

BBK discloses its financial results for the quarter ended 30th September 2020

BBK (trading code BBKB.BH) announces its financial results for the nine months ended 30th September 2020, including the third quarter of 2020. For the third quarter of 2020, the Bank achieved a net profit attributable to the owners of the Bank of BD 9.9 million compared to BD 15.4 million in the same period of last year, a decrease of 35.7%. The basic and diluted earnings per share amounted to 7 fils compared to 12 fils during the corresponding period of last year.

The global reduction in the interest rates and the negative economic effects of the COVID-19 pandemic are continuing to adversely impact most sectors including the banking industry . The bank's net interest income for the third quarter of the year dropped by 25.8% to BD 19.6 million from BD 26.4 million in the corresponding period of last year. Non-interest income (includes fees and commission income, and other income) dropped by 20.4% from BD 10.3 million reported for the third quarter of 2019 to BD 8.2 million for the third quarter of the current year, mainly due to the impact of the concessionary measures taken in response to COVID-19 to support the domestic business community, as well as new regulations on capping fees and charges. Moreover, the Bank's share of profit from associated companies and joint ventures decreased from BD 1.5 million to a loss of BD 0.3 million, as a result of the adverse impact of COVID-19 outbreak on the financial performance of the bank's associated companies. As a result of the Bank's vigorous measures to optimize operating costs and enhance the effectiveness of remedial and management of distressed exposures, the bank effectively managed to decrease the operating costs by 8.6% to BD 14.9 million from the level of BD 16.3 million reported in the corresponding period last year and to decrease net provision requirements by 59.0% to BD 2.5 million from BD 6.1 million level reported in similar period last year due to the conservative approach followed by the Bank in previous years in building a good level of provision reserves..

Total comprehensive income attributable to the owners of the Bank amounted to BD 19.9 million during the third quarter of 2020, compared to BD 17.9 million during the same period last year, representing an increase of 11.2%. The increase in total comprehensive income is attributable to the increase in valuation of investment securities during the quarter following a robust rebound in financial markets.

For the nine months ended 30th September 2020, the bank achieved a net profit attributable to the owners of the bank of BD 39.0 million compared to BD 55.5 million in the same period in the previous year, registering a decrease of 29.7%. The basic and diluted earnings per share stood at 29 fils at the end of the period compared to 44 fils for the same period of last year. The sharp and rapid lowering of global interest rates resulted in a decrease in net interest income from BD 84.0 million to BD 60.3 million, a decrease of 28.2%. Moreover, the bank's share of profit from

associated companies and joint ventures decreased from BD 6.4 million during the nine months of 2019 to BD 2.2 million for the current period, representing a decrease of 65.6%. Furthermore, non-interest income (includes fees and commission income and other income) dropped from BD 32.4 million to BD 29.0 million, a drop of 10.5%, largely due to the impact of concessionary measures taken in response to COVID-19 and due to new regulations on capping fees and charges. Operating expenses registered a decrease of 3.4% to BD 45.6 million compared to BD 47.2 million reported for the same period of last year. In addition, continuous investment in remedial management and active management of distressed exposures resulted in a significant reduction in net provision charges from BD 19.6 million for the nine months of 2019 to BD 6.8 million during the current reporting period, witnessing a decrease of 65.3%

Total comprehensive loss attributable to the owners of the bank for the nine months ended 30th September 2020 amounted to BD 27.7 million compared to a total comprehensive income of BD 65.1 million reported for the corresponding period last year. In addition to the drop in net profit, the other comprehensive income was negatively impacted by unrealized valuation losses on the bank's investments securities due to turmoil in financial markets following the COVID-19 outbreak.

The total shareholders' equity attributable to the owners of the Bank stood at BD 455.1 million as of end of September 2020, compared to BD 543.9 million as of year-end 2019. The drop of 16.3% is mainly related to negative valuation of investment securities due to market volatility, dividend payment during the year, and the impact of concessionary measures taken in response to COVID-19 pandemic to support citizens and companies.

The total assets by the end of September 2020 reached BD 3,704.5 million compared to BD 3,865.0 million reported at the 2019 financial year-end, registering a decrease of 4.2%. This is mainly due to the decrease in cash and balances with central banks by 39.7% to stand at BD 227.0 million compared to BD 376.4 million as end of December 2019. Moreover, net loans and advances registered a decrease of 5.2% to reach BD 1,583.4 million compared to BD 1,670.9 million as end of 2019. Investment securities and deposits and amounts due from banks and other financial institutions increased by 5.8% and 11.3% to stand at BD 925.6 million and BD 309.8 million, respectively (at end of 2019: BD 875.0 million and BD 278.3 million). Total customer deposits stood at BD 2,077.1 million at end of September 2020; compared to BD 2,169.5 million reported at 2019 year end showing a decrease of 4%. Loans to customer deposits ratio stood at a comfortable level of 76.2% (December 2019: 77.0%).

Commenting on the bank's financial results, the Board of Directors stated, "We extend our sincere appreciation to the government for its wise leadership and the continuous measures being taken to contain the COVID-19 pandemic in Bahrain and to support all parties. In BBK, we are wholly committed to support such measures, and to support all our customers to surf safely through such tough times. Moreover, the bank's management is dynamically reviewing the bank's operations and financial position in efforts to preserve shareholders value, by adapting to the new environment and implementing plans aimed at minimizing the adverse impact of the pandemic.. We are confident that with the Bank's solid core indicators, together with the support of our shareholders, loyalty of our customers, and the dedication of the management team and employees we will overcome this crisis".

Also commenting on the results, Dr. AbdulRahman Saif, BBK's Group Chief Executive said, "The COVID-19 pandemic resulted in unprecedented challenges and decline in profitability across various economic sectors. As a socially responsible financial institution, our priority during such a difficult time was to support our communities and our customers to alleviate the negative impact of the crisis. In addition, the bank has undertaken balance sheet optimization initiative to enhance efficiency in utilization of Bank's liquidity and capital as evident from its robust liquidity and capital measures. The drop in profitability was anticipated and in line with the trend in the banking industry. Although the road to economic recovery is expected to be more lengthy and challenging , we are confident that BBK's solid business model and its commitment to support all initiatives aimed at an all-inclusive will continue to provide our shareholders with attractive value and contribute to the betterment of the societies in which we operate".

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