

Bank ABC announces 1H 2021 results with a net profit of US\$55 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 half of 2021.

The Group continues to recover well from the impact of 2020, improving our profitability in the first half of 2021. We are carefully navigating ongoing constrained post-pandemic operating conditions across our markets, supporting our clients, staff and communities while progressing our growth and digital transformation plans. Notably, the Group's acquisition of BLOM Bank Egypt S.A.E, signed in January, reached final completion stage in August, and going forward will be a fully consolidated subsidiary within the Bank ABC Group.

Key performance highlights:

- Net profit attributable to the shareholders of the parent of \$55 million with cost of risk returning to pre-pandemic levels, reflecting an improved economic outlook, after the Bank absorbed the impact of regional fraud events experienced in 2020.
- Total Operating Income significantly increased on a headline basis, and on an underlying basis* grew by 12% compared to the previous year, despite lower interest rates and challenged economic conditions.
- Operating expenses on an underlying basis* were higher by 4% as the Group returns to normal level of activity, although continuing to employ greater discipline and cost control while continuing investment into our strategic priorities for transforming the Bank.
- Balance sheet remains strong with capital and liquidity ratios well above the regulatory requirements: Group CET 1 Ratio is 16.1%, LCR 241% and NSFR 122%.
- Overall asset portfolio quality remains solid with sound credit underwriting standards evidenced by client-level stress-testing reviews.
- Our strategic transformation on various fronts continues with relentless focus. Payment and digital retail banking capabilities gain steady traction. Bank's customer base and deposits have been growing from strength-to-strength as it continues to launch innovative products and features to enhance customers' banking experience. Arab Financial Services (AFS) is building momentum into its next phase of its transformation steered by a new management team.

Bank ABC's Group Chairman, Mr. Saddek Omar El Kaber commented, "We are pleased with the robust results of the Group. Several of our businesses have performed exceedingly well under the current conditions, reaffirming the strong underlying fundamentals of the Group's diversified franchise. Although the transition from the pandemic continues to be challenging, Bank ABC

continues to operate strongly, with undistracted focus on transforming the Bank through strategic initiatives, including the completion of the Blom Bank Egypt acquisition.”

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

Q2 2021 Business Performance

- Consolidated net profit attributable to the shareholders of the parent, for the second quarter of 2021 was US\$25 million, compared to a net loss of US\$5 million reported for the same period last year.
- Earnings per share for the period was US\$0.01, compared to nil for the same period last year.
- Total comprehensive income attributable to the shareholders of the parent was US\$137 million, broadly at the same level compared to US\$138 million reported for the same period last year.
- On a headline basis, Total Operating Income was US\$225 million, 63% higher compared to US\$138 million reported for the same period last year (last year’s comparatives being significantly affected by currency fluctuations and hedging in Banco ABC Brasil*). On an underlying basis*, Total Operating Income was at US\$208 million for the period, a 23% increase on the US\$169 million reported for the same period last year.
- Net interest income was US\$138 million, 20% higher against US\$115 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\$128 million, 12% higher than US\$114 million for the same period last year, as the Group returns to a more normal level of activity (underlying basis* 13%). 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\$79 million for the quarter, 44% higher compared to US\$55 million in Q2 2020. Headline Net Operating Profit was US\$ 97 million, compared to US\$ 24 million reported for the same period last year (last year impacted by currency fluctuations explained above).
- Impairment charges (ECL) or credit loss expenses for the quarter were US\$29 million compared to US\$54 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 such as NMC, that created abnormally elevated ECL charges during 2020.
- Tax charge for the quarter was US\$35 million, compared to the recovery of US\$26 million for the same period last year. The variance largely arising from the tax treatment of currency hedges in Banco ABC Brasil, which have an offsetting impact on Total Operating Income. On an underlying basis*, tax charge for the period was at US\$13 million compared to US\$5 million for the same period last year.

1H 2021 Financial results

- Consolidated net profit attributable to the shareholders of the parent, for the half-year ended 30 June 2021 was US\$55 million, compared to a net loss of US\$67 million reported for the same period last year.
- Earnings per share for the period was at US\$0.02, compared to US\$-0.02 in the previous year.
- Total comprehensive income attributable to the shareholders of the parent was US\$121 million compared to total comprehensive loss of US\$396 million reported last year, reflecting the net profit and relatively stable markets during 1H 2021 compared to last year.
- On a headline basis, total operating income was US\$407 million, 70% higher compared to US\$240 million reported for the same period in 2020 (last year's comparatives being significantly affected by currency fluctuations and hedging in Banco ABC Brasil*). On an underlying basis*, total operating income was at US\$413 million for the period, a growth of 12% over US\$369 million for the same period last year, reflecting strong recovery across most of our markets and business lines.
- Net interest income was US\$260 million, 3% higher against US\$252 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 6% higher year on year.
- Operating expenses were at US\$253 million, 2% higher than US\$247 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\$155 million, 27% higher than the US\$122 million reported last year. Headline Net Operating Profit was US\$154 million, compared to a loss of US\$7 million reported for the same period in 2020 (last year impacted by currency fluctuations explained above)
- Impairment charges (ECL) or credit loss expenses for the period were US\$49 million, 72% lower than the US\$174 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 ~\$90m of the 2020 H1 ECL charge.
- The ratio of impaired loans to gross loans was at 5.2%, similar to 2020 year-end levels. The ratio normalises to 4.4%, when long-standing legacy fully provided loans are adjusted for.
- 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\$3,890 million, 3% higher than the US\$3,767 million reported at the 2020 year-end.

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- Total assets stood at US\$30.9 billion at the end of the period, 1.7% higher compared to US\$30.4 billion at the 2020 year-end. On an underlying basis*, total assets grew by 1%.
- Loans and Advances stood at US\$15.9 billion, 1.8% higher than the US\$15.7 billion reported at 2020 year-end, reflecting credit conditions and continuing prudent use of the Group's balance sheet capacity.
- Deposits were at US\$22.2 billion, 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 241% and 122% respectively and liquid assets to deposits ratio healthy at 52% similar to 2020 year-end.
- Capital ratios are strong: CET1 at 16.1%, Tier 1 at 16.4% and total Capital Adequacy Ratio (CAR) at 17.3%.

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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