

# **Bank ABC YE 31 December 2024 Earnings Investor Call Transcript**

## *Fatema Yusuf, Group Head of Corporate Communications:*

Good afternoon, ladies, gentlemen, and valued investors. Thank you for joining Bank ABC's 2024 Earnings Investors Call hosted by the Group, CEO Sael Al Waary and the Group CFO, Brendon Hopkins.

Our Group, CEO, will shortly take us through today's presentation and will be supported by our Group, CFO, who will be presenting the detailed financial performance of 2024.

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

Before Mr. Al Waary commences the session, allow us to play a short video summarizing the Group's record performance and strategic achievements in 2024.

[Click here to access the YE 31 December 2024 highlights video.](#)

## *Sael Al Waary, Group CEO*

Good afternoon and welcome to Bank ABC's Investors call for the year ended 31<sup>st</sup> December 2024.

Our presentation today will cover six key areas, ranging from key financial highlights, strategy, sustainability, awards, and our dividend proposal.

I will then hand over to our Group CFO to expand on our financial performance in more depth and we will also answer questions from our audience and investors.

Now let me begin with a summary of the **Group's record financial performance in 2024.**

As we can see, Bank ABC's Net profit stood at **US\$285 million, representing a 21% year-on-year increase**. This was driven by strong business growth across many markets and disciplined management of operating expenses and cost of credit control.

I'm extremely pleased to note this was the **highest in the Group's history from continuing business operations**.

It was driven by record revenue that reached US\$ 1.3 billion, a 5% growth year on year. This was underpinned by our robust balance sheet with liquidity and capital liquidity metrics at strong levels.

The strong net profit performance translates into a return on equity of 7%, up by 1.2% year on year. Total assets, reached US\$ 46 billion, which is 5% higher than last year.

In all, these record results illustrate that the Group's strategy is successful and we are currently in the middle of its execution. I'll now cover some of the key highlights of our strategy:

As previously communicated during our investors call, we refreshed our strategy in July 2023 under 3 pillars:

- / **Accelerating our core businesses**, underpinned by unlocking growth of our Wholesale Banking and Treasury businesses, boosting our revenue from Retail Banking and capitalizing on our Brazilian franchise. This pillar is to create near-term value for the bank, which is extremely important.
- / We are **maximizing the value of our digital investments**, namely our digital mobile only bank, ila, and our fintech and payments company, AFS, which will create long-term value for the bank and for our investors.
- / These two pillars will be supported by **strengthening our operating model**, by improving our organization's effectiveness, enhance steering ability, strengthening our processes and developing an agile infrastructure.

This will enable us to strengthen our position as MENA's International Bank of the Future. And we can see our strategy is delivering on its core

We achieved strong revenue growth as I mentioned earlier, from our Wholesale, Treasury and Retail businesses and Banco ABC Brasil.

Our **Wholesale Banking** business was boosted by the launch of our digital onboarding service, our digitally transformed Global Transaction Banking (GTB) platform, including our Trade Finance, Supply Chain Finance, and Cash Management offerings, E-FX platform and Frontline Platform.

This improves our ability to onboard new customers across our network and cross-sell our full array of products to corporate and institutional clients.

Our digital units, as I conveyed earlier, progressed very well in terms of targets and KPI's. Our **digital mobile-only bank, ila**, has moved from strength to strength and we have plans to carve it out into a fully separate, digital bank in the near future.

**AFS** improved its product offering and recently secured a license to operate in the UAE.

In addition, we continued to progress with the execution of our sustainability strategy. Last year we published our first Group Sustainability Report, laying out our roadmap, ESG metrics and future ambitions. And I'll update you shortly on our sustainability status.

On our digital strategy, which is fundamental to our bank of the future, we developed a more agile infrastructure and are **rolling out a new core banking system** which will go live in 2025 for ila Bank.

At the same time, we're progressing very well on our **AI transformation journey**, which I see as a cornerstone for our ABC innovation approach. AI is fully integrated with our business strategy, and we envisage more achievement and more AI integration within the bank in the very near future.

**Turning back to sustainability**, this is an important aspect of our strategic transformation roadmap. We are looking at embedding sustainability across the Bank, across our value chain, to reduce our environmental impact, remain fit for purpose and become a source of value creation for all

We have made considerable progress so far. We published our first Group Sustainability, Disclosures Report, we measured our material ESG KPIs and invested in a leading ESG database solution.

Furthermore, we completed a critical milestone review of our major operations to develop a multi-year reduction plan for greenhouse gas (GHG) emissions, energy and water consumption.

We also rolled out an accelerated sustainability training program across our global network. Currently, we are working towards launching an environmental impact reduction plan for our operations and integrating ESG assessment into the Bank's lending process.

We're also focusing on measuring scope 3 emissions and implementing an action plan to improve our diversity, equity, and inclusion KPIs. We'll continue to meet ESG regulatory and disclosure requirements across all our network.

**Now, let me turn to the awards Bank ABC received in 2024,** a proud time for ABC. We are being increasingly recognized across our products and franchises.

2024 was another great year of widespread international recognition for the Group, honoring the bank for its business excellence, client centricity and leadership in innovation.

Among the 28 awards won last year the bank was named the **Best Bank in the Middle East for 'Innovation in Digital Banking' and for 'Transaction Banking' by The Banker - Financial Times** and **Best Trade Finance Provider in the Middle East by Global Finance and Global Trade Review**, and **Bahrain's Best Digital Bank by Euromoney**.

Moreover, **Bank ABC's digital mobile-only bank, ila, was named Bahrain's Best Consumer Digital Bank by Global Finance for the fourth time**, alongside six additional awards for its approach.

ila continues to grow from strength to strength, as I mentioned in Bahrain increasing its market share in 2024, and continued expansion of its product and capabilities. We are now building our proposition in Jordan and aiming to expand our footprint in the MENA market.

Our innovation and digitization center, **ABC Labs**, was recognized as one of the world's best financial innovation labs by Global Finance for the third time. This award stands testament to our commitment to spearheading innovation for the benefit of our Group and wider industry.

**Bank ABC Islamic** was also named the Best Islamic Financial Institution in Bahrain by Global Finance for the second time in a row.

All in all, this strong industry recognition strengthens our position as MENA's Leading International Bank of the Future.

Another highly important point for our investors is, of course, our dividend recommendation to the coming AGM.

In line with our strong profit growth in 2024, we have **increased our dividend recommendation by 22%**. This equates to a proposed cash dividend of US\$85.5 million.

This recommendation maintains a payout ratio of 30% of our net profit and translates into a yield of around 9% based on the current ABC share price. This approach to dividend distribution ensures the Group retains its balance sheet growth and also maintains a strong capital ratio.

Our strong intention following our strategy is to accelerate growth and boost returns.

This will keep increasing profitability and ROE, allowing us to increase dividends year on year for our shareholders. I will now hand over to our Group CFO, Mr. Brendon, who will take us through the Group's financial performance in greater detail.

I will then follow with my conclusion. Please go-ahead Brendon.

## *Brendon Hopkins, Group CFO*

Thanks very much to our Group, CEO, Mr. Sael, for that comprehensive overview.

Turning to our financial results, I'll **expand on the factors that have driven this historic level of performance in 2024**. The total operating income was at US\$ 1.3 billion, a 5% headline growth year on year, which benefited from strong core business growth, stable funding base and overcame FX headwinds in some key markets.

Our **focus on our balance sheet strength continues** with our capital ratios well above the regulatory minimum.

Our **Tier 1 ratio was 15.5%, the majority of which is Core Equity Tier 1 at 13.6%**, and overall net profit has surged by 21% to reach a record high level of US\$ 285 million, translating into an ROE of 7%.

In terms of the outlook, we're cautiously optimistic, with robust business pipelines and expectation of another good year on year performance in 2025.

On our top line revenue growth, this has been strong across the franchise. **Most of our market and businesses have added positively to the year-on-year revenue growth of 5%.**

**The income is also well diversified.** Our MENA subsidiaries at around 20% of the total, international wholesale and treasury together about 30%, Banco ABC Brazil around 34%, and 17% from other income.

And this includes the **rapid revenue growth from our digital units, AFS as well as earnings on equity.**

The net interest income dropped slightly year on year to \$902 million with some FX impact in Brazil and Egypt, and a bit of margin compression in the GCC.

However, this was more than offset **by an excellent level of growth in Other operating income, which** grew by 27% to US\$437 million reflecting, increasing client, cross-sell and fee-based income.

On a headline basis, the Group had **positive revenue to cost jaws of 4%** with revenue growth of 5% year on year, which outstripped the cost growth of 1%. So, our cost to income ratios were therefore improved by nearly 2% year-on-year to just under 58%. And if we exclude the significant investments we're making into our digital units. The cost to income ratio stands at 53%.

Our business growth is also being prudently managed within a robust risk appetite framework.

**Our cost of risk remained in line with the previous year at 74 basis points.** Our NPL ratios remain at consistent levels around 3.6%, and the coverage ratio was at 87%, slightly lower than last year, but mainly due to write offs and coverage build up on the asset growth.

We remain cautiously optimistic as we enter 2025. Our pipeline is strong across a diversified asset base and we will, of course, remain prudent and vigilant on our asset growth and objectives and target our cost of risk to remain at acceptable levels.

Our emphasis on maintaining a strong balance sheet remains, capital and liquidity levels are robust, supporting future business growth. All ratios are well above the regulatory minimum total CAR 16.6%, Tier 1 at 15.5% and Core Equity Tier 1 at 13.6%.

Our risk weighted assets were at US\$ 29 billion reflecting effective portfolio management and some impact from the FX translation.

And as we always emphasize, effective capital management will continue to be a key priority to ensure we maintain these strong CAR ratios as we continue to target accelerated growth.

**Turning to the next slide, our balance sheet is well diversified and liquid. The total assets reached a record US\$ 46 billion,** as at the end of December, which is nearly 5% higher than December 2023.

The asset book is relatively liquid with more than 60% of total assets and loans maturing within a year. On an underlying basis Loans grew by 7% with a slight reduction on a headline basis due to the FX translation in Brazil and Egypt. Finally, from an overall liquidity and funding perspective our LCR and NSFR ratios are at very healthy levels of almost 200% and 123% respectively.

So that concludes my summary on the financial performance. As you can see, 2024 has been an excellent year for Bank ABC.

We've delivered record levels of revenue and net profit underpinned by a robust balance sheet and we're well set for another strong year in 2025.

And I'll now hand back to the Group CEO, Mr. Sael Al Waary, to provide closing remarks.

## ***Sael Al Waary, Group CEO:***

Thank you to our Group CFO, Brendon.

Indeed, we're extremely pleased with our strong performance in 2024, which has been a record-breaking year for the Bank ABC Group. Our Net Profit reached US\$285 million as a result of our refreshed strategy, which is positioning the bank as a MENA's International Bank of the future.

We delivered record group revenue of US\$ 1.339 billion, a 5% growth year on year, and we expect this momentum of business growth to continue.

Our cost to income ratio has improved by 2%, with a positive 4% revenue to cost jaws. The Group will continue to maintain a strong balance sheet, capital and liquidity position. As we continue to grow, our ECL and overall cost of risk remain steady.

We will continue to focus on delivery of our strategic plans in what we hope will be another great year for the Group and our shareholders.

I will now hand over to Fatema, who will moderate the question-and-answer session. Thank you.

## ***Fatema Yusuf, Group Head of Corporate Communications:***

Thank you very much, Mr. Al Waary and Brendon, for the informative presentation and congratulations to all teams across the Group on the delivery of these outstanding results. We will now be answering a few questions received ahead of the session, and I would like to welcome you all once again to submit any questions using the questions feature available in this webinar.

The first question asks about the factors behind the success of our excellent results and growth in 2024, and to outline the drivers of revenue growth in particular.

***Brendon Hopkins, Group CFO:***

Thank you, Fatema. As mentioned clearly in my presentation, our sound strategy and the execution of our strategy have resulted in reaching this fantastic and outstanding financial results.

The combination of the growth of our core business and the digital businesses, as well with the disciplined control of our cost, a clear growth strategy and prudent strategy on our cost of risk have been strong ingredients for us to achieve such growth and success.

To give more details our other income line grew by 27% year on year. This includes our transaction banking platform, with a clear outstanding performance, from cash management to trade Finance and supply chain finance.

Also, our treasury related revenue and product has outperformed in 2024 including capital market and syndication growth.

We also had great digital revenue generation from ila and AFS as well, which introduced a new type of revenue which we have not seen in past years and contributed to our strong numbers.

Thirdly, our core business across the network in Europe, New York and MENA Units have also contributed strongly to our revenue and our net profit overall.

All our units have outperformed their targets and budgets, and these factors have helped us have an extraordinary year, with remarkable financials and numbers.

***Group Head of Corporate Communications, Fatema Yusuf:***

Thank you very much for your comprehensive answer. Moving to the next question, which is inquiring about the impact of the FX depreciation on the bank, and if we expect it to impact the bank's future growth capacity.

## ***Sael Al Waary, Group CEO:***

Thank you, Fatema. Let me answer a different way. The markets which were mainly impacted are our presence in Brazil and Egypt. Our presence in Brazil and Egypt are strategic for us, and these entities are strategic for our strategy and they both continued to contribute positively to our bottom line from a local revenue point of view, and also from a Group perspective.

Indeed, the FX depreciation has been an element which has been affecting our capital.

But take for example, the Brazilian Real, the major change in the depreciation came during the last quarter. So, the impact was minimal during 2024, and the Egyptian pound depreciation came during first quarter last year.

The performance of these local units at the local level has been outstanding on profit, and also that has had a positive impact from the risk perspective from the Head Office point of view.

Given all this performance at a local level, we believe that the impact has not been great on our numbers and financials. But I'll ask the Group CFO to elaborate if I missed anything. Otherwise, we will move to the next question.

## ***Brendon Hopkins, Group CFO:***

I think the only thing I'd add on that is when we look at profitability, both units are generating uplift year on year in dollar terms, and fast growth locally has overcome the FX translation, which has been quite significant, particularly in the latter half of the year in Brazil.

And I think the other point to make is that there's a natural hedge on the Capital ratios. As the currency devalues the RWA reduces in translation into dollars as well. So, you get a natural hedge on the capital ratios, and we don't anticipate that there will be any impact to our growth aspirations.

## ***Fatema Yusuf, Group Head of Corporate Communications:***

We received a question as you were answering the FX depreciation question, which is alongside the same topic. So, for transparency I'd like to share it. The question is from Mr. Jihad Nagle, whose question reads as how would your Brazilian strategy be impacted by currency depreciation, high interest, rates and inflation, and the consequent pressure on the corporate cash flow and driving probability of default which I believe has been responded to.

So I'll move to the next question.

The third question was all about the corporate tax, and when is it expected to be implemented in Bahrain? And how will it impact the bottom line of the bank?

***Brendon Hopkins, Group CFO:***

It's called Domestic Minimum Top-up Tax and it will affect multinational enterprises based in Bahrain of a certain size with revenues above 750 million Euros.

Bank ABC is obviously in that category, and we've indeed registered for the tax. So, we'll be preparing our first set of returns this year. We obviously have a lot of substance in Bahrain, and we expect that various incentives and exemptions will actually reduce the impact of the tax. And also we have a lot of our taxable profits which are overseas based and won't be subject to this tax as well.

So when we do our initial estimation, we don't see a very material impact for the group in 2025, probably in low single digit millions. We'll put some estimation on that as we run through the year.

***Fatema Yusuf, Group Head of Corporate Communications:***

Thank you very much. And the final question is around our expectations on the performance of the Bank in 2025.

***Sael Al Waary, Group CEO:***

That's a difficult one as the geopolitical situation is changing on a daily basis in this part of the world.

But I remain optimistic. As you know, 2024 was not an easy year, but we have achieved record numbers. I'm optimistic that in 2025, with the Bank's resilience, capital strength, liquidity and strong funding ratios, we believe we can achieve exceptional results.

We are looking at new types of revenue streams, so we are fully prepared for these challenges. As we continue executing our strategy, accelerating core business growth and monetizing our digital investments, we will continue our revenue momentum and our cost discipline approach.

And we would hope that next year, on the same call, we will present strong ROE.

Thank you.

***Fatema Yusuf, Group Head of Corporate Communications:***

So, I believe we reached the end of our session. I'd like to thank our Group CEO and Group CFO for their presentation today. And once again, thank you all for joining us

For further questions, please feel free to contact our Group Corporate Communications and Investor Relations team at any time at the email ID that appears on screen. We always welcome your questions and comments. Thank you very much.