

Bank ABC announces Q1 2021 results with a return to net profit of US\$30 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 quarter of 2021.

The Group started the year on a solid and profitable footing, recovering from the impact of 2020 and carefully navigating post-COVID 19 transitional operating conditions, still characterised by episodic lockdowns and a constrained work environment across our markets. Bank ABC continues to support its clients, staff and communities on the path to recovery whilst pursuing its growth and digital transformation plans. Notably, the Group's acquisition of BLOM Bank Egypt S.A.E, signed in January, is progressing well and is in the advanced stages of regulatory approval and closing processes.

Key highlights of Q1 performance:

- Net profit of \$30 million with cost of risk returning to pre-pandemic levels, reflecting better 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 in line with previous year's levels, despite lower interest rates and the challenged economic conditions.
- Costs remain lower than prior year, comparatives reflecting rationalisation actions, greater discipline and cost control while continuing investment into our strategic priorities on transforming the Bank.
- Balance sheet remains strong with capital and liquidity ratios well above the regulatory requirements: Group CET 1 Ratio is 16.6%, LCR 200% and NSFR 124%.
- Our payment and digital retail banking capabilities gain steady traction. A new management team have taken over in Arab Financial Services to steer the next phase of its transformation. Bank's customers and deposits have been growing from strength-to-strength.
- Overall asset portfolio quality remains solid with sound credit underwriting standards evidenced by client-level stress-testing reviews.

Bank ABC's Group Chairman, Mr. Saddek Omar El Kaber commented "We are pleased to see the Group's return to a more usual level of profitability, reaffirming the strong underlying fundamentals of the Group's diversified franchise. Despite a more challenging transition from the pandemic than previously expected, Bank ABC continues to operate strongly, adapting to the "new normal" and steering effectively through this prolonged challenge."

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

Q1 2021 Business Performance

- Consolidated net profit attributable to the shareholders of the parent, for the first quarter of 2021 was US\$30 million, compared to a net loss of US\$62 million reported for the same period last year.
- Earnings per share for the period was US\$0.01, compared to negative US\$0.02 for the same period last year.
- Total comprehensive loss attributable to the shareholders of the parent was US\$16 million, impacted by foreign exchange translation in foreign subsidiaries, compared to US\$534 million reported for the same period last year.
- On a headline basis, Total Operating Income was US\$182 million, 78% higher compared to US\$102 million reported for the same period last year. On an underlying basis*, Total Operating Income was at US\$205 million for the period, compared to US\$200 million for the same period last year.
- Net interest income was US\$122 million, 11% lower against US\$137 million reported for the same period last year, after absorbing the impact of declining interest rates compared to the same period last year.
- Operating expenses were at US\$125 million, 6% lower than US\$133 million for the same period last year, continuing to benefit from the cost optimisation initiatives during last year, while reprioritising the continuing investments into the Group's digital transformation and strategic initiatives.
- On an underlying* basis, the Group achieved a Net Operating Profit of US\$76 million for the quarter, 13% higher compared to US\$67 million in Q1 2020.
- Impairment charges (ECL) for the period were US\$20 million compared to US\$120 million reported for the same period last year, with reversal of economic outlook from the lows last year flowing through the expected loss estimates under IFRS 9, and without the major impact of regional fraud events such as NMC, that created abnormally elevated ECL charges during 2020.
- The ratio of impaired loans to gross loans was at 5.4% compared to 2020 year-end levels of 5.2%, the increase largely attributable to the decline in gross loans. The ratio normalises to 4.5%, when long-standing legacy fully provided loans are adjusted for.
- Tax charge US\$1 million, compared to the recovery of US\$98 million for the first quarter of 2020, the variance largely arising from the tax treatment of currency hedges in Banco ABC Brasil (BAB) which have an offsetting impact in Total Operating Income. On an underlying basis, tax charge for the period was at US\$15 million compared to nil for the same period last year.
- 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\$3,753 million, compared to the US\$3,767 million at the 2020 year-end, 0.4% lower.
- Total assets stood at US\$30.2 billion at the end of the period, 1% lower compared to US\$30.4 billion at the 2020 year-end. On an underlying* basis, total assets grew by 2%.
- Loans and Advances stood at US\$15.2 billion compared with levels of US\$15.7 billion at 2020 year-end reflecting our continuing emphasis on prudent use of balance sheet.
- Deposits were at US\$21.6 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 200% and 124% respectively with comfortable buffer and liquid assets to deposits ratio healthy at 53% improved from 52% at 2020 year-end.
- Capital Ratios strong: CET1 at 16.6%, Tier 1 at 16.9% and total Capital Adequacy Ratio (CAR) at 17.8%.

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 ila Bank in Bahrain.

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

**'Underlying' basis referred above calculated after adjusting for normalization 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 website*

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