

Bank ABC announces 2021 results

The Group reports a net profit of US\$100 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 Year ended 31 December 2021.

The Group delivered solid results during 2021, benefitting from a pick-up in activities across its core markets and much lower impairment charges. The current year performance of a headline net profit attributable to the shareholders of the parent of US\$ 100 million marks a robust turnaround from the previous year, which was impacted by abnormally elevated ECL charges related to regional fraud cases, leading to a net loss of US\$ 89 million.

Achieving another strategic milestone on August 11th, the Group successfully completed the acquisition of BLOM Bank Egypt S.A.E ("BBE"). BBE is a leading bank in Egypt, with a national presence through 41 branches, and its merger with our existing Bank ABC franchise will drive a new strategy to build a banking powerhouse in this market of fundamental importance to MENA.

The digital transformation programme of the Bank made significant progress during 2021 with many notable achievements, including the launch of fully digital onboarding for corporates. Bank ABC's world-class digital mobile-only bank, *ila* was able to establish itself as a leading innovator and digital disruptor in its home market of Bahrain, exceeding its annual growth targets. The Group's fintech payments provider, AFS, installed a new management team and refreshed its strategy to strengthen its market value proposition, creating renewed emphasis on growth in its core processing and merchant acquiring business lines, with the latter set to launch in Egypt shortly. The Bank also collaborated with various stakeholders to facilitate seamless cross-border payments using our API interface together with JP Morgan's blockchain platform technology, overseen by the Central Bank of Bahrain. The pilot was tested using USD, and this technology will allow us to expand our existing offering and introduce more currencies in future. The Group also won several awards including 'Best Innovation Lab', 'Best Consumer Digital Bank' and 'Best Digital Banking App' for *ila*, at the Global Finance Innovators Awards; 'Best Bank in Trade Finance Bahrain' at the GTR Leaders in Trade Awards and Global Finance's World's Best Treasury & Cash Management Banks 2022 Award for "Best Overall Bank for Cash Management" in Bahrain and Tunisia.

Key performance highlights:

- Net profit attributable to the shareholders of the parent of US\$100 million with cost of risk retracing towards pre-pandemic levels. In comparison, the Group's result for 2020 was a net loss of US\$89 million, mainly arising as the result of abnormally elevated ECL charges incurred due to major regional fraud events.
- Total Operating Income significantly increased on a headline basis by 32% and on an underlying basis* grew by 17% compared to 2020, despite lower interest rates and challenged economic conditions, also partially benefiting from consolidation of BBE.
- Operating expenses on a headline basis was higher by 17% and an underlying basis* were higher by 18% with integration of BBE together with related acquisition expenses and with our businesses returning to normal level of activity. The Group also continued to invest into digital transformation to build its 'bank of the future'.
- Balance sheet remains strong with capital and liquidity ratios well above the regulatory requirements: the Group's T1 ratio is at 15.9%, comprising predominantly 15.5% CET1 LCR 228% and NSFR 128%.
- On this occasion, the Board of Directors recommend, for approval at the Annual General Meeting, a cash dividend distribution of 1% (US\$0.01 per share, net of treasury shares), amounting to approximately US\$31 million and translating to 31% of the net profit for the year, attributable to the shareholders of the parent.

Bank ABC's Group Chairman, Mr. Saddek Omar El Kaber commented, "We are pleased with our performance during 2021. The Group successfully transitioned from a challenging 2020, to delivering higher levels of profitability, with the continued focus on execution of its growth strategy, which also included the acquisition and consolidation of BBE. Despite continued headwinds in the global economy related to the various Covid-19 variants, inflation and supply-chain bottlenecks we remain optimistic on the future growth as business sentiment improves in the region and beyond."

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

Q4 2021 Business Performance

- Consolidated net profit attributable to the shareholders of the parent, for the three months of Q4 2021 was US\$20 million, US\$53 million higher compared to a net loss of US\$33 million reported for the same period last year.
- Earnings per share for the period was US\$0.01 compared to US\$-0.01 in the same period in the previous year.
- Total comprehensive income attributable to the shareholders of the parent was US\$13 million, compared to US\$91 million reported for the same period last year.
- On a headline basis, Total Operating Income was US\$228 million, 5% higher compared to US\$218 million reported for the same period last year (last year's comparatives being affected

by the adverse impact of COVID pandemic). On an underlying basis*, Total Operating Income was at US\$234 million for the period, a 24% increase on the US\$188 million reported for the same period last year, also benefiting from consolidation of BBE.

- Net interest income was US\$173 million, 29% higher against US\$134 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\$169 million, 34% higher than US\$126 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* 35%). The Group continues to enforce appropriate cost discipline without compromising on investment into the Group's digital transformation and strategic initiatives.
- Headline Net Operating Profit before credit loss expense and taxation was US\$59 million, 36% lower compared to US\$92 million reported for the same period last year. On an underlying basis*, the Group achieved a Net Operating Profit of US\$64 million for the quarter, 3% higher compared to US\$62 million in Q4 2020. (current year impacted by proportionately higher expenses due to continued investment in our business model and as business operations returns to normalcy during 2021).
- Impairment charges (ECL) or credit loss expenses for the quarter were US\$28 million compared to US\$95 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\$4 million, compared to the US\$28 million for the same period last year. On an underlying basis*, tax charge for the period was at US\$9 million compared to a tax credit of US\$2 million for the same period last year.

FY 2021 Financial results

- Consolidated net profit attributable to the shareholders of the parent, for the year 2021 was US\$100 million, compared to a net loss of US\$89 million reported for the same period last year.
- Earnings per share for the period was at US\$0.03, compared to US\$-0.03 in the previous year.
- Total comprehensive income attributable to the shareholders of the parent was US\$105 million compared to total comprehensive loss of US\$267 million reported last year, reflecting the net profit and relatively stable markets during 2021 compared to last year.
- On a headline basis, total operating income was US\$854 million, 32% higher compared to US\$646 million reported for the same period in 2020 (last year's comparatives being affected by significantly higher hedging in Banco ABC Brasil*). On an underlying basis*, total operating income was at US\$879 million for the period, a growth of 17% over US\$749 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.

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- Net interest income was US\$592 million, 15% higher against US\$516 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 16% higher year on year.
- Operating expenses were at US\$569 million, 17% higher than US\$486 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 a headline basis, the Group achieved a net operating profit before credit loss expense and taxation of \$285 million, 78% higher than the US\$ 160 million reported in the previous year. On an underlying basis* the Group achieved a net operating profit before credit loss expense and taxation of US\$306 million, 16% higher than the US\$263 million reported last year.
- Impairment charges (ECL) or credit loss expenses for the period were US\$106 million, 68% lower than the US\$329 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 \$183 million of the abnormally high 2020 ECL charge.
- The ratio of impaired loans to gross loans was at 3.4%, 1.8% lower than 2020 year-end levels and 0.9% lower, after normalising 2020 for long-standing legacy fully provided loans.
- 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\$3,872 million, 2.8% higher than the US\$3,767 million reported at the 2020 year-end.
- Total assets stood at US\$34.9 billion at the end of the period, 14.8% higher compared to US\$30.4 billion at the 2020 year-end mainly from inclusion of US\$3 billion of assets of BBE. On an underlying basis*, total assets grew by 14.2%, also benefiting from consolidation of BBE.
- Loans and advances stood at US\$16.8 billion, 7.1% 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\$25.8 billion including US\$2.6 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 228% and 128% respectively and liquid assets to deposits ratio healthy at 52.5%.
- Capital ratios are strong: Tier 1 is at 15.9% comprising predominantly CET1 at 15.5% and total Capital Adequacy Ratio (CAR) at 16.9%.

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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.

**'On an 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*

- Ends -

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Bank ABC (Arab Banking Corporation B.S.C.) is licensed as
a conventional wholesale bank by the Central Bank of Bahrain

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مرخص كبنك جملة تقليدي من قبل مصرف البحرين المركزي