

البنك العربي  
ARAB BANK



Arab Bank Group

# INVESTOR RELATIONS PRESENTATION

December 31, 2016



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# GENERAL INFORMATION



*A strong heritage with deep roots...*

# GENERAL INFORMATION

## HISTORY

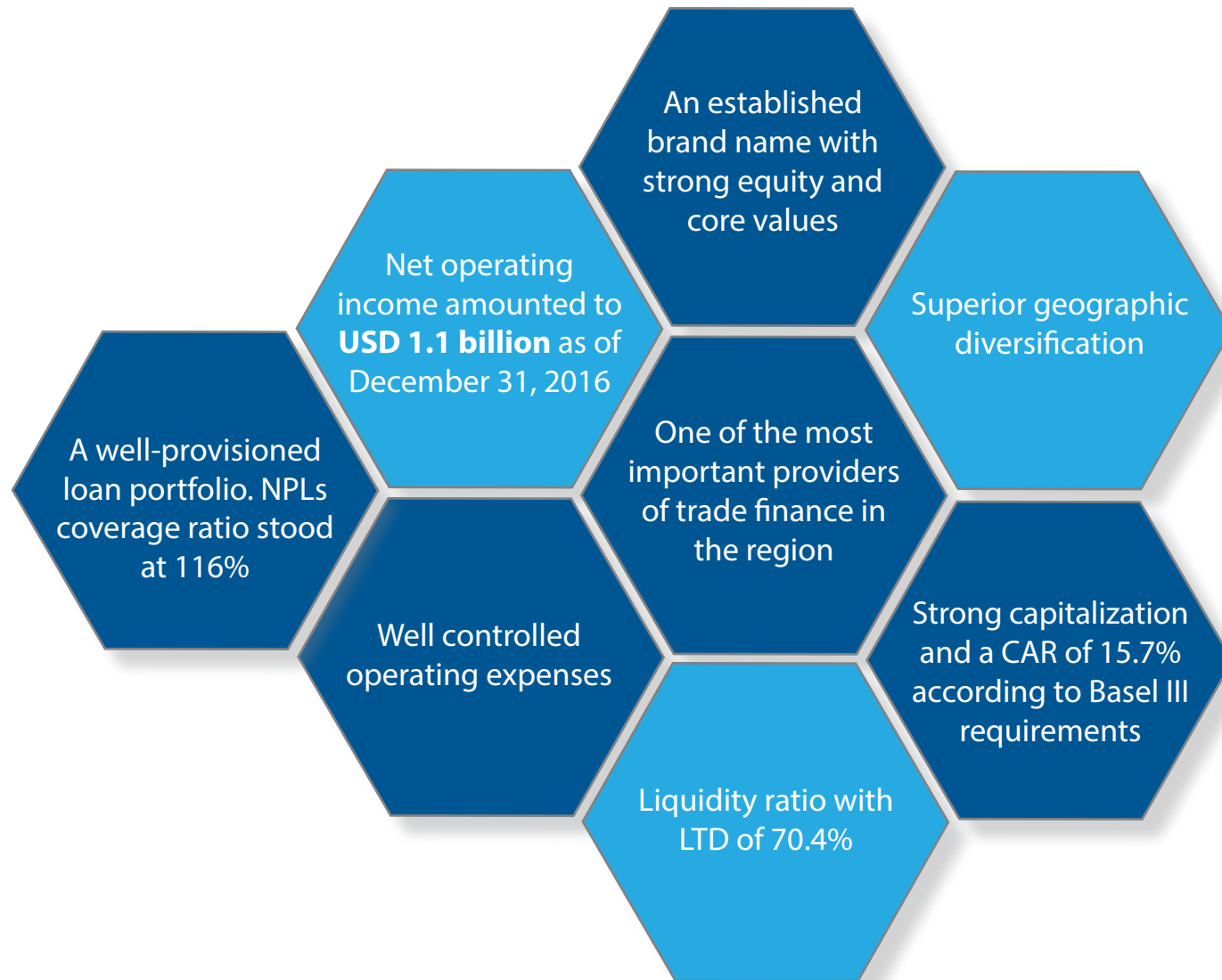
Arab Bank was established in 1930, and is registered as a Jordanian publicly listed company.

## PROFILE

- Arab Bank, headquartered in Amman, Jordan, is the largest global Arab banking network with over 600 branches spanning five continents.
- Arab Bank is listed on the Amman financial market and represents almost 25% of the market capitalization.
- Arab Bank provides a wide range of financial products and services for individuals, corporations and other financial institutions.
- The Bank's products and services cover consumer banking, corporate and institutional banking, as well as treasury services.

Key Financial Highlights		
	2015	2016
Total assets	\$49.0bn	\$47.5bn
Loans	\$23.8bn	\$23.7bn
Customer deposits	\$35.2bn	\$33.6bn
Owners' equity	\$8.0bn	\$8.2bn
Revenue	\$1.91bn	\$1.93bn
Net income before tax	\$719m	\$791m
Net profit	\$442m	\$533m

## Arab Bank's core strengths



The ratios are as of December 31, 2016

Spanned in a global network...

# Arab Bank Corporate Structure

## Branches

- Jordan
- Palestine
- Egypt
- UAE
- Qatar
- Bahrain
- Lebanon
- Offshore Banking Unit – Bahrain
- Algeria
- Morocco
- Yemen
- New York
- Singapore

## Major Associates



Arab National Bank (40%) provides commercial, Islamic, treasury and investment products and services in Saudi Arabia.



Oman Arab Bank (49%) provides corporate, retail, investment banking and trade finance products and services in Oman.



Turkland Bank (50%) provides corporate and commercial banking services in Turkey.

## Sister Company



Arab Bank Switzerland is a sister company owned by Arab Bank shareholders, and it provides asset management and investment counselling for high net worth clients.

## Subsidiaries



Europe Arab Bank (100%) provides corporate and institutional banking, private banking and treasury services.



Arab Bank Australia (100%) provides commercial and retail banking services.



Islamic International Arab Bank PLC (100%) provides a full range of Islamic banking products and services in Jordan.



Arab National Leasing Company (100%) provides financial leasing services.



Arab Tunisian Bank (64.2%) provides corporate and retail banking products and services.



Al Nisr al-Arabi Insurance Company (50%) provides a full range of insurance services.

- Arab Sudanese Bank (100%)
- Arab Group for Investment Company (100%)
- Al Arabi Investment Group (100%)
- Arab Company for Shared Services - UAE (100%)
- Arab Gulf Tech for IT Services - UAE (100%)
- Arab Bank Syria (51.29%)

## Our entities... Always within your reach

Arab Bank is the largest global Arab banking network, with over 600 branches spanning five continents through Arab Bank PLC branches, subsidiaries, its sister company and associates:

Country	Since	Branches	Employees
Palestine	1930	32	897
Jordan	1934	120	4,179
Lebanon	1944	10	313
Egypt	1944	40	1,170
Qatar	1957	4	134
Bahrain	1960	6	185
Morocco	1962	5	130
Switzerland**	1962	2	115
UAE	1963	9	444
Yemen	1972	7	215
Saudi Arabia*	1980	152	4,403
USA	1982	1	5
Oman*	1984	65	1,264
Tunisia	1982	130	1,411
Far East	1984	3	53
Australia	1994	8	112
Algeria	2001	8	244
Syria	2005	19	278
Europe	2006	6	131
Turkey*	2006	33	608
Sudan	2008	3	80



\* Associates: Arab National Bank (Saudi Arabia) [40%], Oman Arab Bank (Oman) [49%], T-Bank (Turkey) [50%].

\*\* Sister Company: Arab Bank (Switzerland)

# FINANCIAL DATA & KPIs





*Strong and robust balance sheet*

# AB Group – Consolidated Balance Sheet

Assets	USD '000 Dec. 2015	USD '000 Dec. 2016
Cash and due from banks	12,563,802	12,607,642
Investment portfolio	10,314,727	8,810,383
Loan portfolio - net	22,180,987	21,898,121
Investment in associates	2,916,290	3,077,008
Fixed assets - net	451,444	463,633
Other assets	617,343	603,604
<b>Total assets</b>	<b>49,044,593</b>	<b>47,460,391</b>

Liabilities & Owners' Equity	USD '000 Dec. 2015	USD '000 Dec. 2016
Due to banks	3,712,479	4,024,184
Customer deposits & cash margin	35,242,318	33,643,578
Other liabilities & other provisions	2,074,215	1,628,093
<b>Total liabilities</b>	<b>41,029,012</b>	<b>39,295,855</b>
Capital & reserves	5,024,566	5,069,944
Other equity items	2,861,991	2,972,225
<b>Total Equity Attributable to Shareholders of the Bank</b>	<b>7,886,557</b>	<b>8,042,169</b>
Non-controlling interests	129,024	122,367
<b>Total owner's equity</b>	<b>8,015,581</b>	<b>8,164,536</b>
<b>Total liabilities &amp; owners' equity</b>	<b>49,044,593</b>	<b>47,460,391</b>

## AB Group consolidated income statement

Income Statement	USD '000 Dec. 2015	USD '000 Dec. 2016
Net interest income	1,091,138	1,114,518
Net commission	319,603	315,903
Group's share of profits of associates	356,981	334,964
Other revenue	140,638	161,027
<b>Net operating revenue</b>	<b>1,908,360</b>	<b>1,926,412</b>
<b>Operating expenses</b>	<b>1,156,141</b>	<b>956,541</b>
<b>Net operating income</b>	<b>752,219</b>	<b>969,871</b>
Provision for impairment - direct credit facilities	32,891	179,056
<b>Net income before tax</b>	<b>719,328</b>	<b>790,815</b>
Income tax	277,205	258,149
<b>Net income after tax</b>	<b>442,123</b>	<b>532,666</b>

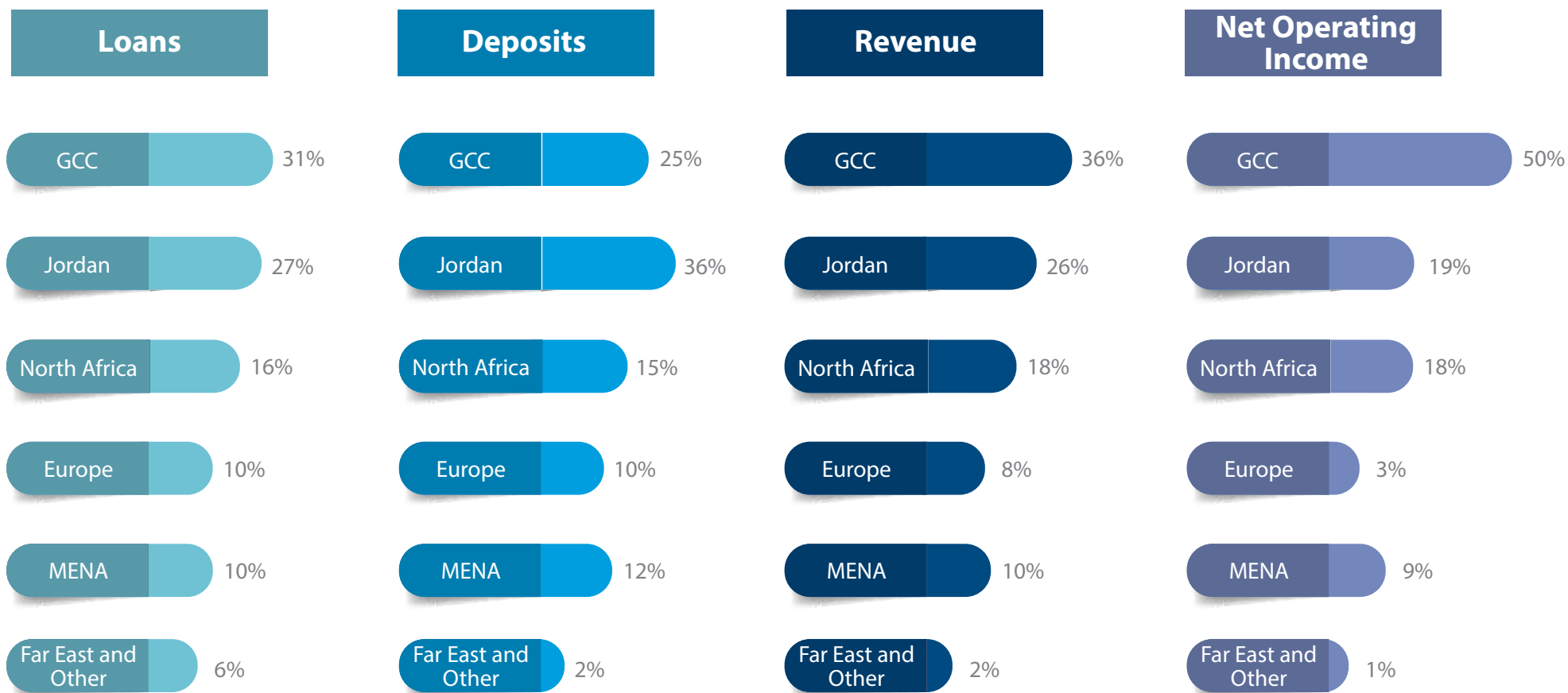
\* Foreign operations continue to do well despite challenging economies in the region.

## AB Group key financial indicators

Key Financial Indicators	Dec. 2013	Dec. 2014	Dec. 2015	Dec. 2016
Loan to deposit	67.1%	67.7%	67.6%	70.4%
Cost to income	59.1%	55.2%	62.3%	58.9%
Cost to income - Excluding Provision for Impairment & Non-recurring Expenses	42.0%	42.3%	42.3%	41.9%
Return on equity	6.5%	7.3%	5.5%	6.5%
Return on assets	1.1%	1.2%	0.9%	1.1%
Capital adequacy - tier 1	15.15%	14.80%	14.20%	15.68%*
Capital adequacy - total	15.15%	14.80%	14.20%	15.68%*
NPL to gross credit facilities - excluding suspended interest	5.6%	5.2%	4.8%	4.9%
NPL coverage ratio - excluding suspended interest	102%	106%	109%	116%

\* According to Basel III (CBJ requirements)

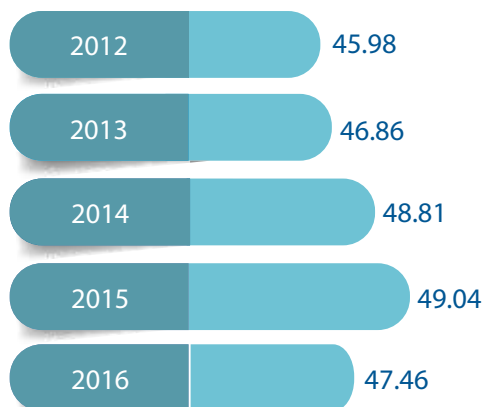
## Diversified and well controlled geographical coverage



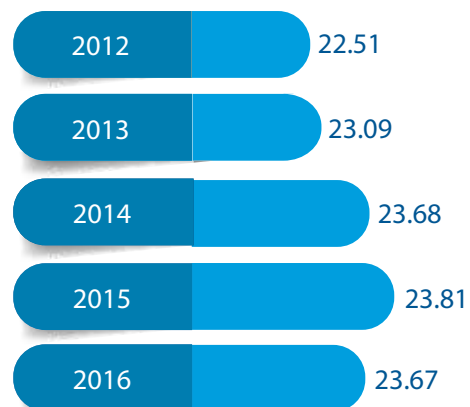
Geographical diversification as of December 31, 2016

## Financial trends in recent years

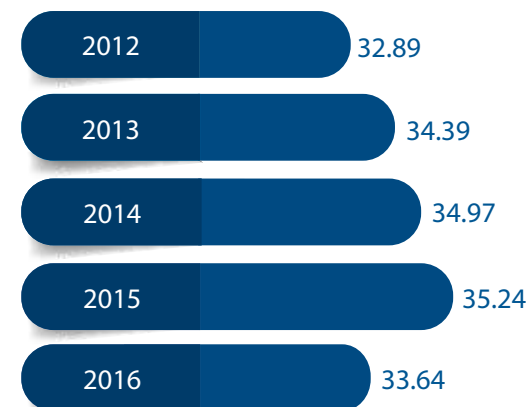
### Assets in USD Billions



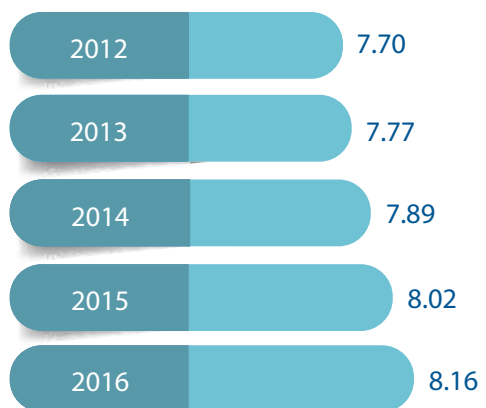
### Loans in USD Billions



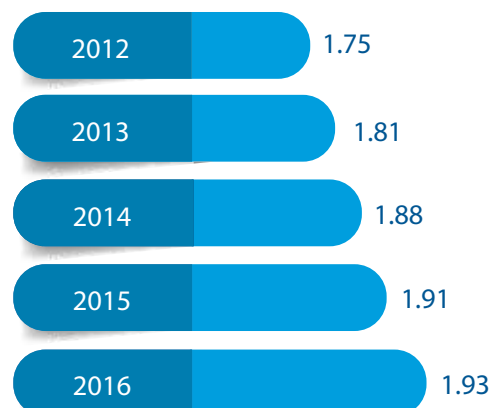
### Customer Deposits in USD Billions



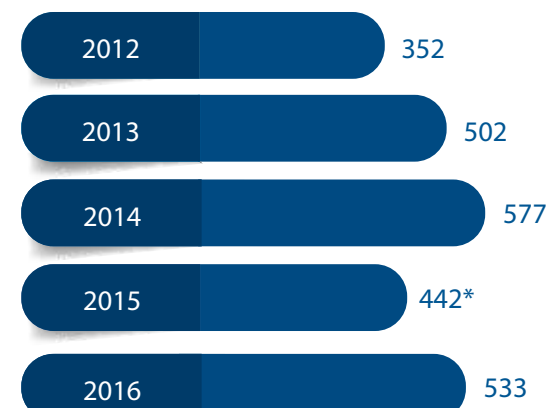
### Equity in USD Billions



### Revenue in USD Billions



### Net Income in USD Millions

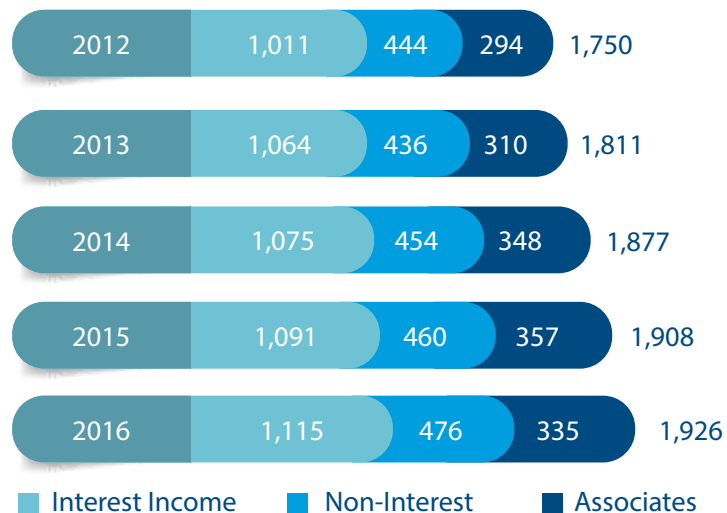


\* 2015 NIAT impacted by legal provision of \$349 million.

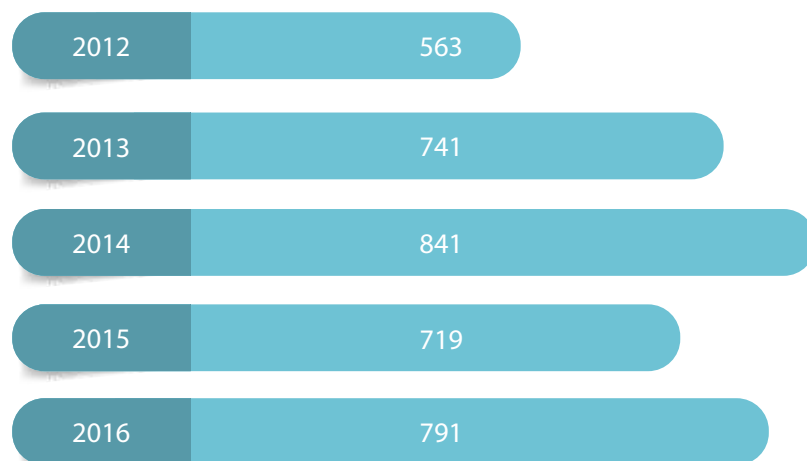
• Excluding the effect of foreign currency devaluations, the bank has shown a consistent solid growth during 2016 whereby loans and advances grew by 6% and customer deposits grew by 3%.

## Revenue and net operating income

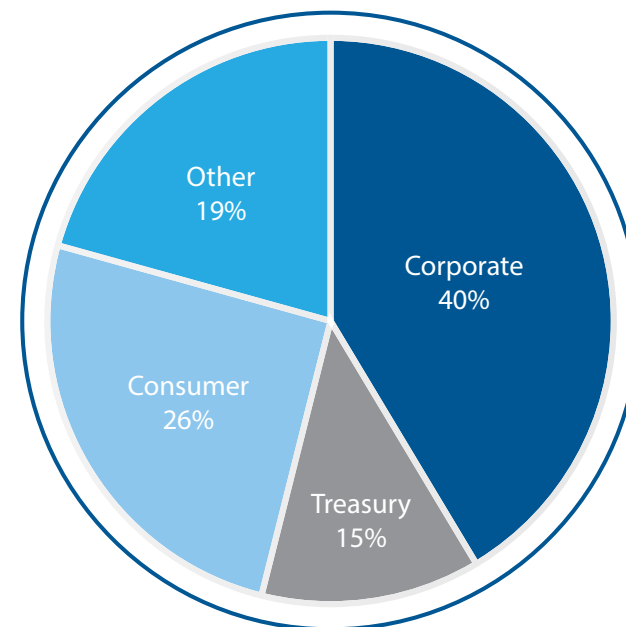
### Revenue (USD Million)



### Net Income before Tax (USD Million)

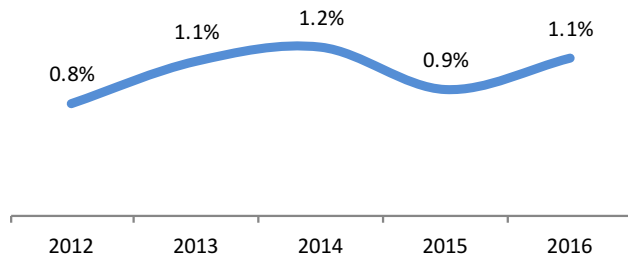


### Revenue by segment Dec. 2016

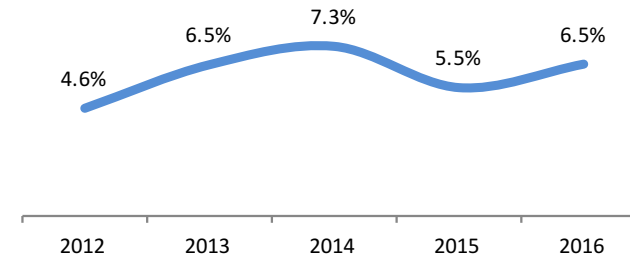


## Profitability ratios

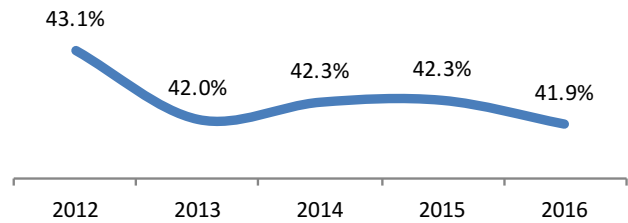
### Return on Assets



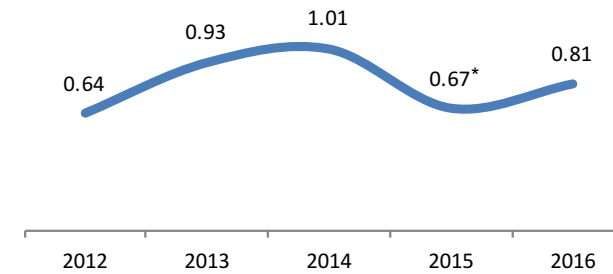
### Return on Equity



### Cost to Income - Excluding Provision for Impairment & Non-recurring Expenses



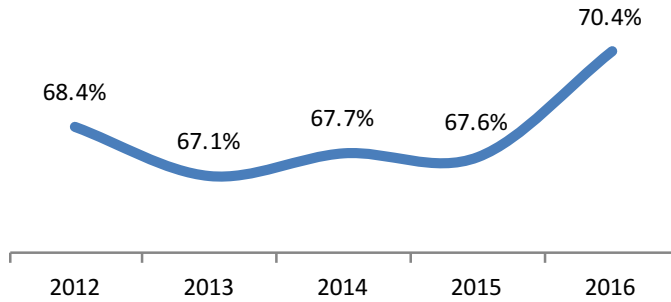
### EPS (USD)



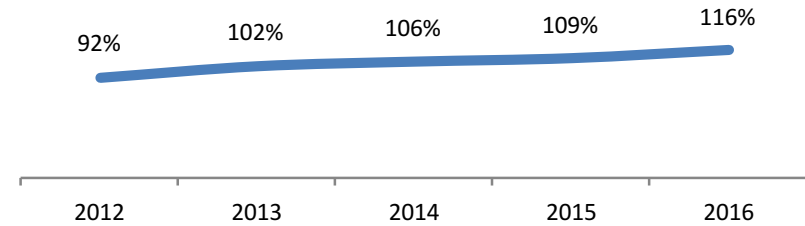
\* EPS equals USD 1.22 excluding legal provisions for 2015

## Asset quality and liquidity ratios

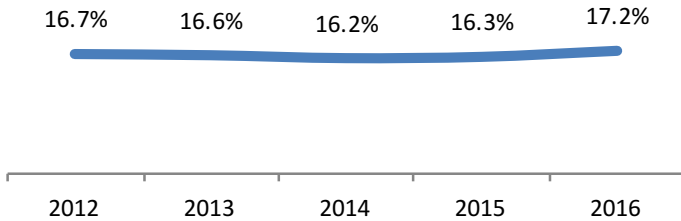
### Loan to Deposit



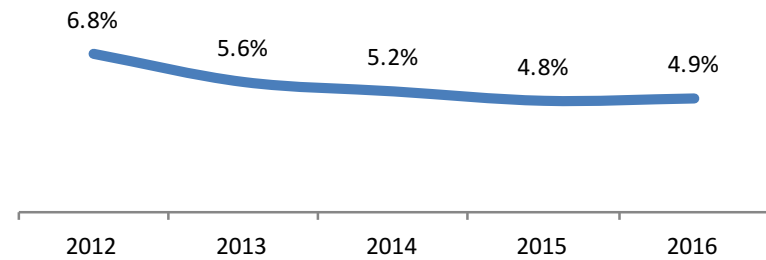
### NPL Coverage Ratio - Excluding Suspended Interest



### Total Owners' Equity to Total Assets



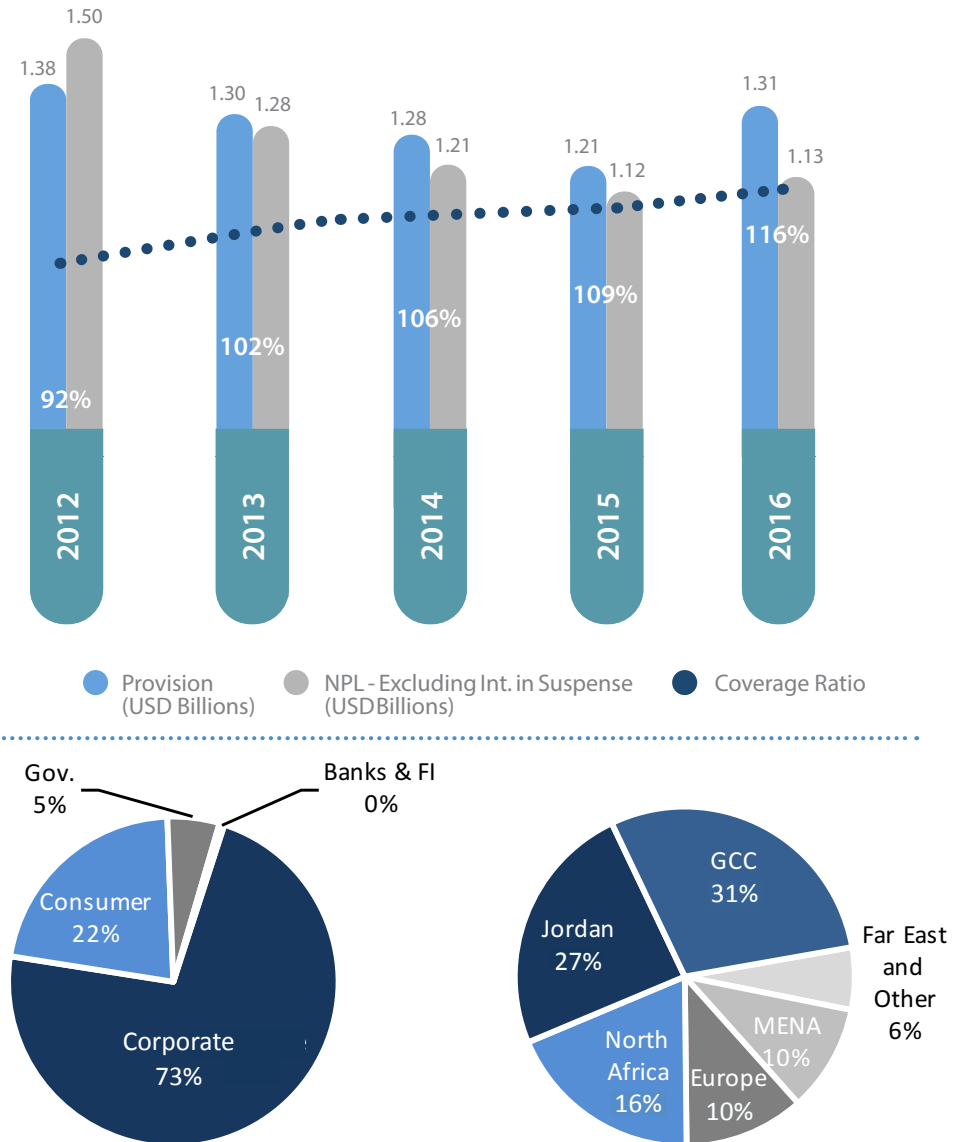
### NPL to Gross Credit Facilities - Excluding Suspended Interest





# Highlights

- Arab Bank classifies the loan portfolio in compliance with IFRS requirements and the Bank's stringent guidelines, whichever is stricter.
- NPLs include old loans which are fully provided. The Bank is very cautious in writing off loans to safeguard its legal position for collection.
- The credit portfolio's quality remains strong despite regional conditions.
- As of December, 2016, the NPL coverage ratio stood at 116%, in line with the Bank's prudent provisioning policy.
- 73% of the Bank's loan book is composed of corporate clients, which is well-diversified across economic sectors and regions.
- Consumer loans represent 22% of the loan portfolio, and the amount of 90 days overdue represents only 1.6% of the consumer loan portfolio.

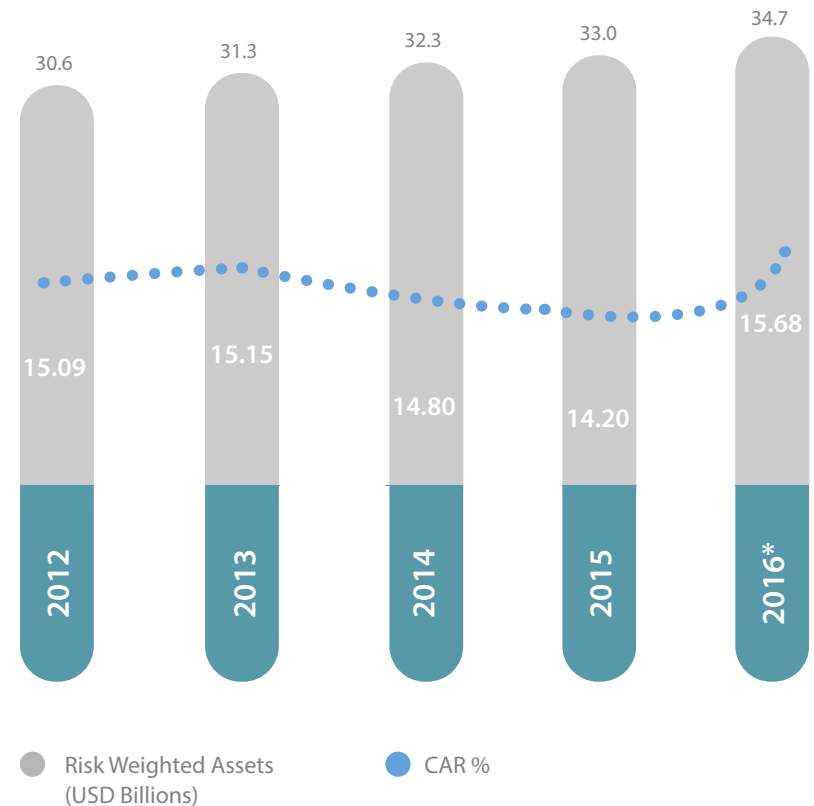


• Loans as of December 31, 2016

## Capital adequacy

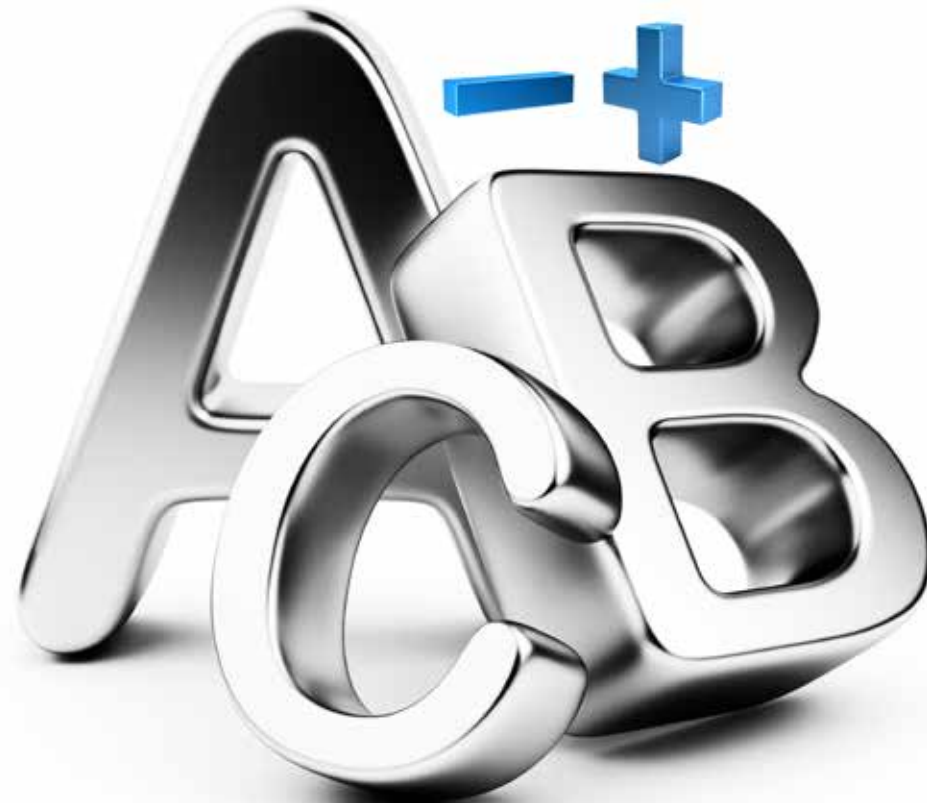
# Highlights

- Solid capital adequacy ratio well above Basel III requirements with CET1 and CAR to 15.68% as of December 31, 2016.
- High quality capital; all comprised of CET1.
- Solid leverage ratio well above Basel III & CBJ requirements.
- High Liquidity ratios (Liquidity coverage ratio and Net stable funding ratio) well above Basel III and CBJ requirements.



\* According to Basel III (CBJ requirements)

# CREDIT RATING



## Credit rating

Agency	Entity	Rating	Date
Fitch	Arab Bank PLC	BBB-/Negative/F3	March 2016
Moody's	Arab Bank PLC - Jordan	Ba2/Stable/NP	August 2016
Standard & Poor's	Arab Bank PLC	BB-/Negative/B	November 2016
	Arab Bank Group operating entities (Europe Arab Bank, Arab Bank Australia Ltd)	BB+/Stable/B	November 2016

- International credit rating agencies (Moody's, Fitch, and Standard & Poor's) emphasized on the Banks' pioneer position supported by its solid business franchise, superior geographic diversification, well-known brand, strong management, and conservative financial policies which allow the bank to be rated above its sovereign and peers.
- "AB group has been a consistently solid performer, even during difficult domestic or regional operating conditions. The group's performance reflects its broad geographical diversification, its conservative attitude to risk, and a policy of making liquidity paramount." (Fitch)
- "The group's top management has proven skills, capacity, and expertise to run the bank, in line with its strategy, which we view as well defined and prudently exercised." (S&P)

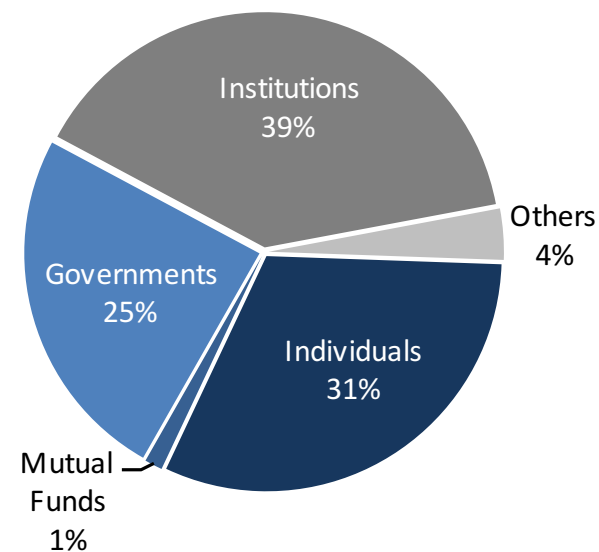
# STOCK INFORMATION



## Stock Information

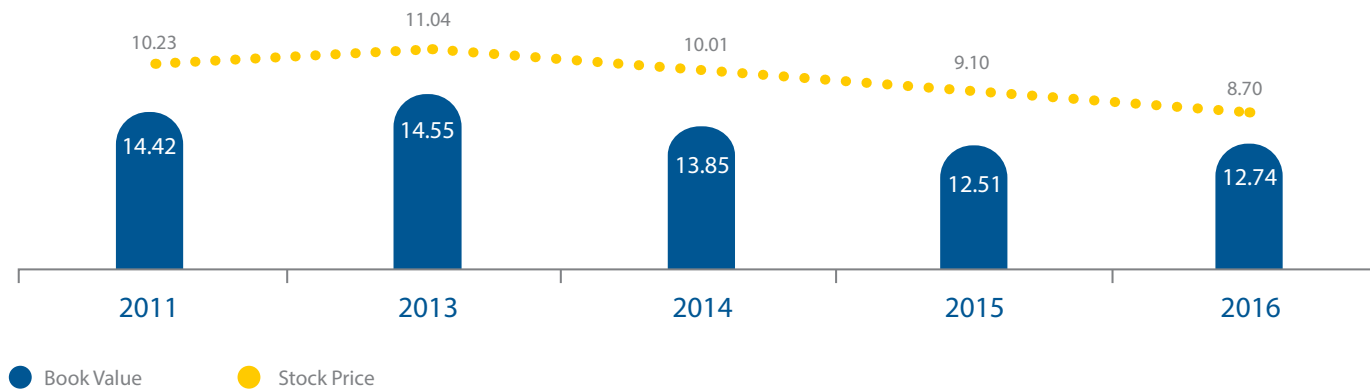
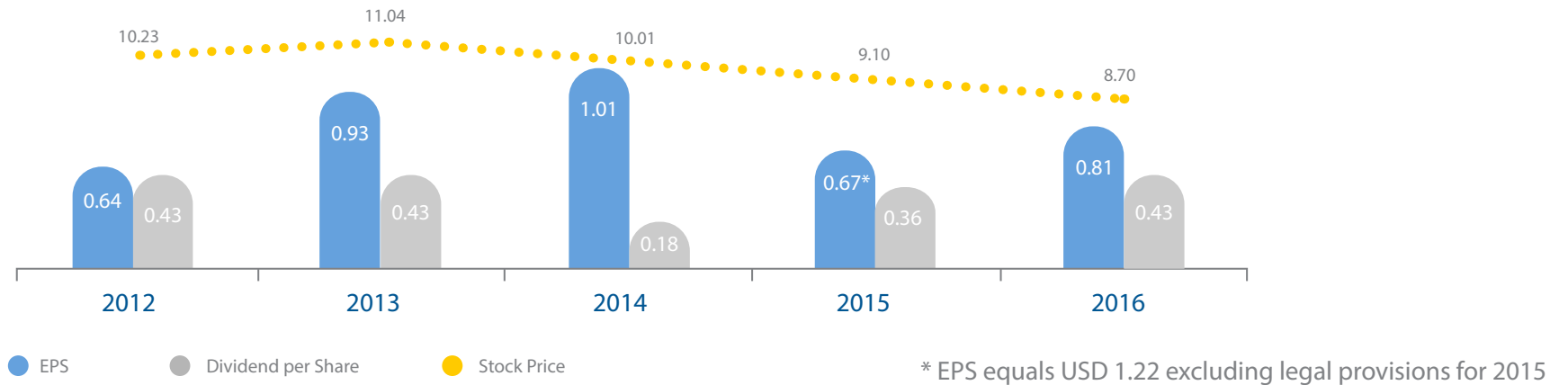
- Arab Bank is the largest listed company on Amman stock exchange with a market capitalization of USD 5.6 billions as of December 31, 2016, representing almost 25% of total market.
- Arab Bank shares are traded in multiple lots of 18 shares coupled with 1 share of Arab Bank Switzerland.
- A strong and diversified base of shareholders.
- An attractive share price with 10.7 P/E ratio, and 0.68 P/B ratio as of December 31, 2016.
- A dividend yield of 5% as of December 31, 2016.

## Shareholders Structure



## Stock information

### Share Price in USD as of December 31



# CORPORATE GOVERNANCE





## Corporate governance

Arab Bank adopts the latest corporate governance regulations according to the best practices and Central Bank of Jordan instructions.

- Arab Bank's Board of Directors, led by Mr. Sabih Taher Masri, Chairman of the board, is composed of 12 members, all non-executives elected for a period of four years by the General Assembly.
- The board meets at least six times a year and has strong adherence to good corporate governance standards.

Board of Directors	Member Name	
	Mr. Sabih Taher Masri	Chairman
	H.E. Dr. Bassem Ibrahim Awadallah	Vice Chairman
	H.E. Mr. Suleiman Hafez Suleiman Masri	
	Mr. Saleh Saad Al-Muhanna	On Behalf / Ministry of Finance, Saudi Arabia
	Mrs. Nazik A. A. Odah / Al-Hariri	
	Mr. Mohammed Ahmad Al-Hariri	
	Dr. Izzidine Kanakrieh	On Behalf / Jordan Social Security Fund
	H.E. Mr. Khaled Anis (Zand Irani)	On Behalf / Abdul Hameed Shoman Foundation
	Mr. Wahbe Abdullah Tamari	
	Mr. Bassam Wael Kanaan	
	Mr. Abbas Farouq Zuaiter	
H.E. Mr. Alaa Arif Batayneh		

## *Corporate governance structure*

- **Board committees:**

- Audit committee
- Risk management committee
- Credit committee
- Corporate governance committee
- Strategy committee
- Nomination and remuneration committee
- IT governance committee

- **Executive committees**

- High asset & liability committee
- Senior credit committee
- Operational risk committee
- IT steering committee

- **Country committees**

- Local asset & liability committee
- Country credit committee
- Country management committee

- **Supported by three lines of control/defense**

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# APPENDIX



## Group balance sheet

	December, 31	December, 31
	2015	2016
	USD '000	USD '000
<b>ASSETS</b>		
Cash and balances with central banks	9 472 381	7 809 343
Balances with banks and financial institutions	2 992 403	4 622 181
Deposits with banks and financial institutions	99 018	176 118
Financial assets at fair value through profit or loss	831 980	698 516
Financial derivatives - positive fair value	58 235	58 011
Direct credit facilities at amortized cost	22 180 987	21 898 121
Financial assets at fair value through other comprehensive income	479 038	470 912
Other financial assets at amortized cost	9 003 709	7 640 955
Investment in associates	2 916 290	3 077 008
Fixed assets	451 444	463 633
Other assets	500 479	472 203
Deferred tax assets	58 629	73 390
<b>TOTAL ASSETS</b>	<b>49 044 593</b>	<b>47 460 391</b>
<b>LIABILITIES</b>		
Banks and financial institutions' deposits	3 636 734	3 752 999
Customer deposits	32 799 228	31 082 152
Cash margin	2 443 090	2 561 426
Financial derivatives - negative fair value	53 705	52 517
Borrowed funds	75 745	271 185
Provision for income tax	235 918	242 377
Other provisions	145 235	259 795
Other liabilities	1 627 254	1 072 128
Deferred tax liabilities	12 103	1 276
<b>Total Liabilities</b>	<b>41 029 012</b>	<b>39 295 855</b>

	December, 31	December, 31
	2015	2016
	USD '000	USD '000
<b>OWNERS' EQUITY</b>		
Share capital	926 615	926 615
Share premium	1 225 747	1 225 747
Statutory reserve	753 065	798 443
Voluntary reserve	977 315	977 315
General reserve	1 141 824	1 141 824
General banking risks reserve	363 458	363 458
Reserves with associates	1 540 896	1 540 896
Foreign currency translation reserve	( 284 609 )	( 402 682 )
Investment revaluation reserve	( 260 621 )	( 267 672 )
Retained earnings	1 502 867	1 738 225
<b>Total Equity Attributable to Shareholders of the Bank</b>	<b>7 886 557</b>	<b>8 042 169</b>
Non-controlling interests	129 024	122 367
<b>Total Owners' Equity</b>	<b>8 015 581</b>	<b>8 164 536</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>	<b>49 044 593</b>	<b>47 460 391</b>

## Group Income Statement

	December, 31	December, 31
	2015	2016
	USD '000	USD '000
<b>REVENUE</b>		
Interest income	1 815 895	1 865 835
Less: interest expense	724 757	751 317
<b>Net interest income</b>	<b>1 091 138</b>	<b>1 114 518</b>
Net commissions income	319 603	315 903
<b>Net interest and commissions income</b>	<b>1 410 741</b>	<b>1 430 421</b>
Foreign exchange differences	70 827	61 185
Gains from financial assets at fair value through profit or loss	14 315	5 147
Dividends on financial assets at fair value through other comprehensive income	5 430	7 813
Group's share of profits of associates	356 981	334 964
Other revenue	50 066	86 882
<b>TOTAL INCOME</b>	<b>1 908 360</b>	<b>1 926 412</b>
<b>EXPENSES</b>		
Employees' expenses	440 652	439 105
Other expenses	647 238	338 397
Depreciation and amortization	52 041	47 661
Provision for impairment - direct credit facilities at amortized cost	32 891	179 056
Other provisions	16 210	131 378
<b>TOTAL EXPENSES</b>	<b>1 189 032</b>	<b>1 135 597</b>
Profit before income tax	719 328	790 815
Less: Income tax expense	277 205	258 149
<b>Profit for the Year</b>	<b>442 123</b>	<b>532 666</b>
<b>Attributable to :</b>		
Bank shareholders	430 830	522 187
Non-controlling interests	11 293	10 479
<b>Total</b>	<b>442 123</b>	<b>532 666</b>
Earnings per share attributable to Bank Shareholders		
- Basic and Diluted (US Dollars)	0.67	0.81