

BBK reports 6.5% increase in net profit for the first half of 2016 to reach BD 31.3 million

BBK, Bahrain's pioneer retail bank, reported a net profit attributable to the owners of the bank of BD 31.3 million for the first half of 2016, compared to BD 29.4 million reported during the same period of last year reflecting an increase of 6.5%. The financial results were approved by the Bank's Board of Directors during its meeting held on Monday July 18 2016. During the same meeting, the Board discussed other important issues on its agenda such as the quarterly liquidity report, the half yearly investment portfolio performance, the updated Anti-Money Laundering policy & procedures, the CBB inspection report and a number of new and revised credit policies. The review and approval of these items are due to the Board of Directors' diligence in monitoring the various activities of the Bank as well as directing the Bank towards higher performance and efficiency.

Commenting on the results, the Board of Directors in its regular press release expressed its satisfaction with the financial results of the bank stating "The solid and steady growth in our performance is a testimony on the viability of our business model which supports the increase of our shareholders' value, while at the same time maintaining our commitment to contribute positively to the communities and markets in which we operate. Weak economic trends and financial markets volatility continued during the second quarter of 2016, which were intensified by the persistent low oil prices, and the bulk credit ratings downgrade of sovereigns and financial institutions in oil exporting countries. Global financial markets were also affected by UK's Brexit referendum, of which the overall consequences are yet to crystalize. However we continue to have full confidence in BBK's ability in adapting to the changes in business environment, and that its flexible approach in conducting business which will always support its robust financial position and market leadership".

The growth in net profit was fuelled by 11.5% increase in operating revenues, reaching BD 66.8 million for the six months ending 30th June 2016 compared to BD 59.9 million reported during the same period of last year. Net interest income increased by 23.4% from BD 35.0 million to BD 43.2 million as the bank continued to restructure its balance sheet towards higher yielding assets. The bank's strategic investments reported a good performance which resulted in higher bank's share of associate's income by 31.7%, from BD 1.8 million to BD 2.4 million. Other operating incomes (fees and commission, and foreign exchange and investment income)



reported for the first half of the year stood at BD 21.2 million, lower than June 2015 of BD 23.1 million primarily due to lower investment income due to adverse and challenging global market conditions.

Operating expenses increased by 6.8% during the first half of 2016 compared to the same period of last year as a result of expansion and enhancements of the bank’s operations and distribution networks. Nevertheless, the cost-to-income ratio improved from 40.2% to 38.5% reflecting the bank’s ability to generate healthy growth in its income stream and at the same time exerting effective cost management.

In line with the Bank’s prudent provisioning policy, BBK increased its loan loss reserve by BD 9.9 million over the first half of the year partially on account of the general provisions to support unexpected future market turbulence.

Total comprehensive income for the first half of 2016 stood at BD 14.5 million (first half 2015: BD 33.2 million) which was adversely impacted by the volatility in financial investment markets.

For the second quarter of 2016, the bank achieved a net profit of BD 16.0 million compared to BD 14.6 million reported during the same period of 2015, an increase of 10.2%. This was mainly attributable to the strong growth in net interest income which increased by 33.3% from BD 17.1 million reported in the 2nd quarter of 2015 to BD 22.8 million for the 2nd quarter of 2016. Other operating income for the quarter stood at BD 10.6 million (2015: BD 12.2 million). The provision requirements for the quarter amounted to BD 5.6 million compared to BD 4.0 million during the same period of 2015.

Commenting on the results, the Chief Executive, Mr. Reyadh Sater said “The second quarter of 2016 was a period of more success and strategic achievements and I am very delighted with the financial results and the progress made. In addition to growing our profitability, we achieved a number of strategic milestones during the first half of the year. The launch of Turkey’s Representative Office is an important step forward towards growing our international presence and diversifying our operations, where the bank already has well-established relationships with blue-chip corporates and financial institutions, for which we believe having an on-site presence will enable us to better serve and grow our customer-base. As the bank developed its three years strategic plan, the board approved an increase in capital to support the strategic plan as well as meeting the increasing capital adequacy requirements of Basel III. This capital was raised during the months of April and May 2016 through rights issue to the bank’s existing shareholders in the form of AT1 convertible capital securities”.

BBK’s balance sheet stood at BD 3,737.7 million as of end of June 2016, a growth of 2.5% year-to-date. The growth was mainly funded by the additional capital raised from the issuance of AT1 convertible capital securities. The stock of liquid assets, consisting of cash





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and balances with central banks, treasury bills and placements with banks and other financial institutions increased by 6.8% year-to-date to stand at a very comfortable level of BD 1,073.9 million or 28.7% of total assets (December 2015: BD 1,005.9 million or 27.6%). The loans portfolio stood at BD 1,734.5 million (December 2015: BD 1,764.8 million), as the bank continues its strategy to restructure its balance sheet towards higher yielding assets. The non-trading investment securities portfolio stood at BD 799.7 million (December 2015: BD 758.1 million). Customer deposits stood at BD 2,640.9 million compared to BD 2,642.9 million as end of December 2015, with a very comfortable loans to customer deposits ratio of 65.7% (December 2015: 66.8%), where the capital adequacy ratio remained comfortably above the regulatory requirement.