

Bank ABC Q1 2025 Earnings Investors Call Transcript

Fatema Yusuf, Group Head of Corporate Communications:

Good afternoon, ladies and gentlemen, and a warm welcome to Bank ABC's Q1 Earnings Investors Call. My name is Fatema Yousef. I'm the Group Head of Corporate Communications at Bank ABC, and I'd like to thank you for taking the time to join us today.

This session is hosted by Mr. Brendon Hopkins, our Group CFO and Mr. Suresh Padmanabhan, our Head of Group Finance. Shortly, they will take us through a presentation covering our financial results, performance highlights, and recent achievements for the first quarter of 2025.

We will also be addressing questions received in advance of this call. If you haven't yet submitted your question, you are welcome to send it to us through the Q&A feature on Zoom, and we will do our best to answer them within the session.

Before we begin, we would like to share a short video highlighting our key achievements for the quarter.

[Click here to watch the Q1 2025 highlights video.](#)

Without further ado, I will now hand over to Brendon to take us through today's presentation.

Over to you, Brendon.

Brendon Hopkins Group CFO

Thank you, Fatema. Good afternoon, everybody, and thank you all for joining our Q1 investors call.

I'm pleased to say it's been a very good start to the year.

We've witnessed a resilient underlying revenue growth across our core markets, and with disciplined management of operating expenses and cost of risk, the Bank achieved a headline growth in net profit of 1%.

But if we adjust for the Brazilian real and Egyptian pound on a constant currency basis, the Group had a much stronger underlying profit growth of 11% on a like for like basis.

Similarly, our core business growth and origination across the franchise led to a robust underlying revenue growth on a constant currency basis of 5%, while the headline level showed a 3% reduction.

I'm also very pleased that we continue to see an uptick in our annualized ROE of 7.4% up 10 basis points year on year, and underpinning all of this, our emphasis on a strong balance sheet is maintained.

All our capital and liquidity metrics are at robust levels., creating capacity for our growth momentum.

As we've outlined in our previous investor calls, our strategy is aimed at accelerating growth and delivering higher returns to our shareholders, with three key strategic pillars, accelerating our core businesses, maximizing the value of our digital units, and strengthening our operating model.

And by achieving these objectives, we further strengthen our position as MENA's International Bank of the future.

And so far, in Q1 2025, I'd like to highlight a few of our strategic milestones.

In partnership with the National carrier of Bahrain, Gulf air, we launched the ila Gulf Air co-branded credit card.

We've also launched our mobile banking digital app in Egypt, supported by a very high-profile marketing campaign which achieved millions of views in the social media space.

We've established a portfolio management team with a mandate to boost returns on our wholesale banking business, while maintaining our focus on a high-quality portfolio.

And we've done other things such as strengthening resources in data management and artificial intelligence. The Bank continues to heavily prioritize innovation in these areas as we recognize their fundamental importance to our vision to be a bank of the future.

Another notable success was the continuing level of industry recognition Bank ABC has received. So far this year, we received 17 more prestigious awards across the region.

Notably the Bank, was recognized as the Best Tade Finance Provider in Bahrain by Global Finance.

ila Bank was named MENA Retail Bank of the Year by the Middle East Economic Digest (MEED), marking a remarkable milestone in ila's journey to redefine consumer banking in the region.

Our innovation and digitization center, ABC Labs, won the World's Best Financial Innovation Lab award by Global Finance for the fourth time.

And Bank ABC Islamic received a number of awards by the Islamic Finance News, including Best Islamic Corporate bank in Bahrain, Best Digital Offering by an Islamic Bank in Bahrain, along with multiple deal recognitions.

So let me now turn to the bank's robust financial performance for the first quarter. As I mentioned earlier, on a constant FX basis, we achieved an underlying growth of 5% year on year. This reflects strong business growth across our core markets, which was diversified across the franchise.

Our international wholesale banking and treasury together was about 35%, Banco ABC Brasil contributed around 31%, our MENA subsidiaries 19%, and notably another 15% was from our digital units, ila and AFS.

Turning to our efficiency metrics, the bank continues its disciplined cost control while prioritizing investment in our digital capabilities.

And while on a headline basis the ratio slightly up ticked to 58.7%, on a constant FX basis the ratio would have stayed flat again at 57.8%,

Likewise, when we include our digital investments, the ratio moved slightly to 53.9% but again would be flat on a constant currency basis.

Our business growth is also being prudently managed using robust risk appetites and risk frameworks.

Our cost of risk showed an improving trend at 50 basis points on a headline basis. Non-performing loans ratio remained at 3.3%, 50 basis points better year on year, and a coverage ratio is at good levels of 95% again, slightly improving.

Given uncertainties around trade and tariff policies, we obviously remain cautious on the outlook. However, our business assets and volumes are well diversified.

And so far, we're not experiencing any major headwinds as the reduced cost of risk for Q1 demonstrates. The Bank's strong emphasis on maintaining a robust balance sheet remains. Capital and liquidity levels remain strong, strong ratios supporting our future business growth.

All the ratios are well above the regulatory minimum and have significant buffers. The total CAR is at 16.2%. The Tier 1 ratio is at 15% and the core equity Tier 1 ratios at 13.2%.

Our balance sheet remains well diversified and liquid. Total assets remained around the same level at US\$46 billion, with more than 60% of our total assets maturing within 12 months.

Loans were up on a headline basis by 4% since the year end, and loans comprise more than 40% of the total assets.

The loan to customer deposit ratio again healthy at 82%, and from an overall liquidity and funding perspective, our LCR and NSFR ratios remain at healthy levels of 209% and 126%, respectively.

So, in summary, we're very pleased with our first quarter performance. We've demonstrated that our delivery of our refreshed group strategy is well underway and our financial results remain very good.

The underlying net profit, adjusting for FX impact was a robust growth of 11%. Our headline revenues of US\$ 332 million and our underlying revenues, improved by 5% year on year.

The underlying cost to income ratio remains stable, and all this together has led to an ROE of 7.4%, up 10 basis points year on year.

And with strong capital and liquidity position, we're hoping we move towards another year of remarkable results for the full year 2025.

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

Fatema Yusuf, Group Head of Comms

Thank you very much, Brendon for the informative presentation. Congratulations to all our teams across our global network on the delivery of these excellent results.

As Brendon mentioned, we will now be moving to answering some of the questions that we have received ahead of the call.

The first question is inquiring about factors driving the bank results and growth in the first quarter of 2025 and inquiring about the drivers of revenue growth, in particular.

Brendon Hopkins, Group CFO

Thank you, Fatema.

Yes, as I've already explained, the first quarter was a solid start to the year, although the headline group revenues were at US\$ 332, slightly down. As I mentioned, the underlying growth was much stronger at 11%, and I'll explain that better.

The main factors were the currency impacts of the Brazilian real and Egyptian pound, which were down 17% and 30% year on year.

So, when we adjust that on a constant currency basis, the underlying growth would have been much stronger at 11%, and revenues on a like for like basis would have been at US\$ 360 million.

So, we have a strong core business which is growing well across the franchise. This is underpinned by our new to bank client acquisition.

And the headline loan volume is up, 4% from the year end levels, again demonstrating good underlying growth.

Another factor to bring out is our digital units ila and AFS, both contributed to this strong start to the year. As I mentioned, their income, contribution continues to improve quarter on quarter.

And this fast-paced revenue growth remains on track with our strategic objectives to maximize the long-term value from our digital units.

So overall, most of our units have had a strong performance across our markets, certainly on the underlying basis that I mentioned, and this gives us confidence on momentum as we navigate across the rest of the year.

Fatema Yusuf, Group Head of Corporate Communications:

The second question is inquiring about the impact of the FX depreciation on the Bank, and whether it impacts the Bank's future growth.

Brendon Hopkins, Group CFO

Yes, as I've already explained, it does have some impact on the headline results. The fact that we've had depreciation of Brazilian real of about 17%, and the Egyptian pound of 30%, the underlying results would have translated to a stronger performance, so revenues would have been up 5% and profits would have been up 11%

The other aspect to mention is that since the year end 2024, the Brazilian real has improved, and we've seen a positive impact into our FX reserves as a result of that. So, the balance sheet position has improved by about US\$50 million.

Fatema Yusuf, Group Head of Corporate Communications

Thank you, Brendon. And the third question is about corporate tax, when is it expected to be implemented in Bahrain? And how do we see that impacting the bottom line of the bank.

Brendon Hopkins, Group CFO

So, the implementation has already happened. I think we've talked about this in previous sessions. 2025 is the first year and we have completed our registration process. We are one of the multinational enterprises which will be affected by the new rules. We don't have a huge amount of exposure to the Bahrain tax, because a lot of our profits are generating from other jurisdictions.

When we look at the residual tax that's paid in Bahrain, as we we've mentioned in previous sessions, not a very material amount for the Group.

In our financials, if people want to look at it, you can see the tax charge of around US\$2 million for the first quarter. As I mentioned previously, we're expecting low to mid-single digits millions as a as a tax charge for the full year.

Fatema Yusuf Group head of Corporate Communications

One more question is about our expectations for the Bank's performance for the rest of the year.

Brendon Hopkings, Group CFO

Yes, we often get this question. I think the trends from Q1 are obviously good. I'm not going to give a forecast at this stage. I think there's quite a lot of uncertainty in the world and around the region.

So, it's very good that we've had a good robust start to the year. Obviously, if we continue to see these trends through the year, then we'd have a very good performance for the rest of 2025. Our business pipeline is strong.

As we've talked about earlier, our business revenues are well diversified. Our asset quality is good. So, the signs are good for a positive year. But the external environment does remain uncertain. We're hoping to maintain this momentum, and we'll give another report at the end of Q2.

Fatema Yusuf Group head of Corporate Communications

We've also received a question about the bank's performance in comparison to our peers' performance in the first quarter.

Is there anything you can tell us about that?

Brendon Hopkings, Group CFO

From what I've seen, things are variable. It depends which peer groups we're looking at.

Among most of the Bahrain banks, I think we're performing on an underlying basis, very strongly. And the expectation is to continue to perform well as we progress through the year.

Fatema Yusuf Group head of Corporate Communications

Thank you very much, Brendon, and we've received a question from one of our guests on Zoom. The question is inquiring about Basel 3 disclosures, and why do we do it in June rather than quarterly?

Brendon Hopkins, Group CFO

Right. This is a function of the regulatory environment. On the pillar 3 disclosures, the more detailed Basel 3 disclosures are required to be published externally twice a year, for the June period and for the December period. So, we'd report the next set of pillar 3 after our first half results in August and the full year would be published around March / April.

Thank you.

Suresh Padmanabhan, Head of Group Finance

Yes. We have one more question coming in from Zoom asking on the CAR published for Bank ABC Islamic - why is it at the very high levels?

Brendon Hopkins, Group CFO

This is a function of the way that the regulatory rules in relation to Islamic banking work (Wakala deposit structure treatment under AAOIFI FAS 31), which give better weighting to Risk Weighted Assets.

ABC Islamic continues to post strong results and has a good first quarter. The results were published yesterday, and the published ratios are based on the rules applicable to Islamic banking.

Fatema Yusuf, Group Head of Corporate Communications

Thank you very much, Brendon. I believe our session has come to an end. Thank you very much for those who have taken the time to join us today, and for any further questions, always feel free to contact us at Group Corporate Communications or to email our investor relations team at any time.

Thank you very much.