



**Bank ABC**  
**H1 2024 Earnings Investor Call**  
**Transcript**

*Fatema Yusuf (Bank ABC Group Head of Corporate Communications):*

Good afternoon, ladies, gentlemen, valued investors,

Thank you for tuning into Bank ABC's H1 2024 Earnings Investor Call, hosted by our Group CEO, Sael Al Waary and our Group CFO, Brendon Hopkins. Our Group CEO will take us through today's presentation and will be supported by our Group CFO, who will be presenting the detailed financial performance for the first half of 2024.

Following that I'll be moderating the Q&A session. You are very much welcome to submit your questions via the question feature on this webinar, and we will do our best to answer them all, in addition to the questions that we have received ahead of the call.

Before our Group CEO kicks off his presentation, here is a short video that showcases the Group's key performance and strategic highlights in 2024 so far.

[Click here to access the opening video](#)

*Sael Al Waary (Bank ABC Group CEO):*

Thank you, Fatema. Good afternoon and welcome to Bank ABC's half year investors call for 2024.

My presentation will cover some key areas of interest to our shareholders. I'm going to cover the highlights of our performance. Then, I will give you the key highlights of our progress on our strategic direction, which was approved by our Board last year. Special emphasis in my presentation today will be on our sustainability strategy and program, which Bank ABC has received international recognition for, and the awards which we have received over the last 6 months, and also the last 3 years. Finally, the detailed financial performance will be covered by our Group CFO, Brendon.

*Q2 2024 Financial Performance – Key Highlights*

In summary, I'm very pleased and privileged to announce today that our key performance has never been stronger. We had fantastic results, mid-year in terms of revenue growth and in terms of net profit and also our KPIs and ratios. For example, we achieved a 10% growth year on year on our revenue, which reached \$674m. Our Net Profit was \$150m, a 24% year on year growth.

These are great results. The credit goes to the team and to our shareholders' support. And of course, with our regulators who are actually behind us, enabling this excellent result. The ratio I'm particularly following very closely is the Return on Equity (ROE), and today, Bank ABC is proudly looking at an annualized ROE over 7%. We've never seen these numbers before. This is testimony to the strategy we have put in place almost 2 years ago. This demonstrates that our strategy is working, and the numbers speak for themselves. Now further details of our numbers will be covered by our Group CFO, as I said earlier. Also, another number I'm again very proud of is our Assets today, which have crossed \$44bn.

### *Update on Group Strategy*

Now, our strategy, which we've covered in much detail in our February meeting, and last year. We're making excellent progress in the management of our strategic direction. The 3 pillars of our Strategy have started paying off as we have seen from the numbers.

Our 1st strategic pillar is to accelerate our core businesses such as Wholesale Banking. We've also put special emphasis to boost returns from our retail business. And we have seen excellent results in the last 6 months. Our retail revenue has exceeded our expectations because of the measures we have taken on retail, from digitization to becoming more efficient. And we will continue to capitalize on our strong franchise/business in Brazil.

Our core business is performing at the same time, while we're transforming the Bank and this is our key theme for Bank ABC to "perform while we transform." So, we're creating near-term value for our shareholders.

In the meantime, we have to think long-term, we are heavily investing, as you are aware, in our digital platforms and these have started paying off. Today, in aggregate, we have generated almost \$80mn revenue between AFS and ila. Management has clear plans on how to create long-term value for our shareholders and how to monetize our digital platform. AFS has been a key pillar in terms of payments and it's playing a regional role in the Fintech space. And ila, our digital mobile only bank, is continuing to perform in a very strong manner, with strong penetration in Bahrain and Jordan markets.

The 3rd pillar, which is equally important, is Strengthening our Operating Model. We cannot deliver Pillars 1 and 2 without strengthening our operating model. We continue improving our organizational effectiveness. We've enhanced our steering ability. We've become strong in terms of decision making and agility and we are still on a journey to improve our processes and procedures. We have engaged consultants last year to support us. And we've recently we introduced a new operating model for IT, and we are now moving to its implementation phase.

At the same time, we're looking at sustainability. I will give you more details on this shortly. Bank ABC today truly believes in enforcing a sustainability program, under the ESG framework. Additionally, under our strategy, we have introduced KPIs at different levels i.e. KPIs at the board level, at the management level, and also at the relationship manager level. This will help us follow our execution.

Finally, we are progressing very well in introducing a strong core banking platform for ila Bank and for our Wholesale Banking model, for which we can expect to see some strong progress in the next 6 months to 18 months.

## *Sustainability Update*

Now turning to the subject of sustainability, this is an important aspect of our strategy. As the majority of you are probably aware, Bank ABC in the first half of 2024 released our first sustainability disclosures report and it's currently available on our website. This means that today, Bank ABC, is one of the few banks in the region, which has disclosed its stage 1, stage 2, and stage 3 scope emission measurements and where it falls within its ESG KPIs. We have measured our material ESG KPIs and invested into an ESG database solution, as you need to build a number of years of data to be able to measure and compare your framework. Further, we have completed the critical infrastructure review of our major operations, and we are working on introducing a multi-year reduction plan for our Greenhouse Gas (GHG) emissions.

We are looking at our energy and water consumption framework to reduce wastage. We've rolled out an accelerated sustainability training program for our Group. And we are currently looking at launching an environmental impact reduction plan for our operations and integrating ESG assessment. We're looking at introducing ESG assessments into our lending process. Along these priorities, we will continue to meet ESG regulatory requirements. And there is a certain level of disclosure for us as an international bank as we are regulated in 16 countries. We continue to work with our local regulators, for example, in Europe and France, EBA and PRA, who have a very prescriptive program on disclosure, and we will continue meeting their requirements.

## *2024 Awards*

Moving to a different subject, which you have seen earlier, on International Recognition of the Bank. Today I'm very proud to say that Bank ABC is widely internationally recognized. We have received about 25 awards in the last 6 months. This is truly a testimony to the strength of our strategy going forward. One of the key awards, that the Bank won for the first time in its history is the 'Best Trade Finance Bank in the Middle East' by the Global Trade Review. This is very important for us. Other awards worth mentioning by Global Finance are the 'Best Cross Broader Payment Solution in the Middle East' and 'Best Bank for Long-term Liquidity Management in Africa'. All these awards have been given to Bank ABC in recognition of our achievements and taking the lead in the region in terms of payment, long term liquidity management, cash management, and treasury.

Another important set of awards have been won by our digital mobile only bank ila, which we are very proud of. ila has won 6 awards in Bahrain, some of these awards, being for the 4th year and you can see them here on the screen. We're very pleased to be part of this journey and part of the story. ila is moving from strength to strength and today we are in Jordan and Bahrain. We are looking to expand ila's footprint more in the next 2 years.

Other awards were received for Islamic finance and other areas of the Bank, which many of you will have seen from the publicity in newspapers and social media.

Now it's time for our Group CFO to give you a deep dive on the numbers. And then I will take questions after Brendon's presentation. Thank you and we'll speak shortly. Yes, Brendon, go ahead.

## *Brendon Hopkins (Bank ABC Group CFO):*

Thanks to our Group CEO for that comprehensive overview.

### *Overview of Q2 2024 Financial Performance*

Turning to the details of our financial results. Our half one performance has been very strong with revenues and profits at record levels for a first half result for the Bank. So, we're extremely pleased with this performance. The total operating income has been \$674m and 10% higher compared to the \$611m reported last year and reflects a broad-based growth across almost all our core markets. A focus on Balance Sheet strength continues with our capital ratios well above the regulatory minimum. Tier 1 ratio at 14.5%, and within that, the majority being the Core Equity Tier 1 at 12.8%. The overall net profit surged by 24% to reach \$150m which translates into an annualized ROE of 7.3%. And in terms of the outlook, we see strong business pipelines to continue for the rest of 2024, which we hope will be another record year of performance for the Group.

Turning to revenue performance, the top line growth of 10% year on year has been strong across the franchise. Most of our markets and businesses have contributed very positively. This demonstrates the diversified income generation, which is a major strength of the franchise. Our MENA subsidiaries are around 20%, Wholesale Bank around 23%, Treasury 8%, Brazil around 35% and notably another 15% of the mix from other income which includes the digital units AFS and ila. The net interest income grew by 5% year on year to \$466m supported by robust loan volumes and sustained interest margins. Very pleased also that our other operating income grew an exceptional 25% to \$208m, reflecting increased cross-sell and rising fee incomes.

Turning to efficiency metrics, the Bank continues to improve the cost income ratio. We had positive jaws of 6%. Revenues up 10%, costs up 4%, giving the jaws of 6%. So that drives an improvement in the cost income ratio. As you can see on a headline basis, the cost income ratio improved to around 56%, over 3% improvement. And when we look at the underlying basis removing our digital investments program, we see the underlying ratio at around 51.4%. And while we continue to enforce the cost discipline, we won't compromise on the strategic investments. As the Group CEO outlined, we continue to invest into many areas to continue to digitize our wholesale and retail bank and upgrade other and areas of infrastructure and capability such as our core banking system.

From a risk perspective looking forward we can see business growth also being prudently managed by our robust risk appetite and frameworks. Cost of risk is stable at around 76 basis points. We remain cautious on the outlook, given regional uncertainties. But going back to the strength of the ABC franchise our asset portfolio is well diversified and we're not experiencing any significant headwinds from the ongoing high interest rates environment or any of the geopolitical issues in the region.

Emphasis on a strong balance sheet remains. Capital and liquidity levels are robust. This supports our future growth strategy and will help us deliver on our aspirations. The ratios are strong Total CAR 15.6%, Tier 1 ratio 14.5% and core equity within that at 12.8%. It's worth reminding as well that earlier in the year our shareholders have approved an additional T1 issuance of up to \$400m. We're evaluating the best timing for this which will depend upon our asset growth, and market conditions. But this is also to provide additional growth capacity while maintaining our emphasis on strong capital buffers.

Balance sheet is well diversified and liquid. Total assets over \$44bn at the end of the first half. Loans comprising more than 40% of total assets which results in a healthy loan deposit ratio, 84%. Our book is relatively short term, more than 60% of total assets maturing within 12 months. You'll see on a headline basis there's been a 2% reduction in the loan volumes, but this is primarily from currency depreciation in Egypt and Brazil. And when we look on an underlying basis adjusting for the currency translation, there would have actually been a 4% growth in these and across our other core markets. So, assuming currencies will remain stable for the rest of the year our expectations are for the loan growth to steadily pick up on the back of strong deal pipeline. And finally, from an overall liquidity and funding perspective our LCR and NSFR ratios are at healthy levels of 233% and 123% respectively.

So, in summary, as I said earlier, we're extremely pleased with our strong H1 performance. Delivery of the refreshed Group Strategy is well underway. The revenue growth is strong and operating costs and cost to risk are well controlled. This has led to an excellent net profit growth, 24% to reach \$150m and an improvement in our annualized ROE of around just over 1% take us to 7.3%. And these are at record levels for a first half of the year for ABC. So, looking forward to the second half of 2024 we expect momentum to continue from core business growth whilst we maintain our emphasis on a strong balance sheet. We'll continue to focus on execution and delivery of the strategy, and we'll target hopefully another full year of record net profit growth and returns for the Group.

So, I'll now hand back to Fatema, who will moderate the Q&A session.

*Fatema Yusuf (Bank ABC Group Head of Corporate Communications):*

Thank you very much Mr. Al Waary and thank you Brendon, for the informative presentations and congratulations to all teams across the Group on the delivery of these outstanding results. Moving on to answering some of the questions that we have received ahead of the session.

The 1st question is inquiring about the drivers of revenue growth in the first half of 2024, and our expectations of the interest rate impact for the rest of the year?

*Sael Al Waary (Bank ABC Group CEO):*

Thank you for that. Brendon has covered the detailed financials, we have witnessed a strong momentum and the Group revenue stood around \$674mn, which is about 10% growth. A key driver is our core business with a strong pipeline across our franchise in 16 countries. With our focused strategy and our prudent risk appetite, we have delivered excellent results. Secondly, our capital light products resulted in very strong revenues. So, we increased trade, capital markets and we looked at a very strong syndication deal volume across the group.

Our MENA business continues to perform, despite the geopolitical situation in the region. Other streams of revenue are in the Digital Units. AFS and ila showed us a very strong start this year. Of course, like any other bank, we benefited from the increased interest rates, but the Bank continues performing and delivering the strategy and benefiting the shareholders.

Now regarding the expectation of interest rate, and I'm sure everybody follows the news and the market dynamics, we are expecting maybe a drop in interest rate as early as September next month. I'm sure the experts will tell you that we're looking maybe maximum 50 basis point. Now given the scope of our balance sheet and diversification in our market I don't see a major impact on our revenue stream for this year. We're taking a prudent approach for 2025.

*Fatema Yusuf (Bank ABC Group Head of Corporate Communications):*

Thank you very much. The second question is inquiring about the impact of the recent geopolitical uncertainty on Bank ABC?

*Sael Al Waary (Bank ABC Group CEO):*

Well, the geopolitical tensions in the region, and of course, the Ukraine and Russia war has still not stopped. The Israeli Gaza war is affecting the region. In terms of business, of how and whether it has a direct impact on Bank ABC, to a certain extent, yes. Of course, it has an impact, and most of the countries are impacted such as Jordan. We've also seen an impact of the crisis to a certain extent on Egypt. But the good news is that Bank ABC is in 16 countries, and we have a very diversified portfolio. We have a very diversified strategy, and our strong pipeline demonstrated that during the last, the crisis has been going for almost a year now, and we managed to maneuver successfully so far and we are managing well in this geopolitical uncertainty.



Well, about Ukraine and Russia war, we don't have any exposure to either, so we don't have any issue with that.

*Fatema Yusuf (Bank ABC Group Head of Corporate Communications):*

Thank you, Mr. Al Waary. I just would like to remind our valued shareholders and investors online that we welcome their questions in the Q&A feature available on this webinar. Moving on to the third question, which is inquiring about the expectations on the Bank's performance for the rest of 2024. How do we see the Bank performing?

*Sael Al Waary (Bank ABC Group CEO):*

As I said earlier, we've had a very strong half year. We have very strong pipeline. We're very clear. We're very focused on our strategy. Yes, we are expecting interest rate reduction to have an impact. But it's not going to have a major impact on our 2024 performance. We are expecting a very strong second half year.

*Fatema Yusuf (Bank ABC Group Head of Corporate Communications):*

Thank you. And the 4th question reads as the shareholder is requesting to explain the EPS between the first quarter of 2024 that stood at 21 cents, and the second quarter of 2024, which stood at 24 cents, although the net profit is the same for both quarters at \$75mn?

*Sael Al Waary (Bank ABC Group CEO):*

Well, I'll let Brendon answer this one as he's the expert on this.

*Brendon Hopkins (Bank ABC Group CFO):*

Sure, I think it's essentially a relatively easy question to answer. The calculation of EPS is done on a quarterly basis. In the first quarter, the net profits were the same as the second quarter \$75mn. However, within the first quarter, we had the AT1 dividend payment of \$9mn. And so that's what reduced the EPS to 21 cents against an EPS of 24 cents in a second quarter. So overall taking into account a bit of rounding we're around 46 cents EPS for the first half.

*Fatema Yusuf (Bank ABC Group Head of Corporate Communications):*

Thank you, Brendon. Another question is about the economic outlook for Egypt and the impact of the devaluation of the Egyptian pound on Bank ABC?

*Sael Al Waary (Bank ABC Group CEO):*

Actually, I was expecting this question. First thing to say is that and I've said it before many times that we are in Egypt for the long term. We firmly believe in the long-term dynamics in Egypt and that it will turn around. Now we see in Egypt scale, big volume because of the size of the economy, and because of the population. So being in Egypt for Bank ABC is strategic for the shareholder. Turning to the economic outlook, the Egyptian pound used to be a 30 something, now it's almost hitting 50. Of course, it's affecting our financial KPIs and capital. But at the same time, the high interest rate in Egypt compensates for that gap. So, we're showing a higher probability in the local market. And when we come to translate the costs as well to our Group numbers, we show less cost because the pound is weak. So, there is an impact, but it will be mitigated by the high interest rate. Going back to the subject of long term, and, as the shareholders are aware, we've acquired Blom Bank two years ago and we've already started seeing the positive impact on our numbers in Egypt. So, in conclusion, we will deal with the currency devaluation because we are in Egypt for the long term.

*Fatema Yusuf (Bank ABC Group Head of Corporate Communications):*

Thank you very much. With this we conclude, addressing all the questions that have been raised so far. Thank you all once again for joining us today. If you have further questions, please feel free to share it with our investor relations team on [InvestorRelations@bank-abc.com](mailto:InvestorRelations@bank-abc.com), and we'll see you again next quarter. Thank you very much.