

The outbreak of the coronavirus disease ("COVID-19") earlier in 2020 has had multiple implications on the Group, from stressed market conditions to relief measures provided by the regulator and government.

The Central Bank of Bahrain ("CBB"), along with the Government of Bahrain, have provided numerous reliefs to Bahraini individuals, companies and banks. In March 2020, the CBB announced a six-month loan deferral to all qualifying Bahraini individuals and companies. Subsequently, the CBB instructed banks to take the present value of the shortfall in interest income (termed the "modification loss" under IFRS) arising from this deferral directly to equity, net of any government grants received. The Group had received grants in the form of salary subsidy, electricity and water bill reductions and repo facilities at preferential rates. The Bank immediately redirected the cash grants to COVID-19 related charitable causes within the Kingdom of Bahrain and took no profit benefit from the grants.

To partially counteract the impact of the delayed loan settlements, the CBB provided banks with additional reliefs by reducing the minimum LCR and NSFR requirements from 100% to 80%, and by reducing the regulatory reserve requirements. NBB Group continued to meet the original minimum liquidity ratio requirements.

The table below summarises the impact of the various measures and market conditions on the Group as at 30 June 2020 and is inclusive of a provision charge of BHD 4.6 million in excess of the base provisioning model as a precaution toward future currently unidentified expected risks that the Group may face:

	Net profit	Total equity (excluding net profit)	Total assets
<b>Estimated balances excluding COVID-19 impact</b>	<b>41.8</b>	<b>497.5</b>	<b>4,487.7</b>
<b>CBB and Government measures</b>			
Loan deferral modification loss	(0.2)	(28.4)	(11.7)
Preferential rate repo	(0.3)	0.3	-
Other government grants	-	4.2	-
	<b>(0.5)</b>	<b>(23.9)</b>	<b>(11.7)</b>
<b>Market conditions</b>			
Additional provision charges against future uncertainty and specific charges relating to COVID-19	(5.9)	-	(5.9)
Lower credit card income due to deferrals	(0.5)	-	-
Lower dividend income as payouts reduced	(0.6)	-	-
Additional cost of funding due to scarcity of USD	(0.9)	-	-
Reduction in market interest rates	(2.2)	-	-
Negative mark-to-market of FVOCI debt securities	-	(18.0)	(18.0)
Lower income from associate due to equity valuations	(1.8)	-	(1.8)
	<b>(11.9)</b>	<b>(18.0)</b>	<b>(25.7)</b>
<b>Closing balances as per the financial statements</b>	<b>29.4</b>	<b>455.6</b>	<b>4,450.3</b>



**Russell Bennett**  
**Chief Financial Officer**

Date 29<sup>th</sup> July 2020