



BBK 3RD QUARTER, 2025 INVESTORS' CONFERENCE CALL

Audio Transcript

Sumaya (SICO):

Good afternoon, ladies and gentlemen. This is Sumaya Al Jazeeri from SICO bank, and I'd like to welcome you all to BBK Group's third quarter 2025 results conference call. It is my pleasure to host BBK's Group Senior Management today. We have here with us to present Mr. Yaser Alsharifi, Group Chief Executive, Mr. Mohammed Abdulla, Group Chief Financial Officer, Mr. Mohamed Alaali, Chief Strategy and Sustainability Officer and Mr. Ahmed AbdulQudoos, Head of Group Corporate Secretariat, Mr. Mohamed Al Rayes, Head of Treasury and Investment, Mr. Hussain Toorani, Head of Treasury and Ms. Rafa Kaddoura, Head of Corporate Communication. As the conference call commences, you should be able to see the Bank's presentation on screen and receive the earnings release and detailed financials on Bahrain Bourse. The presentation will be followed by a Q&A session and management would be taking all of your questions. You can either ask your questions verbally or type them separately and we will address them. Now, without further delay, I will hand over the call to Mr. Yaser Alsharifi to commence the presentation. Thank you.

Yaser Alsharifi:

Thank you very much, Alsalam Alaykum. Good afternoon everyone and welcome to our third quarter update. As a team, we're delighted to be here with you today and share the developments over the last quarter.

Obviously, the headline news for everyone is the positive progress on the developments with NBB, considering that we're entering now into a new phase which will allow both parties to explore the opportunity in detail and move towards an agreement that will unlock value for all shareholders in this milestone transaction. I'm also delighted to share with you today that we've made significant progress in integrating the HSBC portfolio.

The timeline is now coming to a close with just a matter of weeks remaining in getting this done, and I wanted to take this opportunity to welcome both the HSBC team that are coming on board with us, but also the customers that have been with HSBC for quite some time that we'd like to welcome to the BBK family and hope to extend the same quality of service and interaction in meeting their ambitions as we move forward.

As a bank, we've continued to work hard as a team and considering the challenging economic situation, we've continued to do well. We as a team have worked hard to ensure that our business is set up to be able to meet the challenges of the coming period. With the impending

anticipated reductions in interest rates, we have been able to balance our growth in the local market with our ambitions across the region where we've seen significant opportunities in Saudi Arabia, Kuwait, Egypt and Turkiye. We continue to work closely with our teams here and our partners across to be able to do that. We have also in the last few months have made announcements about supplementing our business to be able to meet the ambitions of BBK Group for the future.

The more significant ones are our partnership with Panmure Liberum, a very specialized, well experienced, long-standing bank out of the UK that bring a lot of depth of expertise in investment banking both on the equity and debt side, which we hope to extend to our customers across the region. We announced during Gateway Gulf our arrangement with Array, a leading platform based out of Bahrain as part of the Mumtalakat family, where we can look to extend our digital capabilities, our data analytics and our development capabilities.

This is very exciting for us considering our continued ambitions to develop the bank towards this new world of AI driven solutions and we believe we have the right partner to be able to help us unlock these ambitions as we move forward. In terms of growth, we as a bank have also chosen to be the partner of choice for digital asset players and crypto platforms that are licensed by the Central Bank of Bahrain.

We have made significant advancements here with some of our key partners, including Gulf Singapore Bank, including Binance and ARP, and we look forward to doing more with them and with the other customers that we have in the portfolio.

So, these are just some of the exciting developments that the bank has experienced in the last several months, and we obviously have more that we're working on that we hope to share with you in our upcoming call.

How has this impacted our results? This has obviously worked to allow us to ensure that we continue to grow and perform in line with our business plan and our budget, in coordination with the strategy that we set up last year. We've made significant strides towards achieving the value levers that we had identified, and it sets us up well for 2026. I'm going to hand over at this point to Ahmed AbdulQudoos to give you a brief update on our corporate governance.

Ahmed AbdulQudoos:

Thank you very much Yaser for this introduction. And like always, we ensure all investors for adherence not only to regulatory requirements, but as well our internal KPIs for corporate governance. And we believe that we have achieved our goals and even surpassed some of the KPIs that we have put forward. In addition, we the Board has approved enhanced performance evaluation process to enhance the performance of the Board. We have developed a new directors development program during the year and we think that we are ahead of the market in some of the KPIs, such as the ratio of Independent Director, which 60%. We have 30% female directors, and we keep maintaining these KPIs and try to improve on them and assure the shareholders and investors of the same. Thank you.

Yaser Alsharifi:

Thank you Ahmed. We're very grateful to our Board of Directors for their support and ensuring the continued success of the bank and their commitment to making themselves available when required in support of management for turnaround and key decision making that has made us more agile and being able to meet the demands of our customers, but also to be able to capitalize on opportunities as they arise in line with our strategy.

I'd like to handover now to my colleague, Mohamed Alaali, who will give you an update on our strategy and sustainability ambitions.

Mohamed Khadem Alaali:

Thank you, Yaser. We're very excited to see that the work that we've done and the strategy that we've implemented for the sustainability over the last year has begun to bear results. We have excitedly received the new ratings from the different agencies on our sustainability with significant upgrades. MSCI rating has improved from BBB to A; Refinitiv score has improved from 48 to 77, a 29 point jump; and our CSR hub rating has improved from 70 to 85.

And during the year, we also been recognized on multiple venues around our sustainability efforts, including the most improved ESG report of 2025 by Mira. And we've received the CX Award for Customer Experience Excellence and Advocacy by the CX Society, and we've been recognized Top Bahraini company in CSR Activities by the Al Bilad newspaper. These results have only come through the improvement in the quality, transparency and comprehensiveness of our reporting, and also the improvement in the actual results of sustainability and customer excellence. We've seen a reduction in our overall energy consumption. We're working today with EWA to

improve our energy efficiency further through substantial changes in our energy equipment.

We've also seen a reduction in scope 1 emission through changes in our fleet to electric cars. Then we've also seen slight improvement in our scope 2 in line with our energy saving. We expect more of this as we implement the recommendations that we've agreed with EWA. We've also improved our sustainable finance portfolio by 40%, to 163 million Bahraini Dinars. With the launch of the sustainability framework – and the SPO who has just approved our framework this month – we expect this portfolio to continue to move up. We're also publishing our social and customer impact and community indicators here in the slide.

As you can see, we're scoring well across the different indicators. In terms of women representation, we've maintained the same senior-level representation, and we maintained about 49% entry-level women representation. If we go to the initiatives we have on the strategic and sustainability initiatives, we have been able to launch our sustainability framework and participate in multiple important summits, such as Innovation Summit on Social Housing, and the Fintech Forward.

We had significant and substantial participation and sponsorships in areas such employee wellbeing, and Inclusive Development Forums. We have launched multiple programs to uplift the skills of our workforce, including Innovation & AI, we had an upskill program with a comprehensive future-ready skills and continuous learning for our employees.

We've have launched multiple upskill program including the women in Leadership program, Sustainability Academy to empower our staff, and we've launched Wellness programs to improve the wellbeing of our employees. In addition to that, we continue to support the society and community through our investments and our sponsorships, including the participation in Youth City, the sponsorship and work with the Supreme Council for Women. Then we've also sponsored 12 EV stations in partnership with BKIC, and we've continued to support other societies such as the Bahrain Football Association, Bahrain Sport Federation, through our support for the youth and our work with the Ministry of Interior and Traffic Directorate to support traffic safety initiatives.

Yaser Alsharifi:

Thank you Mohamed. We'll now turn to Mohammed Abdulla to take you through a summary of the financial performance for the last quarter.

Mohammed Abdulla:

Thank you. For the performance of the third quarter, we have reported 18 million, a growth of 8% quarter over quarter. We maintained interest income for the quarter at a healthy level, slightly lower than the same quarter of last year. The provisioning requirement was substantially lower than the same quarter of last year, mainly due to the prudent management of stressed assets and the recoveries we have made, including the restructuring of certain accounts.

For a better view, looking at September, year-to-date, we have reported BD 57 million as a net profit versus BD 53 million with a growth of 7% year-on-year, mainly driven by higher other income with a growth of 18% at BD 32 million and lower provisioning requirement of 8.3 with a drop of 52% year-to-day compared to last year. The net interest income, lower than the same period of last year, mainly due to the interest rate cut in the market that happened during the last quarter of last year and the latest two cuts happened. This reflection is mainly due to the gap between the assets and liabilities repricing.

Moving to the total balance sheet position. We are closing September at BD 4.6 billion with a loan growth of 12% compared to end of 2024, and the customer deposit has witnessed a growth of 5%. The equity remains slightly above the same level of end of 2024, mainly because of the profit retention during the period. Moving to the main key indicators, return average equity improved to almost 13% from 11.7% last year.

Return average assets we have maintained at 1.8, while the earning per share at 31 fils and cost to income ratio at 46%. Specific coverage ratio at 69% compared to 65% for 2024. The ECL remained at a healthy level of 1.2% with gross NPL dropped from 4.2% to 4.1%. Liquidity ratios all are within comfortable level, capital adequacy at a healthy level of 22.7%, while the NSFR and LCR both are at 135% and 360%, respectively.

Yaser Alsharifi:

Thank you, Mohammed. As you've seen from the numbers, we've had a good performance for quarter three that builds on the numbers that

we set up for Q1 and Q2. The assumptions that we had built into our numbers for the year on the interest rate, obviously, the pacing of that has been different to what we had anticipated. But how we've paced our balance sheet repositioning sets us up well to be able to take advantage of further cuts as they come through. As you've seen, in order for us to maintain the momentum of our results, we've actively and dynamically managed the investment portfolio and balancing between profit-taking and maintaining healthy margins for the future. We look for value opportunities in the markets that we have a depth of experience in, and a better utilization of the liquidity position of the bank. If you see from the ratios, we ended the quarter still with very healthy LCR and NSFR numbers. The slight increase in our cost-to-income ratio is a reflection of our continued investment in our people, in our systems, and preparing for the future growth that we anticipate. At the end of the day, we're very grateful for the external recognitions that we've received and the awards that we've achieved so far.

At the heart of our focus, it continues to be people, and that is our employees, number one, our customers, number two, and our shareholders, number three. These are the groups that we'd like to ensure remain in our focus. With that, I'm going to open up to questions. Thank you all.

Sumaya (SICO):

Thank you Yaser. Thanks to BBK's management for the presentation. We will give you some time to answer your questions, whether it be in the chat box or raise your hand to ask them verbally. We can start with a few questions that are already in the chat box, Yaser.

The first one goes, Growth in BBK's investment portfolio has compensated for the contraction in the loan book portfolio and supported NIMS. Was this a deliberate balance sheet shift?

Yaser Alsharifi:

That was part of our plan from the beginning of the year. It was part of the strategy. We saw that there was opportunity for dynamic management of that portfolio, as I stated earlier, and that is something that you'll see continued into the future. With the interest rate regime, as you all know, it's not something we control, so we'll have to see what the policy positions in the US are that drive our positions here. What we've ensured in protecting the shareholders for the future was to take measures that would allow us to have the flexibility to be able to capitalize on anticipated rate cuts as they come

through. We continue to monitor that on an active basis. Should there be any significant shifts, we'll be able to address that as they come forward.

Sumaya (SICO):

The second question is regarding retail loans, which have increased by 2% quarter on quarter. Do you see demand for retail lending picking up as interest rates have been lower, or has that yet to be translated into higher demand overall in the sector?

Yaser Alsharifi: Obviously, the lower the rates go, the higher the demands are going to be on the retail front. For us, on the retail, we see two opportunities. On the consumer finance, that's an ongoing business that I think all the banks fight for. And increasingly, as we've seen with demand for housing, the opportunity there to be able to provide mortgages.

But for us, we are looking as a team to see how we can develop products that meet the needs of our retail customers at all stages of their lives, but also by zoning in into individual and needs at different times in their life cycle and their financial needs. There are further opportunities that we are working on that you will begin to see results flowing through for next year and the year beyond.

Sumaya (SICO):

You mentioned that there is a competition on consumer finance. Does that mean that you will be, or BBK is one of those banks that will be going for competitive rates to secure market share, or are you holding on to your rates?

Yaser Alsharifi:

Look, in a market like ours, competing on price is always a race to the bottom. And although strategies like that work in the short term, it's not healthy for the long-term sustainability of the market itself or the customer base. And therefore, our focus is on differentiating ourselves and being able to provide quality service at a competitive price to customers, not necessarily at the lowest price.

Sumaya (SICO):

Next question says, there has been a broad growth in assets, loans and investments on the back of deposit growth. However, the net interest income and operating income have been flat to down. Any reason for

the lower income? Has the hedging for interest rate risk impacted performance?

Yaser Alsharifi:

Yeah, it's a combination, part of it is a reflection of the timing issue between booking of the assets and repricing the liabilities. As Mohammed Abdulla our GCFO mentioned, that part of it is also driven by the impact of the rate cuts that have already come through. The third element is, as stated in the guests comments, hedging also had an impact. At the end of the day, what our responsibility is to make sure that we have sustainable long-term results for our shareholders. Sometimes we need to do that short term impact. But we're confident that the numbers from the actions we've taken will start to show at the year end and also sets us up well for growth next year.

Sumaya (SICO):

Following on that, in terms of organic growth over the next three to five years, what would be an ideal growth in the loan asset book? Further, have you seen any credit risks developing in the broader banking system?

Yaser Alsharifi:

I'll take the second question first. I think that the credit risk and the wider risks to the banking system is something that we are on top of on an ongoing basis. I believe as a market, we've gone through a very difficult period in the last couple of years. I would say that from our experience, we haven't seen further deterioration in the market, where the stresses were or where the challenges were have clearly been identified.

And as you saw, we've taken a very prudent approach to provisioning. If you look at the numbers we took in 2024, they were significant compared to our annual run rate, which we've gone back to on a normalized basis. A part of our ability to do that has been a proactive approach to staying close to these customers, helping those that are going through a temporary stress, to be able to help them identify the way out and then supporting them to do so, staying close to the decision makers on the island and the policymakers.

Obviously, we balanced the business and the book by growing regionally. In terms of the first question, our ambitions are to continue to grow, competition is healthy, competition is good, yet we see opportunities for that.

Naturally, with GDP growth here, there is going to be growth opportunity within the deposit space. As you saw with the HSBC acquisition, should other opportunities like that arise, we're going to be looking at it on its merits. If the economics makes sense, then we will compete to win those. We look to see how else we can get market share from our existing competition, whether it's here or across the region where we operate.

Sumaya (SICO):

Another question is regarding competition. One of your competitors has shown strong growth in deposits. Does this mean that there has been a slowdown in market share for other banks, including BBK?

Yaser Alsharifi:

I can't comment on what our competitors are doing. Our growth in deposits is healthy. It's in line with our plans. Obviously, everybody wants cheap deposits, but that's the name of the game. Whoever is able to figure out what the solution is for that period, success goes to them. We believe that we have all the right elements in terms of products, services, network, people to be able to do that. As I stated earlier, for us, it's not about short-term gains, but it's about being able to build those relationships and the stickiness that I think makes the long-term difference in terms of value creation.

Sumaya (SICO):

Customer deposits which have increased by 8% quarter on quarter, that is quite a pickup in CASA deposits. Is this a normalized going forward run rate and increase in deposits? Is it led by the salary transfer scheme? What has changed that drove this increase in deposits?

Yaser Alsharifi:

As a bank, we always target as a priority, CASA relationships. Those are achieved using multiple products and approaches. I would say it's a combination of some of the campaigns that we've run, but it's also staying close to our customer base, understanding what their needs are. We are the lead bank in servicing the corporate market here.

With the solutions that we provide in terms of cash management services, being able to have the payroll flow through us in order to address the needs that these customers. What do customers want at the end of the day? They want speed, they want confidentiality, and

they want competitiveness in terms of your ability to deliver the service at the right level of quality, right? And we, as BBK, are set up really well to be able to do that, and that's what translates it to our numbers.

Sumaya (SICO):

There is a question posted regarding your associate company, BCFC, which hasn't seen any growth in lending. Has risk reduction impacted its ability to grow at a reasonable credit risk?

Yaser Alsharifi:

I think that's a question that needs to be targeted to BCFC. We're here talking about BBK Group. As a group, we have full confidence in the board and the management at BCFC. That is a business that has gone through its own set of challenges and has that. They have a strategy that they're following, and we believe that it's on the right track to be able to generate positive shareholder return and value into the future.

Sumaya (SICO):

There is a question on fee income. What has been driving your fee income growth? Because we haven't seen loans increase significantly on a quarter-on-quarter basis. So, is it fee income generated from lending activity or other lines of business?

Mohammed Abdulla:

It is a combination of growth and loan portfolio, plus the initiative in term of product that we have provided services to our retail customers. And on top that, the card business fee income has improved substantially.

Sumaya (SICO):

Following on that, you've mentioned throughout the presentation the HSBC onboarding. Can we expect the full consolidation by year-end financials? If I may ask, what is the size of the loan book you are onboarding from HSBC?

Yaser Alsharifi:

Our ambition is to have this integrated before the end of the year, so it will be reflected in our year end numbers. We're not at a privilege to disclose the details of that transaction at this stage. I just want to assure the shareholders that all the indicators are in line with our plan

for this acquisition, and they will be value-accretive to the position of the value.

Sumaya (SICO):

Is it going to increase BBK's lending market share as a percentage of the conventional retail significantly? Are we looking at 1-2% points or more than that?

Yasser Alsharifi:

Again, I'm not going to comment on the specifics of the percentages. This portfolio was an important one for us to acquire. It brought a combination of depository relationships plus an asset book that we are very happy to have. More importantly, it expanded our market reach for us to be able to cater to the needs of the expat community in Bahrain, a community that we believe are integral to this country.

They are part of the fabric of the identity of Bahrain and have contributed towards its success. It's a segment that historically were catered to and taken care of by the international and regional banks. As we have achieved a significant market share with the local population, we're very happy about our Bahraini and our resident customer base, who we continue to pay attention to and grow and develop. But we'd like to supplement that by also becoming the bank of choice for the expats. HSBC is the first step towards our ambition to be that going forward.

Sumaya (SICO):

There is a question regarding cost of risk, which goes back to something you've also mentioned throughout the presentation, is that provisioning in 2024 was significantly higher than your norm, and it seems like it's been normalizing now to its lower percentages of cost of risk in line with 2023 levels. Can we say that this is the normalized cost of risk at 30 to 40 pips going forward?

Yaser Alsharifi:

We believe so because We've managed to continue to identify opportunities both here and in the markets that we operate in within the risk parameters that our board have accepted. As a management team, we've been vigilant in our relationships and in booking new assets. As I stated earlier, I believe that the market stress that we had experienced over the last 24 months or 36 months, everybody is aware of. There has been, from the leadership in the country all the

way down to the financial services industry plus the business leaders, a lot of effort to address those issues with the continued foreign direct investment and growth in the key strategic sectors. There are pockets of opportunity. We believe that our portfolio reflects the right mix and the cost of risk today is, I think, at the right level and one that we're comfortable with and we probably see continuing into 2026.

Sumaya (SICO):

Having mentioned earlier on the interest rate environment, BBK's NIMs, obviously, like all other banks, largely, mostly have been pressured. It went from 3.25% in 2024 to 2.8% in the first nine months of 2025. Now, can we say that NIMS have plateaued or bottomed out at this level? Do you see further pressure in the upcoming quarter? Or what's the bank's strategy in maintaining NIMS? Any guidance on that?

Yaser Alsharifi:

Sure. As I stated earlier, we've worked very hard as a management team in modeling different scenarios in terms of movements and the interest rates. I think the consensus view, not just in-house, but globally, has been that we are in a period of continued reduction of rates. The pacing of those, the level at which they're going to be taken over the next 12 to 18 months, as you've seen, aren't as clear as they historically were.

However, we're set up well to be able to navigate that period. As you've seen with the other actions that we've taken as a business with focus on new segments, with focus on fee income, with focus on capitalizing on the investment the bank had historically made in cash management, transaction banking, advisory, and other elements were set up well to be able to supplement the numbers, to be able to continue to show superior shareholder returns for the future.

Sumaya (SICO):

There is a question that has been passed on asset quality. As it stands, BBK's NPL ratio is 4.1% in the third quarter. Can we expect it to go back to 2023 levels at 3% or are you still seeing some stress in the market? Would you point out which sectors you're witnessing that stress coming from?

Yaser Alsharifi:

I'm repeating again, we don't anticipate any additional stresses from what we've seen so far. We've stayed very close to our customers. We continue to watch the market. We continue to model and have a lot of discussions about what to anticipate in the coming period. Our ambition always is to bring that ratio below 4%, whether that's going to be achieved by the end of this year or into next year.

That's something we, as a management team, always, this is a business of risk-reward. We're not going to make the returns if we don't take any risk. With that risk, there always is a cost. We want to keep that to a minimum.

Sumaya (SICO):

We do have a question on the chat. Total comprehensive income increased sharply due to the positive mark to market of investment securities. What is the bank's current strategy regarding its investment securities portfolio and what is the sensitivity of comprehensive income to future market movements?

Mohamed Al Rayes:

I think over the past years, we've seen the impact of the market to market of the investment portfolio on the comprehensive income. For us, the way we see it is that comprehensive income benefits from positive movements. We've seen periods whereby during market volatility and negative market volatility, this has come down. For us as a bank, when we look at the investment portfolio, we look at it as a dynamically managed portfolio.

We look at that as a source of stable net interest income. It is a portfolio whereby it's high quality of issuers, and so we're very comfortable with the holdings. Market volatility is inevitable. It can be positive, it can be negative, and it's part of our ongoing dynamic management of the portfolio. 2025 has been a very positive year for capital markets, be it on the debt side or the equity side, and that's why we're seeing the positive impact here.

But we continue to be very, very confident about the investment portfolio's positioning, the income that it generates on an ongoing basis. We take a very active management approach in terms of maintaining, holding, selling, or keeping the holdings within our portfolio. This is going to continue to be actively managed in the future.

Sumaya (SICO): There was a question on the merger. If you were given a chance to execute the merger with NBB without regards to other players, wouldn't you think you would want the merger to go through? Do you think it would be earnings accretive?

Yaser Alsharifi: I think a guest discloses who they are first, then I'll answer the question. I'm of the conviction that the NBB-BBK merger has a lot of value. These are two institutions that have a lot of strength and are very complementary in their business set up. BBK has licenses in Bahrain, Kuwait, and India. We have the leading cards and processing business with CrediMax, and we've got a very strong market position in terms of our corporate and retail footprint. NBB in turn has the licenses in Saudi Arabia and UAE.

They have a leading Islamic bank with a fantastic franchise and a very loyal customer base with potential for growth. They also have complementary shareholders to ours. I think on a combined basis, there's a lot of merit in this deal that could be value-accretive for the future.

Sumaya (SICO): Regarding the merger, if you allow me, the last disclosure had a more optimistic language, pointing towards a merger happening, if one reads between the lines. Now, the question that arises here, will BBK continue to grow on a standalone basis in terms of growing balance sheet, or would it take a more passive approach, considering the ongoing talks?

Yaser Alsharifi: I think the language and the disclosure was very clear. Both businesses continue to operate as normal. The commitment is there from both sides to ensure a smooth process. The announcement also clarifies that that would entail the start of the due diligence process and the identification of synergies between the two entities. This is a process that requires a lot of reflection and assessment, and both sides are committed to seeing this towards a successful conclusion, yet mindful of ensuring that the rights of the shareholders and the employees are protected as part of the process.

Sumaya (SICO):

I think that wraps up the Q&A session. I will leave the final remarks to the BBK's management. Thank you very much.

Yaser Alsharifi:

Thank you. Thank you all for joining us today. BBK is a fantastic platform. I've had the privilege of running this bank for over a year now. Obviously, what makes my job more effective this year is having a great team around me at all levels within the institution. Their spirit of winning extends beyond our activities inside the bank. You see that in our competition in the Bankers' football league, and anything else we participate in. Our commitment to the community extends to many events.

You'll see our participation in Ayad Al-Bahrain (Celebrate Bahrain), insha'Allah, next month, where we get to celebrate our National Day and the calendar of festivities during that month. We were a proud partner of the inaugural Concourse in Bahrain. We are proud sponsors and partner of Rashid Equestrian, and many other activities. That is testament to our commitment to this community to see Bahrain thrive at all levels, and we fulfill our duty as a responsible citizen. We're committed to creating value for our shareholders. We work diligently to ensure that we take the right steps and that value creation is shown in our results, quarter on quarter, with long term value creation.

We're excited about the opportunity with NBB, where again, I reiterate my excitement to be able to welcome the HSBC Group to us, and we're open to other transactions. So, if anyone's selling, please call us, we're here. Thank you.