

## Bank ABC Announces 2018 Results Net Profit of US\$202 Million, +5% 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 2018:

### **Business Performance (FY 2018):**

- Consolidated net profit, attributable to the shareholders of the parent, for the year 2018 was US\$202 million, 5% higher compared to US\$193 million reported for the previous year. The improvement reflects stronger operating performance, which absorbed continuing investment into the Group's strategy, against a context of mixed external conditions.
- Profit before Taxation was US\$264 million, 15% lower compared to US\$311 million in 2017, but normalises to a positive 1% growth, after adjusting for effects of foreign currency hedging transactions in Banco ABC Brasil ("BAB") (which have an offsetting tax charge impact), and other one-off non-core items.
- On a headline basis, total operating income was US\$817 million against US\$869 million reported for last year but normalises also to US\$866 vs US\$868 million respectively, after adjustments as mentioned above, and also being somewhat reduced by FX depreciation of the Brazilian Real ("BRL") against USD in particular.
- Earnings per share for the year was US\$0.07 compared to US\$0.06 from the previous year.
- Operating expenses were at US\$474 million, US\$12 million or 2.6% higher than last year, mainly due to continuing investment costs into new geographies and strategic initiatives to reshape the Bank, such as digitisation and Wholesale Bank transformation, offset by cost rationalisation and the effect of FX depreciation.
- Impairment charges for the year were US\$79 million compared with the US\$96 million reported during last year and are largely in line with our expectations for cost of credit, assisted in particular by improvement in operating conditions in Brazil. Impairment charges for the year are computed on IFRS 9 basis covering the entire portfolio.
- Ratio of impaired loans to gross loans increased by 0.5% to 4.0% compared to 2017 year-end levels of 3.5%, reflecting the mixed external conditions, but normalises to 3.1%, when long-standing legacy fully provided loans are adjusted for. Provisions coverage against the aggregate impaired exposures remained comfortable at 100.7%.
- Tax charge is US\$16 million, compared to the charge of US\$58 million for 2017 (the variance largely arising from the tax treatment of currency hedges in BAB noted above). Effective tax charge remains at comparable levels, after adjusting for the currency impact noted above.
- Total comprehensive income attributable to the shareholders of the parent was US\$57 million compared to US\$198 million reported 2017, primarily due to FX depreciation of BRL impacting the Foreign exchange translation adjustments in equity.

**Business Performance (three-month period Oct – Dec 18):**

- Consolidated net profit, attributable to the shareholders of the parent, for last quarter was US\$43 million, 2% more compared to US\$42 million in the last quarter of YE17.
- Profit before Taxation for the quarter was US\$86 million, an increase of 34% compared to US\$64 million in Q4 2017, and neutralises to \$77 million for both periods, after adjusting for effects of foreign currency hedging transactions in BAB, which have an offsetting tax charge impact.
- On a headline basis, total operating income was US\$225 million against US\$216 million reported for the same period last year, and normalises to 6% decrease year on year, after adjustment as mentioned above.
- Operating expenses were at US\$122 million, US\$1 million lower than last year.
- Impairment provisions for the last quarter at \$17 million was lower by 41% when compared with the last quarter of the previous year at \$29 million, which as noted above, was largely as a result of improving operating conditions in Brazil.
- Total comprehensive income attributable to the shareholders of the parent was US\$33 million compared to US\$2 million reported for the same period of 2017.
- Earnings per share for the quarter was US\$0.01 at similar levels as in the last quarter of the previous year.

**Balance Sheet:**

- Total assets stood at US\$29.6 billion at the end of 2018, compared to US\$29.5 billion at the 2017 year-end, again affected by FX depreciation.
- Deposits at the end of the year were US\$20.7 billion higher than the US\$20.2 billion at 2017 year-end.
- Liquidity ratios strong with LCR and NSFR on a Basel III basis exceeding 100% with comfortable buffer and liquid assets to deposits ratio healthy at 56%.
- Capital Ratios strong: Tier 1 17.2% and total capital adequacy ratio (CAR) 18.2%.

On this occasion, the Board of Directors recommend, for approval at the Annual General Meeting to be held on 24 March 2019 in Bahrain, a cash dividend distribution of 3% (US\$0.03 per share, net of treasury shares), amounting to US\$92,934,000 and translating to approximately 46% of the net profit for the year, attributable to the shareholders of the parent.

**Press Release**

10/2/2019

Bank ABC's Group Chairman, Mr. Saddek Omar El Kaber, commented that *"The Board is pleased with the continuing improving performance trend of the Group in 2018, particularly given the mixed outlook we face in our markets. We are placing emphasis on ABC's organisational health by maintaining a strong balance sheet and conservative credit risk management. At the same time, the Group continues building for the future with a refreshed strategy for the next three years, focusing on unlocking the potential of our Wholesale Bank, strengthening our corporate culture and staying at the forefront of the digital disruption affecting our industry. Notwithstanding the continuing challenges in the region, we are working towards another successful year in 2019"*.

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.

The full set of the financial statements and the press release are available on Bahrain Bourse' website.

- Ends -

For more information please contact

Brendon Hopkins, Group CFO, Manama, Kingdom of Bahrain, tel. +973 17543223 or fax +973 17531311.