

BBK posts BD 58.7 million net profit attributable to owners with 4.0% rise for the year ended 31 December 2017

BBK's Board of Directors announced yesterday a net profit of BD 58.7 million attributable to owners for the financial year ended 31st December 2017, 4.0% higher than the previous year (2016: BD 56.4 million), with earnings of 48 fils per share; marginally lower than 2016 earnings of 49 fils per share; mainly due to the impact of annual distribution of BD 7.1 million on Perpetual Tier I capital securities and the changes to Treasury stocks level. In view of these results, the Board of Directors recommended distribution of 35 fils cash dividend per share subject to the approval of the Central Bank of Bahrain and the General Assembly of the bank.

Commenting on the Bank's performance, the Board of Directors expressed their satisfaction saying "Despite the challenging environment, the Bank was still able to report a good profit for 2017, which was achieved by continuing to invest in human capital and expansion of the customer base, in addition to continually improve and upgrade the bank's technologies. The Board of Directors has completed a detailed analysis of the Bank's entire strategic planning procedure to ensure continued relevance and abreast to the changing market environment. As a result, strategy reviews now take place every six months instead of yearly. The bank has taken major initiatives recently to expand its business including: the opening of BBK's Turkey Representative Office, launching Aegila Capital Management in London, relocating and opening new branches in Bahrain, and the completion of the necessary milestones for launching "BBK Lite", our tailored offering for expatriate workers."

The Chief Executive, Mr. Reyadh Sater also commented on the results, saying "we closed the last year with 4.0 percent growth in profitability, maintaining our record of sustained year-on-year improvement. Our diversified investments over different geographical locations have always enabled the bank to cope with challenging business environments, and we shall continue exploring potential opportunities globally, and choose the ones that will support our operations and increase shareholders' value. Though the bank implemented the International Financial Reporting Standard 9, well ahead of its implementation date of 1st January 2018, which resulted in greater need for early provisioning against credit risk, the Bank was yet fully able to absorb the impact, and report higher profits".

Operating revenues stood at BD 143.1 million, providing an increase of 7.2% compared to BD 133.5 million recorded during the previous year, which was driven by the growth in net interest income of 5.9% to reach BD 90.9 million (2016: BD 85.8



million), and the growth in other income of 10.4%, increasing to BD 46.6 million (2016: BD 42.2 million).

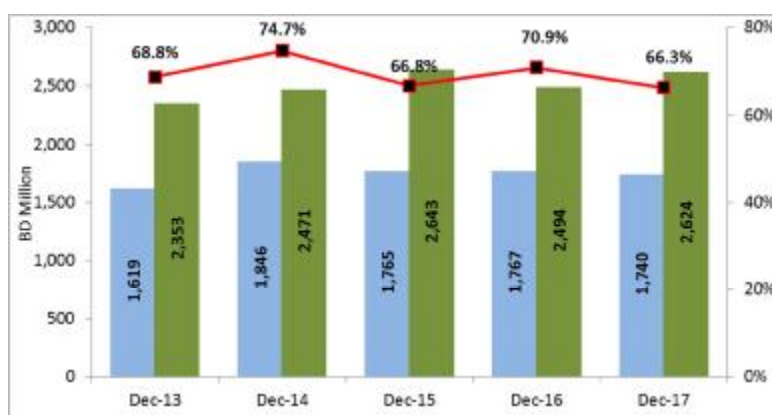
The growth in net interest income was driven mainly by the restructuring of the Banks balance sheet to focus on more profitable segments such as retail and corporate, which resulted in reducing the thinly priced exposures and adequately controlling the cost of funding, as well as the impact of the increase in interest rates during the year. Other income growth was mainly due to better management of the Bank’s investment portfolio that resulted in higher dividends received on those investments as well as higher gain on the sale of some of the investments securities.

During the year, the Bank invested in expanding its network and enhancing delivery channels through innovative means. The first Interactive Teller Machine (ITM) in Bahrain was launched to offer customers the ability to process several types of banking services through a video chat enabled machine. The bank also upgraded its existing ATMs to include a “Card-less Withdrawal” function to enable customers to safely withdraw cash without using the physical card. An internet virtual queuing application was introduced to reduce customer queuing time at the branches, allowing them to get a virtual ticket beforehand. The Bank also invested in its distribution network by relocating the City Center and Seef District branches to a new bigger branch in the first floor of Seef Mall to offer its customer a better convenience location. Furthermore, BBK continues its investment in its human capital launching BBK’s E-Learning platform which serves as a vital asset in accelerating employee development. These investments resulted in a marginal increase in total operating expenses of 1.6% to stand at BD 54.0 million (2016: BD 53.1 million). The robust growth in operating revenues, coupled by a marginal increase in operating expense, resulted in improving the Bank’s cost-to-income ratio to 37.8% from 39.8% reported in 2016.

The net provision charges for the year ended 31st December 2017 stood at BD 29.0 million, compared to BD 22.6 million during 2016. The increase is mainly due to higher provision requirements mandated by the implementation of IFRS 9, in addition to the Banks conservative approach to remain prudent and continually asses any risks facing it and enhancing its resilience.

Total comprehensive income for 2017 stood at BD 65.0 million compared to BD 67.3 million for the year ended 2016. The movement is mainly due to the changes in fair value of investment securities.

BBK reported a net profit of BD 13.8 million for the three months ended 31st December 2017, compared to BD 13.9 million for the



corresponding period of 2016. Total revenues for the same period amounted to BD 35.5 million (2016: BD 32.8 million), while total operating expenses marginally decreased to BD 14.4 million (2016: BD 14.7 million). The net provision requirements for the final quarter of 2017 amounted to BD 7.0 million (2016: BD 3.7 million).

BBK's balance sheet stood at BD 3,763.1 million as of end of December 2017 compared to BD 3,702.6 million as of end of December 2016. Core lending and investment activities remain robust with the loans portfolio standing at BD 1,740.7 million (December 2016: BD 1,767.1 million), and the investment securities portfolio standing at BD 749.0 million (December 2016: BD 768.1 million). The liquid assets, consisting of cash and balances with central banks, treasury bills and placements with banks and other financial institutions, remains at a safe level at BD 1,120.4 million or 29.8% of total assets (December 2016: BD 1,034.4 million or 27.9%). Customer deposits increased by a healthy rate of 5.2% reaching BD 2,623.6 million compared to BD 2,493.7 million as of end of December 2016, with a comfortable loans to customer deposits ratio of 66.4% (December 2016: 70.9%).

The bank's equity attributable to shareholders as of end of December 2017 stood at BD 498.6 million (2016: BD 472.4 million), 5.5% higher than the prior year demonstrating BBK's ability to add value to its shareholders, which reflected positively on the capital adequacy ratio which continues to stand well above the regulatory requirements.

During the same meeting, the Board discussed other important issues on its agenda such as the Corporate Governance Report, the Board recommendations on the different appropriations and the Donations budget for the year 2018. The Board has also approved the Annual Ordinary and Extra Ordinary General Meetings agendas, the recommendation to distribute cash dividends to the Bank's shareholders. The quarterly liquidity report and the Investment portfolio performance were also discussed in the same meeting. In addition to the above, the Board has reviewed the CBB Examination Report & Bank's Responses and the Anti-Money Laundering annual report 2017.

Furthermore the Board of Directors discussed issues related to the Bank's employees and the succession plan.

The Board of Directors has 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 in accordance with the Board of Directors' vision in directing the Bank and its executive management towards greater growth and sustainability.

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About BBK

BBK has been the pioneer in Commercial Banking for 47 years in the Kingdom of Bahrain. As a revolutionary market leader, BBK has built a name and reputation which is respected locally as well as internationally. To maintain this reputation, BBK has been at the forefront, incorporating the latest technologies to provide the finest services. One example of which is the e-banking solutions offered by BBK, which provide new generation services through its user friendly award winning website www.bbkonline.com, along with the telebanking, cash depository machines and automated teller machines services. BBK is proud to be honored for its Corporate Governance by the "Hawkamah" Institute for the 4th consecutive year. This award has become a prestigious, competitive and highly coveted bank award that highlights the industry's strong commitment to good corporate governance. Aside from many industry related awards, BBK is ISO 27001 & ISO 22301 certified for its Information Security Management System (ISMS) and Business Continuity Management System (BCMS).

For Media Enquiries, you may contact:

Dalal Al Absi
Corporate Communications Specialist
Corporate Communications Department
BBK
P.O. Box 597
Kingdom of Bahrain
Tel: 17207240
Fax: 17215587
email: dalal.alabsi@bbkonline.com
Website : www.bbkonline.com