

## **BBK discloses its financial results for the year ended 31<sup>st</sup> December 2018**

BBK (trading code BBKB.BH) announces its annual financial results for year 2018 showing a growth of 14.4% in comparison to the previous year. The bank achieved a net profit attributable to the owners of the bank of BD 67.1 million, compared to BD 58.7 million in the previous year, while the operating profit (excluding net provisions and tax) during the year rose to BD 103.5 million, compared to BD 89.1 million last year, with an increase of 16.2%. The bank also achieved an Operating revenue of BD 161.2 million, compared to BD 143.1 million in last year, with an increase of 12.7 %. Basic Earnings per share increased to 56 fils compared to 48 fils last year. The total assets by the end of December 2018 stood at BD 3,581.7 million compared to BD 3,763.1 million as of the 2017 financial year-end. Net loans and advances grown marginally by 1.8 % in 2018 to reach BD 1,772.5 million compared to BD 1,740.7 million as end of December 2017. Similarly, the Investment securities portfolio increased by 6.8 % to stand at BD 800.3 million compared to BD 749.0 million as end of December 2017. The Customer deposit portfolio stood at BD 2,374.5 million compared to BD 2,623.6 million, while the loans to customer deposits ratio stood at a comfortable level of 74.6 % (2017: 66.3 %). The total shareholders' equity (excluding minority interests) as end of December 2018 was BD 497.7 million compared to BD 498.6 million as end of the financial year 2017.

The increase in the net profit for the year 2018 compared to 2017 was partly driven by the increasing interest rate environment, and partly due to the growth achieved in the retail banking assets by 9.1% to reach BD 681.0 million (2017: BD 624.3 million), increasing the retail banking profits by 33.5% to reach BD 30.1 million (2017: BD 22.5 million).

Net interest income grew by 20.9 % which was driven by the increase in loans and investments portfolio, in addition to improving interest rate environment which resulted in higher margins. Non-interest income (Fees and Commission Income and Other income) also increased marginally by 1.0 % due to higher income received from dividends of equity investments. Net provisioning requirements was increased to BD 35.4 million for the year 2018 (BD 29.0 million last year) to cater for expected credit loss mandated by IFRS 9, as well as the conservative provisioning policies followed by the bank. Furthermore, operating costs increased by 6.9 % to reach BD 57.7 million compared to BD 54.0 million reported last year resulting from the bank's continuous investment in the improvement of human capital, distribution channels, infrastructures and processes. However, the cost-to-income ratio improved to 35.8% (2017: 37.8%), showcasing the bank's capabilities of growing income streams while prudently managing its operating costs.

Total comprehensive income attributable to owners of the bank for the year ended 31<sup>st</sup> December 2018 amounted to BD 47.4 million compared to BD 65.0 million during last year. While the core operating activities of the bank remained robust and resulted in higher net profit, the bank's other comprehensive income has been impacted negatively by the instability and volatility in financial markets which led to unrealized negative valuations on investment securities and foreign currency translation adjustments.

The bank achieved a net profit attributable to the owners of the bank during the fourth quarter of 2018 of BD 18.7 million, compared to BD 13.8 million achieved during the fourth quarter of the 2017, with an increase of 35.4 %. The bank also achieved an operating profit (excluding net provisions and tax) in the fourth quarter of BD 27.9 million, compared to BD 21.1 million in the fourth quarter of last year, with an increase of 32.2 %. The bank achieved BD 42.2 million operating revenues during the fourth quarter, compared to BD 35.5 million in the corresponding quarter of last year, with an increase of 18.9 %. Basic Earnings per share during the fourth quarter of 2018 were 14 fils compared to 10 fils in the fourth quarter of last year.

The increase in the net profit for the fourth quarter in comparison to the fourth quarter of last year is mainly due to the healthy increase in Net interest income by 28.2% due to improvement in interest rate environment, active balance sheet management and deployment of resources in higher yielding assets such as loan and advances and investment securities.

The board of directors has recommended a cash dividend of 40% of the share capital, equivalent to 40 fils per share to the shareholders registered at the date of the AGM, subject to the approval of the Central Bank of Bahrain and the General Assembly of the bank.

Commenting on the results, The Board of Directors expressed their satisfaction with the bank's results, saying, "Against a backdrop of continuing economic challenges in Bahrain and the region, BBK continued to record strong performance, maintaining its record of year-on-year profit growth. 2018 marked the final year of the bank's 2016-18 strategic cycle, it was a very successful cycle where the bank goals were largely achieved. BBK's new three-year strategic plan has now been finalised, following an internal process supported by internationally recognized strategy consultants. On the social front, BBK continues to invest in a range of social initiatives, demonstrating our commitment to supporting the local communities we serve. We extend our thanks and appreciation to shareholders for their support, to BBK clients for their trust, and to all the group employees for their dedication and efforts throughout the year."

Mr. Reyadh Sater, BBK's CE also commented on the results saying "BBK has maintained its record of sustained profitability and achieved growth of 14.4 percent in 2018. During 2018, BBK focused on better serving its customers and growing its domestic market share through launching several innovative banking solutions, most importantly the launch of BBK Lite which brought innovative banking facilities to expatriate workers, and the introduction of the Private Banking and Wealth Management Division under the brand name "BBK Privé". BBK Privé differentiates itself from the upper mass segment, giving affluent clients an integrated banking solution encompassing assets, liabilities, investment products, and other services to suit their particular needs. Furthermore, BBK's fully owned subsidiary CrediMax continued to innovate by harnessing new technologies such as enabling QR code acceptance and the introduction of the Thameen rewards programme, which rewards credit cards customers with points that can then be redeemed for flights, hotel stays, and unique shopping experiences. Another innovative achievement has been the launch of Bahrain's first



digitised insurance claims processing service by Invita Claim Management Company, an affiliate of BBK's subsidiary Invita.”.

The full set financial statements and the press release are available on Bahrain Bourse's website.

During the same meeting, the Board discussed other important issues on its agenda such as the Board recommendations on the different appropriations and the Donations budget for the year 2019. The Board has ratified the Annual Ordinary and Extra Ordinary General Meetings agendas. The quarterly liquidity report and the Investment portfolio performance were also discussed in the same meeting. In addition to the above, the Board has ratified Management's action plan to address the observations mentioned in the CBB Examination Report and reviewed the Anti-Money Laundering annual report 2018. Furthermore the Board of Directors discussed issues related to the Bank's employees and the succession plan. Furthermore, the Board of Directors reviewed some of the risk management policies with the objective of effective decision making.

This Board Meeting was preceded by the Independent Directors Committee meeting to discuss matters on the board agenda, especially matters pertaining to the minority shareholders. The discussion of these items is due to the Board of Directors' diligence in directing the Bank towards greater growth and success.