**8,840**
Hospitality, media and transportation	**11,814**	**-**	**11,814**
Fisheries and Agriculture	**5,701**	**-**	**5,701**
Food Processing	**6,961**	**-**	**6,961**
Government	**9,399**	**-**	**9,399**
Others	**34,748**	**12,977**	**47,725**
TOTAL	**190,619**	**12,977**	**203,596**

(Expressed in Thousands Bahrain Dinars)

TABLE 7 - CREDIT CONCENTRATION GREATER THAN 15% INDIVIDUAL OBLIGOR LIMIT

	2016
Total credit exposures in excess of 15% individual obligor limit	-

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.

Restructured Credit Facilities

The Bank have BD 6,909 restructured credit facilities during the year period ended 31 December 2016. Restructuring concessions mainly related to defferal of loan installments to assist customers overcome temporary cash crunch situations or to realign the repayment with the borrower's revised cash flow projections.

Past due exposures

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

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

TABLE 8 - COUNTERPARTY WISE BREAKDOWN OF NON PERFORMING LOANS AND IMPAIRMENT PROVISION

	2016				
	Impaired and past due loans (after provision)	***Specific provision***	***Charge for the year***	***Write off***	***Collective impairment***
Project finance	**36,011**	**14,055**	**1,904**	**294**	**940**
Fisheries and Agriculture	**2,252**	**-**	**-**	**-**	**-**
TOTAL	**38,263**	**14,055**	**1,904**	**294**	**940**

(Expressed in Thousands Bahrain Dinars)

TABLE 9 - RESIDUAL CONTRACTUAL MATURITY

Maturity analysis of assets and liabilities

The table below summarises the maturity profile of the Group’s assets and liabilities as at 31 December 2016.

2016	*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	4,095	-	-	-	-	-	-	-	-	4,095
Due from banks and other financial institutions	25,237	905	10,964	-	-	-	-	-	-	37,106
Accounts receivable and other assets	-	-	2,766	-	-	-	-	-	-	2,766
Loans and advances to customers	2,887	955	1,615	3,618	35,000	66,525	27,182	1,439	-	139,221
Investment securities	8,327	-	-	-	-	-	5,893	-	-	14,220
Investment in associates	-	-	-	-	-	-	419	-	-	419
Investment property	-	-	-	-	-	-	-	-	12,264	12,264
Property, plant and equipment	-	-	-	-	-	-	-	-	1,242	1,242
Total assets	40,546	1,860	15,345	3,618	35,000	66,525	33,494	1,439	13,506	211,333
Liabilities										
Deposits	33,354	23,116	9,697	3,049	-	-	-	-	-	69,216
Accounts payable and other liabilities	-	-	5,606	-	-	-	-	-	-	5,606
Long term loans	-	251	1,391	2,899	14,091	14,024	18,988	4,506	-	56,150
Total liabilities	33,354	23,367	16,694	5,948	14,091	14,024	18,988	4,506	-	130,972
Net liquidity gap	7,192	(21,507)	(1,349)	(2,330)	20,909	52,501	14,506	(3,067)	13,506	

Residual contractual maturity of loans and advances is based on the final maturity of the loan and not based on the payment schedule of the loan. The changes relating to restatement of loans and advances have been included in “1 to 3 years” in the maturity profile.

(Expressed in Thousands Bahrain Dinars)

TABLE 10 - GEOGRAPHICAL DISTRIBUTION OF IMPAIRMENT PROVISIONS FOR LOANS AND ADVANCES TO CUSTOMERS

Bank and its subsidiary is operated locally and loans granted to Bahrain entities and persons only.

	2016
Bahrain	
Specific impairment provision	**14,055**
TOTAL	**14,055**

TABLE 11 - MOVEMENT IN IMPAIRMENT PROVISION FOR LOANS AND ADVANCES TO CUSTOMERS

	2016						
	Project finance			**Fisheries and agriculture**			
	Specific	***Collective***	***Total***	***Specific***	***Collective***	***Total***	***Total***
Balance at 1 January 2016	**12,445**	**873**	**13,318**	**-**	**-**	**-**	**13,318**
Amounts written off during the period	**(294)**	**-**	**(294)**	**-**	**-**	**-**	**(294)**
Charge for the period	**4,477**	**67**	**4,544**	**-**	**-**	**-**	**4,544**
Recoveries during the period	**(2,573)**	**-**	**(2,573)**	**-**	**-**	**-**	**(2,573)**
At 31 December 2016	**14,055**	**940**	**14,995**	**-**	**-**	**-**	**14,995**

(Expressed in Thousands Bahrain Dinars)

TABLE 12 - PAST DUE LOANS AND OTHER ASSETS - AGE ANALYSIS

i) By Geographical area

	2016			
	Three months to one year	*One to three years*	*Over three years*	*Total*
Bahrain	**27,991**	**513**	**179**	**28,683**
TOTAL	**27,991**	**513**	**179**	**28,683**

ii) By Counterparty wise

	Three months to one year	*One to three years*	*Over three years*	*Total*
Project finance	**25,739**	**513**	**-**	**26,252**
Fisheries and Agriculture	**2,252**	**-**	**-**	**2,252**
Other Assets	**-**	**-**	**179**	**179**
TOTAL	**27,991**	**513**	**179**	**28,683**

(Expressed in Thousands Bahrain Dinars)

TABLE 13 - CREDIT RISK EXPOSURE POST CREDIT RISK MITIGATION AND CREDIT CONVERSION

	2016
Claims on sovereign	-
Claims on public sector entities	-
Claims on banks	8,280
Claims on corporate	131,532
Past due exposures	13,837
Equity	8,633
Other exposures	29,174
TOTAL	**191,456**

TABLE 14 - ELIGIBLE FINANCIAL COLLATERAL AND GUARANTEES

Collateral from borrowers consist of cash deposits, letters of guarantee and real estate properties. Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement and evaluates the adequacy of the allowance for impairment.

	2016	
	Gross exposure	***Eligible CRM***
Claims on sovereign	-	-
Claims on public sector entities	-	-
Claims on MDBs	-	-
Claims on banks	8,280	-
Claims on corporate	145,369	1,045
Equity	8,633	-
Other exposures	29,174	-
TOTAL	**191,456**	**1,045**

(Expressed in Thousands Bahrain Dinars)

TABLE 15 - SENSITIVITY ANALYSIS - INTEREST RATE RISK (IRRBB)

Impact on net interest income for the year ended 31 December 2016

	2016
Bahraini Dinar	
Assets	213,618
Liabilities	177,774
(+) 200 basis points	**717**
(-) 200 basis points	**(717)**
US Dollar	
Assets	77,754
Liabilities	55,590
(+) 200 basis points	**443**
(-) 200 basis points	**(443)**
Kuwaiti Dinar	
Assets	4,043
Liabilities	3,839
(+) 200 basis points	**4**
(-) 200 basis points	**(4)**
Saudi Riyals	
Assets	9,618
Liabilities	9,612
(+) 200 basis points	**0**
(-) 200 basis points	**(0)**

(Expressed in Thousands Bahrain Dinars)

TABLE 16 - 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.

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

2016	*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	-	-	-	-	-	-	4,095	4,095
Due from banks and other financial institutions	25,237	905	10,964	-	-	-	-	37,106
Accounts receivable and other assets	8,185	-	-	-	-	-	22,726	30,911
Loans and advances to customers	2,887	955	1,615	3,618	101,525	28,621	-	139,221
Total assets	36,309	1,860	12,579	3,618	101,525	28,621	26,821	211,333
Liabilities								
Deposits	33,354	23,116	9,697	3,049	-	-	-	69,216
Accounts payable and other liabilities	-	-	-	-	-	-	5,606	5,606
Long term loans	-	251	1,391	2,899	28,115	23,494	-	56,150
Total liabilities	33,354	23,367	11,088	5,948	28,115	23,494	5,606	130,972
Net liquidity gap	2,955	(21,507)	1,491	(2,330)	73,410	5,127	21,215	

(Expressed in Thousands Bahrain Dinars)

TABLE 17 - EQUITY POSITION IN THE BANKING BOOK

	2016	
	Net exposure	***Capital requirement***
Publicly traded	**6,162**	**770**
Privately held	**8,058**	**1,007**
TOTAL	**14,220**	**1,778**

TABLE 18 - GAINS ON EQUITY INVESTMENTS

	2016
(i) Realised gains/ (losses) recognised in the statement of profit or loss on sale	**15**
(ii) Unrealised gains/ (losses) recognised in the statement of financial position but not through profit or loss	**-**
(iii) Unrealised losses relating to fair value changes of FVTPL investments in profit or loss	**(326)**

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

TABLE 19 - 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 operatinonal 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 unforseen 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.

TABLE 20 - FINES & PENALTY

	Amount in BHD Actual
	2016
Penalty paid to Central Bank of Bahrain	**340**

The majoroty of the penalties are related to the delays in the Fawri payments/ transfers processing within the stated real time sessions

Composition of capital disclosure requirements

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

Composition of capital disclosure requirements
As at 31 December 2016

BAHRAIN DEVELOPMENT BANK B.S.C. (c)
For the year ended 31 December 2016

Step 1: Balance sheet under the regulatory scope of consolidation

This step in 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 year ended 31 December 2016

Step 2: Reconcilation of published financial balance sheet to regulatory reporting as at 31 December 2016

BD 000's	**Balance sheet as in published financial statements**	**Consolidated PIR data**
Assets		
Cash and balances at central banks	4,095	4,095
Placements with banks and other financial institutions	37,106	37,106
Investment securities	14,220	14,220
Investments in associates	419	419
Total Investment	**14,639**	**14,639**
of which:		
Significant investments in capital of financils insitutions exceeds the 10% of CET1		
Amount in excess of 10% of CET1 to be deducted		238
Amount in excess of 10% of CET1 to be deducted in year 1		
Investment property	12,264	12,264
Loans and advances	140,161	140,161
of which: General loan loss provision which qualify as capital	940	
Prepayments, accrued income and other assets	2,766	2,766
Property, plant and equipment	1,242	1,242
Total assets	**211,333**	**212,273**
Liabilities		
Deposits from banks and other financial institutions	10,675	10,675
Customer accounts	58,541	58,541
Term Loans	56,150	56,150
Repurchase agreements and other similar secured borrowing		
Derivative financial instruments		
Accruals, deferred income and other liabilities	5,606	5,606
Total liabilities	**130,972**	**130,972**
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	10,121	10,121
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		940
Available for sale revaluation reserve		
Share of Available for sale revaluation reserve relating to associates not considered for regulatory capital		
Minority interest in subsidiaries' share capital	6	6
Total shareholders' equity	**80,361**	**81,301**
Total liabilities & Shareholders' Equity	**211,333**	**212,273**

Step 3: Composition of Capital Common Template (transition) as at 31 December 2016

	Composition of Capital and mapping to regulatory reports	Component of regulatory capital	Amounts subject to pre-2015 treatment	Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation from step 2
	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	10,121		
3	Accumulated other comprehensive income (and other reserves)	5,240		
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**	**80,361**		
	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)	238		
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**	**80,361**		
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)**	**80,361**		
	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	(940)		
51	**Tier 2 capital before regulatory adjustments**			
	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 thatare 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			
	OF WHICH: [INSERT NAME OF ADJUSTMENT]			
	OF WHICH: …			
57	**Total regulatory adjustments to Tier 2 capital**			
58	**Tier 2 capital (T2)**			
59	**Total capital (TC = T1 + T2)**			
	RISK WEIGHTED ASSETS IN RESPECT OF AMOUNTS SUBJECT TO PRE-2015 TREATMENT	208,507		
60	**Total risk weighted assets**	**208,507**		
	Capital ratios			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)			
62	Tier 1 (as a percentage of risk weighted assets)			
63	Total capital (as a percentage of risk weighted assets)			
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)			
65	of which: capital conservation buffer requirement			
66	of which: bank specific countercyclical buffer requirement (N/A)			
67	of which: D-SIB buffer requirement (N/A)			
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)			
	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			
73	Significant investments in the common stock of financials			
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)			
77	Cap on inclusion of provisions in Tier 2 under standardised approach (1.25% of Credit Risk weighted Assets)	(940)		
78	NA			
79	NA			
	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			

Disclosure template for main feature 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
	Regulatory treatment	
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)	65,000.00
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