



**Bank ABC**  
**YE 2023 Earnings Investor Call**  
**Transcript**

## ***Mahmood Abdulla (Bank ABC Group Investor Relations):***

Good afternoon and welcome to Bank ABC's 2023 Earnings Investor Call hosted by the Group CEO, Mr. Sael Al Waary, and the Group CFO, Mr. Brendon Hopkins. Before we hand over to the Group CEO to take us through today's presentation, we will be presenting a short video that showcases the Group's key strategic and financial highlights for 2023.

[Click here to access the 2023 year-in-review video.](#)

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

Thank you, Mahmood. Good afternoon, everyone. I am delighted to be presenting to the investor community the key highlights of Bank ABC's 2023 financial results, as well as an update on our strategic transformation journey. I will also present an update on Sustainability, including the key achievements of 2023 and objectives for 2024. We will then cover the excellent awards the Group has received during 2023, before presenting to shareholders our dividend distribution recommendation for the year. The Group CFO will then expand on our excellent financial performance in more detail, followed by an opportunity for investors to ask questions.

### ***2023 Financial Performance – Key Highlights***

Let me begin by taking you through a summary of our overall key financial highlights for 2023, which has been a remarkable year for Bank ABC in terms of record-breaking financial results as well as tangible execution of our strategy, which I will also cover during today's presentation.

We are proud to have reached record revenues of US\$1.3 billion, which represents a growth of 16% year-on-year ("YOY"). Our Total Assets continue to grow, with record Total Assets as of December 2023 of US\$44 billion, a growth of 20% YOY. These record financial results are testament to the Group's strategy and financial aspirations.

Our remarkable growth has been achieved whilst maintaining a healthy Balance Sheet, with all capital and liquidity levels at strong levels with healthy buffers to maintain our growth momentum going forward. Tier 1 ratio stands at 15.0%, whilst NSFR is 128% - both well above regulatory minima.

Net profit during 2023 was US\$235 million, representing an exceptional 53% YOY growth and beating our initial expectations. This translates into a return on equity of 5.8%, which is an increase of over 2% YOY. The detailed financial performance will be covered by the Group CFO following my presentation of the key strategic and business highlights for the year.

## *Update on Group Strategy*

As noted during our Q3 2023 Earnings Investor Call, we discussed our refreshed Group Strategy, which is aimed at accelerating growth and delivering higher returns to shareholders. As a reminder, this is focused on three key pillars to deliver near- and long-term value for shareholders as we build MENA's International Bank of the Future.

Pillar 1 of our strategy is to accelerate core performance to create near-term value, and this has three key elements including accelerating Wholesale and Treasury by focusing on the most lucrative segments and products, boosting Group Retail's performance by focusing on delivering higher returns and thirdly by capitalising on ABC Brasil's success driving its excellent contribution to the Group's results.

Pillar 2 is to maximise the value of our Digital units (ila and AFS) to create long-term value, and we have witnessed ila continue to win excellent market share gains in Bahrain and is developing in Jordan. AFS also has a new strategy and leadership team and is driving strong revenue and market share gains as a leading regional payments specialist provider in Bahrain, Oman, and Egypt.

Pillar 3 of our strategy is a key enabler of pillars 1 and 2, aimed at driving execution by strengthening our operating model. This will include areas such as improving our organisational effectiveness, enhancing our steering ability through enhanced information management and advanced analytics to drive better decision making, strengthening our process efficiency, and developing a more agile infrastructure.

In summary, let me reiterate that our refreshed Group Strategy is aimed at accelerating growth and delivering higher returns to shareholders. We have established clear objectives and strategic KPIs with our Board that are being robustly tracked and are confident that delivery of our strategic milestones will accelerate further during 2024.

## *Sustainability*

Turning to the very important subject of Sustainability, which is being embedded across the Bank ABC value chain and across our refreshed Group strategy. Given the Group's broad geographic franchise we are moving with a strong agenda on Sustainability taking into account developments from leading international regulators.

We talked about our direction on Sustainability in our Q3 investor call, and as a reminder, at the heart of our Sustainability strategy will be five guiding elements promoted with all Bank stakeholders including:

- / **Governance:** to build an effective governance framework, including Board-level oversight
- / **Operations including Diversity, Equity, and Inclusion:** to reduce environmental impact and boost social impact
- / **Risk Management:** to fully understand scope 3 implications of our business, and aim to mitigate environmental risks of our clients' activities and how our financing impacts emissions
- / **Financing transition:** to focus on positioning our business to finance green and sustainability-linked opportunities as part of our vision for the future
- / **People & Communities:** to ensure our people are well equipped with the requisite training agenda and boost the social impact within our communities

We have made great progress on Sustainability during 2023 including initial measurement of environmental impact, developing a Sustainable Finance Framework as well as extending over US\$800 million of sustainable finance (ex. ABC Brasil).

During 2024, we will progress our key Sustainability objectives including integration ESG assessment into the credit approval process to strengthen awareness on scope 3. We will also launch a sustainability training programme and initiatives for our staff.

During Q2 of this year, we will be publishing our first dedicated Sustainability Report, which will demonstrate progress on our Sustainability agenda in a more tangible way.

## *2023 Awards*

Now let me turn to the achievements and awards Bank ABC received during 2023. This was another great year of international recognition for the Group, with multiple awards for our innovation and landmark transactions.

Foremost amongst those awards was the prestigious “Bank of the Year – Bahrain” from The Banker Magazine. I am immensely proud that ABC has won this award, which is the third time for Bank ABC and is a testament to the strength of the Bank’s, performance, brand, and reputation for client service excellence within Bahrain and the region.

ila Bank also won the prestigious “Best Consumer Digital Bank” award for the third year in a row from Global Finance, including all 5 sub-categories for Bahrain such as the “Best User Experience Design”, the “Best Mobile Banking App” and the “Best Innovation and Transformation” awards for Bahrain. ila continues to go from strength to strength in Bahrain, with an ever-increasing market share. In 2024, we are expanding the product and service capabilities. We will also be building our position in Jordan, aiming to emulate the excellent growth we have achieved in Bahrain.

I would also like to highlight a few of our other excellent achievements in 2023, namely:

- / The "Best Trade Finance Provider in the Middle East" award by Global Finance, which is strong recognition of our GTB platform by Global Finance
- / ABC Labs was recognised as one of the "World's Best Financial Innovation Labs" by Global Finance, which is testament to our continued emphasis on innovating on digital, AI and other areas
- / Bank ABC Islamic was named as the "Best Islamic Financial Institution in Bahrain" by Global Finance
- / The "Best Corporate Bank in Bahrain" award from Euromoney, which commended the digitisation of our Global Transaction Banking services

All in all, this strong industry recognition underpins our position as a leading International bank in MENA, with our focus on building a digital and AI enabled Bank of the Future.

## *2023 Dividend Recommendation*

A highly important point for our investors is of course our dividend recommendation to the coming AGM. In line with our strong profit growth for 2023, we have increased our recommendation by 50%. This equates to a proposed cash dividend of approximately US\$70 million.

The recommendation maintains a payout ratio of 30% of net profit and translates to a yield of around 7% based on the current ABC share price.

This approach to dividend distribution ensures the Group retains its balance sheet growth, and also maintains strong capital ratios. Our strong intention following our strategy is to accelerate growth and boost returns, and this will keep increasing ROE allowing us to increase dividends YOY on a sustainable basis.

I will now hand over to our Group CFO, Brendon Hopkins, who will take us through the Group's financial performance in greater detail before taking questions from our shareholders.

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

***Overview of 2023 Financial Performance***

Thanks to our Group CEO for that excellent overview of our strategy and achievements. Turning to our financial results and giving more details on our financial performance during 2023, as well as recapping on some of the key highlights during the year.

Our revenues were at a record high level in the Group's history at US\$1.3 billion, a 16% growth YOY benefiting from strong core business growth, a stable funding based and interest rate tailwinds. Our focus on balance sheet strength continues with our capital ratios well above regulatory minimums, with Tier 1 ratio at 15.0% as of December 2023, the majority of which is Core Equity Tier 1 at 13.5%. Overall net profit has surged by 53% to reach US\$235 million, translating into an ROE of 5.8% for 2023. This represents an uplift of 2% YOY. In terms of outlook, we see strong business pipelines and performance continuing during 2024, which is expected to be another year of growth for the Group.

Expanding on the Group's revenue performance during 2023, our top-line growth has been strong across the franchise, with almost all of our markets and business lines contributing positively to the YOY revenue growth of 16%. One of ABC's strengths is its international diversification, and this continued during 2023 with ABC Brazil contributing ~34%, MENA units ~21%, Wholesale Banking and Treasury together around ~30%, and then Other, which includes fast-paced growth from our Digital units around ~16%. All Revenue components exhibited strong growth, with net interest income growing by 19% YOY to US\$935 million, supported by strong volumes and rising interest rates. Net interest margins have expanded by nearly 30 basis points YOY (from 2.5% to 2.8%). Other operating income also grew by a strong 9% to US\$344 million, reflecting increasing client cross selling and ancillary fee income.

Turning to our efficiency metrics and improved cost to income ratios, the Group continues to robustly manage its costs without compromising on investment into our strategic aim to be MENA's International Bank of the Future. The Group experienced positive jaws of 5% during 2023, with revenue growth of 16% YOY outstripping cost growth of 11%. Cost to income ratio has consequently improved by nearly 3% YOY to reach 59.7% during 2023. If we exclude our investment in digital initiatives, the cost to income ratio stands at 54.8%. Whilst we continue to enforce cost discipline, we will not compromise on investment into the Group's transformation and strategic initiatives, for example:

- / Investing into digitising our Wholesale Banking and retail offerings as we build our International Bank of the Future. We are also launching additional investment into AI capabilities through our innovation lab, which the Group CEO is personally sponsoring
- / Transformation of our strategic infrastructure with the replacement of our core banking systems for retail and wholesale businesses as well as i.a. We expect this to greatly modernise our core platforms, enhance data quality and improve our future agility

Turning to cost of risk, we continue to actively manage this, and business growth is being prudently managed by a healthy level of risk appetite and risk frameworks. Our underlying cost of risk, after adjusting for fraud events is at 55 basis points and is in line with historical levels. Our non-performing loans ratios and coverage ratios are all at healthy levels and broadly in line with December 2022 levels. We remain cautiously optimistic as we enter 2024, with our business volumes, income, and net profits well diversified and we are not experiencing any significant headwinds from the ongoing high interest rate environment or geopolitical pressures. We will of course remain prudent and vigilant with a carefully controlled risk appetite to ensure cost of risk remains within acceptable thresholds.

Our Balance Sheet is strong and capital levels robust to support future business growth and deliver on our ambitious aspirations. All capital ratios are well above regulatory minimums with CAR at 16.1%, Tier 1 ratio at 15.0% and Core Equity Tier 1 at 13.5% as of December 2023. All capital ratios are broadly in line with capital levels of December 2022, and this is after accounting for our strong year of growth with Risk weighted assets at US\$30 billion as of December 2023, growing by nearly 10% from December 2022. We are conscious that maintaining strong capital ratios is paramount to the ongoing confidence in Bank ABC and will therefore be focused on maintaining strong CAR ratios as we continue to grow.

Our Balance Sheet is well diversified and liquid. Total Assets were at Group records of \$44 billion as of December 2023, nearly 20% higher than December 2022 levels. We continue to actively manage our book, with more than 60% of total assets and total loans maturing within 12 months. Loans comprised more than 40% of Total Assets, equivalent to a loan to deposit ratio of 81%. Whilst lending growth was affected by challenging credit conditions in some of our markets, our expectations are for lending growth to steadily pick up during 2024 on the back of strong deal pipelines across the Group. Finally, from an overall liquidity and funding perspective, our LCR and NSFR ratios are at healthy levels of 278% and 128%, respectively. We will continue to actively manage our liquidity and funding as we progress through 2024.

Overall, our financial performance has been excellent during 2023, with both strong P&L growth underpinned by a robust Balance Sheet, and we are well set for another strong year in 2024. I will now hand back to the Group CEO to provide closing remarks.

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

Thank you very much to our Group CFO. In summary, we are very pleased with our strong performance during 2023, which has been a record-breaking year for the Group. Our refreshed strategy for the coming business cycle is focused on accelerated growth and high returns, positioning the Group to be MENA's International Bank of the Future.

We delivered record Group revenues of \$1.3 billion, a 16% growth YOY, and we expect momentum to continue from business growth and rising interest rates. Total Assets were also a Group record at \$44 billion, a growth of 20% YOY from a combination of loan, securities, and liquid assets growth.

Our cost to income has improved by 3% due to 5% revenue / cost jaws, and this will be tightly controlled going forward. The Group will continue to maintain its strong balance sheet, capital, and liquidity positions as we continue to grow. Our ECLs and overall cost of risk is better YOY due to benign provisions across all our businesses and units.

We will focus on delivery of our newly approved strategic plans during 2024, in what we hope will be another great year for the Group.

I will now hand over to Mahmood Abdulla from our Group Investor Relations Team, who will be moderating the Q&A session.

***Mahmood Abdulla (Bank ABC Group Investor Relations):***

Thank you, Mr. Al Waary. We have received a number of questions in advance of the call and during the call via the chat, so we will try to go through as much of them as possible. If we could please cover the drivers of 2023 Revenue growth as well as expectations for the impact of interest rates during 2024.

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

Thank you Mahmood and thank you for those who have asked questions.

As explained during our presentation today, 2023 was another year of exceptional revenue growth, with Group revenues at a record high of US\$1.3 billion. The main drivers of this excellent growth in revenues include:

- / A newly approved strategy with execution well underway, which is positioning ABC to accelerate volume growth and boost the Group's returns
- / Growing core business with a strong deal pipeline across the franchise, which is being underpinned by new to bank client acquisition and increased cross-selling
- / Strong product revenues – for example increasing trade, capital markets and syndications deal volume, leading to better fee based / higher returning business
- / We are near to completing the integration of ABC and BLOM Egypt, and that is contributing to more client focus and an uplift to revenues in Egypt
- / Our digital units (AFS and ila) have had a fantastic year of growth leading to a strong contribution to overall Group revenues
- / Finally, of course the interest rate environment provides a positive backdrop and tailwind for interest margins across the book. Net interest margins for the Group have improved 30bps to 2.8% (from 2.5%).

On our expectations for impact of interest rates during 2024, we must note that the inflation outlook is moderating, and rates are therefore likely to start to turn from end Q2 2024 onwards. However, we continue to expect strong growth in our core business and a strong deal pipeline to drive 2024 revenues. Overall, we therefore expect to see a continuing positive impact from rates during 2024.

***Mahmood Abdulla (Bank ABC Group Investor Relations):***

What is the economic outlook for Egypt and how is the integration progressing?

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

This is a recurring question for our shareholders and obviously Egypt is a key market for Bank ABC. We firmly believe in the long-term fundamental potential of the Egyptian market, and achieving better scale in Egypt is a strategic imperative for ABC. The acquisition of BLOM Bank Egypt tripled our market share. This will drive a faster local profit contribution and will hopefully allow us to recover a significant amount of value to the Group over the longer term and compensate for further currency devaluation pressure.

Regional geopolitical risks are obviously having an effect and we expect the economic outlook to be impacted during 2024, with growth expected to rebound during 2025 with easing global and regional headwinds.

We are focused on a successful integration of ABC Egypt and BLOM Bank Egypt. We completed the legal merger during Jan 2023 and expect the full integration to complete during Q1 2024.

***Mahmood Abdulla (Bank ABC Group Investor Relations):***

The third and final question is regarding the impact of the recent geopolitical crises on Bank ABC?

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

We have obviously been experiencing rising geopolitical risks in the Middle East, but we are hopeful that a more stable situation will return as 2024 progresses. On an overall basis, the Group's diversified portfolio of business, short-term nature of our balance sheet and effective risk management processes provide assurance that our business will weather the challenges. While remaining cautious on the outlook, we believe that our geographic diversification and network will enable us to continue to grow assets selectively over the rest of 2024.

This brings me to the conclusion of today's Earnings Investor Call. Thank you very much for those people that showed their interest and attended, with special thanks to our shareholders and Board of Directors who have supported us throughout. I want to thank Bank ABC's staff and my Global Leadership Team for their unwavering commitment in delivering these excellent results. The Group aspires to share stronger results with its investors during our next call.