

To be released - 9<sup>th</sup> of February 2016

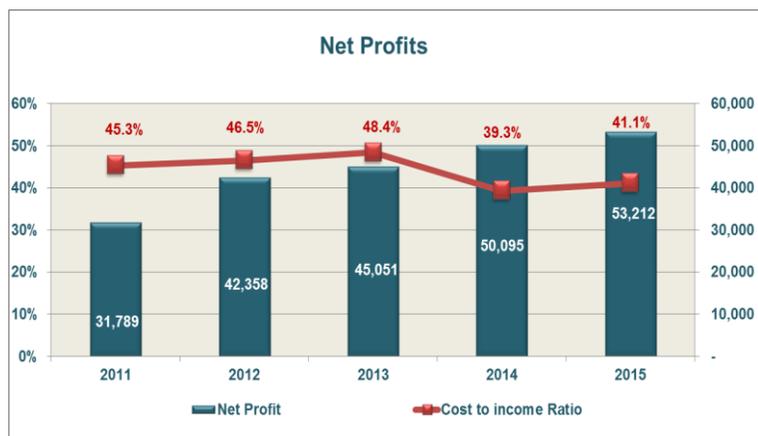
## BBK posts record results with 6.2% rise in net profits for the year ended December 2015

BBK's Board of Directors yesterday announced a new record net profit of BD53.2 million for the financial year ended 31<sup>st</sup> December 2015, 6.2% higher than the net profit of BD50.1 million recorded for the year 2014; with earnings of 50 fils per share (2014: 47 fils per share). In view of these results, the Board of Directors recommended distribution of 25 fils cash dividend per share subject to the approval of the Central Bank of Bahrain and the General Assembly of the bank.

Commenting on the bank's performance, the Board of Directors of the bank, said: "We are very delighted with the robust performance of BBK. We were able to achieve a new record net profit and grow our balance sheet and business activities despite the challenging macroeconomic environment as a result of the collapse in oil prices and turbulences in financial markets. Year 2015 was a year of strategic progress. The existing operations of BBK's various group entities continued to flourish and performed very well. Moreover, in line with our growth strategy, the Bank has recently been granted a license by the Turkish authorities to establish a representative office in Turkey. Also, the Bank obtained an approval from the Central Bank of Bahrain to establish a joint venture presence in London and currently we are working with the UK authorities to finalize the regulatory and legal formalities".

The Board of Directors added: "2015 was the closing year of the current three-year strategic cycle and I am pleased to announce that BBK was able to achieve all, and exceed many of, its financial and strategic objectives. The Board of Directors and senior management had also finalized a new plan for the next strategic cycle 2016-2018. I am very confident that BBK can capitalize on its track record of success and achievements, existing sound financial position and rich market experience, as well as the confidence and support of its various stakeholders, especially its shareholders and loyal customers, to achieve its strategic aspirations which were set for 2016-2018 despite the foreseeable challenges ahead given the current economic downturn".

The increase in profitability was fueled by higher non-interest income and lower provisions for bad debts due to enhancement in asset quality. Non-interest income increased by 7.0% resulting from a healthy increase in foreign exchange and investment income as well as fees and commission income. Net interest income increased marginally despite the decrease in loans and advances portfolio, reflecting better utilization of capital to best yielding assets. The bank's investment in Human resources, technology, branches network and customer service resulted in increasing its operating

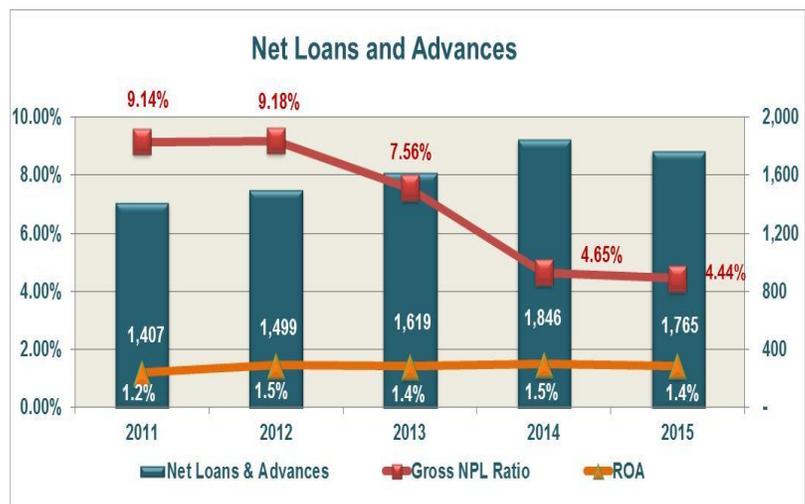


cost by 7.8%. The cost to income ratio stood at 41.1% as of 31<sup>st</sup> December 2015.

Total comprehensive income for the full financial year ended December 2015 stood at BD 20.1 million compared to BD 39.9 million as of 31<sup>st</sup> December 2014, where the drop was mainly due to the plunge in the fair value of investment securities resulted from financial markets fluctuations during the year.

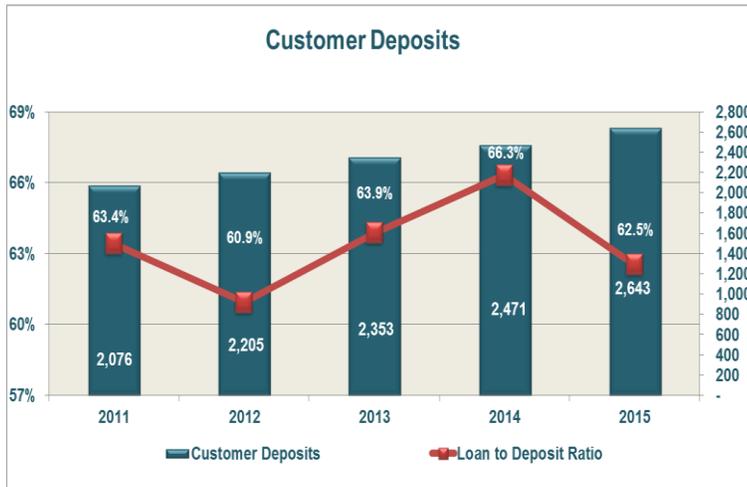
For the three months ended 31 December 2015, the bank reported a net profit of BD13.0 million, slightly higher than the same period of 2014 of BD12.8 million. The growth was mainly driven by lower provisions requirements of BD 2.5 million, and marginal higher net interest income of BD 0.4 million, offset by higher operating costs mainly on the account of year-end excess accrual adjustments passed in 2014.

In spite of the difficult market conditions caused by the slowdown in local and regional economies, the assets quality of the Bank continued to improve with the non-performing loans ratio declining from 4.65% as end of December 2014 to 4.44% as end of December 2015 as the Bank intensified its remedial and collection efforts. The total coverage ratio (specific provisions and collective impairment provision) also improved substantially from 96.5% as end of December 2014 to 119.5% as end of December 2015 as the Bank decided



to conservatively build up its loan loss provisions beyond what is required by international financial reporting standards and regulatory requirements to smoothly weather any asset quality pressures that might result from the economic downturn. The Bank set aside BD19.5 million as additional net provisions for loans and investment during 2015 (2014: BD20.8 million).

Commenting on the Bank’s financial results, Mr. A.Karim Bucheery, Chief Executive, said: “Year 2015 was another year of success and breaking previous record profits for BBK with notable progress and achievements at various aspects. Despite the unfavorable conditions that prevailed for most of the year, we faced and overcame the challenges. Our strategic approach and direction proved equal to the circumstances. In addition to achieving higher profitability, we were able to grow our balance sheet, improve the asset quality, strengthen the liquidity and funding positions and continue to provide innovative financial solutions and add value to our stakeholders. Our liquidity was strengthened in several ways, and our core deposits base increased at a very healthy rate reflecting the market confidence in BBK. Moreover, in March 2015 we raised \$400 million in capital markets, largely replacing the bond that was maturing in October. With hindsight now, the decision to go to market early proved very favourable, despite the duplicate holding costs, as we have not only secured the funding at a very attractive rate, but we were also able to easily access the market and raise the funding needed which proved very difficult during the latter part of the year. As we embark on a new three-year strategy cycle, we are confident that we have built the foundations well and that further diversification and cross-border expansion will continue to fuel long-term growth. The three core elements of our new strategy will be: consolidating the Bank’s position in Bahrain, growing fee-driven business (as opposed to lending activities), and optimizing BBK’s international network by diversifying and expanding into new markets”.



BBK's balance sheet grew by 4.2% during financial year 2015 reaching BD3,646 million as of 31<sup>st</sup> December 2015, fueled by a 7.0% growth in customer deposits to reach BD 2,643 million. The funds received from the increase in customer deposits were used mainly to build up the liquidity reserve of the bank, as the bank continues to be cautious about possible liquidity squeeze in the markets. Loans and advances stood at BD1,764 million (December 2014: 1,846 million), while the non-trading investment portfolio stood at BD 758 million (December 2014: BD 787 million), as the Bank continue its strategy

to restructure its balance sheet towards higher yielding assets and fee-driven business.

BBK managed to keep its liquidity and funding positions at very comfortable levels with liquid assets (Cash and balances with central banks, treasury bills, Financial assets at fair value through statement of income, and Deposits and due from banks and other financial institutions) to total assets standing at 32.04% (December 2014: 29.19%), and loan to total deposit ratio at 62.53% (December 2014: 66.3%) and capital adequacy ratio remained at comfortable levels well above the regulatory requirement at 14.87% calculated in accordance with the Basel III framework.