

Arab Banking Corporation (B.S.C.)

SUPPLEMENTARY FINANCIAL INFORMATION

31 December 2020

All figures in US\$ million

IMPACT OF NOVEL CORONAVIRUS ("Covid-19")

This supplementary information has been provided in accordance with the CBB letter OG/259/2020 dated 14 July 2020.

On 11 March 2020, the spread of the Covid-19 around the world was declared a pandemic by the World Health Organisation. Many countries, including the Kingdom of Bahrain and other countries where the Group operates, have implemented restrictions aimed at limiting the rate of its spread which have had immediate impact on people, businesses and economies. To the extent the Covid-19 pandemic continues to adversely affect the global economy and adversely affect the business, results of operations or financial condition, it may also have the effect of increasing the likelihood and/or magnitude of other risks.

In response to the economic and market conditions resulting from the Covid-19 pandemic, governments, and regulatory authorities, including central banks, have acted to provide fiscal and monetary stimuli to support the global economy. The Central Bank of Bahrain ("CBB") and other government entities have supported among other things the following:

- implemented programs to promote liquidity including interest free repurchase agreements;
- required banks to provide 6-month payment holidays to eligible customers without charging additional interest;
- announced programs for supporting businesses by providing direct government assistance;
- clarified supervisory expectations regarding loan modifications due to Covid-19 related non-payment;
- clarified expectations for certain bank regulations related to counterparty credit risk, the current expected credit loss accounting standard and capital adequacy regulatory treatment.

The Group activated its business continuity plan and other risk management practices to manage the potential impact of the business disruption due to Covid-19 outbreak, on its operations and financial performance.

The financial impact for the period ended 31 December 2020 arose from spike in ECL, FX fluctuations and mark to market volatility on financial instruments together with weak credit growth.

The Group recorded an ECL charge of US\$ 329 million, out of which US\$ 44 million, relating to Stage 1 and Stage 2, was predominantly due to factors impacted by Covid19.

The Group has also provided payment holidays to certain customers as part of its support to impacted customers. Such support provided to customers with outstanding exposure amounting to US\$ 894 million as of 31 December 2020 did not result in any modification loss or any increase in credit risk for calculation of ECL. Further, government assistance amounting to US\$ 4 million has been recorded in the Group's consolidated statement of profit or loss for the period ended 31 December 2020.

In addition, the Group was also impacted by market volatility, particularly FX and bond prices. Depreciation in BRL against USD of ~23% led to an impact on the net profit as well as the foreign currency translation adjustment in equity. Similarly, the market value changes in bond prices led to adverse FV movements in equity.

The Group has established a fund to support the fight against Covid-19 pandemic as part of their corporate social responsibilities. The fund will be allowed to meet substantial donations towards national and charitable initiatives designated to contain the spread of the virus, lessen the financial burden on those most impacted and support frontline medical workers and volunteers risking their lives to safeguard their communities. The Group contributed US\$ 2 million to the "Feena Khair" campaign in the Kingdom of Bahrain to support the individuals and business entities most affected by Covid-19.

In summary the financial impact across different elements of the financial statements is given below:

<i>US\$ million</i>		
Item	Consolidated Statement of Profit or Loss	Total Equity
ECL: Stage1/Stage2	-44	-
Government Grant	+4	-
FX Translation impact	-11	-148
Changes in FV non-trading securities	-	-22

Since the Covid-19 situation is uncertain and evolving, the below information is based on the best judgement of the management of condition that existed as at 31 December 2020 and may change due to events happening afterwards. Further, this information does not represent full comprehensive assessment of Covid-19 impact on the Group. This should not be considered as an indication of the results for the entire year.

This supplementary financial information should be read in conjunction with the Group's consolidated financial statements for the period ended 31 December 2020. Refer to press release and investor presentations available on the Bank's website and note 2.4 of Group's consolidated financial statements for further details.