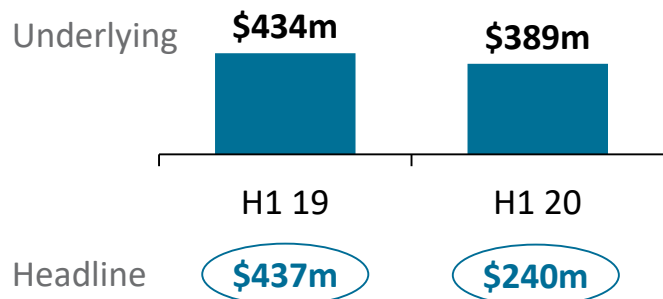


# H1 2020 Results Presentation

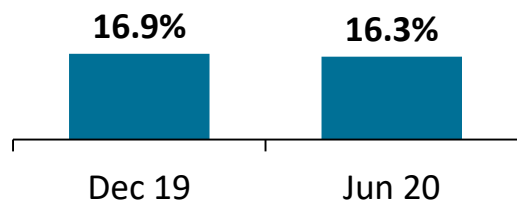
- 1** Bank ABC **weathered unprecedented trading conditions** with robust underlying revenues, a strong balance sheet and pre-provision profit of \$114m (86% H1 2019)
- 2** **Underlying revenue performance** continued to show robust traction with underlying total operating TOI of \$389m (90% H1 2019)
- 3** **Prudent cost management**, with a 4% drop in costs to \$247m and savings levels will increase through 2020, while prioritizing key investments in digital capabilities
- 4** **Strong balance sheet** with 16.3% Tier 1 ratio (16.0% CET1), LCR of 215%, and NSFR of 121%
- 5** H1 2020 **ECL charge of \$174m**, primarily due to a major client fraud in the UAE, combined with the forward-looking nature of IFRS 9, created a net loss of \$67m
- 6** Bank ABC's **strategic transformation continues**, aimed at building digital capabilities across both wholesale and retail banking

## Total Operating Income, \$m



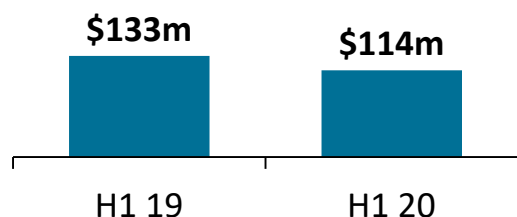
- / Underlying\* TOI at \$389m (90% of H1 2019) reflects relatively good performance across a number of markets and business lines
- / Sharp BRL depreciation creates hedge impact of \$129m in headline TOI, offset through tax credit\*

## T1 Capital Ratio, %



- / Capital base remains strong, stable and significantly above regulatory minimum levels
- / CET 1 Ratio (16.0%) comprises the majority of Bank ABC's Tier 1 Capital Ratio

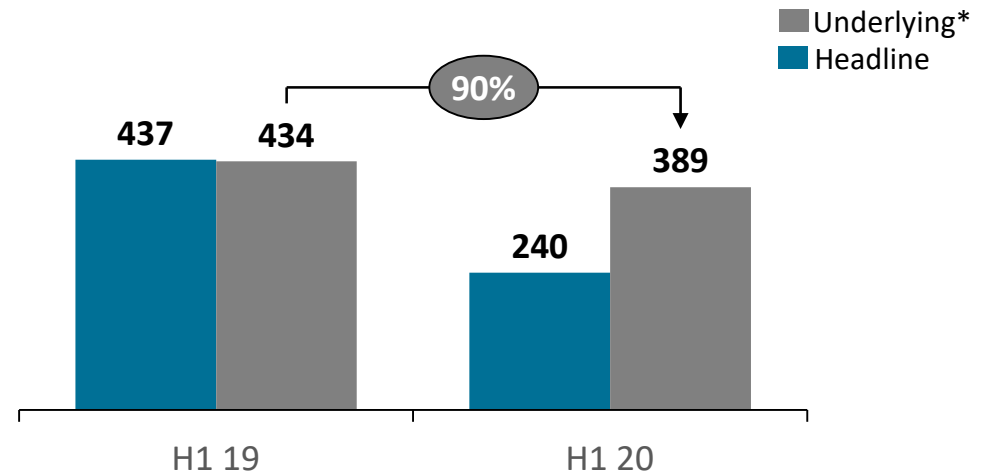
## Underlying Profit Before Provisions, \$m



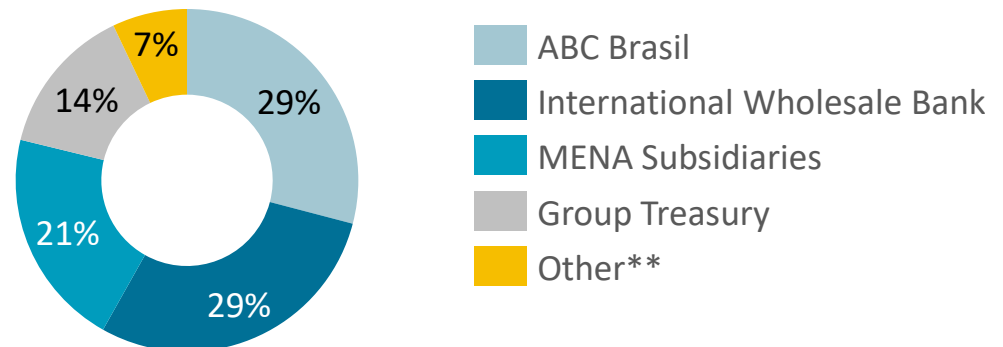
- / Underlying\* Profit before provisions (adjusted for FX, tax and other factors) was \$114m (86% of H1 2019)

- After adjusting for currency hedging and FX depreciation, underlying\* TOI of \$389m was at 90% of H1 2019, demonstrating our robust underlying business lines despite unprecedented market conditions
- Headline revenues were largely impacted by hedging in our BAB subsidiary and FX translation adjustments given the sharp BRL depreciation against USD. \$129m of this impact is offset through a tax credit of equal amount (pg 15)
- Client and transaction revenues have performed well, with many units posting TOI levels of >90% of previous year comparatives
- Net interest income was impacted by falling interest rates, particularly in USD, BRL and EGP
- Income is broad based and diversified across various business units

## Total Operating Income (TOI), \$m



## TOI by Business (H1 2020), %



\* Please refer to appendix for headline vs underlying basis calculation.

\*\* Other includes activities of Arab Financial Services.

- / Fast growing digital mobile-only retail bank based in Bahrain
- / ila platform is capable of being leveraged across the wider ABC network
- / ila has demonstrated remarkable growth of customer numbers and deposits under management since launch in Q4 2019

## The ila Platform



### PROPOSITION

- **Mobile-led retail banking** (80% of customers acquired via social media)
- **Competitive rates**
- **Exceptional customer service**
- **Simple, seamless**



### CHANNELS

- **Mobile** (sales fulfillment)
- **Social media** (sales and brand image transaction and cross selling)
- **Contact center** (voice, e-mail & webchat (not transactional))

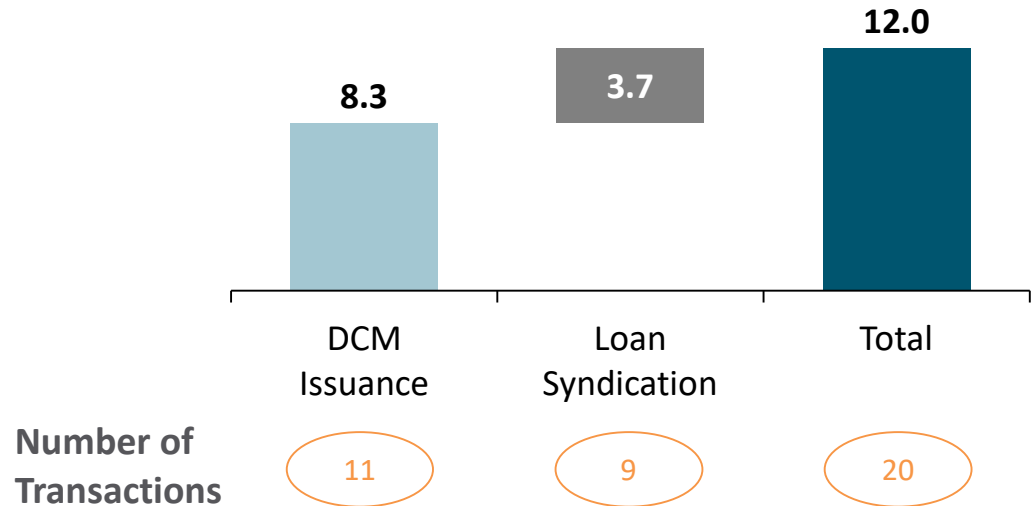
- **Current account**
- **Multiple currencies**
- **Virtual, Classic & Premium Cards**
- **Smart, personalized features**, e.g. savings pockets, funding circles, roundup features

### SERVICES

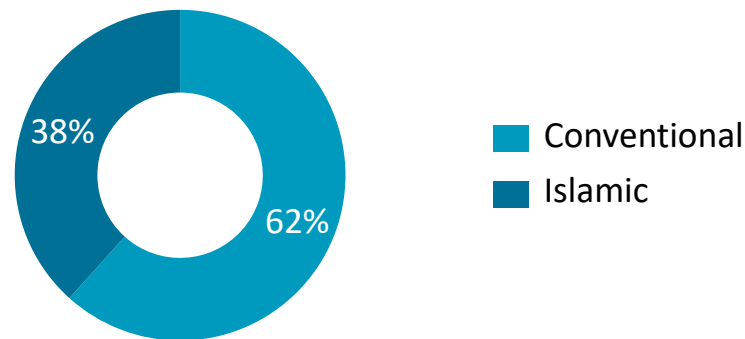
# Key Business Achievements: Continuing to act as a lead arranger of public debt origination

- / Bank ABC's reputation and standing has allowed us to continue to act as a lead arranger in debt capital and loan syndication markets
- / Landmark transactions were brought to the market during unprecedented market conditions, highlighting the strength of the Bank ABC distribution platform and improving origination capabilities
- / 20 major conventional and Islamic financing transactions, with approximately US\$12bn of debt origination, were facilitated in the first half

## H1 2020 Total Debt Origination, \$bn\*



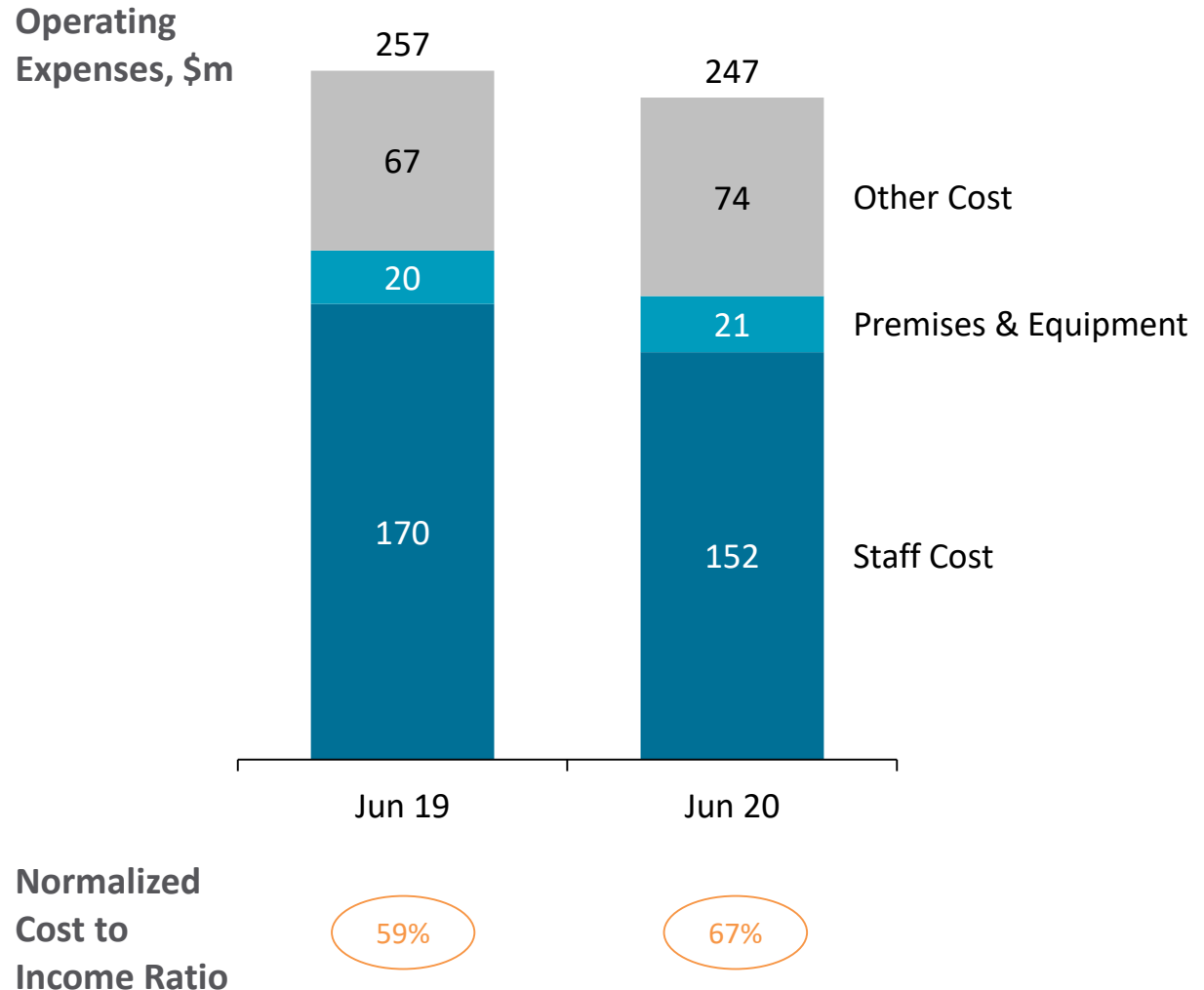
## H1 2020 Debt Origination by Type, %



\* Excludes bilateral facilities.

- 4% headline drop in costs during H1 2020 to \$247m on the back of management actions to control spending
- After adjusting for FX depreciation, costs are 1% higher in H1 2020 compared to H1 2019
- Several initiatives are underway to increase cost efficiencies throughout 2020 and beyond
- Continuing investments will be absorbed in the Group's digital transformation and strategic initiatives
- Cost to income levels have increased due to lower TOI, but robust cost measures will continue in H2 2020 and 2021

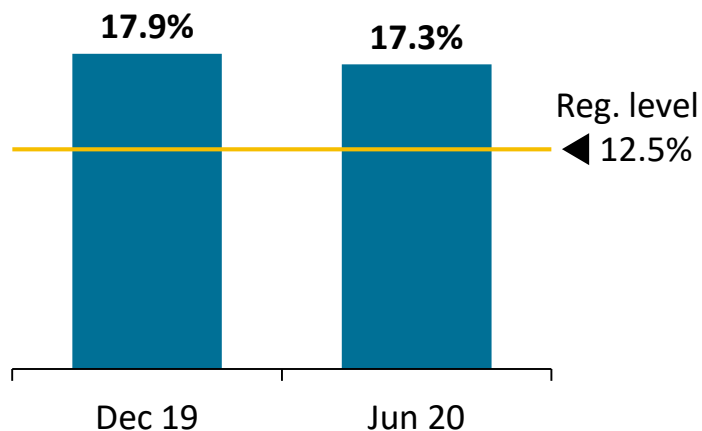
## Operating Expenses and Cost to Income Ratio



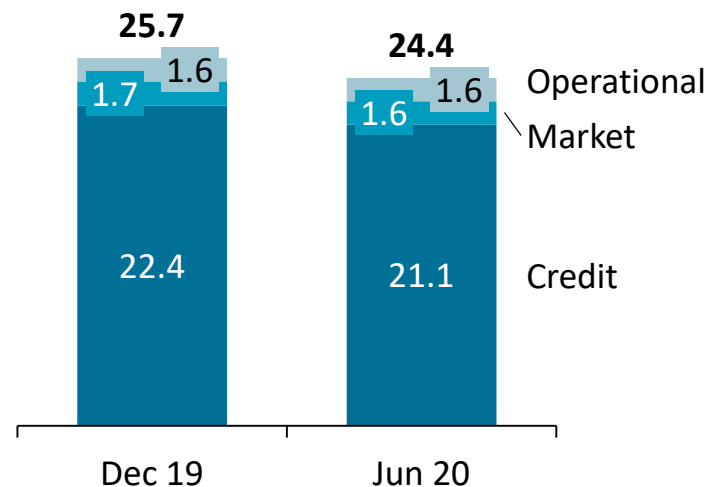
## Overview

- / Bank ABC's capital base remains very strong, with a capital adequacy ratio of 17.3% as at end of first half 2020
- / CET 1 Ratio (16.0%) comprises the majority of Bank ABC's Tier 1 Capital Ratio (16.3%)
- / RWA stood at \$24.4bn in the first half of 2020, compared to \$25.7bn at the 2019 year end (-5%)
- / Tier 1 ratio reduction largely driven by net loss, movement in FV of securities, net effect of FX movements on RWA and equity in ABC Brazil

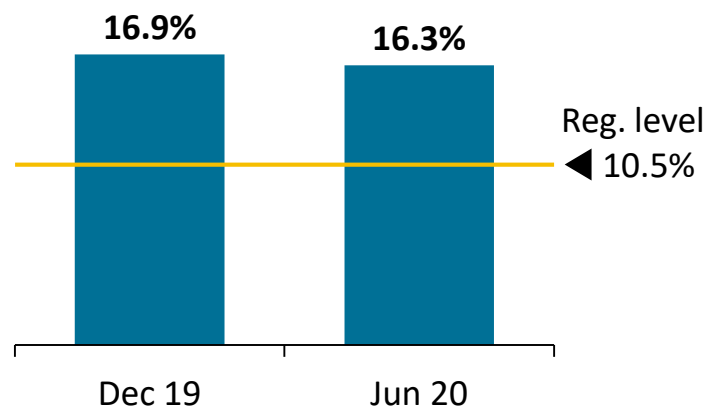
## Capital Adequacy Ratio, %



## RWA by Type of Risk, \$bn



## Tier 1 Ratio, %





/ Total assets stood at \$29.6bn at the end of the first half of 2020, compared to \$30.1bn at the 2019 year end

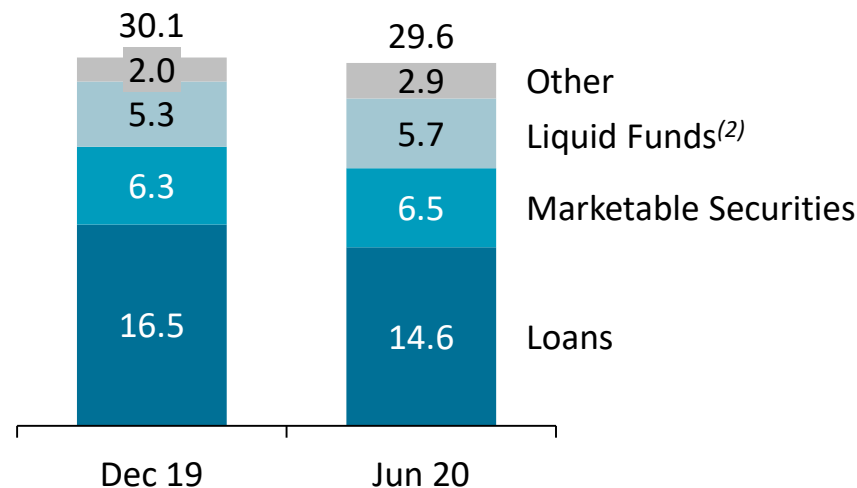
/ More than half the Assets are maturing within 1-year (56%)

/ Loans dropped by 11% on a headline basis to \$14.6bn. However, adjusted for BRL depreciation, loans dropped by 3% only, reflecting our continuing emphasis on prudent use of balance sheet

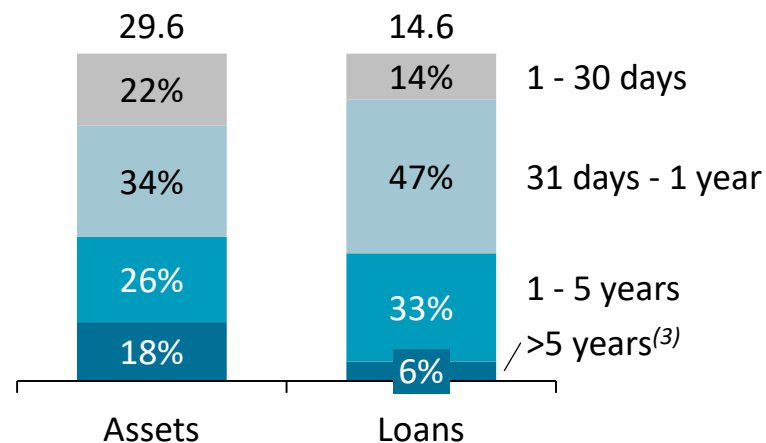
/ Marketable securities grew to \$6.5bn (+3%) and liquid funds to \$5.7bn (+8%) at the end of the first half for 2020

/ Strong liquid funds position with LCR of 215%<sup>(1)</sup> and NSFR of 121%

## H1 2020 Assets by Instrument, \$bn



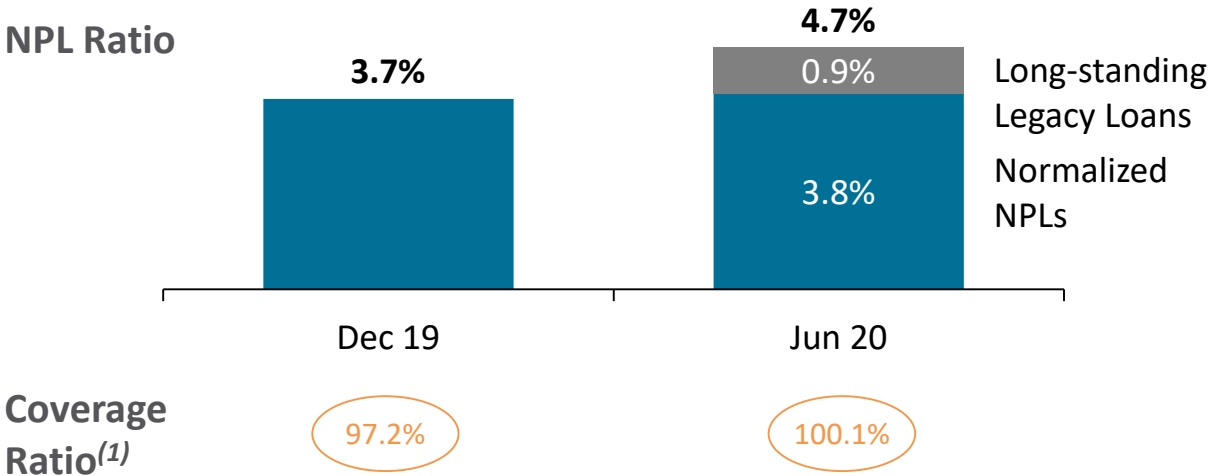
## H1 2020 Assets by Maturity, \$bn



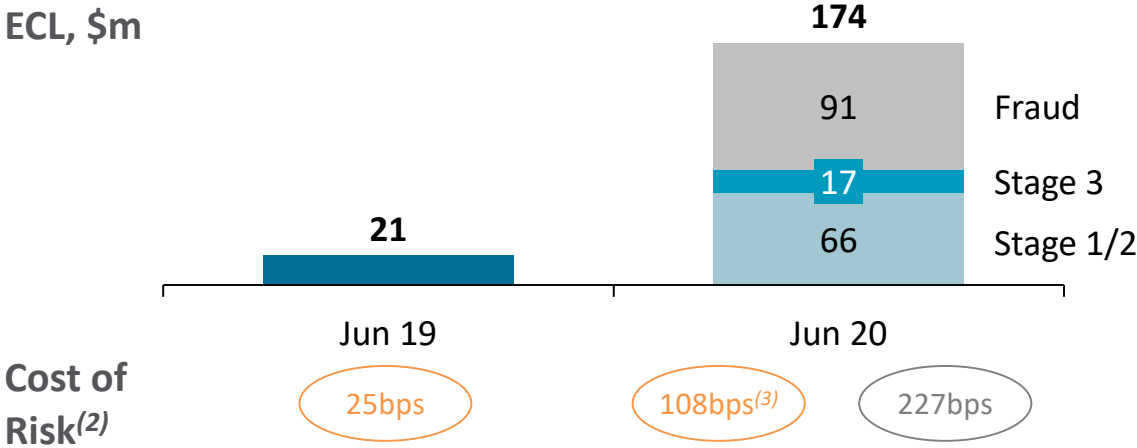
(1) LCR calculated net of trapped liquidity. (2) Liquid funds includes placements with banks & other financial institutions and securities bought under repurchase agreements. (3) >5 years includes undated.

- / Increase in NPL ratio is largely attributable to major fraud cases in the UAE relating to KBBO companies, (incl NMC)
- / NPL ratio normalises to 3.8% when long-standing legacy fully provided loans are adjusted for
- / Coverage ratio has increased to 100%
- / ECL / Cost of Risk also largely driven by fraud cases. Stage 3 (ex fraud) in line with previous years. Stage 1& 2 increased similar to rest of industry given Covid-19 conditions and forward-looking nature of IFRS 9

## NPLs and Coverage Ratio



## ECL & Cost of Risk



(1) Provision/Gross Impaired Assets. (2) Annualized Impairment / Gross Loans. (3) Excluding ECL related to major client fraud.



Unprecedented trading conditions were weathered with strong balance sheet, robust underlying revenues and profit before provisions of \$114m (86% of H1 2019)



A significant increase in ECL to \$174m, largely driven by a major fraud case in UAE, combined with IFRS9 impact, created a net loss of \$67m



Cost reduction measures are continuing alongside prioritized investments in Bank ABC's strategic transformation, aimed at building digital capabilities across both wholesale and retail banking





## Significantly grow Corporate clients

- Corporate strategy finalized
- Enhanced coverage model
- Improved sales focus
- Increased number of corporate clients
- Operational enhancements in middle office



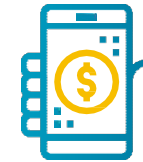
## Optimize Transaction Banking

- Harmonized trade operating model
- Optimized trade and cash management product offering



## Globalize & optimise FI

- Optimised global FI portfolio
- Diversified revenue streams
- Globalized FI operating model
- Secured two clearing houses for every major currency



## Digitize the Bank

- Launched ila
- Kick-started WB digital transformation
- Launched ABC Labs
- Launched AFS fintech division

Optimization program

Transformation program

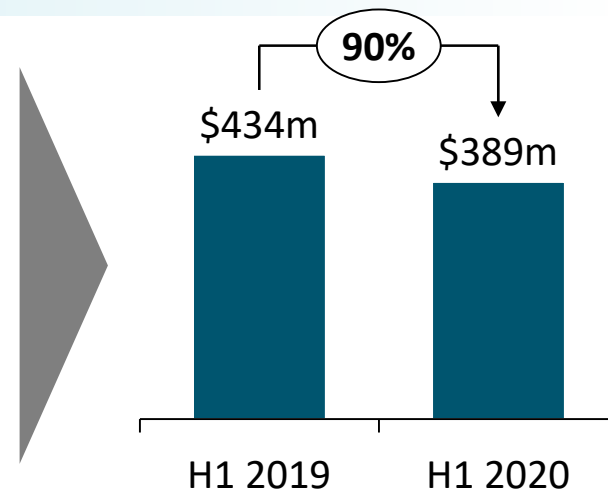
# Appendix: Normalised Financials

	US\$ millions	2015	2016	2017	2018	2019	H1 2019	H1 2020
<b>Profit or Loss</b>	Interest Income	502	538	556	559	564	279	252
	Non-Interest Income	299	278	317	309	313	155	117
	<b>Total Operating Income (TOI)*</b>	<b>801</b>	<b>816</b>	<b>873</b>	<b>868</b>	<b>877</b>	<b>434</b>	<b>369</b>
	Total Operating Expenses	-421	-436	-462	-474	-524	-257	-247
	<b>Operating Profit</b>	<b>380</b>	<b>380</b>	<b>411</b>	<b>394</b>	<b>353</b>	<b>177</b>	<b>121</b>
	Provisions	-70	-92	-96	-79	-82	-21	-174
	<b>Profit before Taxes &amp; M.I.</b>	<b>310</b>	<b>288</b>	<b>315</b>	<b>315</b>	<b>271</b>	<b>156</b>	<b>-53</b>
	Taxes*	-73	-54	-62	-67	-35	-21	-4
	M.I.	-57	-51	-60	-46	-42	-23	-10
<b>Net Profit</b>	<b>180</b>	<b>183</b>	<b>193</b>	<b>202</b>	<b>194</b>	<b>112</b>	<b>-67</b>	
<b>Balance Sheet</b>	US\$ millions	2015	2016	2017	2018	2019	H1 2019	H1 2020
	Liquid Funds**	6,762	7,517	6,079	6,266	5,323	5,539	5,686
	Marketable Securities	6,069	6,346	6,650	6,638	6,343	7,027	6,455
	Loans & Advances	13,958	14,683	15,329	14,884	16,452	15,033	14,583
	Other	1,406	1,595	1,441	1,761	1,950	2,061	2,899
	<b>Total Assets</b>	<b>28,195</b>	<b>30,141</b>	<b>29,499</b>	<b>29,549</b>	<b>30,068</b>	<b>29,660</b>	<b>29,623</b>
	Customer Deposits	13,425	14,307	16,782	16,464	17,065	16,780	16,272
	Bank Deposits	5,029	5,870	3,408	4,207	3,897	3,698	3,876
	Borrowing	3,943	4,269	2,148	2,012	2,080	2,079	1,885
	Other	1,690	1,435	2,749	2,550	2,537	2,704	3,598
	<b>Total Liabilities</b>	<b>24,087</b>	<b>25,881</b>	<b>25,087</b>	<b>25,233</b>	<b>25,579</b>	<b>25,261</b>	<b>25,631</b>
	Shareholders' Equity	3,773	3,826	3,930	3,862	4,031	3,928	3,637
	Non-Controlling Interest	335	434	482	454	458	471	355
	<b>Total Equity</b>	<b>4,108</b>	<b>4,260</b>	<b>4,412</b>	<b>4,316</b>	<b>4,489</b>	<b>4,399</b>	<b>3,992</b>
<b>Total Liabilities &amp; Equity</b>	<b>28,195</b>	<b>30,141</b>	<b>29,499</b>	<b>29,549</b>	<b>30,068</b>	<b>29,660</b>	<b>29,623</b>	
<b>Key Metrics</b>	Normalized Cost to Income, %	53%	53%	53%	55%	60%	59%	67%
	Tier 1 Ratio, %	17.3%	17.5%	17.7%	17.2%	16.9%	17.2%	16.3%
	CET 1, %	17.1%	17.3%	17.5%	17.0%	16.6%	16.9%	16.0%
	RoAE,%	4.8%	4.8%	5.0%	5.2%	4.9%	5.8%	-

\* TOI and taxes includes normalization of BRL currency overhedge. Headline TOI 2015 \$729m, 2016 \$865m, 2017 \$869m, 2018 \$817m, 2019 \$865m, H1 2019 \$437m and H1 2020 \$240m. \*\* Liquid funds includes placements with banks & other financial institutions and securities bought under repurchase agreements.

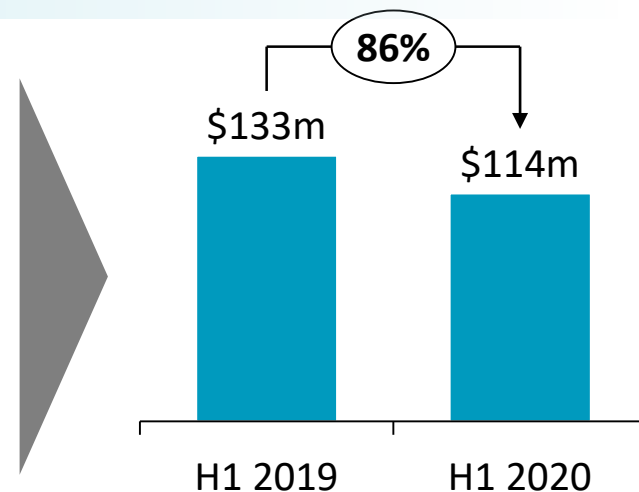
## Underlying Total Operating Income

	H1 2019	H1 2020
<b>Headline TOI</b>	<b>\$437m</b>	<b>\$240m</b>
Currency Hedge*	-\$3m	+\$129m
<b>Normalized TOI</b>	<b>\$434m</b>	<b>\$369m</b>
FX depreciation	-	+\$20m
<b>Underlying TOI</b>	<b>\$434m</b>	<b>\$389m</b>



## Underlying Profit Before Provisions

	H1 2019	H1 2020
<b>Headline Net Profit / (Loss)</b>	<b>\$112m</b>	<b>-\$67m</b>
Add Back: ECL Charge**	\$21m	+\$174m
<b>Headline Profit Before Provisions</b>	<b>\$133m</b>	<b>\$107m</b>
FX depreciation	-	+\$7m
<b>Underlying Profit Before Provisions</b>	<b>\$133m</b>	<b>\$114m</b>



\* Regular hedging transactions to cover open USD position in Banco ABC Brasil Cayman branch that creates a corresponding tax adjustment.

\*\* ECL charge as reported in the financial statements, gross of Tax and Minority Interest. ECL charge impact net of Tax and Minority Interest will be \$157m in H1 2020 and \$13m in H1 2019.



For more information,  
contact us on

[InvestorRelations@bank-abc.com](mailto:InvestorRelations@bank-abc.com)



**Bank ABC Head Office**  
P.O. Box 5698, Manama  
Kingdom of Bahrain

[www.bank-abc.com](http://www.bank-abc.com)





**IMPORTANT:** The following applies to this document, the oral presentation of the information in this document by Arab Banking Corporation B.S.C. ("Bank ABC") or any person acting on behalf of Bank ABC, and any question-and-answer session that follows the oral presentation (collectively, the "Information"). In accessing the Information, you agree to be bound by the following terms and conditions.

This presentation has been prepared by Bank ABC and has not been independently verified. This document is an advertisement and does not constitute a prospectus for the purposes of the Prospectus Directive (as defined below). The Information does not constitute or form part or all of, and should not be construed as, any offer of, or any invitation to sell or issue, or any solicitation of any offer to purchase, subscribe for, underwrite or otherwise acquire, or a recommendation regarding, any securities of Bank ABC, nor shall it or any part of it nor the fact of its presentation or distribution form the basis of, or be relied on in connection with, any contract or any commitment whatsoever or any investment decision. The Information is confidential and is being provided to you solely for your information and may not be reproduced, retransmitted or further distributed to any other person or published, in whole or in part, for any purpose. This presentation contains data compilations, writings and information that are proprietary and protected under copyright and other intellectual laws and may not be redistributed or otherwise transmitted by you to any other person for any purposes.

The Information is only being distributed to and is only directed at: (A) persons in member states of the European Economic Area (other than the United Kingdom) who are "qualified investors" within the meaning of Article 2(1)(e) of Directive 2003/71/EC (as amended including by Directive 2010/73/EU and together with any relevant implementing measures in that relevant member state, the "Prospectus Directive") ("Qualified Investors"); (B) in the United Kingdom, Qualified Investors who are "Investment Professionals" falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") and/or high net worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order; and (C) such other persons as to whom the Information may be lawfully distributed and directed under applicable laws (all such persons in (A) to (C) above together being referred to as "relevant persons"). Securities issued by Bank ABC are only available to, and any invitation, offer or agreement to purchase securities will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on the Information.

This presentation is not intended for distribution or publication in the United States. Neither this document nor any part or copy of it may be distributed, directly or indirectly, in the United States. The distribution of this document in certain jurisdictions may be restricted by law and persons in to whose possession this presentation comes should inform themselves about and observe any such restrictions. By reviewing this presentation, you represent and agree that you are located outside the United States and you are permitted under the laws of your jurisdiction to receive this presentation. This presentation is not an offer to sell or a solicitation of any offer to buy the securities of Bank ABC in the United States. Bank ABC's securities have not been and will not be registered under the Securities Act of 1933, as amended.

Nothing contained in the Information shall be deemed to be a forecast projection or estimate of Bank ABC's future economic performance. The Information contains forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "projects", "expects", "intends", "may", "will", "seeks" or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. Forward-looking statements are statements that are not historical facts and include statements about Bank ABC's beliefs and expectations. These statements are based on current plans, estimates and projections and, therefore, undue reliance should not be placed on them. Forward-looking statements speak only as of the date they are made. Although Bank ABC believes that the beliefs and expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such beliefs and expectations will be realised.

The information and opinions contained in this presentation or in oral statements of the representatives of Bank ABC are provided as at the date of this presentation or as at the other date if indicated and are subject to change without notice.

MiFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "MiFID II"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

No reliance may be placed for any purpose whatsoever on the Information or on any assumptions made as to its completeness.

By accepting these materials, you will be deemed to acknowledge and agree to the matters set forth above.

**THIS DOCUMENT DOES NOT DISCLOSE ALL THE RISKS AND OTHER SIGNIFICANT ISSUES RELATED TO AN INVESTMENT IN THE SECURITIES/THE TRANSACTION. PRIOR TO TRANSACTING, POTENTIAL INVESTORS SHOULD ENSURE THAT THEY FULLY UNDERSTAND THE TERMS OF THE SECURITIES/TRANSACTION AND ANY APPLICABLE RISKS.**