

Bank of Bahrain and Kuwait B.S.C.

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 SEPTEMBER 2021 (REVIEWED)

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF BANK OF BAHRAIN AND KUWAIT B.S.C.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Bank of Bahrain and Kuwait B.S.C. ("BBK B.S.C." or "the Bank") and its subsidiaries (collectively, "the Group") as at 30 September 2021, comprising of the interim consolidated statement of financial position as at 30 September 2021 and the related interim consolidated statements of profit or loss, other comprehensive income for the three-month period and nine-month period then ended, and the interim consolidated statements of changes in equity and cash flows for the nine-month period then ended and explanatory notes. The Board of Directors of the Bank is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 (IAS 34) "Interim Financial Reporting", as modified by the Central Bank of Bahrain ("the CBB"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34, as modified by the CBB.



27 October 2021
Manama, Kingdom of Bahrain

Bank of Bahrain and Kuwait B.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021 (Reviewed)

		<i>All figures in BD millions</i>	
		Reviewed	Audited
		30 September	31 December
		2021	2020
ASSETS	<i>Notes</i>		
Cash and balances with central banks		336.3	256.5
Treasury bills		289.4	487.8
Deposits and amounts due from banks and other financial institutions		283.5	318.9
Loans and advances to customers	6	1,577.5	1,555.8
Investment securities		992.9	957.3
Interest receivable, derivative and other assets		84.1	83.1
Investments in associated companies and joint ventures		63.9	65.5
Premises and equipment		34.9	35.5
TOTAL ASSETS		3,662.5	3,760.4
LIABILITIES AND EQUITY			
Liabilities			
Deposits and amounts due to banks and other financial institutions		281.5	330.3
Borrowings under repurchase agreements		403.3	399.2
Term borrowings		188.5	188.5
Customers' current, savings and other deposits		2,127.4	2,167.4
Interest payable, derivative and other liabilities		128.6	160.5
Total liabilities		3,129.3	3,245.9
Equity			
Share capital	7	149.8	136.2
Treasury stock		(4.9)	(5.2)
Share premium		105.6	105.6
Statutory reserve		66.8	66.8
General reserve		64.2	61.6
Cumulative changes in fair values		(6.8)	(11.4)
Foreign currency translation adjustments		(12.0)	(12.8)
Retained earnings		168.2	125.6
Proposed appropriations		-	45.4
Attributable to the owners of the Bank		530.9	511.8
Non-controlling interests		2.3	2.7
Total equity		533.2	514.5
TOTAL LIABILITIES AND EQUITY		3,662.5	3,760.4

Murad Ali Murad
Chairman

Abdulla bin Khalifa bin Salman
Al-Khalifa
Deputy Chairman

Dr. AbdulRahman Saif
Group Chief Executive

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements

Bank of Bahrain and Kuwait B.S.C.

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Nine-month period ended 30 September 2021 (Reviewed)

	Notes	<i>All figures in BD millions</i>		<i>All figures in BD millions</i>	
		<i>Three months ended</i>		<i>Nine months ended</i>	
		<i>30 September</i>		<i>30 September</i>	
		2021	2020	2021	2020
Interest and similar income		29.8	31.9	90.2	106.7
Interest and similar expense		(8.6)	(12.3)	(27.7)	(46.4)
Net interest and similar income		21.2	19.6	62.5	60.3
Fee and commission income - net		3.4	3.5	10.9	13.4
Investment and other income	8 , 9	4.9	4.7	14.7	15.6
TOTAL OPERATING INCOME		29.5	27.8	88.1	89.3
Staff costs		(8.9)	(8.5)	(26.4)	(26.8)
Other operating expenses		(7.4)	(6.4)	(19.0)	(18.8)
TOTAL OPERATING EXPENSES		(16.3)	(14.9)	(45.4)	(45.6)
Net provisions and credit losses	10	(1.7)	(2.5)	(2.1)	(6.8)
NET OPERATING INCOME		11.5	10.4	40.6	36.9
Share of profit / (loss) from associated companies and joint ventures		1.0	(0.3)	0.3	2.2
PROFIT FOR THE PERIOD BEFORE TAX		12.5	10.1	40.9	39.1
Tax (expense) / write-back		-	(0.1)	(0.1)	0.3
PROFIT FOR THE PERIOD AFTER TAX		12.5	10.0	40.8	39.4
Attributable to:					
Owners of the Bank		12.4	9.9	40.5	39.0
Non-controlling interests		0.1	0.1	0.3	0.4
		12.5	10.0	40.8	39.4
Basic and diluted earnings per share (BD)	11	0.008	0.007	0.027	0.026

Murad Ali Murad
Chairman

Abdulla bin Khalifa bin Salman
Al-Khalifa
Deputy Chairman

Dr. AbdulRahman Saif
Group Chief Executive

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements

Bank of Bahrain and Kuwait B.S.C.

INTERIM CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE

Nine-month period ended 30 September 2021 (Reviewed)

	<i>All figures in BD millions</i>		<i>All figures in BD millions</i>	
	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	2021	2020	2021	2020
Profit for the period	12.5	10.0	40.8	39.4
Other comprehensive income / (loss):				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Fair value through other comprehensive income (equity instruments)	0.6	3.4	6.2	(2.9)
<i>Items that are or may be reclassified subsequently to profit or loss</i>				
<i>Movement in translation reserve:</i>				
Foreign currency translation adjustments	(0.1)	1.0	0.8	(1.4)
<i>Movement in hedging reserve:</i>				
Effective portion of changes in fair value	0.1	(0.9)	0.4	(0.8)
<i>Movement in fair value reserve:</i>				
Net change in fair value	(4.9)	7.5	2.7	(59.6)
Net amount transferred to profit or loss	(1.1)	(1.0)	(3.0)	(2.0)
Other comprehensive income / (loss) for the period	(5.4)	10.0	7.1	(66.7)
Total comprehensive income / (loss) for the period	7.1	20.0	47.9	(27.3)
Attributable to:				
Owners of the Bank	7.0	19.9	47.6	(27.7)
Non-controlling interests	0.1	0.1	0.3	0.4
	7.1	20.0	47.9	(27.3)

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements

Bank of Bahrain and Kuwait B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Nine-month period ended 30 September 2021 (Reviewed)

All figures in BD millions

	Attributable to the owners of the Bank										Non-controlling interests	Total equity
	Share capital	Treasury stock	Share premium	Statutory reserve	General reserve	Cumulative changes in fair values	Foreign currency translation adjustments	Retained earnings	Proposed appropriations	Total		
Balance at 1 January 2021	136.2	(5.2)	105.6	66.8	61.6	(11.4)	(12.8)	125.6	45.4	511.8	2.7	514.5
Profit for the period	-	-	-	-	-	-	-	40.5	-	40.5	0.3	40.8
Other comprehensive income for the period	-	-	-	-	-	4.6	0.8	1.7	-	7.1	-	7.1
Total comprehensive income for the period	-	-	-	-	-	4.6	0.8	42.2	-	47.6	0.3	47.9
Share-based payments	-	-	-	-	-	-	-	0.4	-	0.4	-	0.4
Dividends paid	-	-	-	-	-	-	-	-	(27.0)	(27.0)	0.2	(26.8)
Stock dividends (note 7)	13.6	-	-	-	-	-	-	-	(13.6)	-	-	-
Donations	-	-	-	-	-	-	-	-	(2.2)	(2.2)	-	(2.2)
Transfer to general reserve	-	-	-	-	2.6	-	-	-	(2.6)	-	-	-
Movement in treasury stock	-	0.3	-	-	-	-	-	-	-	0.3	-	0.3
Movement in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(0.9)	(0.9)
Balance at 30 September 2021	149.8	(4.9)	105.6	66.8	64.2	(6.8)	(12.0)	168.2	-	530.9	2.3	533.2
Balance at 1 January 2020	129.7	(5.2)	105.6	61.6	54.1	11.2	(12.2)	144.6	54.5	543.9	3.1	547.0
Profit for the period	-	-	-	-	-	-	-	39.0	-	39.0	0.4	39.4
Other comprehensive loss for the period	-	-	-	-	-	(65.3)	(1.4)	-	-	(66.7)	-	(66.7)
Total comprehensive loss for the period	-	-	-	-	-	(65.3)	(1.4)	39.0	-	(27.7)	0.4	(27.3)
Share-based payments	-	-	-	-	-	-	-	0.1	-	0.1	-	0.1
Modification loss net of government assistance (note 2.5)	-	-	-	-	-	-	-	(21.0)	-	(21.0)	-	(21.0)
Dividends paid	-	-	-	-	-	-	-	-	(38.5)	(38.5)	(0.1)	(38.6)
Stock dividends (note 7)	6.5	-	-	-	-	-	-	-	(6.5)	-	-	-
Donations	-	-	-	-	-	-	-	-	(2.0)	(2.0)	-	(2.0)
Transfer to general reserve	-	-	-	-	7.5	-	-	-	(7.5)	-	-	-
Movement in treasury stock	-	0.3	-	-	-	-	-	-	-	0.3	-	0.3
Movement in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(0.9)	(0.9)
Balance at 30 September 2020	136.2	(4.9)	105.6	61.6	61.6	(54.1)	(13.6)	162.7	-	455.1	2.5	457.6

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements

Bank of Bahrain and Kuwait B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Nine-month period ended 30 September 2021 (Reviewed)

		<i>All figures in BD millions</i>	
		<i>Nine months ended</i>	
		<i>30 September</i>	
Note		2021	2020
OPERATING ACTIVITIES			
	Profit for the period before tax	40.9	39.1
	Adjustments for non-cash items:		
	Net provisions and credit losses	2.1	6.8
	Share of profit from associated companies and joint ventures	(0.3)	(2.2)
	Depreciation	5.1	5.4
	Modification loss net of government assistance	-	(21.0)
	Realised gains on sale of investment securities	(3.2)	(2.1)
	Investment (income) / loss and others	(0.9)	0.3
	Accrual on term borrowings	10.4	12.9
	Operating profit before changes in operating assets and liabilities	54.1	39.2
	(Increase) / decrease in operating assets:		
	Mandatory reserve deposits with central banks	(2.3)	37.2
	Treasury bills having original maturity of ninety days or more	198.5	3.4
	Deposits and amounts due from banks and other financial institutions	6.0	24.1
	Loans and advances to customers	(26.7)	81.1
	Interest receivable, derivative and other assets	(3.0)	(1.5)
	Increase / (decrease) in operating liabilities:		
	Deposits and amounts due to banks and other financial institutions	(48.9)	63.0
	Borrowings under repurchase agreements	4.1	88.2
	Customers' current, savings and other deposits	(40.0)	(92.4)
	Interest payable, derivative and other liabilities	(36.6)	1.6
	Income tax paid	(0.1)	(0.1)
	Net cash flows from operating activities	105.1	243.8
INVESTING ACTIVITIES			
	Purchase of investment securities	(306.6)	(429.8)
	Redemption / sale of investment securities	279.4	317.0
	Purchase of premises and equipment	(4.5)	(5.9)
	Dividends received from associated companies and joint ventures	0.8	-
	Net investment in associated companies and joint ventures	0.5	5.0
	Net cash flows used in investing activities	(30.4)	(113.7)
FINANCING ACTIVITIES			
	Repayment of term borrowings	-	(144.5)
	Payment of dividends and other appropriations	(29.2)	(41.1)
	Movement in treasury stock	0.3	0.3
	Movement in share-based payments	0.4	0.1
	Net cash flows used in financing activities	(28.5)	(185.2)
	NET CHANGE IN CASH AND CASH EQUIVALENTS	46.2	(55.1)
	Foreign currency translation adjustments - net	1.8	(1.4)
	Cash and cash equivalents at beginning of the period	517.7	536.9
	CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	565.7	480.4
		5	
Additional cash flow information:			
	Interest received	89.0	108.9
	Interest paid	34.9	56.9

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2021 (Reviewed)

1 ACTIVITIES

Bank of Bahrain and Kuwait B.S.C. ("BBK" or "the Bank"), a public shareholding company, was incorporated in the Kingdom of Bahrain by an Amiri Decree in March 1971 and registered with the Ministry of Industry, Commerce and Tourism ("MOICT") under Commercial Registration ("CR") number 1234 dated 16 March 1971. The Bank operates in the Kingdom of Bahrain under a conventional retail banking license issued by the Central Bank of Bahrain ("CBB") and its shares are listed at Bahrain Bourse.

The Bank is engaged in commercial banking activities through its branches in the Kingdom of Bahrain, State of Kuwait and Republic of India. It also engages in credit card operations and business process outsourcing services through its subsidiaries. The Bank's registered office is at 43 Government Avenue, P.O. Box 597, Manama, Kingdom of Bahrain.

During 2020, the Bank and Ithmaar Holding B.S.C. ("Ithmaar Holding") executed a memorandum of understanding to streamline the formal process of the potential acquisition by the Bank of certain assets belonging, directly or indirectly, to Ithmaar Holding. Phase one of the due diligence started in January 2021, and was completed by June 2021. Subsequently, the two parties engaged in negotiations for determining the assets to be acquired and the terms of acquisition. After considerate thought, the Bank and Ithmaar Holding decided to halt further negotiations. Although both parties were interested in finalising this promising transaction, they could not agree on terms favorable to both institutions to continue with negotiations.

These interim condensed consolidated financial statements for the nine-month period ended 30 September 2021 were authorised for issue in accordance with a resolution of the Board of Directors on 27 October 2021.

2 BASIS OF PREPARATION

2.1 Framework and basis of preparation

The interim condensed consolidated financial statements of the Group have been prepared in accordance with applicable rules and regulations issued by the CBB including the circulars issued by CBB on regulatory concessionary measures in response to COVID-19. These rules and regulations, in particular CBB circular OG/226/2020 dated 21 June 2020, required the adoption of all International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), except for:

- (a) recognition of modification losses on financial assets arising from payment holidays provided to customers impacted by COVID-19 without charging additional interest, in equity instead of profit or loss as required by IFRS 9 - Financial Instruments. Any other modification gain or loss on financial assets are recognised in accordance with the requirements of IFRS 9; and
- (b) recognition of financial assistance received from the government and / or regulators in response to its COVID-19 support measures that meets the government grant requirement, in equity, instead of profit or loss. This will only be to the extent of any modification loss recorded in equity as a result of (a) above, and the balance amount to be recognized in profit or loss. Any other financial assistance is recognised in accordance with the requirements of IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance.

The above framework for basis of preparation of the interim condensed consolidated financial statements is hereinafter referred to as 'IFRS as modified by CBB'.

The interim condensed consolidated financial statements of the Group have been presented in condensed form in accordance with the guidance provided by International Accounting Standard 34 – 'Interim Financial Reporting', using the IFRS as modified by CBB framework. Hence, the framework used in the preparation of the condensed consolidated interim financial information of the Group is hereinafter referred to as 'IAS 34 as modified by CBB'.

These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2020. In addition, results for the nine-month period ended 30 September 2021 are not necessarily indicative of the results that may be expected for the financial year ending on 31 December 2021.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2021 (Reviewed)

2 BASIS OF PREPARATION (continued)

2.2 Basis of consolidation

These interim condensed consolidated financial statements incorporate the interim financial statements of the Bank and its subsidiaries. All intra-group transactions and balances including unrealised gains and losses on transactions between the Group companies have been eliminated on consolidation.

2.3 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for adoption of new standards or certain amendments to existing standards that have become applicable to the Group effective from 1 January 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2021, but do not have any impact on the interim condensed consolidated financial statements of the Group.

2.3.1 Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

On August 27, 2020, the IASB issued Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (the amendments). The amendments introduce various practical expedients with respect to changes arising due to IBOR reform as explained below:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the IBOR reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. In such a case the Group does not derecognise or adjust the carrying amount of financial instruments for modifications required by IBOR reform but instead updates the effective interest rate to reflect the change in the interest rate benchmark. After that, the Group applies the policies on accounting for modifications set out in note 4 of the Group's consolidated financial statements for the year 2020 to the remaining modifications.
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. This is applied in cases where the basis for determining the contractual cash flows of existing hedge relationship changes as a result of IBOR reform, the Group may amend the hedge documentation without discontinuing the hedging relationship.
- Provide temporary relief when determining the hedged risk, the Group may designate an alternative benchmark rate risk component that is not currently separately identifiable, as long as it is reasonable to expect that the alternative benchmark rate will become separately identifiable within a 24-month period.

These amendments had no material impact on the interim condensed consolidated financial statements of the Group. The Group intends to use the practical expedients in future period, if they become applicable.

2.4 New standards, interpretations and amendments issued but not yet effective

There were no new standards, interpretations and amendments issued as of 1 January 2021, which were applicable to the Group and not yet effective up to the date of issuance of the Group's interim condensed consolidated financial statements.

2.5 Accounting for modified financing assets and government grants

During 2020, based on a regulatory directive issued by the CBB (refer note 2.1) as concessionary measures to mitigate the impact of COVID-19, the one-off modification losses amounting to BD 21.0 million arising from the 6-month payment holidays provided to financing customers without charging additional interest was recognised directly in equity. The modification loss was calculated as the difference between the net present value of the modified cash flows calculated using the original effective interest rate and the current carrying value of the financial assets on the date of modification. The Group provided payment holidays on financing exposures amounting to BD 723.9 million as part of its support to the impacted customers.

2 BASIS OF PREPARATION (continued)

2.5 Accounting for modified financing assets and government grants (continued)

Further, as per the regulatory directive, financial assistance amounting to BD 3.2 million (representing specified reimbursement of a portion of staff costs and waiver of fees, levies and utility charges) received from the governments and / or regulators, in response to its COVID-19 support measures, was recognised directly in equity.

2.6 Impact of COVID-19, including use of estimates and judgments

COVID-19 pandemic has spread across various geographies globally, causing disruption to business and economic activities. COVID-19 has brought about uncertainties in the global economic environment. The fiscal and monetary authorities, both domestic and international, have announced various support measures across the globe to counter possible adverse implications. In addition, the Group's operations are mainly based in economies that are relatively more dependent on the price of crude oil and natural gas.

As a regulatory response to the outbreak of the coronavirus pandemic, the CBB has issued various relaxation measures from time-to-time to contain the financial repercussions of COVID-19. These mainly include, several deferral programs for eligible customers both with and without interest, reduced limits of Liquidity Coverage Ratio ("LCR") and Net Stable Funding Ratio (NSFR) for all locally incorporated banks, cash reserve ratio for retail banks, cap on merchant fees, adjustments to cooling-off period for transferring exposures from Stage 3 to Stage 2, relaxation concerning days past due for ECL staging criteria, and relaxation on Loan-to-value ("LTV") ratio for residential mortgages.

Central banks across the world have stepped in with measures to protect the stability of the global economy with a wide range of measures from easing of interest rates, to asset purchase programme besides infusing significant liquidity into the economy.

In preparing the interim condensed consolidated financial statements, significant judgments were made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were impacted by the potential impacts of the economic volatility in determination of the reported amounts of the Group's financial and non-financial assets and these are considered to represent management's best assessment based on available or observable information as of the reporting date. The ECL methodology has largely remained unchanged from 31 December 2020, which included the changes to factor into account COVID-19 impacts. Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations.

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward-looking information.

In determining whether credit risk has increased significantly since initial recognition, the Group uses its internal credit risk grading system, external risk ratings, delinquency status of accounts, expert credit judgement and, where possible, relevant historical experience. The Group may also determine that an exposure has undergone a Significant Increase in Credit Risk ("SICR") based on particular qualitative indicators that it considers are indicative of such, and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

The Group continues to closely monitor the situation to ensure operational resilience and continuity of its operations. The Group has activated its business continuity planning and other risk management practices to manage the potential impact of the business disruption due to COVID-19 outbreak, on its operations and financial performance.

3 SEGMENTAL INFORMATION

For management purposes, the Group is organised into four major business segments:

Retail banking	Principally handling individual customers' deposits and providing consumer finance type loans, overdrafts, credit facilities and funds transfer facilities, credit cards and foreign exchange.
Corporate banking	Principally handling loans and other credit facilities, deposit and current accounts for corporate and institutional customers in Bahrain.
International banking	Principally handling loans and other credit facilities, deposit and current accounts for international corporate and institutional customers. This also covers the operations of the overseas units.
Investment, treasury and other activities	Principally providing money market, trading and treasury services as well as the management of the Group's funding operations. Investment activities involve handling investments in local and international markets, investment advisory services and funds management. Other activities also include business process outsourcing services.

These segments are the basis on which the Group reports its information to the chief operating decision maker. Transactions between segments are generally recorded at estimated market rates on an arm's length basis. Interest is charged / credited to business segments based on a transfer pricing rate which approximates the marginal cost of funds on a matched funding basis.

Segment information of statement of profit or loss for the nine-month period ended 30 September 2021 was as follows:

	<i>Retail banking</i>	<i>Corporate banking</i>	<i>International banking</i>	<i>Investment, treasury and other activities</i>	<i>Total</i>
Interest income	25.9	20.6	13.5	30.2	90.2
Interest expense	(2.8)	(3.5)	(7.4)	(14.0)	(27.7)
Internal fund transfer price	(2.0)	(3.1)	2.1	3.0	-
Net interest income	21.1	14.0	8.2	19.2	62.5
Other operating income	7.1	1.9	2.8	13.8	25.6
Operating income before results from associated companies and joint ventures	28.2	15.9	11.0	33.0	88.1
Net provisions and credit losses	(0.1)	(0.2)	(1.4)	(0.4)	(2.1)
Segment result	7.3	4.7	1.1	27.4	40.5
Share of (loss) / profit from associated companies and joint ventures	(1.3)	-	-	1.6	0.3
Profit for the period					40.8
Profit attributable to non-controlling interests					(0.3)
Profit attributable to the owners of the Bank					40.5

Bank of Bahrain and Kuwait B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL

30 September 2021 (Reviewed)

All figures in BD millions

3 SEGMENTAL INFORMATION (continued)

Segment information of statement of financial position as at 30 September 2021 was as follows:

Segment assets	734.8	625.7	721.5	1,465.4	3,547.4
Investments in associated companies and joint ventures	34.3	-	-	29.6	63.9
Common assets					51.2
Total assets					3,662.5
Segment liabilities	1,053.2	716.8	638.7	635.4	3,044.1
Common liabilities					85.2
Total liabilities					3,129.3

Segment information of statement of profit or loss for the nine-month period ended 30 September 2020 was as follows:

	<i>Retail banking</i>	<i>Corporate banking</i>	<i>International banking</i>	<i>Investment, treasury and other activities</i>	<i>Total</i>
Interest income	24.9	24.3	20.8	36.7	106.7
Interest expense	(4.4)	(9.8)	(12.5)	(19.7)	(46.4)
Internal fund transfer price	(0.6)	0.7	1.7	(1.8)	-
Net interest income	19.9	15.2	10.0	15.2	60.3
Other operating income	10.7	2.9	3.4	12.0	29.0
Operating income before results from associated companies and joint ventures	30.6	18.1	13.4	27.2	89.3
Net provisions and credit losses	-	(5.7)	(0.7)	(0.4)	(6.8)
Segment result	10.5	1.1	3.5	22.1	37.2
Share of profit from associated companies and joint ventures	0.8	-	-	1.4	2.2
Profit for the period					39.4
Profit attributable to non-controlling interests					(0.4)
Profit attributable to the owners of the Bank					39.0

Segment information of statement of financial position as at 31 December 2020 was as follows:

Segment assets	683.8	621.7	785.3	1,555.0	3,645.8
Investments in associated companies and joint ventures	35.7	-	-	29.8	65.5
Common assets					49.1
Total assets					3,760.4
Segment liabilities	1,053.3	699.5	677.9	708.9	3,139.6
Common liabilities					106.3
Total liabilities					3,245.9

4 COMMITMENTS AND CONTINGENT LIABILITIES

	<i>Reviewed</i> 30 September 2021	<i>Audited</i> <i>31 December</i> <i>2020</i>
Contingencies		
Letters of credit	25.4	35.6
Guarantees	174.6	177.3
	200.0	212.9
Commitments		
Undrawn loan commitments	210.3	181.5
Other commitments	822.6	782.5
	1,232.9	1,176.9

The Group does not expect all its commitments to be drawn before the expiry of the commitment.

As of 30 September 2021, ECL of BD 3.9 million was held against off-balance sheet and other credit exposures (31 December 2020: BD 4.1 million).

5 CASH AND CASH EQUIVALENTS

	<i>Nine months ended</i> <i>30 September</i>	
	2021	<i>2020</i>
Cash in hand and vaults	19.8	20.5
Current accounts and placements with central banks	262.7	154.9
Deposits and amounts due from banks and other financial institutions having original maturity of ninety days or less	283.2	305.0
	565.7	480.4

6 LOANS AND ADVANCES TO CUSTOMERS

<u>At 30 September 2021</u>	Stage 1: 12-month ECL	Stage 2: Lifetime ECL not credit- impaired	Stage 3: Lifetime ECL credit- impaired	Total
<i>At amortised cost:</i>				
Commercial loans and overdrafts	664.0	279.2	85.6	1,028.8
Consumer loans	621.6	14.3	9.0	644.9
	1,285.6	293.5	94.6	1,673.7
Less: Expected credit losses	(5.8)	(24.3)	(66.1)	(96.2)
	1,279.8	269.2	28.5	1,577.5

6 LOANS AND ADVANCES TO CUSTOMERS (continued)

<u>At 31 December 2020</u>	Stage 1: 12-month ECL	Stage 2: Lifetime ECL not credit- impaired	Stage 3: Lifetime ECL credit- impaired	Total
<i>At amortised cost:</i>				
Commercial loans and overdrafts	639.1	301.2	94.0	1,034.3
Consumer loans	592.0	12.5	9.4	613.9
	<u>1,231.1</u>	<u>313.7</u>	<u>103.4</u>	<u>1,648.2</u>
Less: Expected credit losses	(6.3)	(22.8)	(63.3)	(92.4)
	<u>1,224.8</u>	<u>290.9</u>	<u>40.1</u>	<u>1,555.8</u>

At 30 September 2021, interest in suspense on past due loans that are credit impaired was BD 28.0 million (31 December 2020: BD 24.1 million).

The fair value of the collateral consisting of cash, securities and real estate that the Group holds relating to loans individually determined to be credit impaired at 30 September 2021 amounted to BD 50.2 million (31 December 2020: BD 71.8 million).

At 30 September 2021, gross loans and advances include Islamic financing facilities provided by the Group to corporates amounted to BD 78.9 million (31 December 2020: BD 89.4 million). These mainly consists of Murabaha and Ijarah financing facilities.

During the nine-month period ended 30 September 2021, loans and advances amounting to BD 2.3 million were written-off (30 September 2020: BD 5.1 million).

7 EQUITY

The shareholders approved a stock dividend pertaining to the year 2020 in the Annual General Assembly held on 24 March 2021 thereby, increasing the share capital by BD 13.6 million (2020: BD 6.5 million).

8 SEASONAL RESULTS

Other income for the nine-month period ended 30 September 2021 includes BD 2.1 million (30 September 2020: BD 2.4 million) of dividend income, which is of a seasonal nature.

9 OTHER INCOME

Other income for the nine-month period ended 30 September 2021 includes gain of BD 3.2 million (30 September 2020: BD 2.1 million) relating to sale of investment securities.

10 NET PROVISIONS AND CREDIT LOSSES

	<i>Three-month ended</i>		<i>Nine-month ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	2021	2020	2021	2020
Loans and advances to customers	1.6	4.1	4.7	10.8
Recoveries from fully provided loans written-off in previous years	-	(0.1)	(2.8)	(1.8)
Investment securities	-	(0.4)	-	0.3
Off balance sheet exposures	0.1	(1.1)	(0.2)	(2.5)
Collateral pending sale	-	-	0.4	-
	<u>1.7</u>	<u>2.5</u>	<u>2.1</u>	<u>6.8</u>

11 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the nine-month period ended is calculated by dividing the profit by the weighted average number of shares outstanding during the period are as follows:

	<i>Three-month ended</i>		<i>Nine-month ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	2021	2020	2021	2020
Profit for the period attributable to the owners of the Bank for basic and diluted earnings per share computation	12.4	9.9	40.5	39.0
Weighted average number of shares, net of treasury stock, outstanding during the period	1,485,544,308	1,485,937,265	1,485,544,308	1,485,937,265
Weighted average number of ordinary shares adjusted for the effect of dilution, net of treasury stock, outstanding during the period	1,485,544,308	1,485,937,265	1,485,544,308	1,485,937,265
Basic and diluted earnings per share (BD)	0.008	0.007	0.027	0.026

12 RELATED PARTY TRANSACTIONS

Certain related parties (principally the major shareholders, associates, joint venture, directors and key management of the Group, their families and entities controlled, jointly controlled or significantly influenced by such parties) were customers of the Group in the ordinary course of business.

Balances in respect of transactions entered into with related parties as of the interim consolidated statement of financial position date were as follows:

	<i>Major shareholders</i>	<i>Associated companies and joint ventures</i>	<i>Directors and key management personnel</i>	<i>Total</i>
<u>30 September 2021</u>				
Loans and advances to customers	-	14.8	1.6	16.4
Investments in associated companies and joint ventures	-	63.9	-	63.9
Customers' current, savings and other deposits	155.2	2.7	9.0	166.9
<u>31 December 2020</u>				
Loans and advances to customers	-	26.9	1.9	28.8
Investments in associated companies and joint ventures	-	65.5	-	65.5
Customers' current, savings and other deposits	185.4	0.8	8.5	194.7

12 RELATED PARTY TRANSACTIONS (continued)

The income and expense in respect of related parties included in the interim consolidated statement of profit or loss was as follows:

	<i>Major shareholders</i>	<i>Associated companies and joint ventures</i>	<i>Directors and key management personnel</i>	<i>Total</i>
<u>Period ended 30 September 2021</u>				
Interest and similar income	-	0.6	-	0.6
Interest and similar expense	1.0	-	0.1	1.1
Share of profit from associated companies and joint ventures	-	0.3	-	0.3
<u>Period ended 30 September 2020</u>				
Interest and similar income	-	0.8	-	0.8
Interest and similar expense	4.4	-	0.1	4.5
Share of profit from associated companies and joint ventures	-	2.2	-	2.2

Compensation for key management, including executive officers, comprises the following:

	<i>Nine months ended 30 September</i>	
	2021	2020
Salaries and other short-term benefits	7.3	7.1
Post-employment benefits	0.8	0.3
Share based compensation	0.4	0.1
	8.5	7.5

13 FINANCIAL INSTRUMENTS

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The significant inputs for valuation of equities classified under Level 3 are annual growth rate of cash flows and discount rates and for funds it is the illiquidity discount. Lower growth rate and higher discount rate, illiquidity discount will result in a lower fair value. The impact on the consolidated statement of financial position or the consolidated statement of shareholders' equity would be immaterial if the relevant risk variables used to fair value the unquoted securities were altered by five per cent. There were no material changes in the valuation techniques used for the purpose of measuring fair value of investment securities as compared to the previous year.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy at 30 September 2021 and 31 December 2020.

13 FINANCIAL INSTRUMENTS (continued)

	Level 1	Level 2	Level 3	Total
<u>30 September 2021</u>				
Financial assets				
Bonds	695.3	5.4	-	700.7
Equities	45.5	6.5	20.2	72.2
Managed funds	-	1.1	-	1.1
Derivatives held-for-trading	-	0.6	-	0.6
Derivatives held as fair value hedges	-	2.6	-	2.6
	740.8	16.2	20.2	777.2
Financial liabilities				
Derivatives held-for-trading	-	0.3	-	0.3
Derivatives held as fair value hedges	-	32.4	-	32.4
	-	32.7	-	32.7
	Level 1	Level 2	Level 3	Total
<u>31 December 2020</u>				
Financial assets				
Bonds	725.3	-	-	725.3
Equities	43.3	6.7	20.3	70.3
Managed funds	-	0.7	-	0.7
Derivatives held-for-trading	-	2.6	-	2.6
Derivatives held as fair value hedges	-	0.1	-	0.1
	768.6	10.1	20.3	799.0
Financial liabilities				
Derivatives held-for-trading	-	0.7	-	0.7
Derivatives held as fair value hedges	-	57.2	-	57.2
	-	57.9	-	57.9

Transfers between level 1, level 2 and level 3

During the reporting period / year ended 30 September 2021 and 31 December 2020, there were no transfers into and out of Level 3 fair value measurements. Further, there were no significant movements within equity instruments classified under Level 3.

The table below sets out the estimated carrying values and fair values of those on and off statement of financial position financial instruments carried at amortised cost where fair values are different from the carrying amounts shown in the consolidated financial statements:

	30 September 2021			31 December 2020 (Audited)		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Financial assets						
Investment securities	218.9	218.1	0.8	161.0	161.5	(0.5)
Financial liabilities						
Term borrowings	188.5	196.8	8.3	188.5	195.4	6.9

The above financial assets and liabilities are at Level 1 fair value. The fair value of financial assets and financial liabilities approximate their carrying values, other than those disclosed in the table above.

14 NET STABLE FUNDING RATIO (NSFR)

The NSFR ratio is calculated in accordance with the Liquidity Risk Management Module guidelines, issued by the CBB. The minimum NSFR ratio limit as per CBB is 100%. However, as per CBB circulars OG/106/2020 dated 17 March 2020, OG/296/2020 dated 26 August 2020 and OG/431/2020 dated 29 December 2020, the limit was reduced to 80% until 31 December 2021, to contain the financial repercussions of COVID-19. The Group's consolidated NSFR ratio as of 30 September 2021 was 133.2% (31 December 2020: 134.2%).

The main drivers behind our robust Available Stable Funding (ASF) are the solid capital base, sizable Retail and Small business deposits portfolio, large portfolio of non-financial institutions deposits (related to Government and Corporate deposits), as well as medium term funding from Repo and Euro Medium Term Notes (EMTN). The capital base formed 21.5% (31 December 2020: 21.2%) of our ASF, while the Retail and Small business deposits formed 47.8% (31 December 2020: 47.4%) of the ASF (after applying the relevant weights).

For the Required Stable Funding (RSF), the primary reason for the relatively low RSF, in comparison to the ASF, is related to the sizeable portfolio of BBK's High Quality Liquidity Assets (HQLAs) which accounts for around a quarter of total RSF (before applying the relevant weights).

In comparison to year ended 31 December 2020, the ratio remained relatively stable.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2021 (Reviewed)

All figures in BD millions

14 NET STABLE FUNDING RATIO (continued)

The NSFR (as a percentage) as at 30 September 2021 was calculated as follows:

Item	Unweighted Values (i.e. before applying relevant factors)				Total weighted value
	No specified maturity	Less than 6 months	More than 6 months and less than one year	Over one year	
Available Stable Funding (ASF):					
Capital:					
Regulatory Capital	545.9	-	-	26.7	572.5
Other Capital Instruments	-	-	-	-	-
Retail deposits and deposits from small business customers:					
Stable deposits	-	501.8	3.2	0.3	480.1
Less stable deposits	-	774.1	70.1	31.3	791.0
Wholesale funding:					
Operational deposits	-	-	-	-	-
Other wholesale funding	-	1,015.2	171.4	433.3	813.9
Other liabilities:					
NSFR derivative liabilities	-	35.0	-	-	-
All other liabilities not included in the above categories	-	126.5	-	-	-
Total ASF	545.9	2,452.6	244.7	491.6	2,657.5
Required Stable Funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)	-	-	-	-	281.7
Performing loans and securities:					
Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing loans to financial institutions	-	313.4	39.2	69.2	135.8
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	379.1	68.4	854.3	949.9
With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	1.7	-	137.1	90.0
Performing residential mortgages, of which:	-	-	-	-	-
With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	-	-
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	53.3	38.4	215.1	248.7
Other assets:					
NSFR derivative liabilities before deduction of variation margin posted	-	7.1	-	-	7.1
All other assets not included in the above categories	234.2	-	-	-	234.2
Off-balance sheet items	-	964.2	-	-	48.2
Total RSF	234.2	1,718.8	146.0	1,275.7	1,995.6
NSFR (%)					133.2%

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2021 (Reviewed)

All figures in BD millions

14 NET STABLE FUNDING RATIO (continued)

The NSFR (as a percentage) as at 31 December 2020 was calculated as follows:

Item	<i>Unweighted Values (i.e. before applying relevant factors)</i>				Total weighted value
	No specified maturity	Less than 6 months	More than 6 months and less than one year	Over one year	
<u>Available Stable Funding (ASF):</u>					
Capital:					
Regulatory Capital	528.1	-	-	27.6	555.7
Other Capital Instruments	-	-	-	-	-
Retail deposits and deposits from small business customers:					
Stable deposits	-	499.6	3.5	0.2	478.2
Less stable deposits	-	723.9	81.5	37.3	762.1
Wholesale funding:					
Operational deposits	-	-	-	-	-
Other wholesale funding	-	1,188.7	159.0	391.7	822.4
Other liabilities:					
NSFR derivative liabilities	-	61.9	-	-	-
All other liabilities not included in the above categories	-	158.1	-	-	-
Total ASF	528.1	2,632.2	244.0	456.8	2,618.4
<u>Required Stable Funding (RSF):</u>					
Total NSFR high-quality liquid assets (HQLA)					
	-	-	-	-	264.7
Performing loans and securities:					
Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing loans to financial institutions					
	-	415.8	7.5	46.8	112.9
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:					
With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines					
	-	0.5	-	66.5	43.5
Performing residential mortgages, of which:					
With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines					
	-	-	-	-	-
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities					
	-	61.9	60.4	194.0	243.2
Other assets:					
NSFR derivative liabilities before deduction of variation margin posted					
	-	12.6	-	-	12.6
All other assets not included in the above categories					
	248.9	-	-	-	248.9
Off-balance sheet items					
	-	961.5	-	-	48.1
Total RSF	248.9	1,771.9	177.0	1,205.1	1,951.3
NSFR (%)					134.2%

Bank of Bahrain and Kuwait B.S.C.

SUPPLYMENTARY FINANCIAL INFORMATION

At 30 September 2021

(The attached financial information do not form part of the interim condensed consolidated financial statements)

BBK Supplementary Public Disclosure – Financial Impact of COVID-19

At 30 September 2021

In line with the Central Bank of Bahrain (“CBB”) directions per circular no. OG/259/2020 dated 14 July 2020 that aims to maintain transparency amidst the current implications of Coronavirus (COVID-19), the Group discloses herewith additional information pertaining to the financial impact of COVID-19 on its interim condensed consolidated financial statements and results of operations for the period ended 30 September 2021.

COVID-19 pandemic has spread across various geographies globally, causing disruption to business and economic activities. These included business closures, travel restrictions, quarantines, and limits on public and private gatherings. These measures led to a sharp reduction in economic activities over the period in a large number of developed and emerging economies.

The Group has demonstrated financial strength and operational resilience despite these events, while protecting the health and safety of employees, and supporting customers. There remains uncertainty about the evolution of the virus and the pandemic. However, during the third quarter of 2021, and mainly due to the measures taken by the government to contain the effect of the pandemic and slow the spread of the virus, including the vaccination progress, the economy showed signs of partial recovery in returning to normality but slowly and cautiously.

The Group is constantly working to monitor the situation and has always considered its employees and its clients alike, as their number one priority. BBK is totally committed to support the communities in which it operates and the Group will go the extra mile to support them at all times.

In line with the Kingdom of Bahrain’s wise leadership’s precautionary measures to control the spread of COVID-19 and CBB’s directives to reduce the financial strain on citizens and businesses, the Bank has established a taskforce dedicated to implement all these measures and ensure the full support to our country and its citizens, to our loyal clients and to our dedicated employees, throughout this time. The Bank has implemented a number of actions to guarantee operational readiness and continue offering clients the full range of products and services, including:

- Ensure that the Bank’s operations’ continuity are as usual;
- Spread the employees between Head Office, branches, sites and working from home to ensure continuity;
- Virtual meetings have replaced most of the physical meetings;
- Implementation of disinfecting protocols and physical distancing measures; and
- Continuous communication to clients to take full advantage of BBK’s wide range of e-channels offering seamless and outstanding experience.

On the other side, central banks across the world have stepped in with measures to protect the stability of the global economy with a wide range of measures from easing of interest rates, to asset purchase program besides infusing significant liquidity into the economy.

During the period, based on regulatory directives issued by the CBB, the Group has offered the customers’ an additional six months installments deferment option starting from 1 January 2021 by extending the tenor to take into account the additional interest while keeping the installment unchanged without increasing the interest or charging fees. The application of this additional deferral option is estimated to cause a delay in the Bank’s total cash inflow for around BD 109.8 million. This has been extended by another 6 months up to December 2021.

BBK Supplementary Public Disclosure – Financial Impact of COVID-19

At 30 September 2021

The points below summarises the overall financial impact on the interim condensed consolidated financial statements:

- Estimated ECL attributable to COVID-19 had a negative impact of BD 3.4 million on the Group's consolidated total assets as of 30 September 2021.
- An additional negative COVID-19 impact over previously absorbed is estimated at BD 5.7 million on Group's interim condensed consolidated profit or loss statement for the period due to the impact on credit card business.
- An additional negative COVID-19 impact over previously absorbed is estimated at BD 3.0 million on Group's interim condensed consolidated profit or loss statement for the period due to the impact on income from associates.
- Negative impact of BD 0.8 million on Group's interim condensed consolidated profit or loss statement for the period due to the impact of total fees forgone as a result of loan deferment during the period.

Despite all the difficulties and uncertainties caused by the pandemic, BBK continued to maintain a very robust liquidity position and inject liquidity in the markets in which it operates to support the domestic economies and its customers at such a critical time. The average consolidated Liquidity Coverage Ratio (LCR) for the third quarter of 2021 and the Net Stable Funding Ratio (NSFR) remain at a very comfortable position of 275.6% and 133.2% respectively as of 30 September 2021, well above the CBB's reduced limit of 80% and the standard limit of 100%. Moreover, other liquidity indicators, such as the ratio of net loans and advances to customer deposits, continued to be at very solid levels. Prudent liquidity management is of utmost importance for BBK which is managed on a very dynamic, yet conservative basis.

The Group is keen to maintain strong capitalisation to support future strategic plans. The Group's policy is to maintain a strong capital base to preserve investors, creditors and market confidence and to sustain the future development of the business. As of 30 September 2021, the Group maintained a healthy level of capital adequacy ratio (CAR) compared to CBB's minimum threshold for domestic systematically important banks (D-SIB) of 14.0%.

The above information should not be relied upon for any other purposes. Since the situation of COVID-19 is uncertain and is still evolving, the above impact is as of the date of preparation of this information. Circumstances may change which may result in this information to be outdated. In addition, this information does not represent a full comprehensive assessment of COVID-19 impact on the Group. This information has not been subject to a formal review by external auditors.