

BBK posts 8.1% increase in net profit attributable to owners to BD 15.8 million for the first quarter of 2017

BBK, Bahrain's pioneer in retail and commercial banking, yesterday announced a net profit of BD 15.8 million for the first quarter of 2017 attributable to owners compared to BD 14.6 million for the corresponding period of the previous year, reporting an increase of 8.1% after reflecting the restatement impact of BD 688 thousand on last year's comparable period financial results due to IFRS9 applications. The first quarter of 2017 financial results were reviewed and approved by the Bank's Board of Directors during the meeting held on 24th April 2017.

Commenting on the results, the Board of Directors expressed their satisfaction saying "We are delighted by BBK's continuous delivery of healthy performance and solid growth, which is underpinned by robust core activities. The sustainable performance achieved year-on-year demonstrates the soundness of the Bank's business model and its unwavering commitments to implement its business strategy. It also shows the bank's resilience and ability to adapt to the dynamic and tough business environment caused by the continuing low oil prices, fierce competition, and higher regulatory and compliance costs. We would like to take this opportunity to thank our valuable customers and shareholders for their loyalty, continuous support and confidence in the Bank, and the management and employees for their commendable efforts and dedication".

The increase in net profit was fueled by 12.5% growth in operating revenues to reach BD 35.6 million compared to BD 31.6 million during the first quarter of 2016, primarily driven by 10.8% increase in net interest income due to active balance sheet management and adequate control over funding cost. Other income (fees and commissions, foreign exchange and investment income) also witnessed a strong increase of 17.1% to stand at BD 11.7 million compared to BD 10.0 million reported in similar period last year, which is supported by income diversification strategies and better trading results as well as BBK's share of profit from associated companies and joint ventures which was higher by 3.3% at BD 1.2 million.

Continuous investments in human capital, operations and infrastructure resulted in a marginal increase of 1.3% in operating costs to BD 13.2 million. The cost to income ratio improved to 37.0%, from 41.1% reported in the first quarter of 2016, reflecting BBK's prudent cost control policies and strong revenue generating capabilities.

Total comprehensive income for the first quarter of 2017 stood at BD 29.1 million compared to negative BD 2.4 million recorded for the same period of 2016. This remarkable improvement



resulted mainly from the improvement in the fair value reserve of the bank's investment portfolio and higher net profit in the current reporting period.

In line with the bank's prudent policy and the higher provisioning requirements mandated by the shift from the incurred loss model under IAS 39 to the expected loss model under IFRS 9, BBK has increased its provisioning charges by BD 6.3 million for the first quarter of 2017 compared to BD 3.8 million reported in similar period last year.

Commenting on the bank's performance, Mr. Riyadh Sater, Chief Executive said "the strong results achieved during the first quarter of 2017 are very encouraging and reflect the Bank's ambitious strategy of growth and delivering a sustainable adequate return to its shareholders through domestic leadership and selective expansions regionally and internationally. In addition to the solid increase in net profit, BBK continued preserving its liquidity and capital buffers and strengthening its financial position by following conservative approach towards setting aside the provisioning reserves for its exposures. Moreover, BBK's continuous endeavor to deliver the highest quality products and customer services resulted in the Bank winning a prestigious award in March 2017 by the Global Finance Magazine for its Cash management services. As year 2017 progresses, we will capitalize on the strength of our financial and human resources, expertise and our track record to reward our stakeholders with more value-addition and contribute further to the development and prosperity of the societies in which we operate".

BBK's balance sheet stood at BD 3,562.3 million as of end of March 2017, 3.8% lower year-to-date as the Bank decided to more efficiently manage its balance sheet. Core lending and investing activities remained robust with Net loans and advances marginal growth BD 1,770.0 million (December 2016: BD 1,767.1 million) and Investment securities increasing by 3.0% to stand at BD 791.2 million (December 2016: BD 768.1 million). The liquid assets portfolio, consisting of cash and balances with central banks, deposits with banks and other financial institutions, and treasury bills continued to be at a very comfortable level of 25.5% of total assets. Customer deposits portfolio as of end of March 2017 stood at a strong level of BD 2,254.9 million with a comfortable loans to customer deposits ratio of 78.5%. Equity attributable to owners amounted to BD 468.0 million with a solid capital adequacy ratio that is well above minimum regulatory requirements.