

Bank ABC announces Q3 and Nine Months 2021 results with a Year-to-Date net profit of US\$80 million attributable to the shareholders of the parent

Manama, Bahrain: Bank ABC (Arab Banking Corporation B.S.C.) - Bahrain Bourse Trading Code "ABC" - today announces its results for the first nine months of 2021.

The Group delivered improved profitability during the nine months of 2021 benefitting from strong performance across its core markets.

On August 11th, the Group achieved a key milestone by successfully completing the acquisition of BLOM Bank Egypt S.A.E ("BBE"), with its results being fully consolidated within Bank ABC Group for the first time during Q3 2021. BBE is a leading bank in Egypt with national presence through 41 branches, assets of US\$3.1 billion, deposits of US\$ 2.7 billion and 1,000 employees as of 30 Sep 2021. BBE's strength in customer outreach is expected to further expand Bank ABC Egypt's international business model. The legal merger of the two banks, expected around the end of Q1 2022 (subject to regulatory approval), will significantly deepen our presence in Egypt to build a powerhouse in this market of fundamental importance to our MENA aspirations.

Key performance highlights:

- Net profit attributable to the shareholders of the parent of \$80 million with cost of risk retracting towards pre-pandemic levels. In comparison, the Group's results for nine month period in 2020 was a net loss of US\$56 million, adversely impacted by a regional fraud event.
- Total Operating Income significantly increased on a headline basis by 46% and on an underlying basis* grew by 15% compared to 9 months in previous year, despite lower interest rates and challenged economic conditions, also partially benefiting from consolidation of BBE. Client and transaction revenues have performed well, with most of our units posting total operating income levels of above 90% of their targets.
- Operating expenses on an underlying basis* were higher by 12% with businesses returning to normal level of activity together with integration of BBE and the Group's continuing investments into digital transformation.
- Balance sheet remains strong with capital and liquidity ratios well above the regulatory requirements: The Group's T1 ratio is at 15.2%, comprising predominantly 14.9% CET1 LCR 319% and NSFR 124%.
- The group's asset quality remained strong with sound credit underwriting standards as evidenced also by client-level stress-testing reviews.
- Our strategic transformation on various fronts continues, accelerated by the crisis in many ways. Payment and digital consumer banking capabilities gain steady traction. ila Bank's

client experience, customer base and deposits have been growing strongly as it continues an innovative product rollout, with Apple Pay capability being its most notable recent addition. Arab Financial Services (AFS) is steadily growing into its next phase of transformation.

Bank ABC's Group Chairman, Mr. Saddek Omar El Kaber commented, "We are extremely pleased with our performance for the nine months of 2021. The Group successfully and steadily resumed its path to normal profitability whilst the execution of the strategy has accelerated demonstrating the depth of the Group's resilience. We look forward to concluding the year on a strong note having successfully navigated through the challenges of the pandemic over the last 18 months and having completed the acquisition and consolidation of BBE."

A more detailed summary of the Financial Results is explained below:

Q3 2021 Business Performance

- Consolidated net profit attributable to the shareholders of the parent, for the three months of Q3 2021 was US\$25 million, 127% higher compared to a net profit of US\$11 million reported for the same period last year.
- Earnings per share for the period was US\$0.01 compared to minimal in the same period in the previous year
- Total comprehensive loss attributable to the shareholders of the parent was US\$29 million, compared to an income of US\$38 million reported for the same period last year mainly due to higher unrealised loss on exchange translation in foreign subsidiaries.
- On a headline basis, Total Operating Income was US\$219 million, 16% higher compared to US\$188 million reported for the same period last year (last year's comparatives being significantly affected by the adverse impact of COVID pandemic). On an underlying basis*, Total Operating Income was at US\$233 million for the period, a 21% increase on the US\$192 million reported for the same period last year, also benefiting from consolidation of BBE.
- Net interest income was US\$159 million, 22% higher against US\$130 million reported for the same period last year, after absorbing the impact of declining interest rates compared to the same period last year supported by growing volumes in certain markets.
- Operating expenses were at US\$147 million, 30% higher than US\$113 million for the same period last year, from a combination of consolidation of BBE as well as the Group returning to a more normal level of activity (underlying basis* 28%). Whilst last year benefited from aggressive cost containment measures, the Group continues to enforce appropriate cost discipline without compromising on investment into the Group's digital transformation and strategic initiatives.
- On an underlying basis*, the Group achieved a Net Operating Profit of US\$88 million for the quarter, 11% higher compared to US\$79 million in Q3 2020. Headline Net Operating Profit was US\$72 million, compared to US\$75 million reported for the same period last year (current year impacted by currency fluctuations).

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- Impairment charges (ECL) or credit loss expenses for the quarter were US\$29 million compared to US\$60 million reported for the same period last year, with stabilising economic outlook from the lows last year, and without the major impact of regional fraud events that created abnormally elevated ECL charges during 2020.
- Tax charge for the quarter was US\$11 million, compared to the US\$2 million for the same period last year. The variance is commensurate with the improved performance during Q3 2021. On an underlying basis*, tax charge for the period was at US\$29 million compared to US\$6 million for the same period last year

Nine months 2021 Financial results

- Consolidated net profit attributable to the shareholders of the parent, for the nine months of 2021 was US\$80 million, compared to a net loss of US\$56 million reported for the same period last year.
- Earnings per share for the period was at US\$0.03, compared to US\$-0.02 in the previous year.
- Total comprehensive income attributable to the shareholders of the parent was US\$92 million compared to total comprehensive loss of US\$358 million reported last year, reflecting the net profit and relatively stable markets during the nine months of 2021 compared to last year.
- On a headline basis, total operating income was US\$626 million, 46% higher compared to US\$428 million reported for the same period in 2020 (last year's comparatives being affected by significant currency fluctuations and hedging in Banco ABC Brasil*). On an underlying basis*, total operating income was at US\$646 million for the period, a growth of 15% over US\$561 million for the same period last year, reflecting strong recovery across most of our markets and business lines and to some extent consolidation of BBE recently.
- Net interest income was US\$419 million, 10% higher against US\$382 million reported for the same period last year, after absorbing the impact of declining interest rates and FX depreciation. On an underlying basis*, net interest income was 11% higher year on year.
- Operating expenses were at US\$400 million, 11% higher than US\$360 million for the same period last year. Cost trajectory returning to normal levels with unrelenting focus on cost discipline and continuing investments into the Group's digital transformation and strategic initiatives.
- On an underlying basis* the Group achieved a net operating profit of US\$243 million, 21% higher than the US\$201 million reported last year. Headline net operating profit was US\$ 226 million, compared to US\$68 million reported for the same period in 2020
- Impairment charges (ECL) or credit loss expenses for the period were US\$78 million, 67% lower than the US\$234 million reported for the same period last year. Impairment charge for the year returning to pre-pandemic levels with stabilising economic outlook leading to normalised IFRS 9 ECL charges, and without the impact of a major client fraud which affected many banks in the region and comprised \$118 million of the 2020 Q3 ECL charge.
- The ratio of impaired loans to gross loans was at 5.4%, similar to 2020 year-end levels. The ratio normalises to 4.5%, when long-standing legacy fully provided loans are adjusted for.

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- Notwithstanding these challenging conditions, the Group's overall asset portfolio quality remains solid and our underwriting standards are sound.

Balance Sheet

- Equity attributable to the shareholders of the parent at the end of the period was US\$3,860 million, 2.5% higher than the US\$3,767 million reported at the 2020 year-end.
- Total assets stood at US\$34.4 billion at the end of the period, 13% higher compared to US\$30.4 billion at the 2020 year-end mainly from inclusion of US\$3.1 billion of assets of BBE. On an underlying basis*, total assets grew by 12.4%, also benefiting from consolidation of BBE.
- Loans and advances stood at US\$16.4 billion, 4.9% higher than the US\$15.7 billion reported at 2020 year-end after including US\$0.8 billion of loans and advances of BBE.
- Deposits were at US\$24.8 billion including US\$2.7 billion of BBE, compared to the levels of US\$21.3 billion at 2020 year-end. Despite the prevailing conditions, our deposit experience remained steady underscoring the confidence of our clients. Our efforts to diversify and improve the quality of our deposit base continue.
- Liquidity ratios are strong with LCR and NSFR at 319% and 124% respectively and liquid assets to deposits ratio healthy at 56%, 5% better than 2020 year-end.
- Capital ratios are strong: Tier 1 is at 15.2% comprising predominantly CET1 at 14.9%, and total Capital Adequacy Ratio (CAR) at 16.2%.

Bank ABC is a leading player in the region's banking industry and provides innovative wholesale financial products and services that include corporate banking, trade finance, project and structured finance, syndications, treasury products and Islamic banking. It also provides retail banking services through its network of retail banks in Jordan, Egypt, Tunisia and Algeria and through its digital, mobile-only ila Bank in Bahrain.

The full set of the financial statements and the press release are available on the Bahrain Bourse and Bank ABC websites.

**'Underlying' basis referred above calculated after adjusting for normalisation of tax treatment of currency hedges in Banco ABC Brasil which have an offsetting effect between Income and tax, FX depreciation and other one-off exceptional items. Further details are explained in the Investor Presentation available on Bank ABC's website*

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