BBK 2ND QUARTER, 2026
INVESTORS' CONFERENCE CALL

Audio Transcript

Sumaya (SICO): Good afternoon, ladies and gentlemen. Thank you for joining us on BBK's second quarter of 2026 conference call. SICO is pleased to be hosting this call alongside with BBK's management. Here with me I have Mr. Yaser Alsharifi, Group CEO, Mr. Mohammed Abdulla, Group CFO, Mohamed Alaali, Group Chief Strategy and Transformation Officer, Mohamed Al Rayes, Chief Treasury and Investment Officer, Hussain Toorani, Head of Treasury, Ahmed Abdul Qudoos, Group Chief Corporate Secretariat, and Ms. Abeer Swar. We would just like to point out that we will be opening the floor for Q&A. Do feel free to raise your hand to ask the questions verbally or submit them in the chat. We will be asking the questions accordingly. We would also like to give a fair chance to everybody, so please limit the questions to 2, and should time allow it, we will allow further questions. Without further ado, I hand the floor to Mr. Yaser Alsharifi.

Yaser Alsharifi: Thank you very much and good afternoon everyone. Welcome to our second investor call covering the performance of the bank for the half year and Q2. I'd like to start by thanking the leadership, His Majesty the King, His Royal Highness the Crown Prince and Prime Minister, our brave security forces, and our fearless employees who over the last period, under the exceptional conditions that the leadership have created within the country during unprecedented attacks and unjustified attacks by Iran against the country, that we've been able to continue our operations smoothly being able to deliver a seamless service to our customers throughout this period despite all the challenges. And under these circumstances, we're very pleased with the results that have been achieved for the quarter and for the year. The quarterly results are a reflection of the uncertainty that the institution has faced along with everyone else in the market. All of you are aware of the geopolitical issues that have led to an impact on trade flows, on accessibility, on market conditions and volatility, whether it has impacted the interest rate outlook or the inflation position, liquidity across the region and the globe. The impact not only on our local and regional economies, but the backlash to economies around the world that are dependent on the business and trade, and especially oil and other key commodities that are exported from our part of the world.

As you've seen, our economy, led by the financial services industry, continues to be robust and strong, and we're grateful to the Central Bank for their wise leadership and support during this period by easing and providing multiple tools for the players in this space to be able to navigate the challenges. At BBK, we're quite grateful for that support and equally proud that we did not need to utilize any of the key tools available for that period considering the liquidity position of the bank itself and its robustness. During this period, we were also able to welcome our partners, Panmure Liberum, who came for a brief roadshow despite the geopolitical situation, proving their commitment to the region, identifying key opportunities, developing a healthy pipeline of transactions that we jointly hope to unlock and work together in delivering further value in terms of services to our customers, expanding our offering. This combined by the expansion of our wealth management and private banking services, which is something that we see as a future pillar in terms of growth and aligned with the country's strategy and the financial services sector strategy to be able to develop services that are value-add in addition to what we have been doing within the retail sector and our corporate and treasury activities.

The geopolitical uncertainties have also had an impact on the need to run more conservative ECL models, factoring in different scenarios that has obviously led and impacted the need for additional provisioning, which we as an institution have decided to take in addition to what are— what we would routinely do for any business, as usual, impact. Obviously, we keep monitoring our positions in that space and obviously managed that by balancing our recovery and remedial services, along with any additional provisions required in that space. The overall cover may have come down from what it had been previously, but that is an outcome of the write-off of specific names which have successfully emerged from the restructuring process. But our individual cover levels are at a healthy position, and we maintain the vigilance in terms of staging and moving of names from stage 1 to stage 2, and retain healthy buckets at each stage 1, stage 2, and stage 3 levels.

Obviously, when we set out our 3-year plan, we decided that we didn't want to have to play the interest rate game and took preemptive positions. The impact of that, as you can see, has resulted in healthy NIMs for the period despite interest rates remaining where they are and the possibility of them going up for the period to come, whether it's in September or at the end of the year. The performance of the business has continued to be strong. Our decision to pay an interim dividend is evidence of our liquidity position and our commitment to provide shareholder value. The lower amount is also a reflection of us balancing our commitment to create and develop shareholder value for the long term and to ensure that the financial institution can continue to navigate the coming period of uncertainty until the conflict has come to a clear end and we have visibility post-deferrals on the impact of the period ahead. We're also quite excited to share with you the successful sale of our Invita subsidiary to Silah. That is another, I think, key milestone for Sila. Which we also worked with closely earlier in the year for their successful IPO and their efforts to create a national champion for that business.

And we'll continue to work closely with them to see that to its full conclusion. Other matters obviously, we have made significant efforts with NBB in terms of our ongoing discussions for the merger. We will continue to keep the market abreast of any new key developments, and we hope to see this transaction progress towards its successful conclusion. With that, I'll hand over to Mohamed Alaali, who will update you on our sustainability and ESG efforts.

Mohamed Alaali: Thank you, Yaser. For the Sustainability, we continue to see a steady improvement in our rating across the board. And as you can see now, we rank number 1 on all Bahraini organizations and Bahraini banks on Refinitiv/ LSEG, and Bloomberg respectively. We've gained and won multiple awards for the best banking and acquisition integration for our seamless integration of HSBC customers into our portfolio by the World Business Outlook.

We've also won 3 other awards as mentioned here. If we go to the next page, you'll see that on the key indicators that we care for, we've made significant progress when it comes to energy conservation through water consumption reduction of by 25%. We achieved a 6% reduction in Scope 2 emissions. We have improved our sustainable finance portfolio to 234 million dinars. That's a 16% increase. And then our community investments has also increased to 2.1 million. We see healthy indicators across the board on our sustainability portfolio. I'd like to highlight a few initiatives that we're working on. On the next page, at the core of our sustainability, there are two key elements: the customer experience and employee experience. Both of them are important to our strategy.

On the customer experience, we've launched the BBK Way Principles, which defines the standards by which we'd love to serve our customers across different business lines and different business channels. We have committed to building these principles across different touchpoints in the customer journey. We recently rolled out seamless integration between CrediMax and BBK call centers to ensure that our customers face a better experience when transiting between the two.

On the employee engagement side, we've launched multiple initiatives to improve our employee experience, from creating an open atmosphere for our employees to express and engage with our HR department, but also build a better culture within the bank to make it more inclusive and welcoming for new ideas and innovations. I'd like to highlight 3 initiatives we're working on, on the environment impact. One is we're the first in Bahrain to participate in, and sign actually with EWA's Kafa'a program to improve energy conservation. We've launched a decarbonization plan which I'll highlight in the coming slides. And we've launched our personal loan automation end-to-end. Reducing the time to get a personal loan from 5 days to 1.3 days. And we have also launched the auto loan, fully automated processes, reducing waiting times but also drastically reducing paper consumption.

We're in the process of automating our mortgage loan processes. So on the sustainable finance, you're seeing steady growth in our sustainable portfolio. If you compare our portfolio to 2024, we're up by 50%. Our fixed income portfolio has also reached 66.8 million, including 13.6 million in green bonds and 53 million in sustainable finance framework aligned investments. We've recently added an 11 million dinar contract in renewable energy financing in BBK Turkey. We've improved our social housing portfolio by 50% to 25 million Bahraini Dinars. We'll continue expanding our sustainability-linked loans offerings and transition finance solutions.

On the last page highlights the result of our decarbonization plan. We've done a full research understanding where our decarbonization plan. We have full clarity on Scope 1, 2, and 3 emissions today, and we have a full roadmap on achieving our goals of achieving 30% emission reduction by 2035. And the plan has two key parts: one, operational decarbonization, which includes both, as I discussed, the Kafa'a program. We have a plan to turn all our branches into solar panel powered branches. And the second is the portfolio decarbonization. We're working with our business teams to build a roadmap across the board to increase our sustainable finance portfolio. That concludes it for the sustainability.

Yaser Alsharifi: Mohammed Abdallah will highlight the key figures and then I'll add some additional narrative around that.

Mohammed Abdulla: Looking at the second quarter performance with a net profit of BD 16.4 million, all core business lines have shown solid growth. Net interest income showed a 5% growth compared to the second quarter of last year, while the net fee income also has shown a growth of 10%, investment and other income around 29%, with the result being impacted by lower share from our associates and higher operating expenses being investment in our human capital and strategic initiatives, and of course our prudent and conservative policy in terms of provisioning where the net provisions, taxes and NCI has increased from BD 2.8 million to BD 4.0 million. Hence, the performance of second quarter compared to the same period of last year is lower by around BD 1 million. Moving to year-to-date performance, the net profit reported as BD 42.5 million, a growth of 10% year-on-year.

Again, all the business lines have shown solid growth. Net interest income by 8% growth year-on-year, while net fee income around 12%, and investment and other income around 66% compared to the same period of last year. Share of associates, as we said earlier, lower than last year by BD 600 thousand, while the operating expense has shown some increment, mainly because of the investment in our human capital and strategic initiatives. While maintaining the cost-to-income ratio at a very healthy level.

Provisioning was higher by around BD 2 million, mainly on Stage 1 and 2 ECL provisioning. Moving to the third page of financial position, total assets stands at BD 4.9 billion, while net loans and advances has increased to BD 2.4 billion, a slight increase over December 2025, total investment has grown by 6% to stand at BD 1.3 billion, while customer deposit stands at BD 2.9 billion, a growth of 1% since December 2025. Equity attributable to shareholders slightly lower than December '25, mainly on account of investment mark-to-market valuation and the payout of the dividend that was declared in March 2026.

Looking at the main key indicators, return on average equity stands at a very healthy level at 13.9%, while return on average asset as well at a very solid and healthy level at 1.8%. The earnings per share at 24 fils while maintaining a very healthy cost-to-income ratio at 45.4%, lower than 2025, which was 45.8%. Specific coverage ratio dropped from 67% to 55%, mainly on account of writing off of certain non-performing accounts that were fully provided. ECL (stage 1 and 2) has improved to 1.1%, and the gross NPL ratio stands at the same level of end of 2025 at 2.9%. The capital adequacy is at a healthy level of 18.9%, while the NSFR and LCR are at a very healthy level above the minimum requirement of Central Bank.

Yaser Alsharifi: If you can just stay on the slide with the ratios, I'd like to add some narrative as we take stock for the half year. So as a financial institution, As a management team, we are responsible for delivering quality results to our shareholders. And I think our return on equity speaks for itself. We've continued to improve that. And we target an improvement in the earnings per share at the end of the year. The cost-to-income ratio is also a reflection of how we manage the business as we deploy our funds towards developing the business that is sustainable and growing into the future. And we firmly believe in the importance of continuing to invest in our people, hence the increase in staff costs. And we believe it's well deserved and will generate further returns for us as a bank. And our costs also include specific expenses related to the transactions that we've undertaken in the past period, which should not repeat going forward. In terms of the provisioning, the increase that we've taken is again a result of the more aggressive ECL requirements as an impact of the recent conflict. And if you normalize for that, then obviously we would have significantly outperformed quarter to quarter last year's results.

All of this whilst maintaining healthy liquidity positions in our NSFR and LCR. And obviously our CAR is at the level that we had targeted to have it at. It's slightly lower than where we'd like, but that again is a reflection of the volatility in the investment portfolio, which is not unique to BBK, but in any of the institutions that carry the similar type of investments. Ultimately, as a business, we need to balance between our NIMs, which continue to grow at a healthy pace. Obviously, you've seen that the balance sheet size has remained similar to where we started at the beginning of the year. That is by design. We have a very healthy pipeline of assets that we expect to book between now and the end of the year with the right level of margin and the right level of risk that is aligned with our strategy and the plan that we've agreed with the board. We continue to pace those with the right level of funding that we believe reflects how and what margins we want. In terms of fee income, we're very excited that we've continued to grow that bucket despite not firing on all cylinders in that space.

We've continued to see healthy growth in our investment and treasury book. We've seen a healthy growth in our FX income. We've seen growth in the retail fee income, and we are yet to see the full value realization from our CIB activities which we have recently launched and our GTB. Our business continues to grow and we would like to share with you that we are very also proud of our refresh of the Hayrat campaign with new prizes, with a new fresh look and a new approach to be able to continue to reward our loyal customers who participate in that product. And separate to this, we continue to invest in the underlying infrastructure of the business, whether it's the upgrades to our retail app and continued improvement there to stay apace and ahead of the competition, or the recently announced eKey initiative for our banking customers where we continue to look and improve our user experience and interactivity there. The income from associates obviously has suffered for the period. That is natural under the circumstances that we've seen and reflective of some of the public companies that have already shared their results as well.

Our final comment I'll make is that, the decision of what we paid as an interim dividend is not a reflection of what we plan to pay for the full year. At the end of the day, we have a responsibility to deliver the results that should support a healthy dividend policy going forward, and we will work closely with the board to decide what happens at the end of the year.

Sumaya (SICO): Thank you everyone. Thank you, Mr. Yaser. We open the floor to questions. We'll give you a couple of minutes feel free to raise your hand or type in your question. And we will start with the first from Fatma Alshakar. Question 1: There was no tax expense in the second quarter of 2026, against another in the first quarter. What drove that and what should we expect for the second half of 2026?

And the second question is regarding the loans and advances. The change went from 1.7 million in Q1 2026 to 5.5 million in Q2. Is that a single name, broad-based, and which sector? And can you give us the second half cost of risk guidance?

Mohammed Abdulla: For the first question, the tax, this is a seasonal tax that is related to our overseas branches in India. This is why we didn't have any tax implications in the second quarter, but it is cyclical that it will come and there is a timing difference between the quarters.

Yaser Alsharifi: So, in terms of loan impairments, as we've discussed, the ECL scenarios required more aggressive provisioning and as a reflection of the uncertainty that everyone is facing. Part of that impact was muted in Q1 because of significant recoveries that we'd had in that period. What you see for the full year now, or the half year now, and Q2 in particular, reflects the calculation of that. That's an amount that we believe that once the dust settles and there's clarity in terms of the conflict, should be reversed over time. And it's not something we need permanently.

Sumaya (SICO): Thank you, Bu Zaid. The second question comes from Sayed Qassim. Good afternoon. Why have you cut interim dividends and what is the expectation for the year in terms of dividend payout ratio?

Yaser Alsharifi: Obviously, the decision of the dividend payment is not a management decision, it's a board decision. We as a management team delivered the results that we promised for the half year. Obviously, we present the board with all the facts and also scenarios in terms of the outlook for the rest of the year and the coming period under obviously exceptional circumstances.

And the board of directors believed that it was prudent to continue to pay an amount to show the shareholders the commitment and the practice that started several years back and balance the amount that is paid with obviously retaining some buffers should this period of uncertainty continue. Our plan and objective as a management team is to deliver the results that we've promised the board.

Obviously, we need to be realistic in terms of any negative outcomes from the conflict, which so far has been limited and muted for the first half. But our intention is to continue what we've done in the past in terms of payout and dividend pays. So what we paid for the half-year or interim results should not be taken as a reflection of what we will do at the end of the year.

Sumaya (SICO): That's very clear Bu Zaid, thank you. The following question comes from Mazen Algharib, asking about the growth plan of the bank locally and, you know, regionally and internationally. How are you intending to keep up and maintain shareholder value and potential growth? Are we looking at— given the local market is not scalable— are we looking at growth locally, and what are your plans for regional and international growth?

Yaser Alsharifi: Obviously as Bahraini decent bank, our commitment always starts with the local market, and we believe that the first half year continues to be a reflection of our commitment to the local market. We've continued to disperse and work with all the key players in terms of any transactions, whether it's the SME and mid-market, which we are an active and lead player, or the large GREs and corporates. Everyone now knows about the Alba transaction. We were an active participant in that transaction. We're a committed participant in whatever decisions they take for the next phase of that transaction, whether locally or as an extension to the subsidiary.

Our pipeline that I mentioned for the rest of the year and into 2027 is quite healthy. I mean, it exceeds half a billion BD of potential transactions that we've identified. Most of the credit for those have been reviewed or are in their final stages. And we will continue to pace those. A healthy proportion of that relates to the local market. And the rest is a complement of assets in the markets that we continue to specialize in, whether it's where we're physically present, like Kuwait, and to a limited extent India, but more importantly Saudi Arabia, Egypt, and Turkey that continue to give us healthy margins for an acceptable level of risk for select names that have had a very solid track record with us.

Sumaya (SICO): Perfect, Bu Zaid. May I just follow up on that half a billion in the pipeline? Is that largely, I imagine, corporate related? And is that GRE related?

Yaser Alsharifi: So it's a combination. A portion relates to the corporate book and specific GRE-related transactions. There are others that are part of our continued organic growth in the mid-market and SME. Obviously there, as you see, there is a bit of a lull because of the logistical situation and trade impact. But there are certain key developments that we continue to see that are core to the development of the economy that we're committed to, and that's supplemented by our growth in the mortgage book for the retail bank as well as consumer loans.

Sumaya (SICO): I have a number of questions that have been forwarded, so I'll begin with one that concerns the securities write-back. In the second quarter impairments charge, there was $1.8 million write-back on investment securities. So can you just elaborate on that? What was reversed and is that complete?

Yaser Alsharifi: I'm very happy to speak about that. In actual fact, I think that demonstrates the robust risk management within the bank. So obviously we run a large portfolio of investments following very specific guidelines in terms of a balance between investment-grade geographies, industries. And like any active portfolio, every once in a while there is a transaction or an asset that goes wrong. And I'm very happy to report that the team actively managed that exposure. We obviously in Q1 took the prudent approach of taking the relevant provisions against that, and as we've managed to liquidate that position at the levels that we're comfortable with, we have been able to recoup the charge that we had against it, and we plan to have the rest of that off the books before the end of the year.

Sumaya (SICO): Perfect. We have the following question from Walaa Al Shehab. What's the status on Invita transaction, and when would it be reflected in your results?

Yaser Alsharifi: Thank you for that question. As we announced to the market, the SLA has been signed. The transaction is now in the phase of completing the conditions precedent for it to conclude. There is just some administrative matters relating to the transfer of specific assets within Invita that are not relevant to the transaction. Which we hope to conclude in the next coming weeks, and we hope to see that in Q3 results.

Sumaya (SICO): The following question is related to investment and other income. BD 3.6 million of the BD 5.4 million in the second quarter seem to be recycled from your OCI, other income reconciliation. So can you just shed more color on this, and in terms of what was sitting in your income statement and what should we expect going forward, what is this related to?

Mohamed Al Rayes: So on the investment portfolio, this is an actively managed portfolio, and at any given point in time, we look at the valuations, the MTM of each portfolio, and what future income it can provide to us. And this is an ongoing exercise. We've done it in the past, in previous years. We've done it in Q1 and it continues to be done in Q2. Whenever valuations perform at a better rate than the annuity income that we expect to receive, then we recycle and we go into other investments that provide us with healthier margins and better returns. So, this is a normal ongoing exercise that we do.

Sumaya (SICO): Perfect. The following question is regarding the net interest income. There are two questions actually on this matter. The first is net interest income grew 5% year-on-year in the second quarter, but NIMs seem to have compressed in Q2 2026 by 22 bps. How much of the growth is acquired HSBC portfolio versus organic? And where does the margin go from here?

Yaser Alsharifi: So the HSBC portfolio in terms of the assets was quite small relative to the deposit base, and as we reported last quarter, that portfolio continues to provide healthy returns and proves that it was a sound decision that we took as a team, ticking all the key strategic points that we'd agreed with the board. In terms of the, the NIMs, they continue to be healthy and growing. Obviously, to be able to get that to expand, you need to manage both sides.

So obviously, on the asset side, we've been diligently reviewing older vintages of assets that we had booked that are no longer providing the, the margins that make sense. So to the extent possible, we've had transactions in other jurisdictions we've been able to successfully exit and redeploy that money. And we continue to look at each transaction on its own merits that meets our RAROC requirements and whether there's a strategic decision to take something at a tighter margin because we'd like to expand and create fee income with that name. On the funding side, obviously it continues to be a challenging environment. Not because we have an issue with liquidity, but because where the interest rates are, where the sovereign is paying for their debt, sets a certain expectation from the deeper pockets of liquidity.

So this is why we've decided to pace the asset deployment to match the funding that makes sense. Obviously, at BBK, we have a very diversified book of deposits, starting obviously with customer deposits and our CASA portfolio that we continue to grow, our Al Heyrat product, our savings accounts, plus fixed deposits. That's complemented by our wholesale funding, whether it's through repos or interbank or our EMTN program and bilats that we have, which all are at healthy levels. We continue, despite the recent challenges to, you know, during these periods of uncertainty, clearly some of these areas come under pressure, especially when you're dealing with external counterparties who look at Bahrain and sovereign as a wrong-way risk. That is something that we're all aware of as not only BBK but as an industry and we are speaking regularly with the regulator and the Ministry of Finance to address those concerns in the future. I think the fact that Bahrain continues to be an integral part of the GCC and continuing to benefit from our regional support should alleviate any concerns there. And we will work to continue to improve that part.

The NIMs we knew would come under pressure regardless of the conflict, and this is why a lot of emphasis was placed on building our fee income side of the business to complement that as we don't control where interest rates go, right? And we have an administration today in the US that has an unconventional way of managing the economy and the space. That we continue to work closely with. We continue to run scenarios and ensure that we're ready for whatever the next phase is.

Sumaya (SICO): Having mentioned the repo funding, there was a question on the rise in repo funding, which rose to $274 million in the second quarter of 2026. So is that regarding the CBB relief program? What's the plan with the 6-month the window closes in October. Can you shed more light on that?

Yaser Alsharifi: Sure. So we did not, we did not utilize the CBB additional window that was provided for that period. And it was very specific and very thoughtful of them. We at BBK had a very healthy position going into the conflict and therefore did not need to utilize those lines. The fact that we ramped up by utilizing the other available lines to us from our counterparts and our partners locally and regionally and globally was just so that we have the buffers should the conflict get to a level that had not been understood. You know, there was a lot of uncertainty.

You know, when we had the last investor call, we were only a few weeks into this conflict. And at that stage, we didn't even know if banks can remain open, if people can go to work, if people are going to lose their jobs. And this is why I started today's session by thanking the leadership, because if you compare what we have gone through as a country in the last few months relative to other areas that have the misfortune of going through a conflict, our lives have been going on I would say almost as normally as you could expect.

And I think where we are in terms of our business and our numbers is a reflection of that. So the repo ramp-up at that point was from our normal channels, not from the CBB. Those we continue to evaluate. Our prioritization at that point was to have additional liquidity buffers, even if they would impact profitability, because as an institution, we need to be agile to be able to make decisions that is in not only the short-term interest of the results, but to ensure that this is an institution that continues to deliver consistent results into the future to the shareholders.

Sumaya (SICO): There was a question, I think, having touched upon the repos and bearing some costs. It says interest expense grew by 3.4%

year-on-year in the second quarter. How much of that shift is towards repo funding? Is that related?

Yaser Alsharifi: I mean, look, a portion of that relates to repo funding. A portion of that relates to the increase in customer expectations for fixed deposits. A portion of that relates to just the wider environment. But I think if you just have the misfortune of being the first institution to report our results. I think once you start seeing the other banks, you're probably going to see a similar trend. But I think despite that, you all see that we've managed the NIMs, right? I think that's the key.

Look, at the end of the day, you have all these levers. What is our responsibility? Our responsibility is to be prudent, make sure we're well covered in terms of liquidity, we're well covered in terms of provisioning, we continue to support the local economy and its growth ambitions. We continue to serve our customers at the best, best levels. And if you look at why I stopped on the ratios page, each of our key ratios indicates that we've done the right thing, and our, and our objective is to continue that trend. Obviously, nobody knows what may happen next with the current conflict, but we're confident that we're prepared. So let's see.

Sumaya (SICO): Thank you, Bu Zaid. There is a question on which you have discussed earlier, but perhaps just a recap on it. It was asking about the acquired HSBC deposit base. Did it come with a lower cost of funds, and has that persisted, or has pricing had to be matched?

Yaser Alsharifi: So obviously that portfolio was a combination of CASA and fixed deposits, right? So the key objective was to transition those relationships over smoothly and integrate them and ensure that they had the minimum service level that they were used to and improve on that. And we track that portfolio separately to our business to ensure that we don't lose sight of how that investment is played out. We're very pleased to report that that portfolio has remained and grown from that point. The attrition that happened at the transfer point was attrition that we had anticipated and we had built into the acquisition price. So the price had adjusted to reflect that.

There has been some movement from the CASA to fixed deposits and to Al-Hayrat, but nothing more than you would anticipate from normal behavior of of such a retail portfolio. So the hike in the cost there is not because there was a shift within that portfolio. It's just the general behavior of any retail customer today, obviously in the current environment where the rates are high.

Sumaya (SICO): If we shift the discussion, there were questions on operating expense. Which have increased on a quarter-on-quarter basis. Can you shed more light on what has driven that increase? And what is the expected cost-to-income ratio that BBK's management sets for itself?

Yaser Alsharifi: I mean, we pride ourselves on a healthy cost-to-income ratio. And I say healthy, not lowest. Because I don't believe lowest is necessarily right if you believe in value. So our cost-to-income ratio, where it is today, is below what we budgeted as a team, and it's a reflection of the GCFO playing an active role in ensuring that when we do deploy money, it's deployed towards generating money. It's a reflection of us rewarding and recognizing the efforts of our employees. It was an adjustment for staff to ensure that we have the right compensation strategy to be able to retain the best talent that we want that have created these exceptional results over the last 2 years, but also to be able to attract the right level of talent to complement what we have going forward. In addition to the staff-related costs, obviously we've continued to make investments in our infrastructure, AI. We've grown in terms of specific teams, so refurbishing and ensuring that they have the right office space, they work in the right environment. It's the investments and upgrades in the retail digital app, it's the upgrades and improvements in our in our corporate app, Bankey, but also our continued investment in protecting our customers, whether it's compliance systems, AML systems, fraud systems.

There is a significant investment that we're very happy to make because we want our customers to know that we will always ensure that what they have with us is safeguarded. The final bucket relates to specific transaction costs whether it's related to our merger with NBB or some tail-end costs related to the HSBC acquisition or some specific consulting work that we did looking at other acquisition targets for the year.

Sumaya (SICO): So does this mean with those special costs related to certain transactions, would that be just in second quarter or could we expect in the third quarter and fourth, that also to turn it down?

Yaser Alsharifi: So, our target is for the year end that we maintain a similar healthy cost-to-income ratio. And that's the trajectory we're working towards. That balances out what we're deploying in terms of CAPEX that within 2027 onwards would reflect into the OPEX side. On the human capital side, we already know what investments we made in adjustments. So that's very clear. And in terms of any additional expenses, we will continue to pace those based on how things play out over the coming months. We hope that the conflict will come to a peaceful end soon, and if that does, then obviously we will ramp up again.

Ms. Sumaya Al Jazeeri: There were questions, 4 questions on asset quality. If time permits we will address all of them. The first is related to the 13.5 million written off, and if you could just share with us what was written off and which sectors it's related to and why now?

GCEO: I mean, it's a very specific write-off related to a public case, which is Awal Gulf restructuring, which successfully went through the court process and worked with the creditors. As part of that restructuring plan, not only us, the institutions that were part of the lending group all had decided to take a haircut to allow this important entity to continue and maintain employment for Bahrainis and re-emerge as a main export-oriented industry. So the bulk of it relates to that transaction.

Sumaya (SICO): In terms of Stage 3 coverage, there was a question on that particular percentage declining from 66.7% to 54.8%. Where do you expect it to settle? Or should we expect further provisioning to improve it?

Yaser Alsharifi: Look, as a management team, we're very vigilant when it comes to provisioning. So this decline is specifically linked to the write-off, right? And as you see in terms of our Stage 1, Stage 2, and Stage 3, we will continue to maintain the same level of vigilance and moving any names from Stage 1 to Stage 2 without exception as necessary. If you look at our current exposures, if you look at the buckets of where our credit sits, our retail book continues to remain healthy. It's a reflection of the continued employment and the macroeconomic situation in Bahrain. It's different to the region because the dynamic and the employee base and the industries impacted are different. And so that continues to remain as is. If you look at the corporate book and then you look at the specific buckets, the large corporates and, and GREs have had their own set of challenges. But as we saw with Alba's results, they continue to perform quite strongly and are fundamentally sound and strategically important for the economy and for the country to thrive. And we continue to work closely with them. If you then look at the mid-market, the players in the mid-market we are very close to, and those that have had problems pre-date this conflict and pre-date the economic challenges that are behind the scenes and predate COVID, right?

And we already know who those are. We're very close to them. Those that warrant provisioning have already been provisioned for. And any additional ones, God forbid, required, we will continue to work closely with. I think it's very important to match that with an active remedial and restructuring team, which we have, to be able to do that. And the exposure to the SME sector; SME comes with its own set of challenges, but we are committed to that sector. We believe in the importance of investing in that sector, but its overall implications to our total balance sheet exposure is nominal. It won't make or break the bank.

Sumaya (SICO): There is a question on the capital impact of the 18.9 million outstanding SME Fund commitment, what's the capital impact, and what is the percentage of SME credit to the SME sector out of your total loan book?

Yaser Alsharifi: Okay, so in terms of the fund, we're committed, we're the first to commit, we believe in it, we believe in its mandate, we work closely with them to continue to deploy. They've also widened the mandate to be able to support to support some of the micro businesses. We're looking at that in terms of the criteria and development. So that will run its own course. Its capital implication for us is nominal. I mean, for our commitment in that. In terms of our overall exposure to the SME sector, I can't recall the specific percentage, but I believe we're one of the largest in the country in terms of our support to that segment. And with the revised SME thresholds that the government has recently reset, we actually probably are, I would say, one of the top 3. I won't say we're the biggest. I would comfortably say we're probably one of the top 3. And it's a sector we continue to invest in. We believe it requires a different approach to our normal corporate credit. We want us to be able to onboard them more easily. We want to be able to have tailored products for them that give them visibility.

We want to enhance their access to trade-related solutions, FX solutions, and their ability to grow. But also continuing to look from a technology point of view, how we can bring in digital other players in AI to support their other needs, whether it's payroll linked or other solutions for them to be able to run their business effectively.

Sumaya (SICO): The last two questions. How much of your loan book is currently under the 3-month deferral, and what does the last cohort come off? The second one is How much of your quarter-on-quarter loan growth reflects deferred exposures and not amortizing versus new lending?

Yaser Alsharifi: It wasn't that significant, to be honest.. That will go back to normal because nobody's lost their job, no one's had a pay cut. I mean, we understand the strategic decision to provide that because it was important for people to feel that needed that, to have that additional security, and also to support the bounce back in terms of economic activity, in terms specifically for retail, leisure-related, trade-related activities. In terms of the corporate book, again, the opt-in wasn't that significant. So I'm happy to send a note after the call, but off the top of my head, I don't recall. But we don't anticipate we have to be realistic. We have to see what happens post this period, right? Which is now imminent. It's a, a matter of weeks. The level of comfort we derive is the fact that in our portfolio, we're very close to the names. And in terms of sectoral allocation, where the impact would've hit worst, fortunately we're least exposed.

So, let's take one example. If you look at the hospitality sector, we have limited or no exposure to 3, 4-star hotels. We have a limited number of exposures to 5-star hotels that have very solid sponsors behind them, or promoters, that can weather these, these economic challenges. If you look at the real estate sector, we have very limited exposure, none, , for instance, which obviously bore the brunt of the conflict and reduction in rentals, sales, etc.

And I think as a country, our overall real estate portfolio was already at a level that was, I would say, attractive from an investment point of view. It's declined by a bit. But unlike other regional markets that have had seen significant hits. And the hits come mainly to more speculative assets that we don't really work with. And in terms of the contracting sector, we believe in that. We believe that's an important sector that needs to be supported. They need to have funding. They need to have banks that work with them. And we're very happy that we've got the best ones working with us and we continue to support and work with them because they build projects that make sense and are important for the infrastructure of the country.

Those that have had their challenges, I think, already have had their challenges regardless of this. And if there were ones in our portfolio that had a problem, we've already provisioned for them. This is why we don't anticipate really that much more. Now, obviously, other institutions may have different exposures, different timelines and how they manage. And there may be repercussions from how those institutions deal with those customers and what then would happen on the wider economy. And this again goes back to our decision for the dividend because we believed that it would be irresponsible to just pay the normal interim dividend at this point where there is all this uncertainty.

Sumaya (SICO): I think it would be fitting to close off with some remarks on the NBB merger. What are the follow-up matters from here on and closing remarks? I leave it to you.

Yaser Alsharifi: Our view has been consistent. Our commitment to this transaction is unwavering. We truly believe in the value of the combination of these two institutions. We've done all the work necessary to get it to a decision point. We believe that that decision on next steps is imminent, should be coming within days or weeks. And I think once that announcement is made, then the next phase will kick in, which would be the detailed integration plans, assessments, and the rest of it. This merger creates a lot of shareholder value. It makes a lot of sense in terms of the combination of two robust, strong institutions in a market that combined can play a very active regional role with a footprint of Bahrain, Saudi Arabia, UAE, Kuwait, and India and a rep office in Turkey with a leading Islamic banking franchise under NBB with CrediMax, GPS under BBK, and play its role not only in future economic development and support of the government, the entrepreneurs, and the private sector and retail, but also regional ambitions.

Sumaya (SICO): Thank you, Bu Zaid. Thanks to everyone who has joined us in this conference call. Looking forward to seeing you all in the third quarter conference call.

Yaser Alsharifi: Looking forward to the discussion then. Thank you all.