

**BBK reports a net profit of BD30.04 million, core earnings impacted by higher provisions.  
Following Moody's, Fitch also reaffirms its strong credit rating**

The Board of Directors of BBK met on Sunday 3<sup>rd</sup> February 2008 to review and approve the Bank's financial results for 2007. Mr. Murad Ali Murad, Chairman of the Board of Directors, announced that the bank made a net profit of BD30.04 million for the year, which was 8.4% lower than the last year. While the bank's core operating performance improved significantly during the year, the net results were impacted by exceptional provisions made against certain financial assets. Given the adverse conditions in the global financial markets, the bank has provided prudently against such assets using conservative assumptions for valuations.

The performance of the bank for the year was impacted by high exceptional provisions of BD23.2 million, offset to a certain extent by extraordinary income of BD 6.5 million on sale of acquired property as approved by the Board earlier in its meeting in October 2006. If these are excluded for the purpose of comparison, the core net profit for the year at BD46.7 million was higher by BD 13.9 million, or 42% compared to the last year.

The robust growth in core earnings was mainly driven by 20% growth in net interest income, as the underlying volumes increased. The net interest margins improved marginally, despite competitive pressure and bank's prudent policies on credit, interest and liquidity risk. The bank's core non-interest income at BD30.5 million, adjusted for income on sale of property, grew impressively by 37% compared to last year. The improvement was across the business activities, with foreign exchange, investment income, commercial fee income and card related income all showing a good growth.

The operating expenses for the year increased by BD4.0 million, mainly on account of investments being made under the strategic plan in building capabilities, developing new businesses and on development of bank's human resources. However, the core cost to income ratio at just under 38% further improved as compared to the last year.

The bank's balance sheet grew impressively to BD 2,093 million, an increase of BD400 million or 24% when compared to December 2006. This reflected a strong underlying business growth driven by increases in customer assets and deposits. Net loans and advances increased to BD1,127 million, a growth of 20%, while customer deposits increased by 25% to reach BD1,269 million. During the year, the bank has successfully concluded the issuance of subordinated debt amounting to USD275 million under its US\$ 1 billion EMTN program launched in 2006 and raised new share capital of BD50 million through rights issue to support its business needs.

Based on the above results, the Board of Directors has decided to recommend a cash dividend of 27 fils per share, along with 1 bonus share for every 20 shares held.

Commenting on the Bank's results, Mr. A.Karim Bucheery, acting General Manager, said, "Notwithstanding the exceptional provisions we had to make during 2007, we are satisfied with the improvements in the bank's core profitability, with most business indicators showing an encouraging trend. The bank has made good progress in implementing its current corporate strategy, the results of which are beginning to flow through."

"While the underlying performance of the bank has been good, the turmoil in the global financial market has impacted certain financial assets. As a matter of prudence, the bank has decided to conservatively provide against those assets, which had adversely impacted the financial results of the bank for the year", he added.

Credit rating agency Fitch has recently affirmed BBK's credit rating at Long-term Issuer Default rating (IDR) 'A-' (A minus) with stable Outlook, Short-term IDR 'F2', Individual 'C', Support '1' and Support Rating Floor 'A-' (A minus). This follows Moody's maintaining the credit rating of the bank in their credit analysis update report issued in December '07. In affirming the ratings of the bank, Fitch has taken into account BBK's good domestic



franchise, satisfactory profitability, improving asset quality and adequate liquidity and capitalization, as well as extremely high probability of financial support the bank would receive, if needed.

Commenting on the Fitch Rating's report, Mr. Bucheery said "We are pleased that Fitch has affirmed BBK's credit ratings, given the current global financial markets environment. The bank has a solid domestic franchise and is well capitalized to support its business growth".

Mr. Bucheery thanked the Bank's shareholders and the Board of Directors for their continuous support, customers for their patronage and the employees for their commitment and hard work.