

**BBK Supplementary Public Disclosure – Financial Impact of COVID-19
At 30 June 2020**

In line with Central Bank of Bahrain “CBB” directions per circular: OG/259/2020 of 14 July 2020 that aims to maintain transparency amidst the current implications of Coronavirus (COVID-19), the Bank discloses herewith additional information pertaining to the financial impact of COVID-19 on its financial statements and results of operations.

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.

During the current period, based on regulatory directives issued by the regulators in Kingdom of Bahrain and State of Kuwait as concessionary measures to mitigate the impact of COVID-19, a one-off modification loss arising from the 6-month payment holiday provided to financing customers without charging additional interest. This modification loss has been calculated as the difference between the net present values 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. It is worth to mention that the application of the 6-month deferral is estimated to cause a delay in the Bank’s total cash inflow for around BD 109 million.

As per the International Financial Reporting Standard (IFRS), such modification losses should have been recorded in the statement of profit or loss. However, in line with CBB's direction in its circular dated 21 June 2020, the full modification loss amount net of any related financial support received from governments and / or regulators shall be routed through shareholders' equity. Accordingly, the government grant / support (representing specified reimbursement of a portion of staff costs and utilities) has been netted off against the modification loss and a net amount of BD 17.8 million recognised directly in the statement of changes in equity instead of the statement of profit or loss. On the other hand and as part of Bank's social responsibility, the Bank has contributed BD 3.0 million as a donation to “Fina Khair” national campaign to support the individuals and business entities most affected by the pandemic. The table below summarises the overall financial impact.

	<i>Net impact on</i>		
	<i>Group's Consolidated Profit or Loss Statement</i>	<i>Group's Consolidated Total Assets</i>	<i>Group's Consolidated Total Equity</i>
	<i>----- In BD millions -----</i>		
Overall Impact on Financial Statements:			
Modification loss	-	-	(21.0)
Modification loss amortisation	15.1	15.1	-
Government grants	-	-	3.2
ECL attributable to COVID-19	(3.7)	(3.7)	-
Additional direct operating expenses related to COVID-19 measures	(0.1)	(0.1)	-
Additional direct capital expenditure related to COVID-19 measures	-	0.1	-




BBK Supplementary Public Disclosure – Financial Impact of COVID-19 (continued)

In general, the Bank's financial performance negatively impacted due to the global and domestic interest rate reductions during late 2019 and early 2020, in addition to the COVID-19 pandemic economic impact. This has resulted in a decrease of 15.8% in interest income to BD 74.8 million during the half year of 2020 while, interest expense increased by 9.0% to stand at BD 34.0 million. Moreover, the Bank's share of profit from associated companies and joint ventures decreased from BD 4.8 million during the first half of 2019 to BD 2.5 million for the current period. Fees and commission and other income dropped by 5.9% from BD 22.1 million reported during the first half of 2019 to BD 20.8 million for the similar period of current period, largely due to the impact of concessionary measures (i.e. capping the merchant fees) taken in response to COVID-19 to support the domestic business community, as well as the drop in volume of credit cards utilisation due to economic lockdown and travel ban. The Bank achieved a net profit for the period attributable to the owners of the Bank of BD 29.2 million compared to BD 40.0 million in the same period in the previous year, registering a drop of 27.0%.

In addition to the drop in net profit, the other comprehensive income was impacted by lower mark to market valuation of the Bank's investment portfolio as a result of COVID-19 outbreak and wide volatility in financial markets. Total comprehensive loss attributable to owners of the Bank for the half year ended 30 June 2020 amounted to BD 47.8 million compared to a total comprehensive income of BD 47.2 million during the corresponding period of last year.

Excluding the negative impact of COVID-19 pandemic, the Bank was aiming to achieve an estimated growth in net profit of around 5%. In addition, couple of strategic business and investment initiatives have been postponed due to the global situation, waiting the clarity of the business environment.

The above information should not be considered as an indication of the results of the entire year or 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.



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