

**Bank of Bahrain and Kuwait B.S.C.**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**30 SEPTEMBER 2020 (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 2020, comprising of the interim consolidated statement of financial position as at 30 September 2020 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 interim consolidated 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.



26 October 2020  
Manama, Kingdom of Bahrain

# Bank of Bahrain and Kuwait B.S.C.

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020 (Reviewed)

		<i>All figures in BD millions</i>	
		<b>Reviewed</b>	<i>Audited</i>
		<b>30 September</b>	<b>31 December</b>
		<b>2020</b>	<b>2019</b>
<b>ASSETS</b>	<i>Note</i>		
Cash and balances with central banks		<b>227.0</b>	376.4
Treasury bills		<b>481.0</b>	484.4
Deposits and amounts due from banks and other financial institutions		<b>309.8</b>	278.3
Loans and advances to customers	6	<b>1,583.4</b>	1,670.9
Investment securities		<b>925.6</b>	875.0
Investments in associated companies and joint ventures		<b>67.0</b>	70.6
Interest receivable and other assets		<b>75.0</b>	74.2
Premises and equipment		<b>35.7</b>	35.2
<b>TOTAL ASSETS</b>		<b>3,704.5</b>	3,865.0
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Deposits and amounts due to banks and other financial institutions		<b>426.2</b>	363.1
Borrowings under repurchase agreement		<b>401.6</b>	313.4
Term borrowings		<b>188.5</b>	333.0
Customers' current, savings and other deposits		<b>2,077.1</b>	2,169.5
Interest payable and other liabilities		<b>153.5</b>	139.0
<b>Total liabilities</b>		<b>3,246.9</b>	3,318.0
<b>Equity</b>			
Share capital	7	<b>136.2</b>	129.7
Treasury stock		<b>(4.9)</b>	(5.2)
Share premium		<b>105.6</b>	105.6
Statutory reserve		<b>61.6</b>	61.6
General reserve		<b>61.6</b>	54.1
Cumulative changes in fair values		<b>(54.1)</b>	11.2
Foreign currency translation adjustments		<b>(13.6)</b>	(12.2)
Retained earnings		<b>162.7</b>	144.6
Proposed appropriations		<b>-</b>	54.5
<b>Equity attributable to the owners of the Bank</b>		<b>455.1</b>	543.9
Non-controlling interest		<b>2.5</b>	3.1
<b>Total equity</b>		<b>457.6</b>	547.0
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>3,704.5</b>	3,865.0

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 2020 (Reviewed)

	Notes	<i>All figures in BD millions</i>		<i>All figures in BD millions</i>	
		<i>Three-month ended</i>		<i>Nine-month ended</i>	
		<i>30 September</i>		<i>30 September</i>	
		<b>2020</b>	2019	<b>2020</b>	2019
Interest and similar income		<b>31.9</b>	45.7	<b>106.7</b>	134.6
Interest and similar expense		<b>(12.3)</b>	(19.3)	<b>(46.4)</b>	(50.6)
<b>Net interest and similar income</b>		<b>19.6</b>	26.4	<b>60.3</b>	84.0
Fee and commission income - net		<b>3.5</b>	5.0	<b>13.4</b>	17.5
Other income	8,9	<b>4.7</b>	5.3	<b>15.6</b>	14.9
<b>Total operating income</b>		<b>27.8</b>	36.7	<b>89.3</b>	116.4
Staff costs		<b>(8.5)</b>	(9.4)	<b>(26.8)</b>	(28.1)
Other expenses		<b>(6.4)</b>	(6.9)	<b>(18.8)</b>	(19.1)
<b>Total operating expenses</b>		<b>(14.9)</b>	(16.3)	<b>(45.6)</b>	(47.2)
Total provisions - net	10	<b>(2.5)</b>	(6.1)	<b>(6.8)</b>	(19.6)
<b>Net operating income</b>		<b>10.4</b>	14.3	<b>36.9</b>	49.6
Share of (loss) / profit from associated companies and joint ventures		<b>(0.3)</b>	1.5	<b>2.2</b>	6.4
<b>PROFIT FOR THE PERIOD BEFORE TAX</b>		<b>10.1</b>	15.8	<b>39.1</b>	56.0
Net tax (charge) / write-back		<b>(0.1)</b>	(0.2)	<b>0.3</b>	(0.1)
<b>PROFIT FOR THE PERIOD AFTER TAX</b>		<b>10.0</b>	15.6	<b>39.4</b>	55.9
<b>Attributable to:</b>					
Owners of the Bank		<b>9.9</b>	15.4	<b>39.0</b>	55.5
Non-controlling interest		<b>0.1</b>	0.2	<b>0.4</b>	0.4
		<b>10.0</b>	15.6	<b>39.4</b>	55.9
Basic and diluted earnings per share (BD)	11	<b>0.007</b>	0.012	<b>0.029</b>	0.044

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 INCOME

Nine-month period ended 30 September 2020 (Reviewed)

	<i>All figures in BD millions</i>		<i>All figures in BD millions</i>	
	<i>Three-month ended</i>		<i>Nine-month ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<b>2020</b>	2019	<b>2020</b>	2019
<b>Profit for the period</b>	<b>10.0</b>	15.6	<b>39.4</b>	55.9
<b>Other comprehensive income / (loss):</b>				
<b><i>Items that will not be reclassified subsequently to profit or loss</i></b>				
Fair value through other comprehensive income reserve (equity instruments)	<b>3.4</b>	(0.8)	<b>(2.9)</b>	4.9
<b><i>Items that are or may be reclassified subsequently to profit or loss</i></b>				
<i>Movement in translation reserve:</i>				
Foreign currency translation adjustments	<b>1.0</b>	(0.7)	<b>(1.4)</b>	(0.5)
<i>Movement in hedging reserve:</i>				
Effective portion of changes in fair value	<b>(0.9)</b>	(0.4)	<b>(0.8)</b>	(1.0)
<i>Movement in fair value reserve:</i>				
Net changes in fair value	<b>7.5</b>	4.6	<b>(59.6)</b>	8.0
Net amount transferred to profit or loss	<b>(1.0)</b>	(0.2)	<b>(2.0)</b>	(1.8)
<b>Other comprehensive income / (loss) for the period</b>	<b>10.0</b>	2.5	<b>(66.7)</b>	9.6
<b>Total comprehensive income / (loss) for the period</b>	<b>20.0</b>	18.1	<b>(27.3)</b>	65.5
<b>Attributable to:</b>				
Owners of the Bank	<b>19.9</b>	17.9	<b>(27.7)</b>	65.1
Non-controlling interest	<b>0.1</b>	0.2	<b>0.4</b>	0.4
	<b>20.0</b>	18.1	<b>(27.3)</b>	65.5

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 2020 (Reviewed)

All figures in BD millions

	Attributable to the owners of the Bank											Non-controlling interest	Total equity
	Share capital	Treasury stock	Perpetual tier 1 convertible capital securities	Share premium	Statutory reserve	General reserve	Cumulative changes in fair values	Foreign currency translation adjustments	Retained earnings	Proposed Appropriations	Total		
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 2.4)	-	-	-	-	-	-	-	-	(21.0)	-	(21.0)	-	(21.0)
Dividends paid	-	-	-	-	-	-	-	-	-	(38.5)	(38.5)	(0.1)	(38.6)
Stock dividends	6.5	-	-	-	-	-	-	-	-	(6.5)	-	-	-
Donations	-	-	-	-	-	-	-	-	-	(2.0)	(2.0)	-	(2.0)
Movement in treasury stock	-	0.3	-	-	-	-	-	-	-	-	0.3	-	0.3
Transfer to general reserve	-	-	-	-	-	7.5	-	-	-	(7.5)	-	-	-
Movement in non controlling interest	-	-	-	-	-	-	-	-	-	-	-	(0.9)	(0.9)
<b>Balance at 30 September 2020</b>	<b>136.2</b>	<b>(4.9)</b>	<b>-</b>	<b>105.6</b>	<b>61.6</b>	<b>61.6</b>	<b>(54.1)</b>	<b>(13.6)</b>	<b>162.7</b>	<b>-</b>	<b>455.1</b>	<b>2.5</b>	<b>457.6</b>
Balance at 1 January 2019	108.2	(2.5)	86.1	41.0	54.1	54.1	(25.1)	(11.7)	149.0	44.6	497.8	2.8	500.6
Profit for the period	-	-	-	-	-	-	-	-	55.5	-	55.5	0.4	55.9
Other comprehensive income for the period	-	-	-	-	-	-	11.6	(0.5)	(1.5)	-	9.6	-	9.6
Total comprehensive income for the period	-	-	-	-	-	-	11.6	(0.5)	54.0	-	65.1	0.4	65.5
Distribution on perpetual tier 1 convertible capital securities	-	-	-	-	-	-	-	-	(3.6)	-	(3.6)	-	(3.6)
Conversion of perpetual tier 1 convertible capital securities to ordinary shares	21.5	-	(86.1)	64.6	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	0.4	-	0.4	-	0.4
Dividends paid	-	-	-	-	-	-	-	-	(12.8)	(43.0)	(55.8)	(0.3)	(56.1)
Donations	-	-	-	-	-	-	-	-	-	(1.6)	(1.6)	-	(1.6)
Movement in treasury stock	-	(4.6)	-	-	-	-	-	-	-	-	(4.6)	-	(4.6)
Proposed appropriations (note 7)	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balance at 30 September 2019</b>	<b>129.7</b>	<b>(7.1)</b>	<b>-</b>	<b>105.6</b>	<b>54.1</b>	<b>54.1</b>	<b>(13.5)</b>	<b>(12.2)</b>	<b>187.0</b>	<b>-</b>	<b>497.7</b>	<b>2.9</b>	<b>500.6</b>

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

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Nine-month period ended 30 September 2020 (Reviewed)

	<i>All figures in BD millions</i>	
	<i>Nine-month ended</i>	
	<i>30 September</i>	
Note	<b>2020</b>	2019
<b>OPERATING ACTIVITIES</b>		
Profit for the period before tax	39.1	56.0
Adjustments for non-cash items:		
Total provisions - net	6.8	19.6
Share of profit from associated companies and joint ventures	(2.2)	(6.4)
Depreciation	5.4	4.6
Modification loss net of government assistance	(21.0)	-
Realised gains on sale of investment securities	(2.1)	(1.9)
Accrual on term borrowings	12.9	2.5
Operating profit before changes in operating assets and liabilities	<b>38.9</b>	74.4
<b>(Increase) / decrease in operating assets:</b>		
Mandatory reserve deposits with central banks	37.2	(12.4)
Treasury bills having original maturity of more than ninety days	3.4	(3.1)
Deposits and amounts due from banks and other financial institutions	24.1	9.4
Loans and advances to customers	81.1	39.1
Interest receivable and other assets	(1.5)	2.5
<b>Increase / (decrease) in operating liabilities:</b>		
Deposits and amounts due to banks and other financial institutions	63.0	109.8
Borrowings under repurchase agreement	88.2	-
Customers' current, savings and other deposits	(92.4)	(167.8)
Interest payable and other liabilities	1.6	26.1
Income tax paid	(0.1)	(0.3)
Net cash from operating activities	<b>243.5</b>	77.7
<b>INVESTING ACTIVITIES</b>		
Purchase of investment securities	(429.5)	(338.9)
Sale of investment securities	317.0	271.3
Purchase of premises and equipment	(5.9)	(11.0)
Net movement in investment in associated companies and joint ventures	5.0	4.6
Net cash used in investing activities	<b>(113.4)</b>	(74.0)
<b>FINANCING ACTIVITIES</b>		
Repayment of term borrowing	(144.5)	188.7
Payment of dividend and donations	(41.1)	(57.5)
Movement in treasury stock	0.3	(4.6)
Movement in share based payments	0.1	0.4
Distribution on Perpetual tier 1 Convertible Capital Securities	-	(3.6)
Net cash (used in) / from financing activities	<b>(185.2)</b>	123.4
Foreign currency translation adjustments	(1.4)	(0.5)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(56.5)</b>	126.6
Cash and cash equivalents at beginning of the period	536.9	345.4
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>480.4</b>	472.0
5		
<b>Additional Information:</b>		
Interest received	108.9	133.5
Interest paid	(56.9)	(55.3)

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 2020 (Reviewed)

**1 ACTIVITIES**

Bank of Bahrain and Kuwait B.S.C. ("BBK B.S.C." or "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 under Commercial Registration number 1234 dated 16 March 1971. The Bank operates in the Kingdom of Bahrain under a commercial banking license issued by the Central Bank of Bahrain ("CBB") and its shares are listed at Bahrain Bourse.

The Bank and its subsidiaries (collectively, "the Group") are engaged in commercial banking activities through its branches in the Kingdom of Bahrain, State of Kuwait and Republic of India, and 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.

These interim condensed consolidated financial statements for the nine-month period ended 30 September 2020 were authorised for issue in accordance with a resolution of the Board of Directors on 26 October 2020.

**2 BASIS OF PREPARATION**

**2.1 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 CBB circulars on regulatory concessionary measures in response to COVID-19 issued during the period. These rules and regulations, in particular CBB circular OG/226/2020 dated 21 June 2020, require 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 (IFRS 9). Any other modification gain or loss on financial assets are recognised in accordance with the requirements of IFRS 9. Please refer note 2.4 for further details; 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 recognised in profit or loss. Any other financial assistance is recognised in accordance with the requirements of IAS 20. Please refer note 2.4 for further details.

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' (IAS 34), 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 full set of annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2019. In addition, results for the nine-month period ended 30 September 2020 are not necessarily indicative of the results that may be expected for the financial year ending on 31 December 2020.

The accounting policies used in the preparation of annual audited consolidated financial statements of the Group for the year ended 31 December 2019 were in accordance with IFRS, as issued by IASB. However, except for the above-mentioned modifications to accounting policies that have been applied retrospectively, all other accounting policies remain the same and have been consistently applied in these interim condensed consolidated financial statements (also refer note 2.2). The retrospective application of the change in accounting policies did not result in any change to the financial information reported for the comparative period.

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.

---

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2020 (Reviewed)

**2 BASIS OF PREPARATION (continued)**

**2.2 New standards, interpretations and amendments adopted by the Group**

The accounting policies adopted in the preparation of these 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 2019, except as detailed in notes 2.1. 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 2020, but do not have any impact on the interim condensed consolidated financial statements of the Group.

**2.2.1 Amendments to IFRS 3: Definition of a Business**

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the interim condensed consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

**2.2.2 Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform**

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the interim condensed consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

**2.2.3 Amendments to IAS 1 and IAS 8: Definition of Material**

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the interim condensed consolidated financial statements of, nor is there expected to be any future impact to the Group.

**2.2.4 Conceptual Framework for Financial Reporting issued on 29 March 2018**

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the interim condensed consolidated financial statements of the Group.

**2.3 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. During the period, oil prices have witnessed unprecedented volatility and the reduction in prices is expected to have medium to long term adverse consequences on these economies.

---

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2020 (Reviewed)

**2 BASIS OF PREPARATION (continued)**

**2.3 Impact of COVID-19, including use of estimates and judgments (continued)**

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 current 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. Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations.

**2.3.1 Expected credit losses**

The current events and the prevailing economic condition required the Bank to revise certain inputs and assumptions used for the determination of expected credit losses ("ECL"). The Group has also considered the circulars issued by the CBB and guidance issued by the IASB on 27 March 2020. These involved adjusting the macroeconomic factors used by the Bank in estimation of ECL and revisions to the scenario probabilities currently being used by the Bank in the ECL estimation. As a result of above adjustments, the Bank has recognised additional ECL during the nine-month period ended 30 September 2020.

As with any forecasts, the projections and likelihoods of occurrence are underpinned by judgment and uncertainty and therefore, the actual outcomes may be different to those projected. The impact of such uncertain economic environment is judgmental and the Group will continue to reassess its position and the related impact on a regular basis. Furthermore, the Group also continues to individually assess significant exposures for potential repayment risk as and when more reliable data becomes available and accordingly, determine if any adjustment in the ECL is required in subsequent reporting periods.

**2.3.2 Significant increase in credit risk**

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.

During the period, and based on regulatory directives as concessionary measures to mitigate the impact of the pandemic, the Group has provided payment holidays to financing customers without charging additional interest for its impacted customers by deferring interest for a period of six months. Further, the Group has provided additional four months instalment deferral with interest, while keeping the instalment amount unchanged to impacted customers, in accordance with CBB's guidelines. These payment reliefs are considered as short-term liquidity to address borrower cash flow issues. The relief offered to customers may indicate a SICR. However, the Group believes that the extension of these payment reliefs do not automatically trigger a SICR and a stage migration for the purposes of calculating ECL, as these are being made available to assist borrowers affected by the COVID-19 outbreak to resume regular payments. At this stage, nothing came to the Group's attention that indicates the availability of a material number of borrowers facing short term liquidity constraints and require a change in its lifetime credit risk.

---

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2020 (Reviewed)

**2 BASIS OF PREPARATION (continued)**

**2.4 Accounting for modified financing assets and government grants**

During the period ended, based on a regulatory directive issued by the CBB (refer note 2.1) as concessionary measures to mitigate the impact of COVID-19, and similar directive issued by the Central Bank of Kuwait, the one-off modification losses amounting to BD 24.5 million arising from the 6-month payment holidays provided to financing customers without charging additional interest has been recognized directly in equity. The modification loss has been 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 788.8 million as part of its support to impacted customers.

Further, as per the regulatory directive financial assistance amounting to BD 3.5 million (representing specified reimbursement of a portion of staff costs and waiver of fees, levies and utility charges) received from the government and/or regulators, in response to its COVID-19 support measures, has been recognized directly in equity.

The net debit of BD 21.0 million to the Group's interim consolidated statement of changes in equity includes one-off modification losses of BD 3.5 million and financial assistance from government amounting to BD 0.3 million, as a result of equity accounting of the Group's investment in an associated company.

**3 SEGMENTAL INFORMATION**

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

<b>Retail Banking</b>	Principally handling individual customers' deposits and providing consumer finance type loans, overdrafts, credit facilities and funds transfer facilities, credit cards and foreign exchange.
<b>Corporate Banking</b>	Principally handling loans and other credit facilities, deposit and current accounts for corporate and institutional customers in Bahrain.
<b>International Banking</b>	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.
<b>Investment, Treasury and other activities</b>	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.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2020 (Reviewed)

All figures in BD millions

## 3 SEGMENTAL INFORMATION (continued)

<b><u>30 September 2020</u></b>	<b><i>Retail Banking</i></b>	<b><i>Corporate Banking</i></b>	<b><i>International Banking</i></b>	<b><i>Investment, Treasury and other activities</i></b>	<b><i>Total</i></b>
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 share of profit from associated companies and joint ventures	30.6	18.1	13.4	27.2	89.3
Total provisions - net	-	(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 interest					(0.4)
Profit attributable to the owners of the Bank					39.0
Segment assets	665.1	620.3	818.2	1,477.2	3,580.8
Investment in associated companies and joint ventures	35.8	-	-	31.2	67.0
Common assets					56.7
Total assets					3,704.5
Segment liabilities	1,018.3	646.3	690.4	773.4	3,128.4
Common liabilities					118.5
Total liabilities					3,246.9

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2020 (Reviewed)

All figures in BD millions

## 3 SEGMENTAL INFORMATION (continued)

<u>30 September 2019</u>	<i>Retail Banking</i>	<i>Corporate Banking</i>	<i>International Banking</i>	<i>Treasury and other activities</i>	<i>Total</i>
Interest income	25.4	31.0	31.4	46.8	134.6
Interest expense	(3.7)	(11.7)	(11.3)	(23.9)	(50.6)
Internal fund transfer price	4.9	2.5	(4.3)	(3.1)	-
Net interest income	26.6	21.8	15.8	19.8	84.0
Other operating income	14.3	2.7	3.7	11.7	32.4
Operating income before share of profit from associated companies and joint ventures	40.9	24.5	19.5	31.5	116.4
Total provisions - net	(3.1)	(2.7)	(13.2)	(0.6)	(19.6)
Segment result	16.7	9.9	(4.5)	27.4	49.5
Share of profit from associated companies and joint ventures	4.6	-	-	1.8	6.4
Profit for the period					55.9
Profit attributable to non-controlling interest					(0.4)
Profit attributable to the owners of the Bank					55.5
Segment assets	620.7	642.9	1,041.6	1,324.7	3,629.9
Investment in associated companies and joint ventures	39.4	-	-	24.2	63.6
Common assets					47.4
Total assets					3,740.9
Segment liabilities	875.3	856.9	824.6	594.0	3,150.8
Common liabilities					89.6
Total liabilities					3,240.4

## 4 COMMITMENTS AND CONTINGENT LIABILITIES

	<i>Reviewed 30 September 2020</i>	<i>Audited 31 December 2019</i>
<b>Contingencies</b>		
Letters of credit	25.7	26.1
Guarantees	185.8	222.3
	211.5	248.4
<b>Commitments</b>		
Undrawn loan commitments	152.8	154.5
	364.3	402.9

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2020 (Reviewed)

All figures in BD millions

**4 COMMITMENTS AND CONTINGENT LIABILITIES (continued)**

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

As of 30 September 2020, ECL of BD 0.8 million is held against off-balance sheet and other credit exposures (31 December 2019: BD 3.3 million).

**5 CASH AND CASH EQUIVALENTS**

	<i>Nine-month ended</i>	
	<i>30 September</i>	
	<b>2020</b>	2019
Cash in hand and vaults	<b>20.5</b>	18.7
Current account and placements with central banks, excluding mandatory deposits	<b>154.9</b>	209.9
Deposits and amounts due from banks and other financial institutions having original maturity of ninety days or less	<b>305.0</b>	243.4
	<b>480.4</b>	472.0

**6 LOANS AND ADVANCES TO CUSTOMERS**

<u><i>At 30 September 2020</i></u>	<b>Stage 1: 12-month ECL</b>	<b>Stage 2: Lifetime ECL not credit- impaired</b>	<b>Stage 3: Lifetime ECL credit- impaired</b>	<b>Total</b>
<i>Loans and advances at amortised cost</i>				
Commercial loans and overdrafts	<b>739.5</b>	<b>258.6</b>	<b>92.9</b>	<b>1,091.0</b>
Consumer loans	<b>578.4</b>	<b>12.3</b>	<b>8.3</b>	<b>599.0</b>
	<b>1,317.9</b>	<b>270.9</b>	<b>101.2</b>	<b>1,690.0</b>
Less: allowance for expected credit losses	<b>(5.6)</b>	<b>(24.7)</b>	<b>(76.3)</b>	<b>(106.6)</b>
	<b>1,312.3</b>	<b>246.2</b>	<b>24.9</b>	<b>1,583.4</b>

<u><i>At 31 December 2019</i></u>	<b>Stage 1: 12-month ECL</b>	<b>Stage 2: Lifetime ECL not credit- impaired</b>	<b>Stage 3: Lifetime ECL credit- impaired</b>	<b>Total</b>
<i>Loans and advances at amortised cost</i>				
Commercial loans and overdrafts	848.6	287.5	92.9	1,229.0
Consumer loans	518.5	15.3	11.4	545.2
	1,367.1	302.8	104.3	1,774.2
Less: allowance for expected credit losses	(4.9)	(21.6)	(76.8)	(103.3)
	1,362.2	281.2	27.5	1,670.9

At 30 September 2020, interest in suspense on past due loans that are fully impaired amounts to BD 24.8 million (31 December 2019: BD 19.5 million).

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2020 (Reviewed)

*All figures in BD millions*

### 6 LOANS AND ADVANCES TO CUSTOMERS (continued)

The fair value of the collateral consisting of cash, securities and real estate that the Group holds relating to loans individually determined to be impaired at 30 September 2020 amounts to BD 52.3 million (31 December 2019: BD 54.8 million).

At 30 September 2020, gross loans and advances include Islamic financing facilities provided by the Group to corporates amounting to BD 94.0 million (31 December 2019: BD 93.4 million). These mainly consists of Murabaha and Ijarah financing facilities.

During the nine-month period ended 30 September 2020, loans amounting to BD 5.4 million were written-off (30 September 2019: BD 14.4 million) and there was a recovery of BD 2.6 million (30 September 2019: BD 3.0 million).

### 7 EQUITY

#### *(i) Changes in share capital*

The shareholders approved a stock dividend pertaining to the year 2019 in the Annual General Assembly held on 24 March 2020 thereby, increasing the share capital by BD 6.5 million (2019: Nil).

#### *(ii) Conversion of perpetual tier 1 convertible capital securities*

At the Extra-Ordinary General Meeting held on 20 March 2019, the shareholders approved the conversion of the Bank's perpetual tier 1 convertible capital securities of BD 86.1 million to ordinary shares at a price of 400 fils per share effective 2 May 2019. As a result, the issued shares increased by 215,243,793 shares, the paid up capital increased by BD 21.5 million and share premium increased by BD 64.6 million.

#### *(iii) Interim dividend*

During 2019, the Board of Directors has proposed interim cash dividend of BD 0.010 per share, net of treasury stock. The dividend pay out was subsequently approved and ratified by the CBB and shareholders.

### 8 SEASONAL RESULTS

Other income for the nine-month period ended 30 September 2020 includes BD 2.4 million (30 September 2019: BD 3.1 million) of dividend income, which is of a seasonal nature.

### 9 OTHER INCOME

Other income for the nine-month period ended 30 September 2020 includes gain of BD 2.1 million (30 September 2019: BD 1.9 million) relating to sale of investment securities.

### 10 TOTAL PROVISIONS - NET

	<i>Three-month ended</i>		<i>Nine-month ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<b>2020</b>	2019	<b>2020</b>	2019
Loans and advances to customers	<b>4.0</b>	6.4	<b>9.0</b>	18.9
Investment securities	<b>(0.4)</b>	-	<b>0.3</b>	0.1
Off-balance sheet exposures	<b>(1.1)</b>	(0.4)	<b>(2.5)</b>	0.1
Collateral pending sale	-	0.1	-	0.5
	<b>2.5</b>	6.1	<b>6.8</b>	19.6

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2020 (Reviewed)

All figures in BD millions

### 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 for the nine-month by the weighted average number of shares outstanding during the nine-month period ended and the dilutive effect of the conversion impact of the convertible capital securities are as follows:

	<i>Three-month ended</i>		<i>Nine-month ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<b>2020</b>	2019	<b>2020</b>	2019
Profit for the period attributable to the owners of the Bank for basic and diluted earnings per share computation	<b>9.9</b>	15.4	<b>39.0</b>	55.5
Less: Distribution on perpetual tier 1 convertible securities	-	-	-	(3.6)
	<b>9.9</b>	15.4	<b>39.0</b>	51.9
Weighted average number of shares, net of treasury stock, outstanding during the period	<b>1,349,763,632</b>	1,285,388,806	<b>1,349,763,632</b>	1,189,199,278
Basic and diluted earnings per share (BD)	<b>0.007</b>	0.012	<b>0.029</b>	0.044

### 12 RELATED PARTY TRANSACTIONS

Certain related parties (principally the major shareholders, associates, joint ventures, 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 venture</i>	<i>Directors and key management personnel</i>	<i>Total</i>
<b><u>30 September 2020</u></b>				
Loans and advances to customers	-	<b>21.9</b>	<b>1.8</b>	<b>23.7</b>
Investments in associated companies and joint ventures	-	<b>67.0</b>	-	<b>67.0</b>
Customers' current, savings and other deposits	<b>185.6</b>	<b>1.2</b>	<b>8.5</b>	<b>195.3</b>
<b><u>31 December 2019</u></b>				
Loans and advances to customers	-	21.9	3.0	24.9
Investments in associated companies and joint ventures	-	70.6	-	70.6
Customers' current, savings and other deposits	210.4	5.1	9.1	224.6

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2020 (Reviewed)

*All figures in BD millions*

### 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 venture</i>	<i>Directors and key management personnel</i>	<i>Total</i>
<b><i>Period ended 30 September 2020</i></b>				
Interest and similar income	-	<b>0.8</b>	-	<b>0.8</b>
Interest and similar expense	<b>4.4</b>	-	<b>0.1</b>	<b>4.5</b>
Share of (loss) / profit from associated companies and joint ventures	-	<b>2.2</b>	-	<b>2.2</b>
<b><i>Period ended 30 September 2019</i></b>				
Interest and similar income	-	1.1	-	1.1
Interest and similar expense	4.2	0.1	0.1	4.4
Share of (loss) / profit from associated companies and joint ventures	-	6.4	-	6.4

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

	<i>Nine-month ended</i>	
	<b><i>30 September 2020</i></b>	<b><i>30 September 2019</i></b>
Salaries and other short-term benefits	<b>7.1</b>	8.3
Post-employment benefits	<b>0.3</b>	0.3
Share based compensation	<b>0.1</b>	0.4
	<b>7.5</b>	9.0

### 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 was no material changes in the valuation techniques used for the purpose of measuring fair value of investment securities as compared to the previous year.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2020 (Reviewed)

All figures in BD millions

### 13 FINANCIAL INSTRUMENTS (continued)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy at 30 September 2020 and 31 December 2019:

	Level 1	Level 2	Level 3	Total
<b>30 September 2020</b>				
<b>Financial assets</b>				
Bonds	702.2	-	-	702.2
Equities	37.9	8.3	17.8	64.0
Managed funds	-	0.7	-	0.7
Derivatives held-for-trading	-	2.1	-	2.1
	<b>740.1</b>	<b>11.1</b>	<b>17.8</b>	<b>769.0</b>
<b>Financial liabilities</b>				
Derivatives held-for-trading	-	0.3	-	0.3
Derivatives held as fair value hedges	-	68.2	-	68.2
	<b>-</b>	<b>68.5</b>	<b>-</b>	<b>68.5</b>
	Level 1	Level 2	Level 3	Total
<b>31 December 2019</b>				
<b>Financial assets</b>				
Bonds	660.5	-	-	660.5
Equities	42.1	8.4	17.8	68.3
Managed funds	-	0.7	-	0.7
Derivatives held-for-trading	-	0.7	-	0.7
Derivatives held as fair value hedges	-	0.6	-	0.6
	<b>702.6</b>	<b>10.4</b>	<b>17.8</b>	<b>730.8</b>
<b>Financial liabilities</b>				
Derivatives held-for-trading	-	0.6	-	0.6
Derivatives held as fair value hedges	-	26.4	-	26.4
	<b>-</b>	<b>27.0</b>	<b>-</b>	<b>27.0</b>

#### Transfers between level 1, level 2 and level 3

During the reporting period / year ended 30 September 2020 and 31 December 2019, there were no transfers into and out of Level 3 fair value measurements.

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:

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2020 (Reviewed)

*All figures in BD millions***13 FINANCIAL INSTRUMENTS (continued)**

	30 September 2020			31 December 2019		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
<b>Financial assets</b>						
Investment securities	158.7	157.9	0.8	145.5	146.1	(0.6)
<b>Financial liabilities</b>						
Term borrowings	188.5	193.6	5.1	333.0	339.7	6.7

The above financial liabilities and assets 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**

The Net Stable Funding Ratio ('NSFR') is calculated in accordance with the Liquidity Risk Management Module guidelines, issued by the CBB and is effective from 2019. The minimum NSFR ratio limit as per CBB is 100%. However, as per CBB circulars OG/106/2020 dated 17 March 2020 and OG/296/2020 dated 26 August 2020, the limit has been reduced to 80% until 31 December 2020, to contain the financial repercussions of COVID-19.

The main drivers behind our robust 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 20.1% of our ASF, while the Retail and Small business deposits formed 49.4% of the ASF (after applying the relevant weights).

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

In comparison to year ended December 2019, the NSFR ratio decreased slightly from 128.7% to 127.9% mainly due to reduction in capital which is primarily due to unfavourable market valuations for investments.

30 September 2020 (Reviewed)

All figures in BD millions

**14 NET STABLE FUNDING RATIO (continued)**

The NSFR (as a percentage) as at 30 September 2020 is calculated as follows:

<b>Item</b>	<b>Unweighted Values (i.e. before applying relevant factors)</b>				<b>Total weighted value</b>
	<b>No specified maturity</b>	<b>Less than 6 months</b>	<b>More than 6 months and less than one year</b>	<b>Over one year</b>	
<b>Available Stable Funding (ASF):</b>					
<b>Capital:</b>					
Regulatory Capital	471.8	-	-	27.2	499.0
Other Capital Instruments	-	-	-	-	-
<b>Retail deposits and deposits from small business customers:</b>					
Stable deposits	-	496.8	4.4	0.3	476.5
Less stable deposits	-	705.6	85.0	37.3	748.8
<b>Wholesale funding:</b>					
Operational deposits	-	-	-	-	-
Other wholesale funding	-	1,105.1	297.7	361.2	755.5
<b>Other liabilities:</b>					
NSFR derivative liabilities	-	72.7	-	-	-
All other liabilities not included in the above categories	-	151.9	-	-	-
<b>Total ASF</b>	<b>471.8</b>	<b>2,532.1</b>	<b>387.1</b>	<b>426.0</b>	<b>2,479.8</b>
<b>Required Stable Funding (RSF):</b>					
Total NSFR high-quality liquid assets (HQLA)	-	-	-	-	254.2
<b>Performing financing and loans / securities:</b>					
Performing loans to financial institutions secured by non-level 1 and unsecured performing loans to financial institutions	-	400.6	46.0	33.2	116.3
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	336.6	77.8	933.9	1,001.0
With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	1.9	-	68.3	45.4
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	-	41.0	54.9	198.8	233.9
<b>Other assets:</b>					
NSFR derivative liabilities before deduction of variation margin posted	-	14.6	-	-	14.6
All other assets not included in the above categories	227.0	-	-	-	227.0
OBS items	-	943.3	-	-	47.2
<b>Total RSF</b>	<b>227.0</b>	<b>1,738.0</b>	<b>178.7</b>	<b>1,234.2</b>	<b>1,939.6</b>
<b>NSFR (%) - As at 30 September 2020</b>					<b>127.9%</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2020 (Reviewed)

All figures in BD millions

**14 NET STABLE FUNDING RATIO (continued)**

The NSFR (as a percentage) as at 31 December 2019 is calculated as follows:

Item	<u>Unweighted Values (i.e. before applying relevant factors)</u>				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	540.7	-	-	28.5	569.2
Other Capital Instruments	-	-	-	-	-
Retail deposits and deposits from small business customers:					
Stable deposits	-	415.8	6.5	0.2	401.4
Less stable deposits	-	640.5	96.6	48.4	711.8
Wholesale funding:					
Operational deposits	-	-	-	-	-
Other wholesale funding	-	1,303.5	306.9	360.7	862.2
Other liabilities:					
NSFR derivative liabilities	-	30.4	-	-	-
All other liabilities not included in the above categories	-	137.5	-	-	-
<b>Total ASF</b>	<b>540.7</b>	<b>2,527.7</b>	<b>410.0</b>	<b>437.8</b>	<b>2,544.6</b>
<u>Required Stable Funding (RSF):</u>					
Total NSFR high-quality liquid assets (HQLA)	-	-	-	-	268.2
Performing financing and loans / securities:					
Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing loans to financial institutions					
	-	345.0	61.0	111.4	193.7
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					
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	-	4.9	49.5	203.0	219.2
Other assets:					
NSFR derivative liabilities before deduction of variation margin posted	-	6.2	-	-	6.2
All other assets not included in the above categories	228.9	-	-	-	228.9
OBS items	-	869.4	-	-	43.5
<b>Total RSF</b>	<b>228.9</b>	<b>1,633.6</b>	<b>216.7</b>	<b>1,230.8</b>	<b>1,977.8</b>
NSFR (%) - As at 31 December 2019					<b>128.7%</b>

Bank of Bahrain and Kuwait B.S.C.

SUPPLEMENTARY FINANCIAL INFORMATION

---

At 30 September 2020

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

**Bank of Bahrain and Kuwait B.S.C.**  
**SUPPLEMENTARY FINANCIAL INFORMATION**

At 30 September 2020

**BBK Supplementary Public Disclosure – Financial Impact of COVID-19**

In line with Central Bank of Bahrain (“CBB”) directions per circular no. 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 arise 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. 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 21.0 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.

	<b>Net impact on</b>		
	<b>Group’s Consolidated Profit or Loss Statement</b>	<b>Group’s Consolidated Total Assets</b>	<b>Group’s Consolidated Total Equity</b>
	----- In BD millions -----		
<b>Overall Impact on Condensed Interim Consolidated</b>			
<b>Financial Statements:</b>			
<b>Regulatory and Governments Measures</b>			
Modification loss*	-	-	(24.5)
Modification loss amortisation*	24.5	24.5	-
Government grants*	-	-	3.5
<b>Market Conditions</b>			
Estimated ECL attributable to COVID-19	(3.3)	(3.3)	-
Impact on credit card business	(3.9)	(3.9)	-
Impact on income from associates	(4.2)	(4.2)	-
Impact of cumulative changes in fair values	-	(65.3)	(65.3)

\* As a result of equity accounting of the Group's investment in an associated companies, this includes a one-off modification losses of BD 3.5 million and financial assistance from government amounting to BD 0.3 million.

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

Similar to the assessment carried out during the first half of the year, incremental COVID-19 Impact on ECLs were estimated based on:

(a) Updating new macro environment forecasts available from external sources.

(b) Updating the probability weightings assigned to each macro-economic scenario to 60% to the Base Case, 30% to Downside and 10% to the Upside Case (as against the Group standard / policy weights of 70% to the Base Case 15% to Downside and 15% to the Upside Case).

Based on the above assessment, an estimated amount of BD 3.3 million resulted as an additional ECL attributable to COVID-19 during the nine months ended 30 September 2020.

In general, the Bank's financial performance negatively impacted due to the global and domestic cut in interest rates in addition to the COVID-19 pandemic economic impact. This has resulted in a decrease of 28.2% in net interest income to BD 60.3 million during the nine month period ended in 30 September 2020. Moreover, the Bank's share of profit from associated companies and joint ventures decreased from BD 6.4 million during the nine month period ended in 30 September 2019 to BD 2.2 million for the same period of current year mainly due to the adverse impact of the COVID-19 and the resulting plunge in economic activities on their activities which resulted in increase in provision charges. Fees and commission and other income dropped by 10.5% from BD 32.4 million reported during the nine month period ended in 30 September 2019 to BD 29.0 million for the similar period of current year, 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 39.0 million compared to BD 55.5 million in the same period of last year, registering a drop of 29.7%.

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 period ended 30 September 2020 amounted to BD 27.7 million compared to a total comprehensive income of BD 65.1 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, some of strategic business and investment initiatives have been postponed due to the global situation, waiting the clarity of the business environment.

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 consolidated Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) remain very comfortable at 366.5%\*\* and 127.9% respectively, 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 / customer deposits, continued to be at very solid levels. Prudent liquidity management is of utmost importance for BBK and liquidity is being 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 the end of September 2020, the Bank maintained a healthy level of capital adequacy ratio (CAR) compared to CBB minimum for domestic systematically important banks (D-SIB) of 14%.

\*\* Represents the simple average of daily LCR during Q3 2020.

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.