

## Bank ABC Announces Nine months 2019 Stable Net Profit of US\$161 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 nine months of 2019 with positive underlying asset, revenue and profit growth despite challenging external market conditions. The period was marked with persisting trade tensions between the US and China, ensuing declining interest rates, together with an uncertain political situation in some of ABC's key markets, which dampened economic growth and demand for credit.

### **Business Performance (nine-month period):**

- Consolidated net profit attributable to the shareholders of the parent, for the first nine months of 2019 was US\$161 million on a headline basis, an increase of 1% compared to US\$159 million reported for the same period last year. On an underlying basis, after adjusting for exceptional one-off items and FX translation impact, net profit grew by 11%.
- Headline Profit before Taxation was US\$203 million, 14% higher compared to US\$178 million reported in the same period of 2018. Underlying profit before taxation remained in line with last year, when normalised with the effect of foreign currency hedging transactions in Banco ABC Brasil ("BAB"), one-off items and FX translation impact (8% BRL depreciation).
- On a headline basis, total operating income was US\$633 million, 7% higher against US\$592 million reported for the same period last year. Underlying total operating income grew by 4% when normalised for items as explained above.
- Net interest income was US\$421 million, 1% higher against US\$417 million reported for the same period last year, after absorbing the impact of declining interest rates.
- Operating expenses were at US\$384 million, US\$32 million or 9% higher than the same period of last year, due to inflation and flow through effect of continuing investments into strategic initiatives in line with our expectations.
- Impairment charges were US\$46 million compared with US\$62 million reported for the same period last year, reflecting proactive credit management and conservative underwriting practices.
- The ratio of impaired loans to gross loans improved to 3.7% from the 2018 year-end levels of 4.0%, but normalises to 2.8%, when long-standing legacy fully provided loans are adjusted for.
- The tax charge is US\$9 million, compared to a tax credit (saving) of US\$19 million for the same period of the previous year (the variance largely arising from the tax treatment of currency hedges in BAB noted above). On a normalised basis the tax charge for the period was US\$30 million compared to US\$41 million for the same period last year.
- Earnings per share remained steady at US\$0.05, similar to the same period in the previous year.

**Press Release**

6/11/2019

- Total comprehensive income attributable to the shareholders of the parent was US\$176 million compared to an income of US\$24 million reported for the same period of 2018, reflecting the healthy nine months net profit levels, favourable movements in foreign currency translation and fair value movement in debt instruments.

**Business Performance (three-month period):**

- Consolidated net profit attributable to the shareholders of the parent, for the third quarter of 2019 was US\$49 million, 7% higher compared to US\$46 million reported for the same period last year. On an underlying basis, third quarter performance of 2019 was 4% higher compared to last year. The third quarter reflected similar trends as explained above for the nine-month period in 2019.
- Profit before Taxation on a headline basis was US\$44 million, compared to US\$59 million reported for the third quarter of 2018, and normalises to a 4% decline.
- On a headline basis, total operating income was US\$196 million, 3% lower against US\$203 million reported for the same period last year and normalises to 2.3% increase after adjustments as mentioned above.
- Net interest income for the third quarter of 2019 was US\$142 million, 1% higher against US\$140 million reported for the same period last year.
- Operating expenses were at US\$127 million, US\$15 million or 13% higher than the same period of last year due to the reasons explained above.
- Impairment charges were at US\$25 million compared with the US\$32 million reported for the same period last year reflecting proactive and conservative credit management.
- Tax credit (saving) was US\$15 million, compared to tax charge of US\$1 million for the same period last year (the variance largely arising from the tax treatment of currency hedges in BAB noted above).
- Earnings per share remained at US\$0.02, compared to US\$0.01 in the third quarter of the previous year.
- Total comprehensive income attributable to the shareholders of the parent was US\$17 million compared to an income of US\$38 million reported for the same period of 2018, reflecting the sum of net profit and fair value movement in debt instruments offset by unfavourable movements in foreign currency translation during the third quarter.

**Balance Sheet:**

- Total assets stood at US\$29.1 billion at the end of the September 2019, compared to US\$29.5 billion at the 2018 year-end. Loans and advances grew by 2% during the period to US\$15.2 billion, after absorbing FX impact, reflecting our continuing emphasis on prudent use of balance sheet.
- Deposits at the end of the period were at US\$20.1 billion, compared to the levels of US\$20.7 billion at 2018 year-end. Our efforts to diversify and improve the quality of our deposit base continue.
- Equity attributable to the shareholders of the parent at the end of the period was at US\$3,945 million, 2% higher compared to the US\$3,862 million at the 2018 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 54%.
- Capital Ratios strong: Tier 1 at 17.1% and total capital adequacy ratio (CAR) 18.1%.

Bank ABC's Group Chairman, Mr. Saddek Omar El Kaber, commented that *"The results for the period have been achieved, despite a sharp change in the market conditions during the year, with lower interest rate and economic growth combined with political uncertainties in a number of our key markets. Adjusting for the effects of foreign currency depreciation and one-off items last year, we are pleased that the Group is growing year-on-year, without compromising its strong balance sheet and conservative credit risk management approach."*

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