

The outbreak of the coronavirus disease ("COVID-19") in early 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, 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 during 2020 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. The CBB subsequently announced four additional loan deferral programmes effective September 2020 for a period of four months, January 2021 for a period of six months, July 2021 for a period of six months, and January 2022 for a period of six months. The latter four programmes permitted banks to charge interest, and as such, did not result in any additional modification losses to the Group.

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 31 December 2021 and is inclusive of a BD 6.3 million provision in excess of the base ECL model as a precaution toward future currently unidentified risks that the Group may face:

	Net profit	Total equity	Total assets
Closing balances as per the financial statements	55.0	535.3	4,535.6
CBB and Government measures			
Loan deferral modification loss	-	27.9	-
Preferential rate repo	-	(0.6)	-
Other government grants	-	(4.0)	-
	-	23.3	-
Market conditions			
Additional precautionary provisions following adjustments to base ECL model	2.6	6.3	6.3
Lower dividend income as payouts reduced	1.5	1.5	-
Negative investment properties revaluation	1.5	1.5	-
Additional cost of funding due to scarcity of USD	0.4	0.4	-
Reduction in market interest rates	8.8	8.8	-
Lower credit card income	0.4	0.4	-
	15.2	18.9	6.3
Estimated balances excluding COVID-19 impact	70.2	577.5	4,541.9



Russell Bennett (Feb 22, 2022 12:45 GMT+3)

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