

Arab Bank Group

Investor Relations Presentation
September 30, 2016

البنك العربي
ARAB BANK

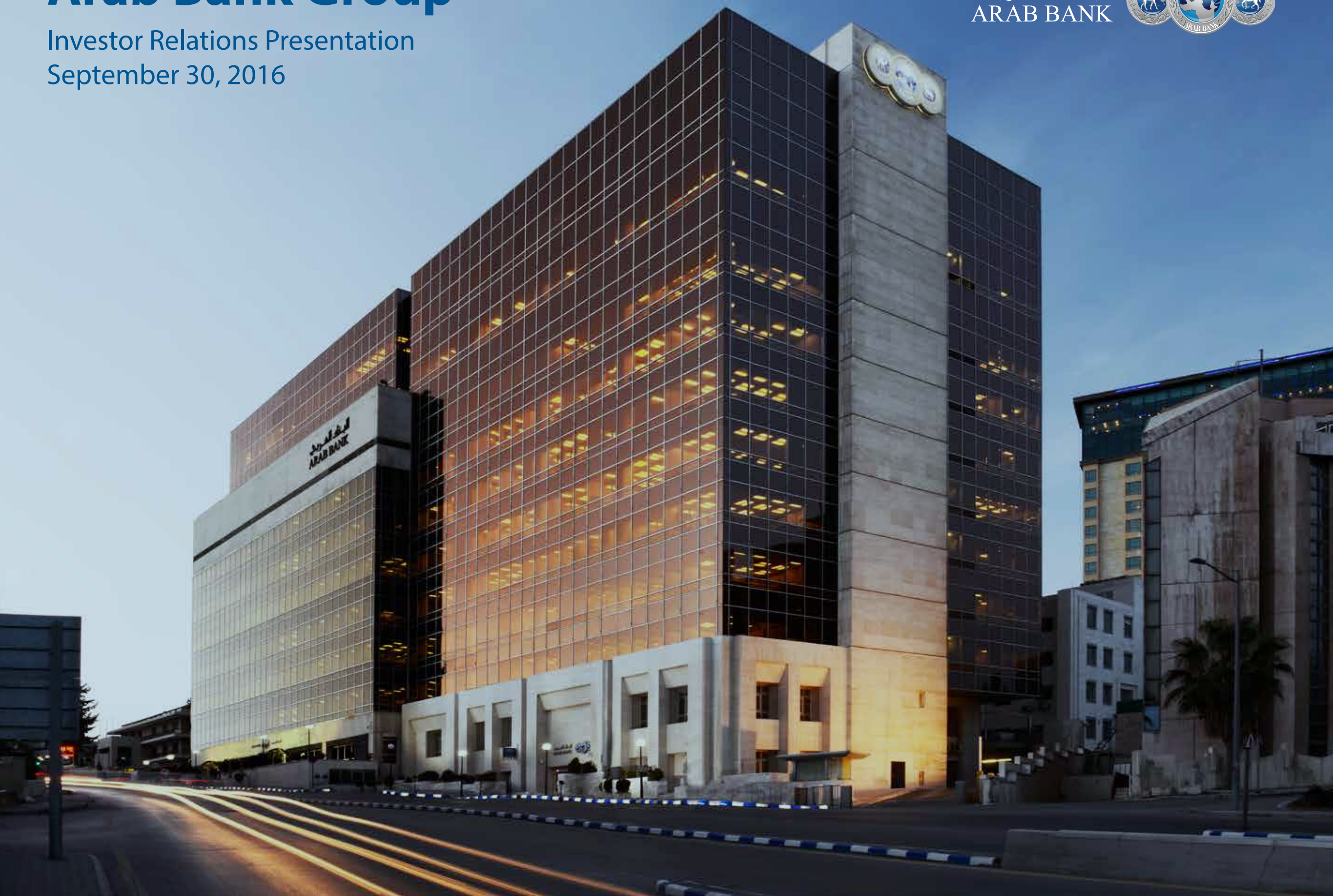


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General Information



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		
	2014	2015
Total assets	\$48.8bn	\$49.0bn
Loans	\$23.7bn	\$23.8bn
Customer deposits	\$35.0bn	\$35.2bn
Shareholders' equity	\$7.9bn	\$8.0bn
Revenue	\$1.88bn	\$1.91bn
Net operating income	\$1.08bn	\$1.10bn
Net profit*	\$777m	\$791m

* Excluding the impact of legal provision of \$200m, \$349m in 2014 and 2015 respectively.

Arab Bank core strengths

Net operating income amounted to **USD 1.1 billion** as of 31 December, 2015

An established brand name with strong equity and core values

One of the most important providers of trade finance in the region

Superior geographic diversification

A well-provisioned loan portfolio. NPLs coverage ratio stood at 109%

Cost/income ratio stood at 42.3%

Liquidity ratio with LTD of 67.6%

Strong capitalization and a CAR of 14.2%

The ratios are as of 31 December, 2015

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 AB PLC branches, subsidiaries, its sister company and associates:

Country	Since	Branches	Employees
Palestine	1930	30	904
Jordan	1934	119	3,851
Lebanon	1944	12	321
Egypt	1944	38	1,132
Qatar	1957	4	135
Bahrain	1960	6	184
Morocco	1962	5	161
Switzerland**	1962	2	103
UAE	1963	9	456
Yemen	1972	8	232
Saudi Arabia*	1980	154	4,416
USA	1982	1	5
Oman*	1984	63	1,306
Tunisia	1982	129	1,277
Far East	1984	3	55
Australia	1994	8	120
Algeria	2001	8	245
Syria	2005	19	288
Europe	2006	6	132
Turkey*	2006	35	666
Sudan	2008	3	77

* 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

USD '000

Assets	Dec. 2014	Dec. 2015
Cash and due from banks	12,166,498	12,563,802
Investment portfolio	10,721,459	10,314,727
Loan portfolio - net	22,002,028	22,180,987
Investment in associates	2,829,624	2,916,290
Fixed assets - net	473,241	461,135
Other assets	619,748	607,652
Total assets	48,812,598	49,044,593

Liabilities & Shareholders' Equity	Dec. 2014	Dec. 2015
Due to banks	4,168,204	3,712,479
Customer deposits & cash margin	34,968,829	35,242,318
Other liabilities & other provisions	1,786,824	2,074,215
Total liabilities	40,923,857	41,029,012
Capital & reserves	4,883,831	5,024,566
Other equity items	2,877,850	2,861,991
Shareholders' equity	7,761,681	7,886,557
Non-controlling interests	127,060	129,024
Total shareholders' equity	7,888,741	8,015,581
Total liabilities & shareholders' equity	48,812,598	49,044,593

AB Group consolidated income statement

USD '000

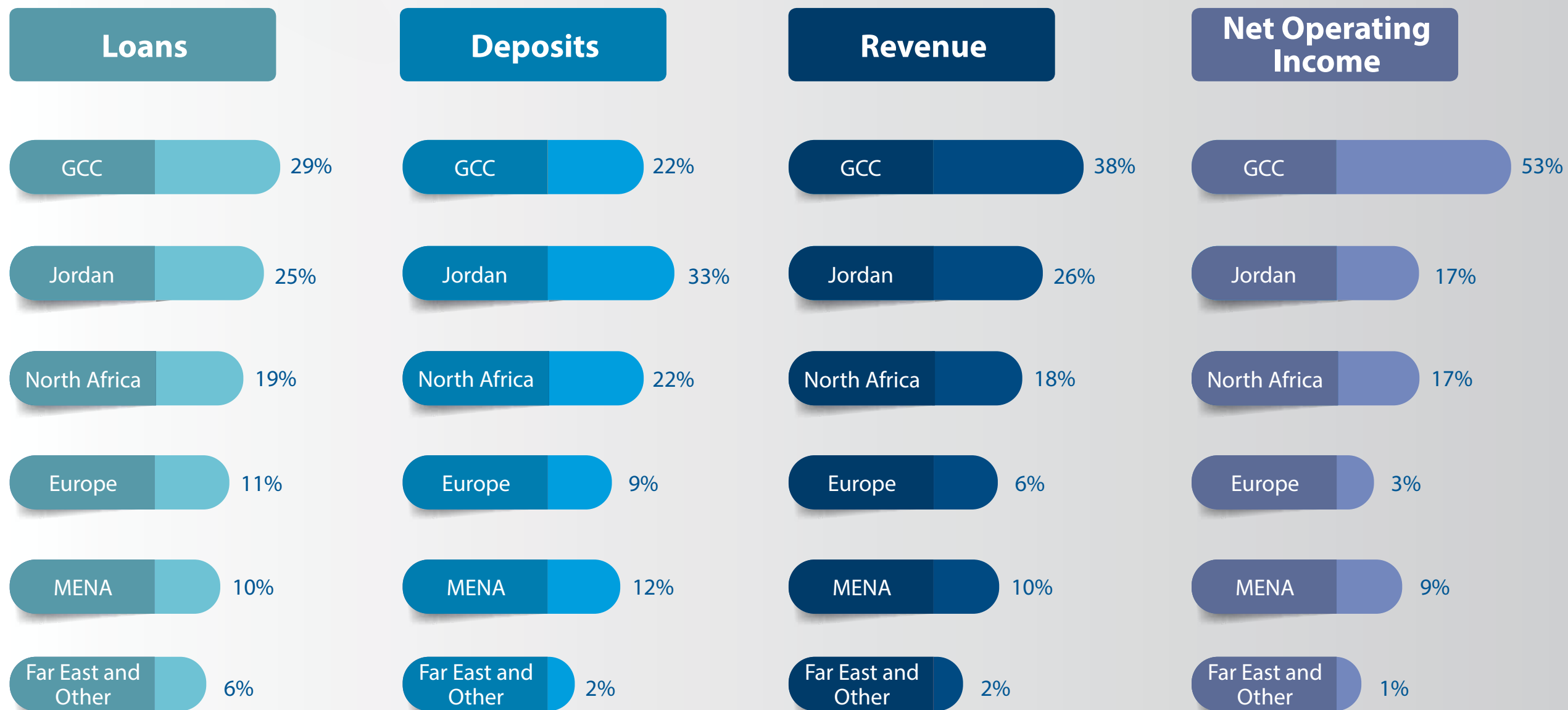
Income Statement	Dec. 2014	Dec. 2015
Net interest income	1,074,948	1,091,138
Net commission	321,593	319,603
Group's share of profits of associates	348,201	356,981
Other revenue	132,567	140,638
Net operating revenue	1,877,309	1,908,360
Operating expenses	799,829	807,141
Net operating income	1,077,480	1,101,219
Provision for impairment - direct credit facilities	36,161	32,891
Non-recurring expenses (Legal)	200,000	349,000
Net income before tax	841,319	719,328
Income tax	264,166	277,205
Net income after tax	577,153	442,123

- NIAT was impacted by high legal provision for the NY case; excluding legal costs, NIAT in 2015 amounted to \$791m vs. \$777m in 2014.
- NOI for 2015 increased by 2% to \$1.1 billion vs. last year.

AB Group key financial indicators

Key Financial Indicators	Dec. 2012	Dec. 2013	Dec. 2014	Dec. 2015
Loan to deposit	68.40%	67.10%	67.70%	67.60%
Cost to income - including provision for doubtful debts	59.40%	51.90%	44.50%	44.00%
Cost to income - excluding provision for doubtful debts & legal provisions	43.10%	42.00%	42.30%	42.30%
Return on equity	4.60%	6.50%	7.30%	5.50%
Return on equity - excluding legal provisions	6.00%	8.10%	9.90%	9.90%
Return on assets	0.80%	1.10%	1.20%	0.90%
Return on assets - excluding legal provisions	1.00%	1.30%	1.60%	1.60%
Capital adequacy - tier 1	15.09%	15.15%	14.80%	14.20%
Capital adequacy - total	15.09%	15.15%	14.80%	14.20%
NPL to gross credit facilities - excluding suspended interest	6.77%	5.60%	5.20%	4.80%
NPL coverage ratio - excluding suspended interest	92%	102%	106%	109%

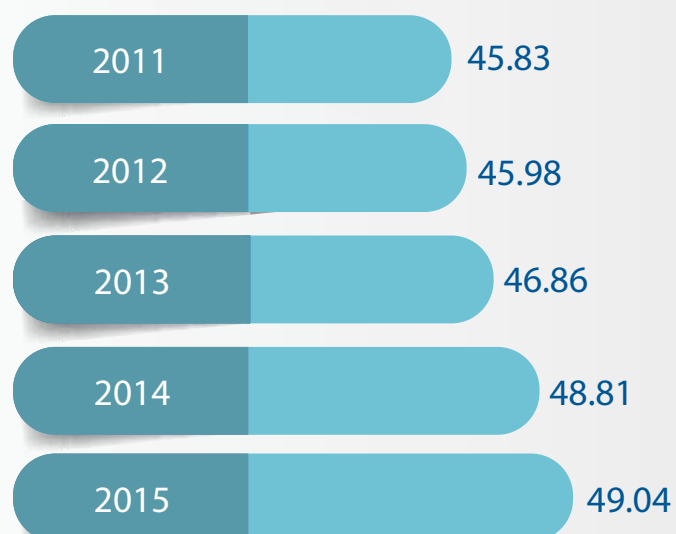
Geographical diversification



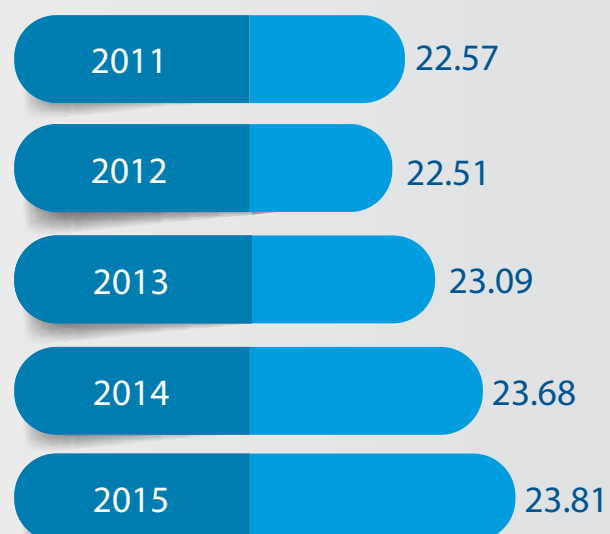
Geographical diversification as of December 31, 2015

Financial trends in recent years

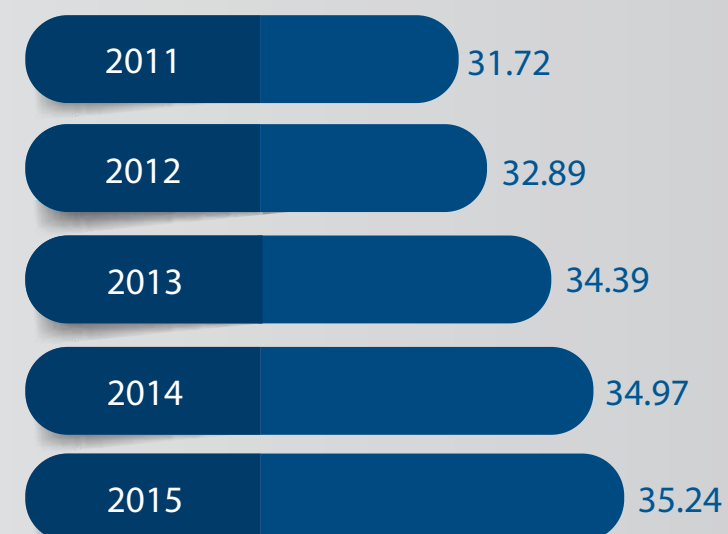
Assets in USD Billions



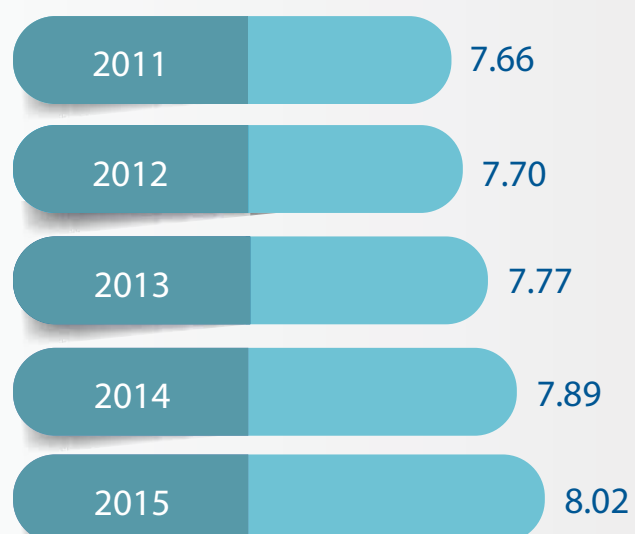
Loans in USD Billions



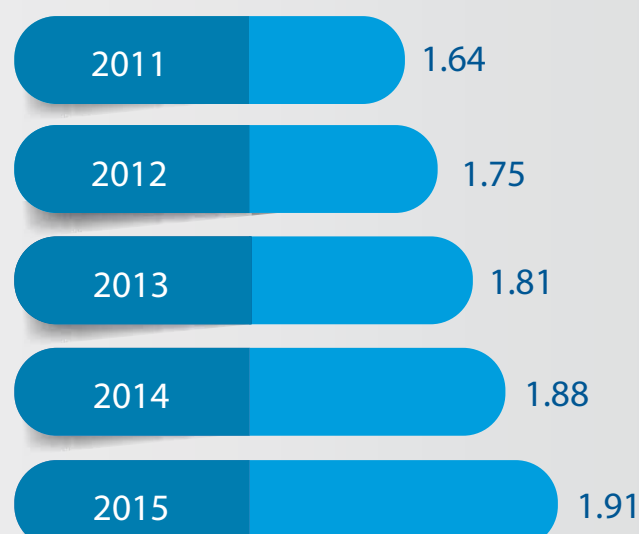
Customer Deposits in USD Billions



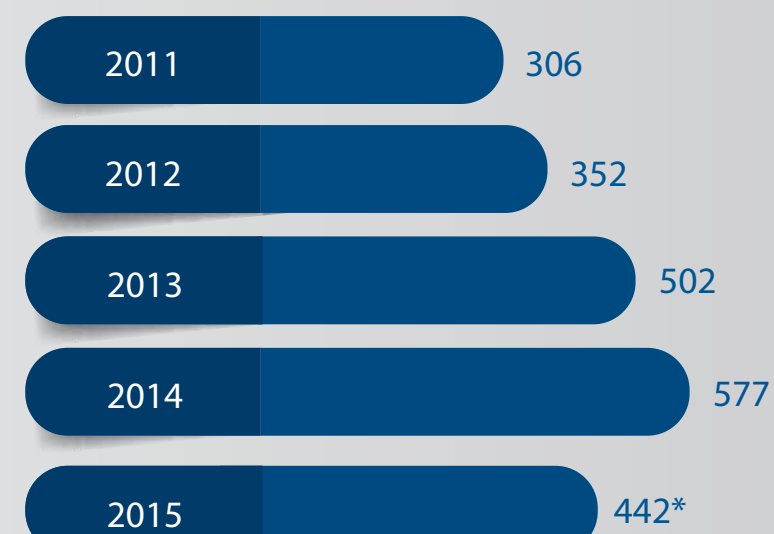
Equity in USD Billions



Revenue in USD Billions



Net Income in USD Millions

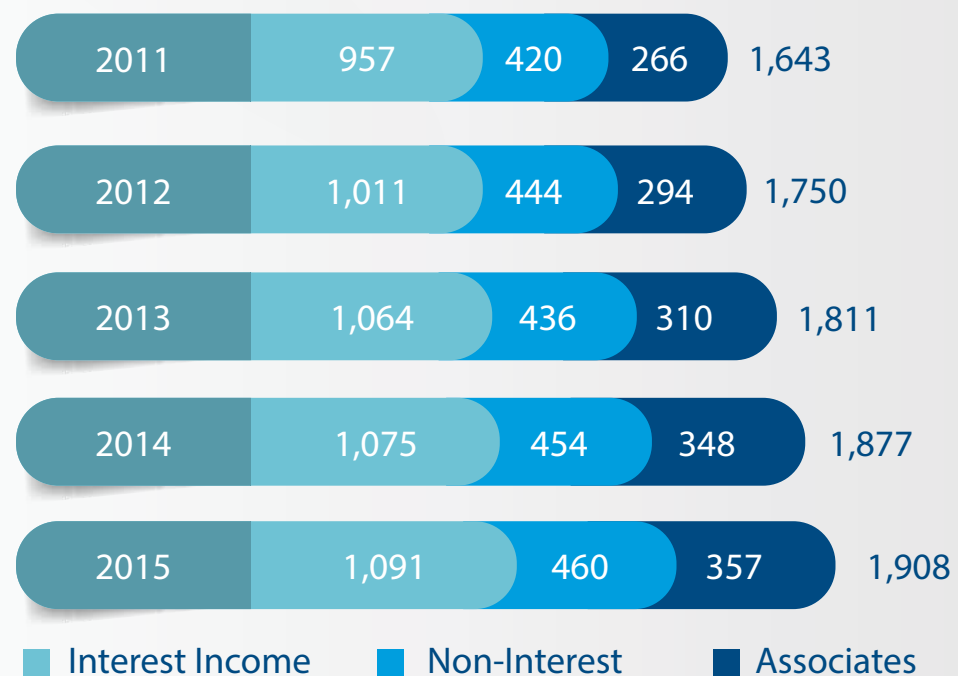


- Deposits grew by \$3.5 billion since 2011. Excluding the impact of FX devaluation, the growth was \$6.5 billion.

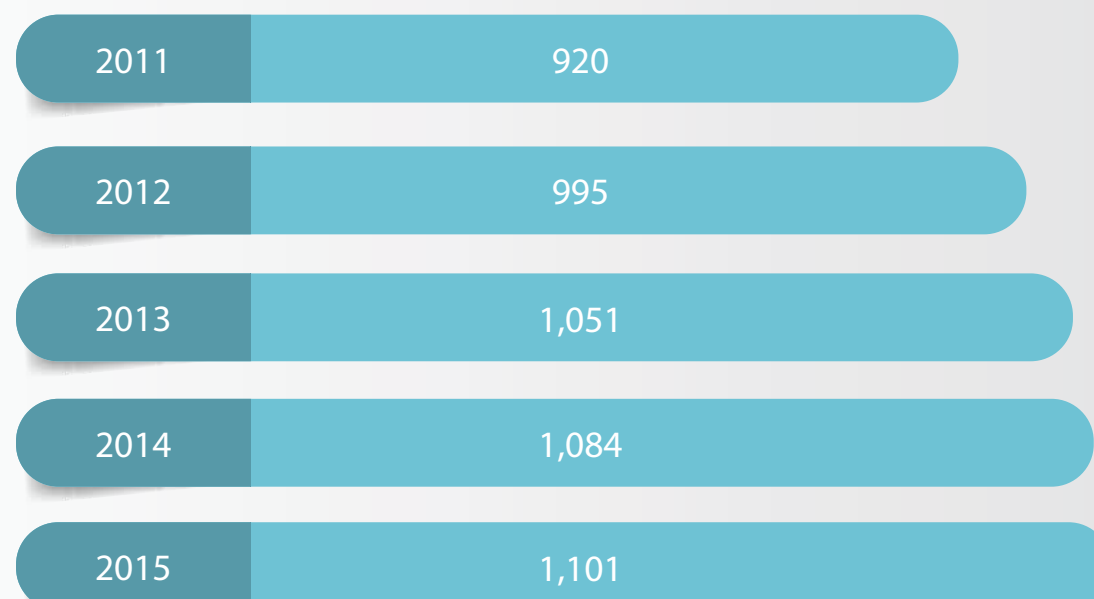
* 2015 NIAT impacted by legal provision of \$349 million.

Revenue and net operating income

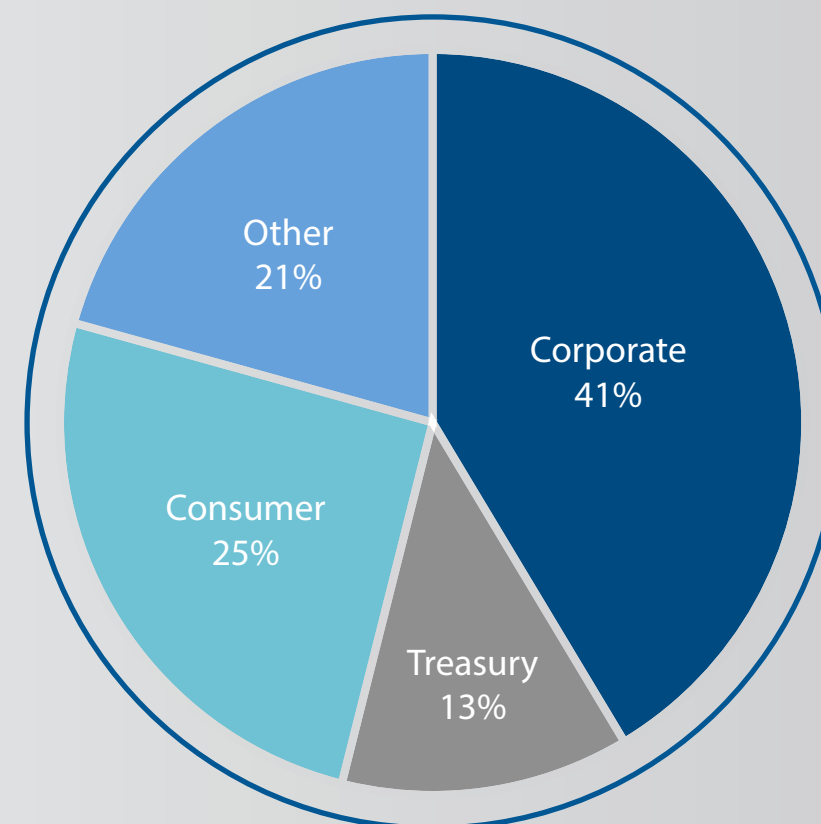
Revenue (USD Million)



Net Operating Income (USD Million)

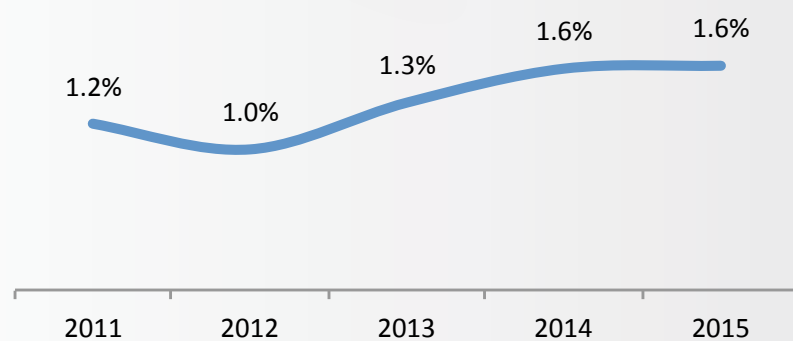


Revenue by segment Dec. 2015

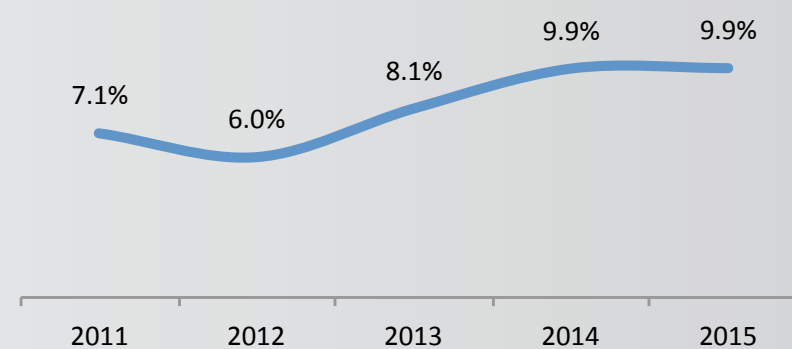


Profitability ratios

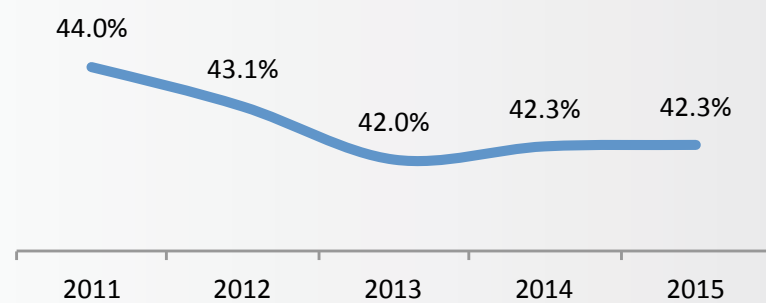
Return on Assets - Excluding Legal Provisions



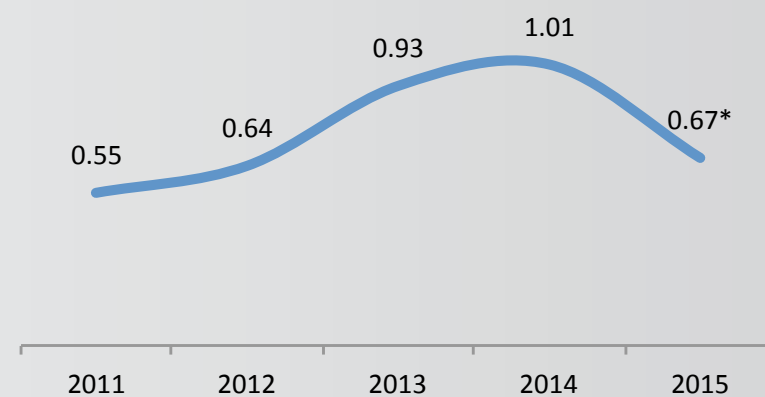
Return on Equity - Excluding Legal Provisions



Cost to Income - Excluding Provisions for Doubtful Debts & Legal Provisions



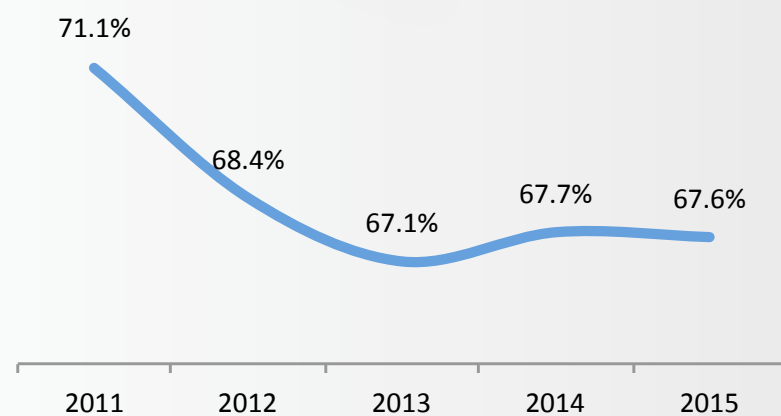
EPS (USD)



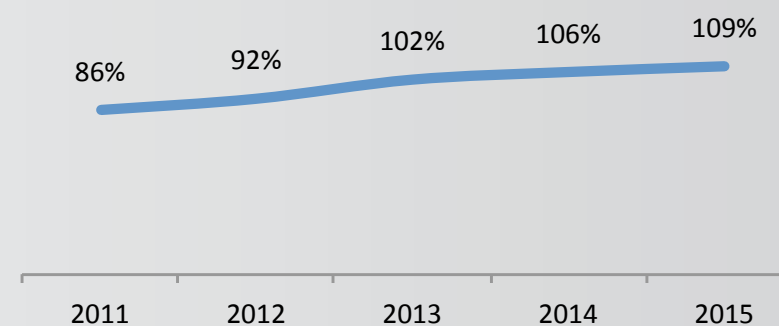
* EPS equals USD 1.22 excluding legal provisions for 2015

Asset quality and liquidity ratios

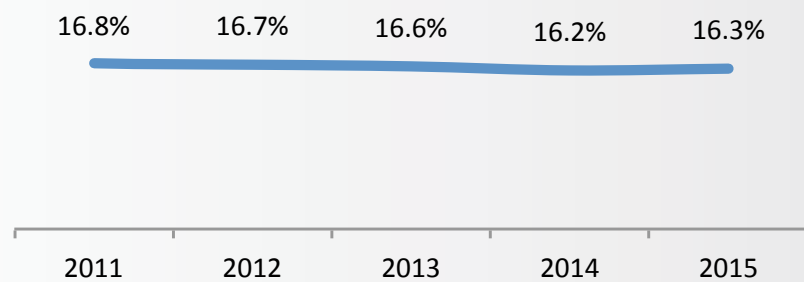
Loan to Deposit



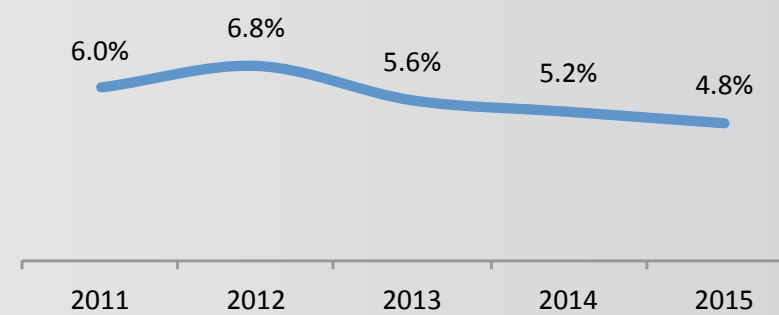
NPL Coverage Ratio - Excluding Suspended Interest



Total Shareholders' Equity to Total Assets

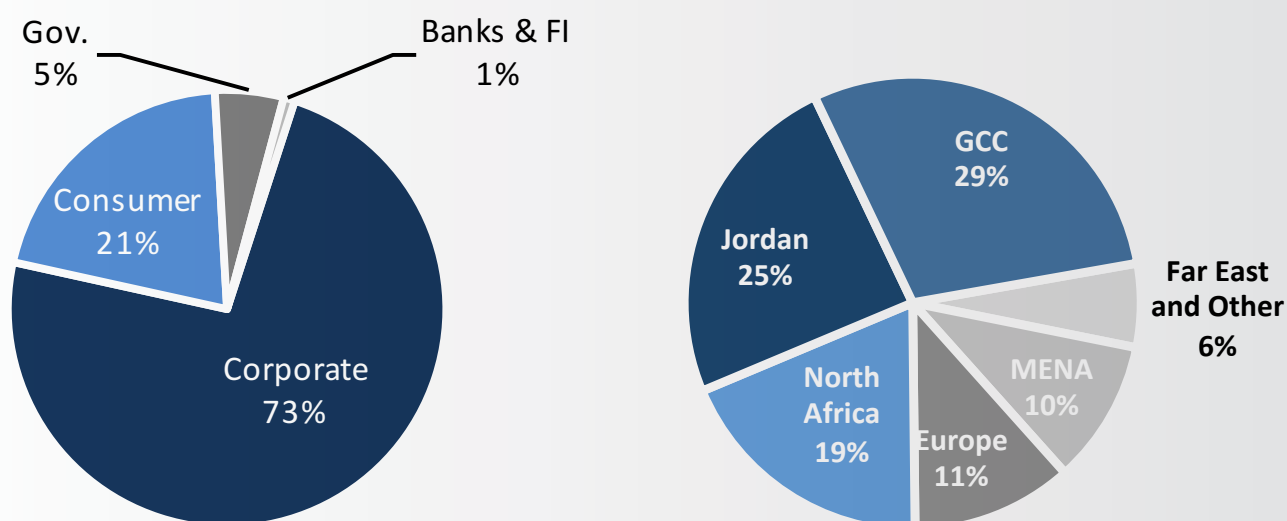
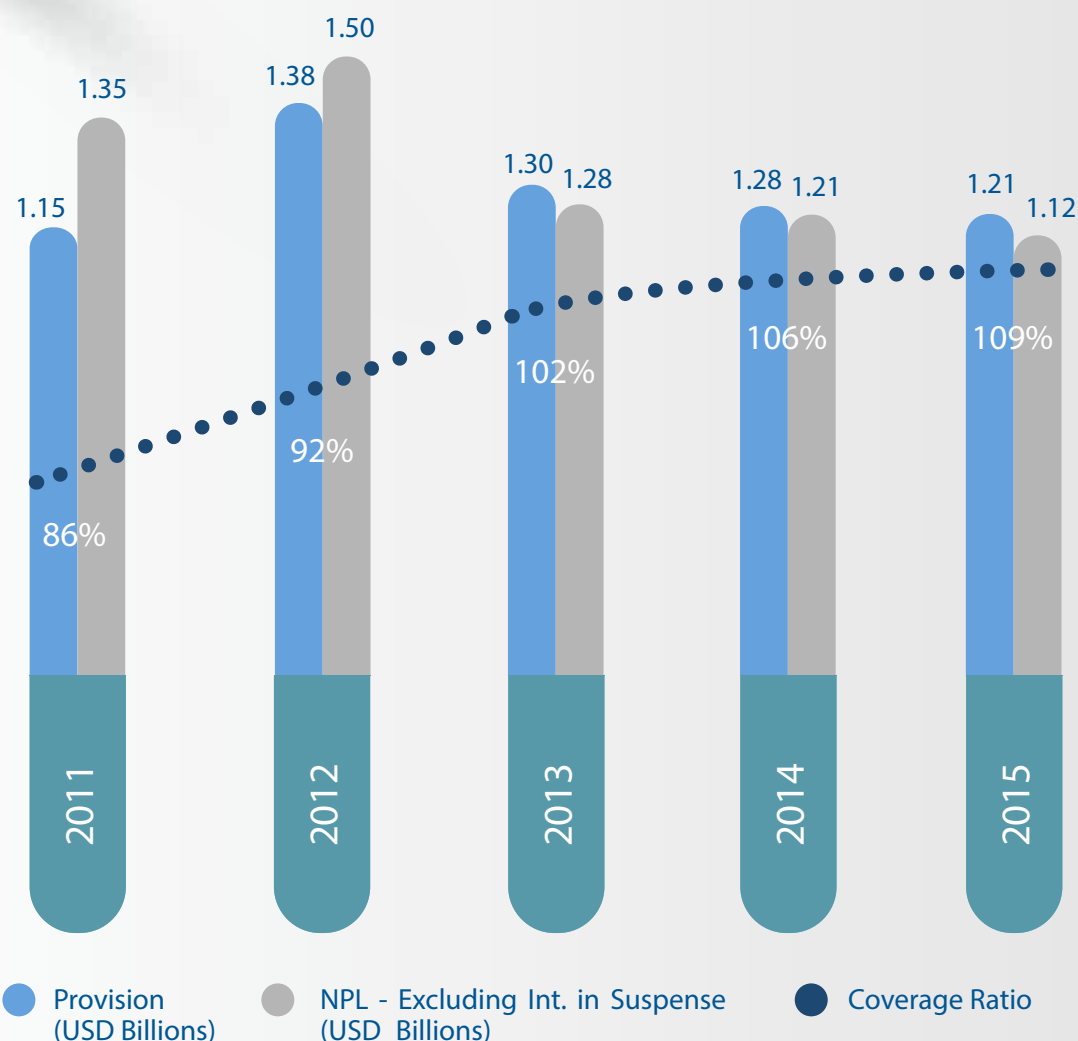


NPL to Gross Credit Facilities - Excluding Suspended Interest



Loan quality

Highlights

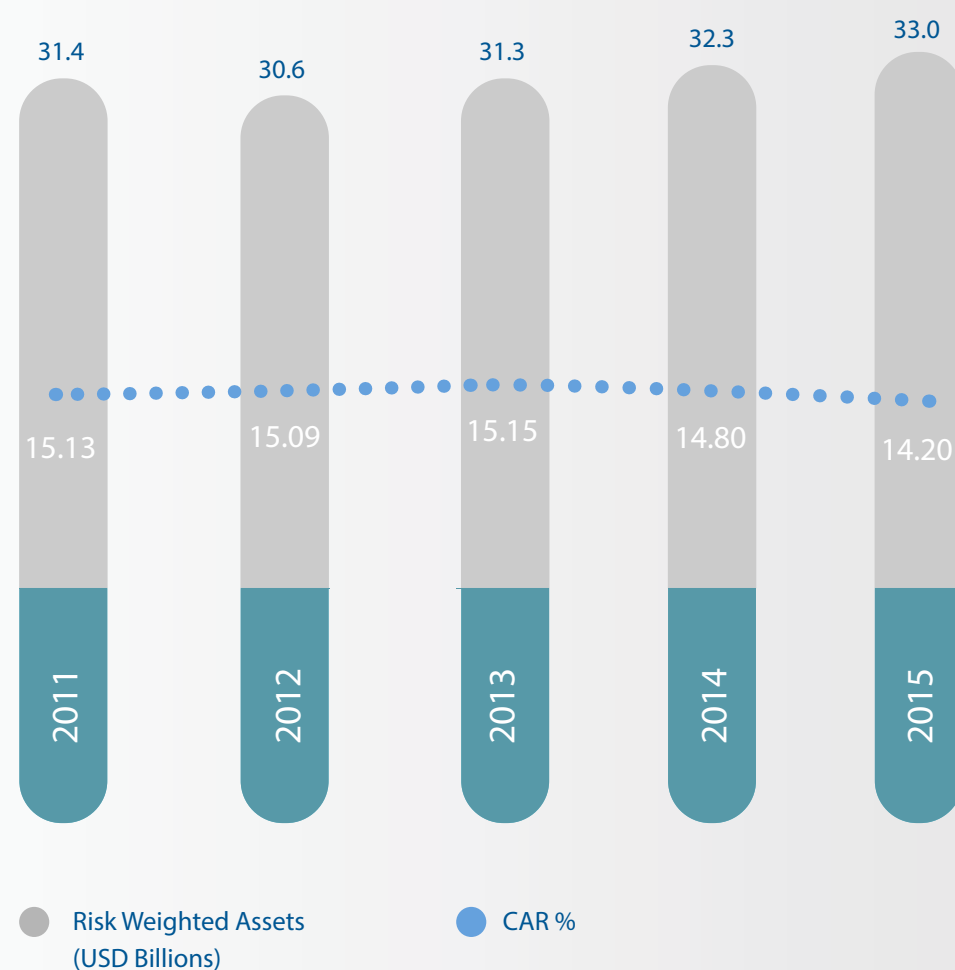


- Arab Bank classifies the loan portfolio in compliance with IFRS requirements and the Bank's stringent guidelines, whichever is stricter.
- NPLs include old loans which are fully provided. The Bank is very cautious in writing off loans to safeguard its legal position for collection.
- The credit portfolio's quality remains strong despite regional conditions.
- As of December, 2015, the NPL coverage ratio stood at 109%, 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 21% of the loan portfolio, and the amount of 90 days overdue represents only 0.9% of the consumer loan portfolio.

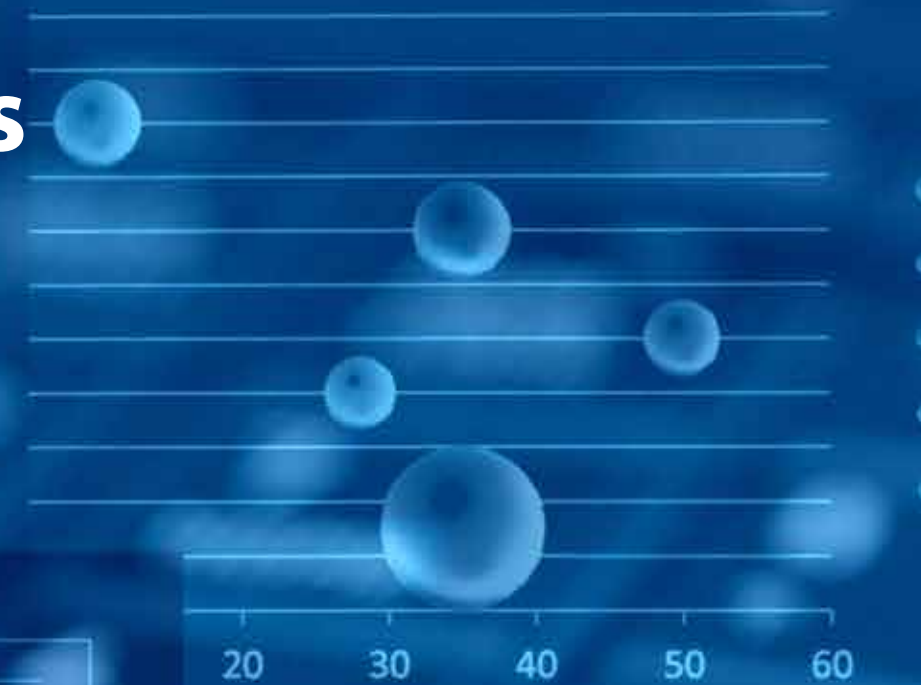
Capital adequacy

Highlights

- Solid capital adequacy ratio well above Basel II requirements.
- High quality capital; all comprised of core Tier I.
- Under Basel III guidelines, the capital adequacy ratio stood at the higher level of 15.62% as of December 31, 2015.



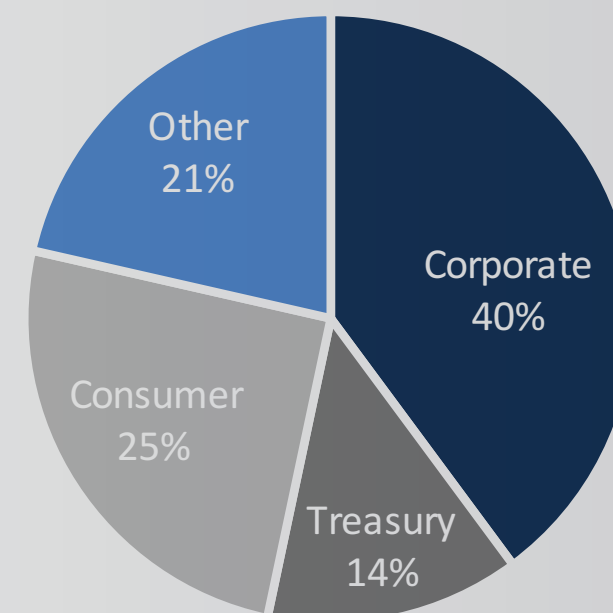
Q3 2016 Key Performance Extracts



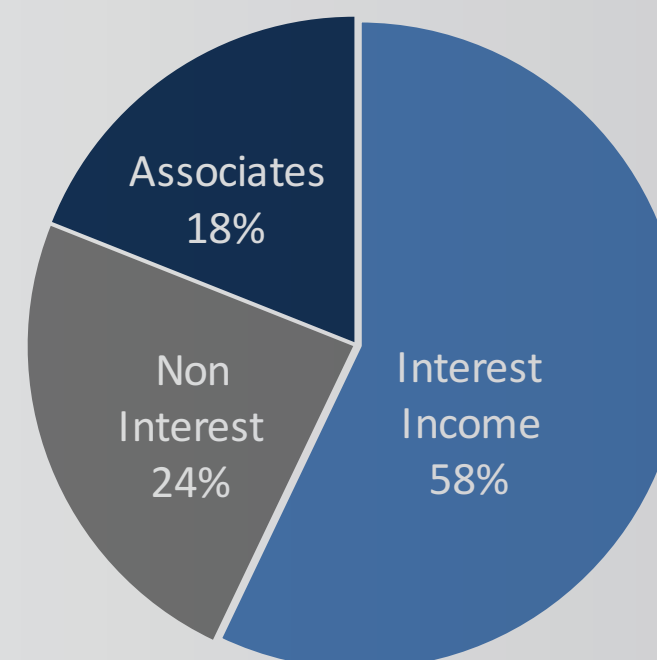
Strong and well diversified earnings

	USD '000	
Income Statement	September 2015	September 2016
Net interest income	812,693	843,960
Net commission	241,670	243,658
Group's share of profits of associates	282,994	265,869
Other revenue	108,572	98,789
Net operating revenue	1,445,929	1,452,276
Operating expenses	589,085	575,288
Net operating income	856,844	876,988
Provision for impairment - direct credit facilities	10,166	61,196
Non recurring expenses (Legal)	28,000	-
Net income before tax	818,678	815,792
Income tax	203,530	197,867
Net income after tax	615,148	617,925

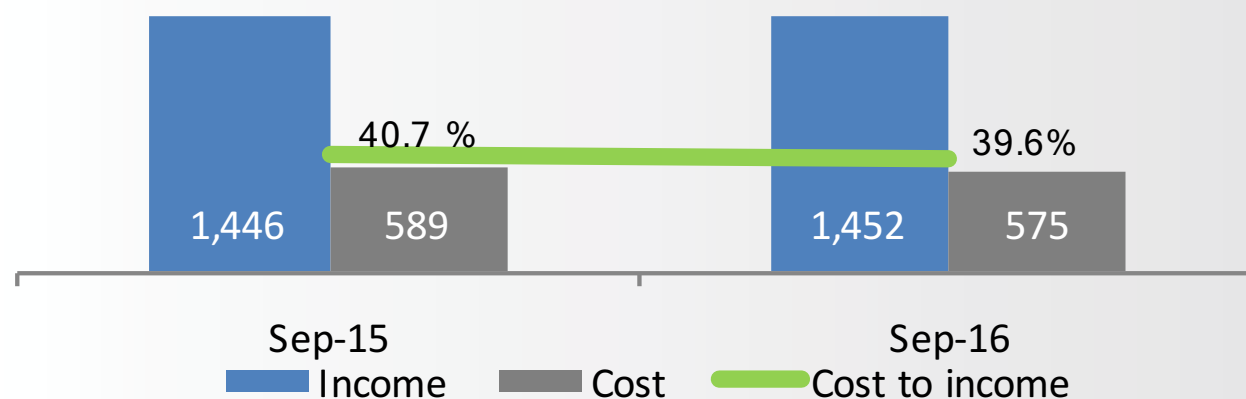
Revenue by segment as of September 2016



Revenue by type as of September 2016

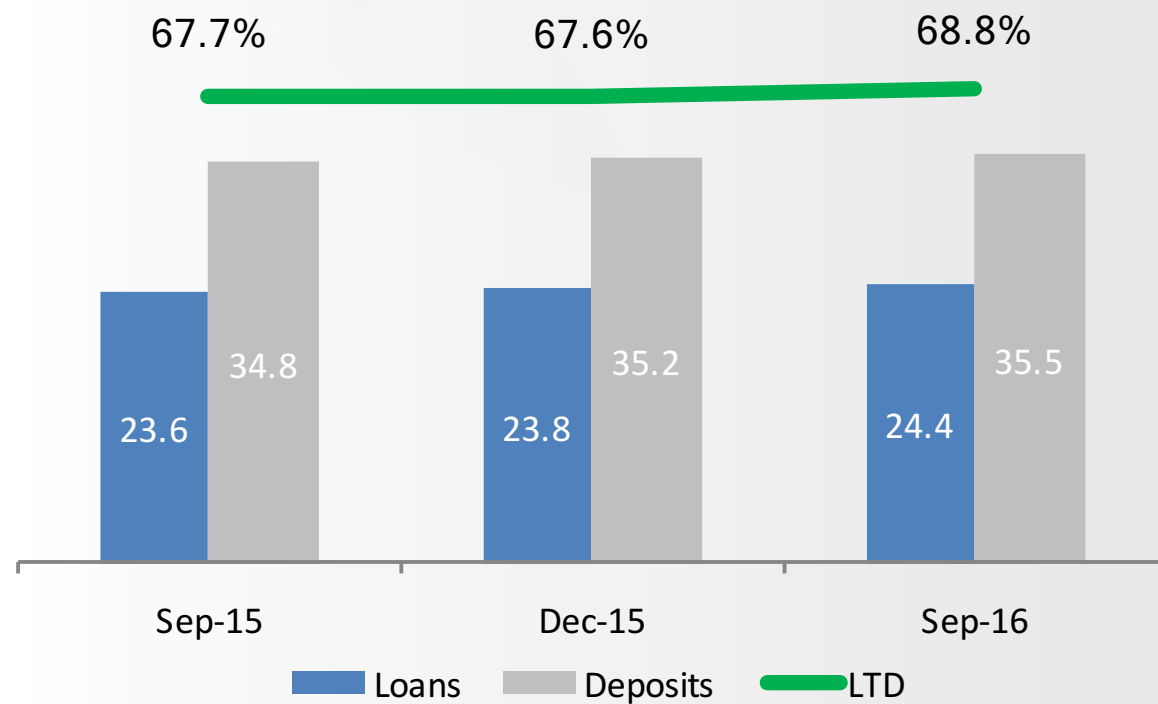


USD million

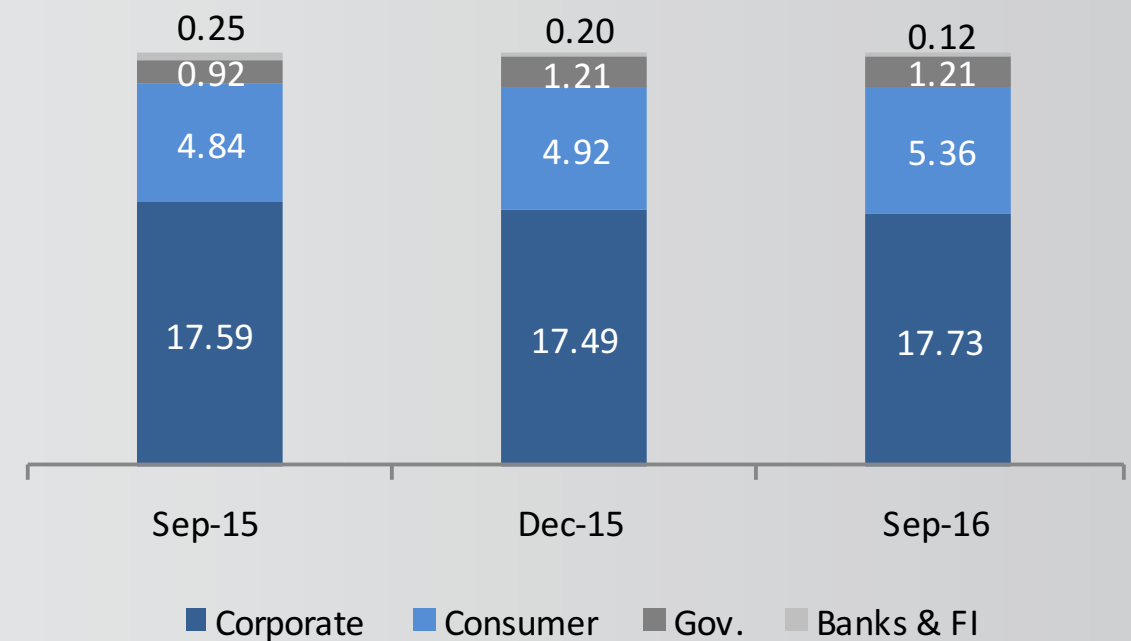


Portfolio growth

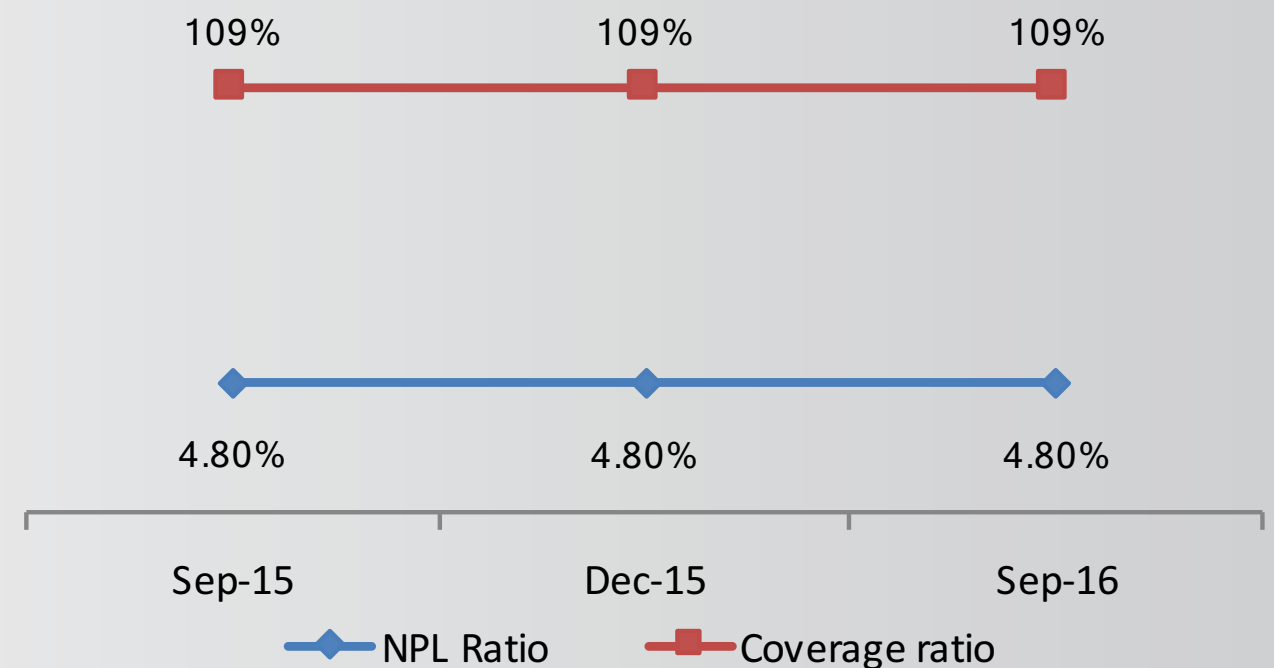
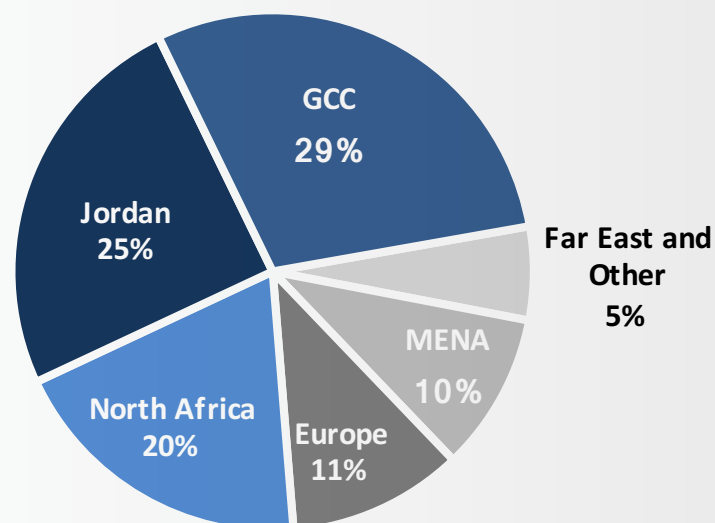
Loans and deposits in USD billions



Loans by segment in USD billions



Loans as of September 2016



Credit Ratings



Credit ratings

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

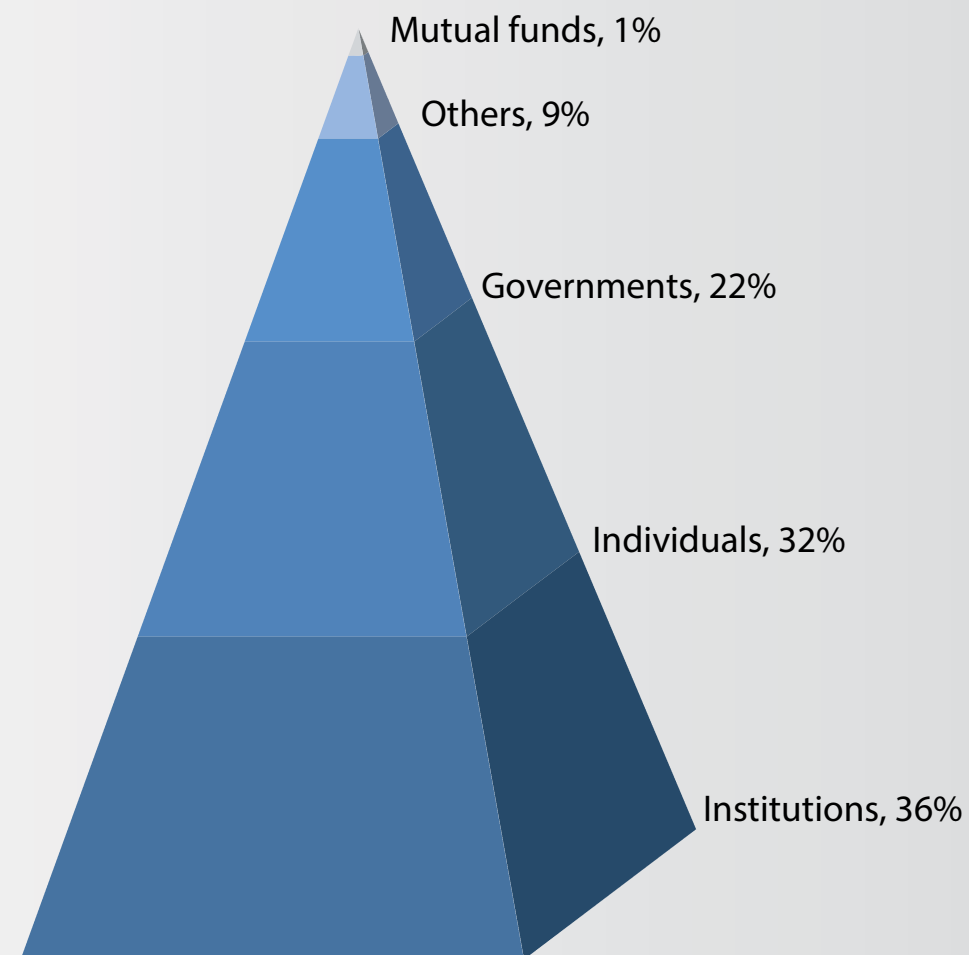
- Arab Bank PLC ratings changed from A- to BBB- as it was affected by the sovereign downgrades of the Kingdom of Jordan. Arab Bank is one of the few entities globally that enjoy credit ratings that exceed the sovereign rating of its domicile.
- “Arab Bank Group’s business position rating is strong as it is supported by a solid business franchise, superior geographic diversification, a well-known brand, strong management and conservative financial policies” (S&P).
- “The Group’s 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. We assess the Group’s risk appetite as lower than peers’, favoring capitalization and liquidity versus profitability” (S&P).

Stock Information



Stock information

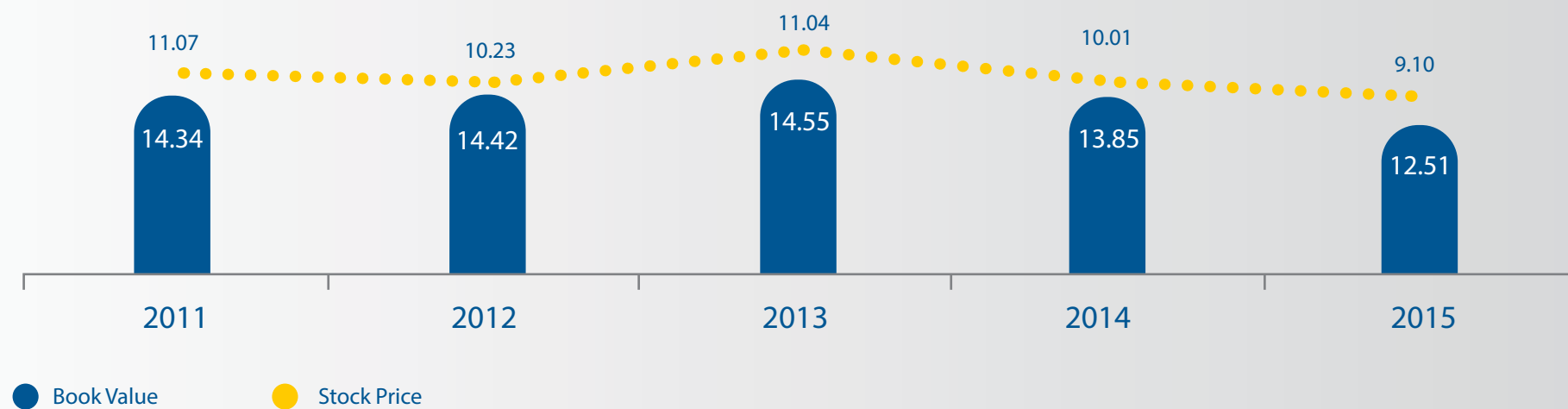
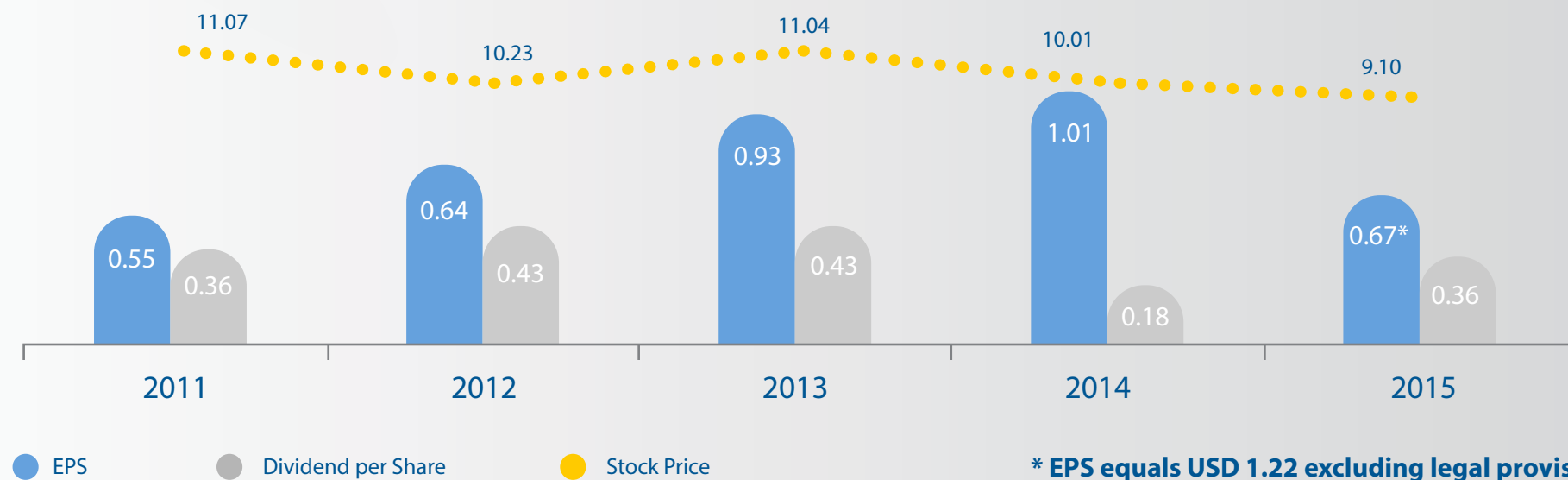
- Arab Bank is the largest listed company on the Amman Stock Exchange; with a market capitalization of USD 5.8 billion as of December 31, 2015; representing almost 25% of the total market.
- Arab Bank shares are traded in multiple lots of 18 shares coupled with 1 share of Arab Bank Switzerland.
- A strong and diversified base of shareholders.
- An attractive share price with a 7.5* P/E ratio, and 0.73 P/B ratio as of December 31, 2015.
- A dividend yield of 4% as of December 31, 2015.



* Excluding the impact of legal expenses

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 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

- **Executive committees**

- High asset & liability committee
- Senior credit committee
- Operational risk committees
- 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	September, 30
	2015	2016
	USD '000	USD '000
ASSETS		
Cash and balances with central banks	9 472 381	7 993 931
Balances with banks and financial institutions	2 992 403	3 606 208
Deposits with banks and financial institutions	99 018	142 500
Financial assets at fair value through profit or loss	831 980	634 823
Financial derivatives - positive fair value	58 235	36 730
Direct credit facilities at amortized cost	22 180 987	22 725 973
Financial assets at fair value through other comprehensive income	479 038	480 105
Other financial assets at amortized cost	9 003 709	9 519 496
Investment in associates	2 916 290	2 986 700
Fixed assets	451 444	477 171
Other assets	500 479	557 995
Deferred tax assets	58 629	69 883
TOTAL ASSETS	49 044 593	49 231 515
LIABILITIES		
Banks and financial institutions' deposits	3 636 734	3 694 289
Customer deposits	32 799 228	32 930 036
Cash margin	2 443 090	2 565 962
Financial derivatives - negative fair value	53 705	45 609
Borrowed funds	75 745	200 226
Provision for income tax	235 918	227 555
Other provisions	145 235	149 777
Other liabilities	1 627 254	1 110 978
Deferred tax liabilities	12 103	1 231
Total Liabilities	41 029 012	40 925 663

	December, 31	September, 30
	2015	2016
	USD '000	USD '000
OWNERS' EQUITY		
Share capital	926 615	926 615
Share premium	1 225 747	1 225 747
Statutory reserve	753 065	753 065
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)	(304 064)
Investment revaluation reserve	(260 621)	(306 100)
Retained earnings	1 502 867	1 863 115
Total Equity Attributable to Shareholders of the Bank	7 886 557	8 181 871
Non-controlling interests	129 024	123 981
Total Owners' Equity	8 015 581	8 305 852
TOTAL LIABILITIES AND OWNERS' EQUITY	49 044 593	49 231 515

Group Income Statement

	September, 30	September, 30
	2015	2016
	USD '000	USD '000
REVENUE		
Interest income	1 351 675	1 417 089
Less: interest expense	538 982	573 129
Net interest income	812 693	843 960
Net commissions income	241 670	243 658
Net interest and commissions income	1 054 363	1 087 618
Foreign exchange differences	53 084	47 937
Gains from financial assets at fair value through profit or loss	12 505	2 257
Dividends on financial assets at fair value through other comprehensive income	5 150	6 583
Group's share of profits of associates	282 994	265 869
Other revenue	37 833	42 012
TOTAL INCOME	1 445 929	1 452 276
EXPENSES		
Employees' expenses	329 800	331 862
Other expenses	208 832	189 218
Depreciation and amortization	38 833	35 931
Provision for impairment - direct credit facilities at amortized cost	10 166	61 196
Other provisions	11 620	18 277
TOTAL EXPENSES	599 251	636 484
Non Recurring Expenses (Legal)	28 000	-
Profit before Income Tax	818 678	815 792
Less: Income tax expense	203 530	197 867
Profit for the Period	615 148	617 925
Attributable to :		
Bank shareholders	607 949	610 084
Non-controlling interests	7 199	7 841
Total	615 148	617 925
Earnings per share attributable to Bank Shareholders		
- Basic and Diluted (US Dollars)	0.95	0.95

Group balance sheet

	December, 31	December, 31
	2014	2015
	USD '000	USD '000
ASSETS		
Cash and balances with central banks	7 391 974	9 472 381
Balances with banks and financial institutions	4 664 078	2 992 403
Deposits with banks and financial institutions	110 446	99 018
Financial assets at fair value through profit or loss	1 126 894	831 980
Financial derivatives - positive fair value	56 264	58 235
Direct credit facilities at amortized cost	22 002 028	22 180 987
Financial assets at fair value through other comprehensive income	477 547	479 038
Other financial assets at amortized cost	9 117 018	9 003 709
Investment in associates	2 829 624	2 916 290
Fixed assets	473 241	461 135
Other assets	504 552	490 788
Deferred tax assets	58 932	58 629
TOTAL ASSETS	48 812 598	49 044 593
LIABILITIES		
Banks and financial institutions' deposits	4 081 113	3 636 734
Customer deposits	32 065 271	32 799 228
Cash margin	2 903 558	2 443 090
Financial derivatives - negative fair value	62 489	53 705
Borrowed funds	87 091	75 745
Provision for income tax	235 248	235 918
Other provisions	144 203	145 235
Other liabilities	1 332 960	1 627 254
Deferred tax liabilities	11 924	12 103
Total Liabilities	40 923 857	41 029 012

	December, 31	December, 31
	2014	2015
	USD '000	USD '000
OWNERS' EQUITY		
Share capital	826 223	926 615
Share premium	1 225 747	1 225 747
Statutory reserve	712 722	753 065
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	(122 751)	(284 609)
Investment revaluation reserve	(219 278)	(260 621)
Retained earnings	1 315 525	1 502 867
Total Equity Attributable to Shareholders of the Bank	7 761 681	7 886 557
Non-controlling interests	127 060	129 024
Total Owners' Equity	7 888 741	8 015 581
TOTAL LIABILITIES AND OWNERS' EQUITY	48 812 598	49 044 593

Group Income Statement

	December, 31	December, 31
	2014	2015
	USD '000	USD '000
REVENUE		
Interest income	1 845 096	1 815 895
Less: interest expense	770 148	724 757
Net interest income	1 074 948	1 091 138
Net commissions income	321 593	319 603
Net interest and commissions income	1 396 541	1 410 741
Foreign exchange differences	55 830	70 827
Gains from financial assets at fair value through profit or loss	7 046	14 315
Dividends on financial assets at fair value through other comprehensive income	8 566	5 430
Group's share of profits of associates	348 201	356 981
Other revenue	61 125	50 066
TOTAL INCOME	1 877 309	1 908 360
EXPENSES		
Employees' expenses	434 754	440 652
Other expenses	285 996	295 433
Depreciation and amortization	56 612	54 846
Provision for impairment - direct credit facilities at amortized cost	36 161	32 891
Provision for impairment - other financial assets at amortized cost	6 422	-
Other provisions	16 045	16 210
TOTAL EXPENSES	835 990	840 032
Non recurring expenses (legal)	200 000	349 000
Profit before income tax	841 319	719 328
Less: Income tax expense	264 166	277 205
Profit for the Year	577 153	442 123
Attributable to:		
Bank shareholders	573 687	430 830
Non-controlling interests	3 466	11 293
Total	577 153	442 123
Earnings per share attributable to Bank shareholders		
- Basic and Diluted (US Dollars)	0.90	0.67