Aybek: Good afternoon, good evening, everyone. This is Aybek Islamov, of Emerging Market Banks Equity Research Analyst at HSBC. Today, I'd like to welcome you to Abu Dhabi Islamic Bank third quarter conference call. And with us, we have the management team of Abu Dhabi Islamic Bank. And I'd like to hand over the call to Ms. Lamia. Please go ahead.

Lamia: Thank you, Aybek. Good afternoon to everyone on the call. Thank you for joining us. Before we get started, just quick reminder that today's presentation and all our financial disclosures are already available on our Investor Relations section of our corporate website, as well as our Investor Relations app. As Aybek mentioned, I have with me today, Mr. Mohammed Abdel Barry, our Group CFO, and Mr. Ahsan Akhtar, our Group Financial Controller. Basically, the agenda of today is, as usual, we will start with giving you the financial highlights, a progress on the strategy, followed by a more detailed analysis of the financial performance of the bank for the first nine months of 2022. We will then provide an outlook and guidance for the rest of the year, after which we'll open the floor for questions which Mr. Mohammed will be taking. Thank you. And Mohammed, over to you.

Mohammed: Okay. Thank you, Lamia. And good morning and good afternoon, everyone. And thank you for joining us on today's call. We are very pleased to have reported yet another strong set of financials, with ADIB recording its best for them ever, crossing the 1 billion mark. Net income for the nine months of 2022 grew 53% year-on-year, translating to a very healthy improvement return equity of 19.6%. This was achieved through 10% revenue growth, driven by a 10% growth in funded income, and 22% increases in our fees and commissions. Our effective cost control strategy and enhanced revenue has led to a 4.6-percentage-point improvement in the cost to income ratio, which now stands at 37.6%, and finally crossing the 40% mark. The balance sheet grew by 10% year-on-year, with year-on-year growth of 16%, with financing growing 16%, and investing growing 42%. This was funded by sustained deposit growth of 11% year-on-year, with balance growth in both CASA and Wakalahdeposits. ADIB continues to enjoy a very healthy capital position, and we're reporting a CET1 ratio of 12.8%.

So with that, let's move on and talk a bit about our strategy. And as you know, our strategy is informed by our renewed purpose as a lifelong partner for customers, colleagues, and community. And our vision is to be the world's most innovative Islamic bank. The strategy is based on the four pillars you see, basically continuous innovation, segment focused, digital excellence, and sustainable future. And I will be providing a progress report on each of these pillars in the next slide. So slide seven, yeah. Okay. So during the last quarter, we had some updates in our strategy with new product launches. For example, we launched ADIB Yusr, which provides customers with easy access to salary advance finance of up to 50% of their salary. In addition, the bank launched a new offering, Small Business Finance, which is supporting small and medium sized businesses with bespoke and comprehensive financial solutions and services.

In regard to Amwali, almost 8000 new Amwali Youth accounts were acquired during the first nine months of this year. We attracted almost 96,000 new customers, of which 40,000 were UAE nationals. We also deepened our overall relationship, and our cross-sell ratios now stands at 1.5x. We also achieved 20% financing growth in wholesale banking, and recorded retail assets growth of approximately 23% year-on-year. Our digital story remains to be a success, and 99% of our payments now are received through our mobile app and online channels. Thirty seven percent of all personal finance volumes are digitized, with a straight-through-processing ratio of 86%. We also have now 69 bots aiding in process automation and improving operational efficiencies. Slide eight. As you can see, our KPIs are very clear, and we are making excellent progress towards achieving these targets. Our ROE today stands at 19.6%, our cost to income ratio 37.6%, NPS at 1 and STP at 78. So clearly great progress towards our key KPIs for our 2025 strategy.

With that, I'll move to the financial section. Okay, so as mentioned in my opening remarks, I'm very happy to see the growth in net income, of 53%, to 2.5 billion, in the first nine months of the year. Again, all metrics are moving in the right direction. This is coming from growth in revenue, a further reduction in cost, and continued normalization in cost of risk, while growing the balance sheet in a healthy and sustainable way. This was again achieved by maintaining very comfortable capital position as well as liquidity positions. I need to emphasize again, the importance of us delivering a 19.6 return on equity. If we move forward to the income statement. So we continue to be very pleased with the quality of the profits that we are delivering. As you can see on the top of the chart, all components of the PL contributed positively to the new net results. From a segment perspective, all segments contributed positively to net profit, except for Treasury, which is predominantly impacted by some of the mark-to-market losses in our investment portfolio.

Moving forward on the funded income side. So funded income grew 10% year-on-year to 2.8 billion for the first nine months of the year, from 6% growth in average profit earnings assets, and 23 basis points year-on-year margin expansion, to reach 3.355. This margin expansion as you can see occurred mainly during the second and third quarter of this year due to rising benchmark rates, but also keeping our cost of fund under control. On the funding side, as mentioned, we continue to benefit from strong and stable liability base. This together with a lot of discipline in terms of how we create our funding mix has helped us to deliver such remarkable net profit margins on a year-to-date basis. Moving forward to non-funded income, another key driver of profit growth was a solid 11% year-on-year rise in non-funded income. And was again, driven by higher fees and commission. I will draw your attention to the waterfall chart on the right, which highlights the components of the movement in non-funded income. Firstly, investment income declined 10% year-on-year. And within this category, again, it's predominantly the impact from the mark-to-market on the investment book. And we will talk a bit more about that specific angle because this was the only area which really adversely impacted us. And it's more of a market dynamic than anything else.

Secondly, fees on commission grew by 22%. And as you can see on the bottom right chart, it's driven by all elements, whether it's on the retail side, driven by cards, FX. It's really quite a successful story to be talking about. Finally, foreign exchange income grew 46% year-on-year. And again, that's an element of travel opening up, but also a strong momentum in our trade business which is able to capture the FX flow as well. Moving forward to our operating expenses. So the cost story continues to be a very positive one, with operating expenses declining 2% year-on-year in an inflationary environment, which have seen costs growing across the market. The significant efficiency improvement is a reflection of solid top line momentum. And that's again, linking back to the cost to income ratio, growing to 37.6%. Having kept cost flat, that is really a function of growing the top line by 10% year-on-year.

Moving forward, just a highlight on our digital banking. We continue to make excellent progress with our digital agenda, as it's reflected in the key digital metrics highlighted on this slide. Digitally active customers now the present 70% of our customer base, from 64% from two years ago. In a similar vein, 40% of sales and 99.5% of transfers are now through digital channels, while STP stands at 90%. Okay, let's talk a bit about our impairment story. So net impairment charge for the period decreased 53% year-on-year, to 352 million. And the cost of risk has improved by 75 basis point to 38 basis points. As you can see on the top left waterfall chart, this is mainly from reduction in the wholesale impairment charge. And really the driver of the reduction is that, if one would look at our normalized cost of risk in that environment, it's probably around the 38, 40 basis point. Last year was very unusual, with two main episodic impacts. One being NMC, but also some of the restructuring provisions we had taken last year. So at this level, we're looking more at normalized levels for the risk we're taking for the franchise.

Okay, moving forward to slide 17. Okay, we saw 7% NPA growth year-on-year, and 5% quarter on quarter. You would notice that there's a bit of an increase in our NPA amount from 8.175 in second quarter to 8.597. And that is a normal transition from stage two to stage three. It's the one specific name, which again, is a bit of a legacy. And it has improved our NPA ratio because the growth in financing has been faster than NPA. But we do believe that the positive trend will be reversing in the near future. Moving on to slide 18. I just mentioned the growth and NPAs was below financing growth, and accordingly, our NPA ratio moved to 8.34, just compared to 8.9 last year. In terms of NPA coverage, as shown the top right chart, it stood at 67.8%, dropping slightly during the third quarter, following a steady improving trends previously. And that's again, as I mentioned, related to one specific name, which we are quite hopeful that this will be regularized in the near future. If we take collaterals into account, our coverage stood at a healthy 122.4%, as of end of September '22. I would like to stress that these collaterals are high quality and include prudent valuation haircuts. Additionally, we have been cautious in not yet taking the entire upside of recent real estate appreciation into our collateral evaluation. Looking forward, we will continue monitoring and enhancing coverage as and when we see the need to ensure that it adequately covers the risk.

Okay, let's move to slide 19 on the balance sheet. The balance sheet, the bank reported solid 10% balance sheet growth during the last 12 months, to 147 billion. On a year-to-date basis, the balance sheet grew 8% as financing and investing goals was partially offset by lower cash, bank to bank, and interbank balance. And that's an intentional management of our balance sheet, whereby we were able to finance our growth in assets by raising efficient liabilities and utilizing some of the excess liquidity we started the year with moving to financing. So gross customer financing grew 16% year-on-year and 11% during the first three quarters to 103 billion. In terms of the components of this gross, you can see on the top right chart that this was nicely balanced across retail, corporate, government, and public sector, as well as FI. So a very nice mix across all businesses. In retail, lending balance grew 8% year to date, reflecting our strategic push into the expat, Yusr [inaudible 00:13:10], and ongoing progress in digital journey and customer experience improvements.

Our corporate book grew by 9% year to date, as we saw opportunities for profitable growth in defensive sectors, such as education, health care, and food. Growth in government and public sector was 14% due to financing demand from government-related social projects. This was achieved despite repayment during the period given the high liquidity that customers now having from the higher oil prices. We've also significantly grown our FI book during that period. It's on a smaller base, but I think we were quite selective in how do we balance the book in terms of low risk, good returns, but as well as [inaudible 00:13:55] profile. The next one here. Okay, let's talk about the deposits. Again, as I mentioned, it was very important that as we are growing our balance sheet on the asset side, that we are very prudent in terms of raising liquidity which is able to support that growth. So the customer deposits have grown 11% year-on-year and 8% on a year-to-date basis. Looking at the right-hand side of the chart, this deposit growth was mainly from CASA generation and the retail franchise, Wakalah also has contributed to that growth, but again in a very balanced and mixed way.

From a capital and liquidity perspective, I touched on this in my opening remarks, but as you can see, CET1 ratio, at 12.8%, total CAR at 17.9. We enjoy a very comfortable capital ratio. And that's despite some of the MTM losses which we have seen from our AFS program, I think, which has been quite a market phenomenon as well. But we are very comfortable of our capitalization position, and we're able to generate internal equity as we grow our book. Okay, let's touch on the outlook and guidance. To summarize, we are extremely pleased with the financial performance for the first nine months of 2022. And are now making some upward revisions to our guidance for the full year. In terms of growth financing, we achieved 11% growth on a year-to-date basis. This was ahead of our expectations last quarter, as traction of our strategic growth initiatives in both retail and corporate accelerated. As a result, we're now conservatively expecting around 11% to 12% for the full year. Net profit margin perspective, we have reported 3.35%. Our guidance is anywhere between 335 and 345. And the reason is that we do expect that cost of fund might creep up, especially during the year end, further rate hikes expected. Probably the Fed now will top at 4.5%, 5%. We're taking that into consideration. And accordingly, we expect to probably end up somewhere in that range.

Cost of risk at 38 basis points. The guidance of 50 to 60 basis point in my view, and the management view is slightly on the conservative side. The reason why we've put that in is that during Q4, we will obviously do a full assessment of needs of provisions. I'm not expecting any surprises. We might end up on the lower range of that. But our strategy of slightly open up our risk appetite, given our significant low cost of risk, might suggest that we go within that range. But more updates would follow as we go towards the end of the year. Cost to income ratio, 37.6%, probably within 37 to 39. I think, again, towards the lower part of that range, we will assess whether there is a need to take more cost. We have been very prudent our cost approach, but we are acknowledging inflationary pressures. We were able to self-fund all our investments so far. But again, as I mentioned, the acknowledgment that cost of living is going up. And there's a need definitely to take that into consideration when we assess some of the out of cycle adjustments. ROE at 19.6%, probably towards the end of the year, that might normalize to 18% to 19%. Let's see how that goes. [inaudible 00:17:28] build up will still continue towards the end of the year. But again, this range is very healthy. And we're optimistic that we probably land within that range.

So, Lamia, I think we covered all the slides and we're happy to open up for any questions.

Aybek: I'd like to move into the Q&A session now. So if you have a question, please raise your hand. I will announce your name and you go ahead and ask the question. So, we do have quite a few lined up. So the first question comes from the line of Edmond Christou. Edmond, please go ahead.

Edmond: Hello. Good afternoon. Thanks for the presentation. So the question is on the guidance for the cost of risk. We talked before that you are increasing your risk appetite. And clearly the cause of risk is very low now. And going into next year, we discussed last time on the call that you want to be more selective on the corporate, given the increasing borrowing cost, and also the environment is very volatile. So how should we think about it by the end of the year? Are we talking about 50, 55 basis point, or on the upper end for modeling purpose and into next year? If you are able to guide on this. The second one, very well managed cost of funding. You didn't grow the deposit base, however you grow on the lending, your LDR has helped you to do this. Just want to understand why you are conservative on the Q4 margin expansion? You still have a low LDR and you don't need to grow your deposit base into the Q4 and still be able to capitalize on margin. Just want to understand how you've been able very successful to do it so far. And what's the rational for being conservative to the margin and to Q4, and outlook for next year on the margin? Thank you.

Mohammed: Very good questions. Let me start first with the cost of risk. Now, when we started the year, we were guiding towards a cost of risk of probably 60 basis points and above. And the intention was that we wanted to open up our risk appetite slightly more. Now what has really happened, I'll give you some statistics. In the wholesale banking side, on a gross basis, we probably originated 8 to 9 billion of gross assets. And while the strategic direction was, given that we're going to bank the ecosystem, and we're going to go slightly more into riskier, large corporate, mid corp segments, what has really happened is that of this gross amount, the other way, consumption was probably less than 50%. So a lot of GREs and public sector were in that new origination. And what also happened at the same time is that some of the repayments, I think, unlike other banks, were in the large corporates, which carried 100% RWA, and accordingly, higher risk. So what has happened is, as your financing book has grown, actually, the quality of the book has improved even further.

If you ask me, we are the bank, we are happy to take more risk. But what has happened is that the quality of the book has improved and the cost of risk itself has remained very low. That's why you're seeing a steady 40 basis points over the quarters. We still are very much focused on banking the ecosystem. We would like to take on more risk. But we will not take on more risk unless the return justifies it. There are a few things in the pipeline, which could probably on day one, because you also take day one, ECL, could take you slightly to that level. But that's why in my opening remarks, I also made the comment that it will probably be on the lower side, 50 basis points, or even maybe slightly better, if we continue to originate at the same level where it's predominantly GRE lead. So let's see how the year end plays out. But we remain to be guiding towards at least a 50-basis point cost of risk, right? The bank has the appetite for the ability to be at that level. If you look at retail on its own, it's almost 16 basis points, right? Again, unheard of, we're happy with that, but let's just push it a bit higher. So that's on the cost of risk side.

Edmond: And for next year. I mean, the pipeline for GRE look very healthy. And probably on the corporate and retail, you will see less credit growth due to the rising borrowing costs. So probably that will still be supported, right?

Mohammed: Yes. I would still guide towards the 50 basis points. So, look, this is our intention, this is our strategy. If we get low risk transactions, which are meeting our returns and our strategic appetite, we will do them of course. We will not say no to them. However, still, we would like to have a good mix between GREs, but also slightly more a higher risk transaction just because of the fact that it was in our ecosystem, and we can afford to do so. So I would prefer that keep the guidance towards the 50 basis points for now. Right? Let's see how it plays out. But you're right, next year will be tough for corporates and banks will be selective, we will be selective. And we will not rush into a transaction which does not meet our return on risk appetite. Does this answer your first question?

Edmond: Yes. On the margin piece?

Mohammed: Yeah. Okay, on the margin. So we are saying 3.35 is our net profit margins on a year-to-date basis. We are guiding anywhere between 335 and 345. The reason why we're not revising this upwards at this stage beyond 45, is that there will be some need for raising liquidity. But also we will, as I mentioned in also previous calls, we will be mindful in terms of passing on that upside to the market. Right? We have to give our clients a chance to adjust their cash flow. We are here to support our clients. And again, I think we have the competitive advantage to choose when, how, we are passing on the higher pricing to our clients. Our book is giving us the optionality. So it's really in our hand to decide when, how because, as mentioned, 67% of our book [inaudible 00:24:13] in one year. And the whole corporate book is in three months actually.

But we do want to take it easy because at the end of the day, putting too fast and too much stress on our clients will come and bite us at the end. So probably 345 at the higher end is a good outcome for that. Going into next year, I think this number will change because you have to take into consideration that this is a year-to-date net profit margin, where Q1 and Q2 are significantly lower. And I think we have the slides for that. I think 296 was Q1 and then 313 Q2. So that's the year-to-date average. But coming into next year, we start at, at least, 345, and build from there onwards.

Edmond: Okay, that's very clear. Just kind of comment on the depositor behavior. Because I just found it interesting that a lot of banks, they've been raising liquidity and their liquidity position already ample. And that been shifting the CASA level into a lower level gradually. For you, you were able to manage the cost of funding well, and you didn't need to raise the deposit base. So I just want understand the consumer behavior. Have you seen consumer behavior shifting? Or you were able to renegotiate or to let some of the deposit go? Have you seen the optionality here or at some point there is a key account you cannot let it go and you have to keep the clients on to the bank? Thank you.

Mohammed: Sure. So I think we look at this from two angles. One, you have your corporate clients and you have your retail clients. Corporate are clearly more price sensitive. And most of our corporates, we are lucky to have strategic relationship with them. Right? So we support each other during good times and bad times. And it's a strategic direction for the bank to ensure that we compensate our clients in line with market and we really don't want to lose them. So a lot of the increase in the Wakalah deposits have come from these corporate strategic clients, who are also some of them are GREs. On the retail side, the current, it's mainly the increase in current account and they are slightly less price sensitive. And I think it's quite remarkable for ADIB that when you look at it from a banking sector in such a rising rate environment, that you're able to find 9 billion equally between current accounts and Wakalah, I think is a very strong selling point for ADIB as a brand. And we'll continue to do so. But to answer your question, most of the Wakalahs are corporates and GREs who are price sensitive, and strategic to ADIB.

Edmond: Thank you. Good luck. Thank you.

Aybek: Thank you, Mohammed. Our next question comes from the line of Chiro Ghosh. Chiro, please go ahead.

Lamia: So any more questions?

Chiro: Can you hear me?

Aybek: Yes, Chiro, we can hear you.

Chiro: Sorry, I got muted. Okay. First, thanks for hosting this call and an excellent set of results. In fact, I was looking at your five years target, and I think most of it has already been achieved. I mean, if you're able to report even more than 1 billion a quarter, so it's amazing. Okay. So now, my two questions are, first is, what is your outlook on the corporate tax that's coming in? And how does it play versus the Zakat which you have paying to your shareholders? So is it a double counting, or the Zakat in that case won't be counted in? That's my first one. Second one is, even in this inflationary environment, you have been able to manage your OpEx quite well. So I want to get a sense of how sustainable is this? These are my two questions.

Mohammed: Okay, so the first point on Zakat, we don't pay Zakat on behalf of our clients. What we do is that we do the calculation, we report it in our financial statement of what is the Zakat per share based on performance. And then it's up to the client himself to pay out the Zakat. So we do not pay on behalf of the clients. That's the first question on Zakat. The second point on the operating expenses, I think, a success story for ADIB has been, or one of the best decisions made by ADIB is that we continued our investment in our digital platform during COVID times. And this was a very difficult decision to make because at that point in time, many institutions tried to rationalize costs and back off. And one of the things ADIB decided to do is we will continue investing as we have been, to create operational efficiency. And now it's really paying off because we have been able to do more with less infrastructure. So we've deployed 69 bots, we have digitized the entire, what we call client journey. And accordingly, we're able to capture the additional flow from our clients without having really to deploy more costs.

You're asking about sustainability, I would not take the existing cost space and do a run rate because we're coming to an inflection point whereby we will continue investing. I think further efficiencies are not really that available intentionally. And we are also looking at ensuring that from a staff perspective, that inflationary pressures are properly reflected in that element. So cost to income ratio dropping to 37.6% is a great effort by keeping cost under control and growing revenue. So you're creating a huge positive operating leverage here. But going forward, the revenue number will be the main driver for creating further efficiencies, while cost could go up slightly in the future.

Aybek: Thank you, Mohammed. So the next question is coming... One moment, please. So yeah, we have the next question from the line of Shabbir Malik. Shabbir, please go ahead.

(Disconnect)

Andy: ...surprisingly strong growth.

Mohammed: Yeah, sure, Andy. Happy to address that question. So I think the fact we need to acknowledge is that ADIB has taken market share. So you look around the market and you see the growth year-to-date, which is, I think, in the mid-single digit to even at the lower part of that. And we are reporting from the beginning of the year, almost 11% growth and 16% year-on-year. So the first fact to acknowledge, we've taken market share. Okay, where have we taken market share? From a retail bank perspective, we've grown 8% from the beginning of the year. And the reason why that is, is that, if I look at just some of the KPIs, Andy, in retail, so our asset sales, gross asset sales have almost grown 30% year-on-year, right? So, whether it's in personal finance, home finance, and auto finance, from what we used to originate last year to this year has grown 30%. And that's driven by number one, our product offerings, our reassessment in line of our strategy to look at some other segments. So we're still having a good mix between [inaudible 00:01:17] and expat. But we have been much more focused on some of the segments, which we were not focused on. And the moment ADIB went into a segment we took the market share, right? Because it's ours to lose, to be very honest.

So asset sales have grown 30%. And on the back of that, our spend in our cards business has also grown 25% on the back of, number one, highest spend by our clients, but also the number of cards sold year-on-year has almost doubled, right? Whether it's our Etihad cards, Emirates cards, all these initiatives that have really worked very well for us. So all the underlying KPIs, which then eventually lead to asset growth, has worked very well for us. And we've taken market share accordingly. And in terms of the corporate book, we have not seen the level of government repayments, which probably others have seen. But in fact, we were able to originate a lot of financing... And I mentioned in my opening remarks, almost 8 billion or so of gross financing, of which 50% RW utilization, given the GRE uptick. And for us, that has been quite important as we are creating momentum in our balance sheet, but also as we preserve capital by doing so. So I think it's been a very good story both on our corporate as well as retail, as well as FI. So FI, again, to ensure that we have a good diversity mix in our portfolio between different segments, different risk profiles, and good returns, and tenors. We also focus on FI selectively, and we were able to originate some of these FI transactions with our strategic clients, of course, only, where it made sense for both of us. So really a good story on the financing side.

Andy: Okay, great. Yeah, thank you very much for that.

Aybek: So the next question is coming offline from Mustafa Aamer. So Mustafa is asking about the big jump in ramaha [SP] and Islamic financing quarter on quarter. So which segments are responsible for this growth? And do you see another strong pipeline in the fourth quarter of this year?

Mohammed: Yeah. So similar answer to the previous question. So it's across all segments. And again, I would just like to point out, this is not coming by chance. There's a structured process behind RWA utilization in the segments, let's go and get the assets. Right? So it's not that the assets which come to us we go after, but we set the tone, and we set optionality for that. As we go into the last quarter of the year, the strategy will continue. We have a strong pipeline, but we are also again, not relaxing any of our return metrics to ensure that we land the year strong in terms of our capital ratios, number one. Liquidity, there's no problem at all, but it's very important that we do ensure that we remain a robust capital position as we close the year. But the pipeline is definitely there. And it's not only for quarter four, but it goes way into next year as well.

Aybek: Thank you, Mohammed. We don't know if you have any further questions right now. So I'll pause if there's anyone who wants to do a follow up question. But in the meantime, I guess I would like to ask you a couple of things. Firstly, looking at the interest income in the third quarter is quite a big uptick. So I just wanted to cross check if there were any non-recurring reversals of interest and suspense of any other items that we should be aware of. So that's one. And secondly, I mean, you mentioned that you're now more active in lending to the expats. So, what's your strategy about lending to expats? It can be quite a risky segment, so to speak. But what are you doing differently from other banks?

Mohammed: Sure. So in terms of the first question, there are no one-offs in the net profit margin, as you see on the slide. And some of the one-offs I mentioned are normalized, right? So we intentionally do not try to disturb the net profit margins with any one-offs. So what you see there is clearly normalized and sustainable. That's the first one. The second question is that on the expat, we have a very defined strategy for banking this segment. So, where does ADIB currently stand, is that 80% of our retail portfolio is currently financed to UAE nationals, right? And that has been always a strong point for ADIB, and accordingly, our cost of risk has been always 14 to 16 basis points on that portfolio. We are not willing to let go of that portfolio, but we are open to extend some of the pie contribution from the expat segment, where it is a segment which is controllable. You have other control elements, like for example, you get the salary transfer, you have a wider relationship, or you even bank the sponsor of that expat segment.

So while you're exploring, and I'm intentionally going to call this word exploring that segment, you're not going to go immediately into mass and very risky segments. But you're being very selective. You're learning about that segment. You know the sponsor of that client segment. And then you go from there. Has worked well for us. And as I said, we have lots of ample room to really absorb some of the cost of risk as we go on that journey. And I think it's been working very well, for us. We're watching that space. And definitely operating in the UAE, where probably 90% of the population are expats. That segment you cannot just avoid or ignore.

Aybek: Thank you, Mohammed. And if I may add, you know, on the subject of taxation, from 2024, what kind of tax rates do expect to see for the Abu Dhabi Islamic Bank?

Mohammed: Yeah. So the 9% tax rate, I think, will be applicable for us in '25. So it starts June '23, but the full fiscal year will probably for '24. So it starts in '25. There will be an impact, because at the end of the day, the disposable income available for the bank and for our clients will be less. We will be assessing the situation at that time. What will apply to us will apply to other as well. But I think it's something which we welcome. It's a good introduction for that specific discipline. And we'll see how it goes. But at this stage, we are not anticipating a significant impact immediately before the next two years.

Aybek: All right, thank you, Mohammed. And just to clarify, you know, we have some banks in the UAE, which are quoting 15% as a potential tax rate, given the size of earnings. Would you say 9% is more adequate, appropriate for your bank, or could be 15? What would be your feedback on this?

Mohammed: Well, the quoted rate is 9%. But I think what you're saying is the effective rate, basically, after some disallowances. Probably, right? I think some of the regulations need to still come out for us to assess the situation. If you were to take a proxy of what happens elsewhere in the world, yes, the effective tax rate will probably be slightly higher. And we will be assessing it at that stage.

Aybek: Understood. Thank you, Mohammed. We have a follow up question from Andy Brudenell. Andy, would you like to unmute yourself and ask the question?

Andy: Yeah, hi, there. Thank you. Yeah, just on non-funded income. And, you know, I see the slide here and the contributors, and there's lots of them, which is great. Just to understand on the fees and commission side of things. Obviously, this year is going to be big, big, big growth, and much better than a number of years in the past. And I know that this is more of a focus for management. You know, I think there's been some investment banking stuff that's helped. I think also, you mentioned that you're sort of ramping up more of a sort of an asset management type business that should be contributing as well. Could you just give a little bit more color on, you know, what's driving some of these fee and commission large gains that you've not seen for the prior, like, four years? And essentially, therefore, again, how sustainable is this kind of growth? Thank you.

Mohammed: Sure, Andy. So you're talking about the 150 million in the fees and commission, which we are showing on the low waterfall, but I can tell you the underlying reasons for that. So if one would take the cards income, or the 31 million, that's on the back of the growth in cards I had called out in terms of the spend, as well as the number of cards sold. So number of cards sold doubled, and the spend has grown 25%. So that's driving the cards income portion. In terms of risk participation, that's mainly driven by the wholesale banking side. And it's again, on the back of the growth we've seen in that specific sector, which has grown almost more than double digit. Is that sustainable for next year? It's a function of again, financing growth. This year has been exceptional. I think next year, we will see probably, if a recession kicks in, if things become more difficult, with rising rates, corporates will become a bit more shy, then this number is spiking more on the higher side. But for this year's number, that's really the driver of the specific amount.

When it comes to brokerage, again, a function of the market opening up. The only one you mentioned, in terms of assets, asset management, that has not really kicked in yet. It's part of the number which you're seeing here. But it's not a meaningful number yet. It is a strategic initiative for us. But we expect that it becomes probably more meaningful in the foreseeable future. One other element in the fees, which I can call out is, we had a lot of IPOs this year. And ADIB has been as usually one of the highest receiving banks in, I think, most of the issuances, and it attracted some of the fees, which you see here. I think this will probably continue as IPOs continue as well. And it's directly linked to that.

Aybek: Thank you, Mohammed. Thank you, Andy.

Andy: Yeah, thank you. Thanks.

Mohammed: Thanks.

Aybek: So we don't appear to have any other questions at this moment. So I guess we can wrap up the call. So I'd like to thank everyone for dialing in. And thank you, Mohammed and Abu Dhabi Islamic Bank management team for your insights.

Lamia: Thank you, Aybek. Thank you, everyone. And again, if you have any questions, please do email us. Thank you. Have a good night.

Mohammed: Thank you very much. Thank you.