Abu Dhabi Islamic Bank Earnings Call | Citi | January 24, 2024

..: Hi! Good morning. Good afternoon. This is Rahul Bajas from the city research team. It is our pleasure to host Abu Islamic Bank for their fourth quarter, 23, and F YEAR 23 earnings call this afternoon

I am happy to represent the management team. We have Mr. Mohamed abdel abrry, the group's CFO we also have, the group head of Industrial Relations Communications and Marketing, Lamia Hariz and Group financial Controller. Mr. Ahsan Akhtar. At this point, without further delay, I would like to pass on the call to the ADIB team for the opening remark.

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00:03:14.850 --> 00:03:25.240
Lamia hariz: thank you a good afternoon to everyone on the call and thank you for joining us today before we started. I just wanted to remind everyone that our investor relation pack as well as our financial disclosures, are all available on our corporate as well as the dedicated IR app, I'm here joined by Mr. Mohammed, our group Cfo, and our financial Controller. So the agenda of the day is like every QUARTER, we will start with the key highlight of the corporate and the full year followed by an update on our strategy, a detailed analysis of our financial performance. Then we would get some guidance for the 2024 and then we'll open the room for some Q. A's. With that I will now hand it over to mahmed to Start the presentation.

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Mohamed, Group CFO
..: 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 record-breaking set of results with net income for the year reaching AED 5.2 5 billion, which is an impressive increase of 45% year-on-year.

..: This result was driven by strong revenue momentum up 36% year on year, driven by broad-based revenue growth

..: return equity in full year of 2023, expended by 5.7 percentage points reaching 27.1%.
..: Given the strong results, the bank has proposed an attractive dividend of 71 fils per share, and this compares to 49 fils per share in the year of 2022.

..: So with that I'll move on to the next slide and let's talk a bit about our strategy.

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00:05:02.710 --> 00:05:14.200
..: As you know, our strategy is informed by our purpose as a lifelong partner for customers, colleagues, and community, and our vision is to be the world's most innovative Islamic bank.

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00:05:14.530 --> 00:05:23.759

..: The strategy is built on 4 key pillars, which I will expand on each of the next few slides. So on slide 7, we are showing the main pillars.

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00:05:23.780 --> 00:05:35.879
..: If I start with continuous innovation, innovation of new Sharia. Compliant banking products is an area where we can differentiate our value proposition and gain a competitive advantage over our peers.

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00:05:35.930 --> 00:05:53.499
..: Additionally, the bank is re-engineering delivery of products and services and plans to launch innovative digital ventures and new business models. Finally, AdiB is building a market, leading Islamic wealth, management, business and management and asset management proposition.

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00:05:53.910 --> 00:05:57.259
..: The second pillar of our strategy, which is segment focus

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00:05:57.780 --> 00:06:09.609
..: so, and under that specific pillar AdiB strategy is building in our existing strength in the retail segment while attracting and developing new business segments where the bank can grow profitably.

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00:06:09.830 --> 00:06:19.129
..: And this IS a core focus area which ncludes the development of an ecosystem to support customers across all financial stages in their lives.

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00:06:19.460 --> 00:06:32.960
..: Other focus include expanding customer propositions and product offering across SME mid and large size, corporates, improving cross sell through new products and service, and also building our FI business.

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00:06:33.280 --> 00:06:43.669
..: our third pillar is digital excellence digital excellence remains the heart of our strategy. And the bank is becoming a digital first financial institution.

21
00:06:44.130 --> 00:06:53.840
..: and it aims to elevate customer convenience throigh digital platforms and become a data driven organization by leveraging advanced analytics and artificial intelligence.

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00:06:54.050 --> 00:07:04.379
..: At the same time, we're building a modern technology and new digital tools and capabilities for staff to enable seamless digital processing and frontline delivery.

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00:07:05.260 --> 00:07:13.410
..: Last, but not least, sustainable future. So AdiB is embedding sustainability into existing Islamic banking DNA.

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00:07:13.530 --> 00:07:25.219
..: Here we are also focusing heavily on optimizing, growing, and developing our human capital, reinforcing the risk and compliance culture and optimizing our technology foundation

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00:07:26.720 --> 00:07:39.299
..: also under continues innovation. Amwali is one of our key pillars, and the next over 6000 accounts have been opened in the year 2,023.

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00:07:41.690 --> 00:07:45.669
Okay? So also, I'm gonna call out a few of

27
00:07:45.850 --> 00:07:49.389
..: our financial performance highlights. If you can move to that,

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00:07:50.050 --> 00:08:03.200
..: As mentioned in my opening remarks, we are excited to see continuation of some growth momentum by delivering 45% growth of net income of 5.2 5 billion of net profits.

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00:08:03.310 --> 00:08:09.440
..: Revenue grow strong at 36% year on year

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00:08:10.040 --> 00:08:15.030
..: the strong growth was backed by funded revenue of of 47%

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00:08:15.230 --> 00:08:28.939
..: as well as I think one of the more important kpis here is also a return equity of 27.1, which we emphasize again, our ability to originate capital, accretive business.

32
00:08:29.100 --> 00:08:41.829
..: One of the very important kpis to pull out is our cost to income ratio at 32. If you just go back a couple of years you would have seen that number in the High Forties

33
00:08:43.169 --> 00:08:58.419
..: moving forward on slide 11 we're very pleased with the quality of the profits that we are delivering, as you can see on the top right shot. The key drivers of profit goes where 47% funded income and 18 increase in non-funded income.

34
00:08:58.800 --> 00:09:02.110
..: This was partially offset by growth in expenses.

35
00:09:02.450 --> 00:09:18.260
..: and where we're seeing 675 million growth

36
00:09:19.050 --> 00:09:28.680
..: Moving forward on the funded income side. As mentioned, funded income has grown 47% year on year

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00:09:28.790 --> 00:09:36.920
..: in terms of performance by segments. Funded income improved across the board, aided by margin expansion from higher benchmark rates.

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00:09:37.780 --> 00:09:46.219
..: The consolidation of AdIB Egypt also poses impacted funded income and it's reflected IN WHAT we call associates, and subs

39
00:09:46.700 --> 00:10:08.350
..: in terms of net profit margin and I believe that's probably also a question which will come up just to pull out our sensitivity. Latest calculation. Point to the fact that 50 business points still give us a sensitivity up and down of 120 million impact on our net profits.

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00:10:09.810 --> 00:10:18.239
..: Moving forward to slide 13 non-funded income and non-funded income has grown 18% year on year.

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00:10:18.420 --> 00:10:46.329
..: If we just look at the at the waterfall to the top right, we can see that a big component in the growth HAS been on fees and effects which is very much talking to our strategy, where we are more and more focusing on generating higher growth from unfunded income which would allow us to continue growing without putting undue pressure on our capital position.

42
00:10:46.330 --> 00:10:51.220
as well as maintaining the high return equity which we have been reporting

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00:10:52.130 --> 00:11:16.000
..: moving forward. Again, I think this is a really a cost to income ratio which we need to celebrate. We are heading very, very sustainably to to I would say, market level cost income ratios, and and the positive point which I need to call out is that we are benefiting from top line growth which has given us some of that lift.

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00:11:16.040 --> 00:11:34.900
..: but under no circumstances we have stopped investing in our systems and people. And that's why you see that both in pre-cost as well as cost, have grown. That is a strategic direction for the bank to invest in our capabilities and to be able to support future growth as well.

45
00:11:38.960 --> 00:11:41.580
..: Okay, on the impairments.

46
00:11:42.140 --> 00:12:12.049
..: again. If you look at the year on year. We have kept impairments relatively flat., we have seen a slight reduction, and that is in line with the improvement and what we see in the external environment, but also our ability to have pushing over the years some of the exposures we have which was offset by some increases we've seen in our Egypt franchise.

47
00:12:12.050 --> 00:12:30.089
..: but we have kept our impairment level flat beyond the year, and hence our cost of this has normalized to around the the 49 business point, which is very much in line with the guidance we have also provided at the beginning of the year.

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00:12:35.530 --> 00:12:36.899
..: Okay,

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00:12:38.690 --> 00:12:47.249
..: yeah. So this one more. YeahNPA is a, thank you. Yeah, yeah, this is a very important slide.

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00:12:47.350 --> 00:12:55.729
..: And it is again talking to what we have been signaling to the market over the last. I would say 12 to 18 months

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00:12:55.900 --> 00:13:07.389
..: our focus on enhancing our non performing assets. Ratio has continued. We are reaching a 6.1% level from a high of 7% last year.

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00:13:07.690 --> 00:13:18.269
..: How does it come about? It comes from 2 things. Number one. We are controlling the flow into our stage. 3 position so very strict underwriting standards.

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00:13:18.270 --> 00:13:37.699
..: proactive measures to add to control any flow from stage 2 to Stage 3, and at the same time focusing on our legacy, then performing exposure which has been coming off over the quarters, and hence we see that improvement, and we are looking forward to further improvements in 2024, as well

54
00:13:37.700 --> 00:13:59.289
..: at the same time as we are also proactively writing off legacy exposure. We were able to protect our provision coverage ratio, which has shown improvement to 74% without collection. In the last quarter of the year, but also including collateral, has moved up to 139. So all Kpis really moving in the right direction

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00:14:01.010 --> 00:14:21.850
..: from a balance sheet perspective. We have seen a growth year on year of 14% and line was the growth of deposit as well . customer financing has grown 7% on average, and that is above market norms. Latest numbers we've seen..

56
00:14:21.850 --> 00:14:37.340
..: So it means that we have been able to take market share, and then the other increase you see there, and cash and balance is predominantly a factor of the change in the reserve requirement which moved up from 7 to 11 this year as well

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00:14:38.750 --> 00:14:52.810
..: from a financing perspective. You would see that we are normalizing just for to to give the market a true picture of the underlying growth. So while headline shows, 6%

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00:14:52.810 --> 00:15:16.410
..: underlying is showing 8%. And the reason is that our Egypt franchise has grown financing from a local currency perspective. But given the devaluation, it has taken away 2 billion or so in the terms so underlying growth of 8% headline goes up 6% again beating market consensus. If I just take a closer look at our detailed book in specific.

59
00:15:16.410 --> 00:15:43.679
..: we are very happy to report that our flagship for us, whether it's home, finance, personal , finance, or auto finance have equally grown around the 2 billion or 2.5 billion a month, and that is a strategically important element to allow our customers to have a complete value proposition when their bank was id and offering them all kinds of products which suits their needs. Whether it's auto, personal home finance

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00:15:45.120 --> 00:15:58.409
..: this. Our investment portfolio in line with our strategic direction as well have grown to 25 billion.

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00:15:58.560 --> 00:16:23.459
..: and that is driven by our aim to. First of all will explore opportunities, but also the investment book provides the bank with a natural hedge in an environment where they are expected to reduce, and hence building that book at the very time the money by our treasury team has allowed us to create that natural hedge for longer, even if they are starting to come off

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00:16:25.550 --> 00:16:43.269
..: from a deposit perspective healthy growth of 14% the majority of growth has been contributed by our retail segment,. If one would look at which products they have contributed, you would see that

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00:16:43.270 --> 00:17:06.129
..: around 9 billion has come from Casa accounts and 7 billion it is quite the I would say a success story to be called out that in such high environment you are still growing your casa book by 8.7 billion, which is predominantly coming from the retail book. And hence the contribution of the total deposits

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00:17:06.150 --> 00:17:17.000
..: coming from from very efficiently priced deposits is now 65%, and I would like to believe that's probably one of the highest, if not the highest, in the market

65
00:17:18.970 --> 00:17:45.420
..: plus but not least, our capital position. So we added cet1 is of 12.2% car is 16.8%. And this is after factoring in the proposed dividend of 71 fils per share allowing us still enough room to create growth for the business in 2024. So internally generated.

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00:17:47.450 --> 00:18:11.130
..: the last slide we would talk about is our guidance. What are we saying? So this year we've gone headline financing by 6%. We're maintaining a view between 5 to 7, we will continue reviewing that as we go through a year, but I can, if I just look at the last the first 24 days in the year.

67
00:18:11.220 --> 00:18:38.190
..: It's it's a very promising pickup. margin we are maintaining at 4.5% in anticipation of some of the late cuts we are expecting. So we're not expecting that number to go down, but actually to remain flat. If the reduction take palce.
68
00:18:38.190 --> 00:18:42.219
we'll probably be able to adjust that number upwards

69
00:18:42.220 --> 00:18:58.549
..: cost of risk . So we close at 49 basis points probably in 2024, we looking at anywhere between 50 to 75 basis points our view is that probably we're gonna be at the lower range lower point of that range.

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00:18:58.600 --> 00:19:21.779
..: Our cost of income ratio at 32.9 that this number will continue to improve, and hence we are saying that below 32 is going to be probably the exit point for us on ROE .1. We are saying that number would probably be maintained. So we're saying, above 25% for the year.

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00:19:23.020 --> 00:19:30.340

..: Thank you, Mohammed, we concluded the presentations. And now we are, we will open the phone for some questions.

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00:19:38.040 --> 00:19:41.940
Moderator: Well, now, move to the QA. Section for this call. If you're joined by Zoom.

73
00:19:42.040 --> 00:19:54.839
Moderator: and you would like to ask a question. Please use the raise hand button on the bottom of your screen. we've got several questions coming through the first one. This will shove up Shabir, if you like to unmute yourself and ask your question.

74
00:20:00.240 --> 00:20:01.459
Shabbir Malik: Hi, can you hear me?

75
00:20:04.110 --> 00:20:15.939
Shabbir Malik: Yeah, we can hear you. Please go ahead. Yeah, Hi, this is Shabir. Just a couple of questions from my side. So just wanted to talk about the NIM expectation that you provided how many

76
00:20:15.980 --> 00:20:28.710
rate cuts. Are you assuming in this guidance? And have you considered any scope for Competitive pressures or changes in balance sheet
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00:20:28.810 --> 00:20:30.929
Shabbir Malik: So that's my first question

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00:20:30.970 --> 00:20:42.080
Shabbir Malik: my second question is regarding your fee income, which seems to be pretty strong in the fourth quarter, or were there any non recurring items elements in the fee income this quarter that you can highlight

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00:20:42.370 --> 00:20:47.350
Shabbir Malik: and maybe a third question on expenses which look pretty strong.

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00:20:47.370 --> 00:21:00.649
Shabbir Malik: If you can break down the drivers of that. And what's the best way of of looking at expenses going into 2024. A is it? Is it going to be more or less in line with inflation, or

81
00:21:00.670 --> 00:21:07.339
Shabbir Malik: is, is there's a growth element in there as well. So maybe if you can talk about these 3 points, thank you.

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00:21:08.950 --> 00:21:24.700
..: Thanks for the question. So I thought was the first. The net profit margin outlook. So we are expecting 4.5 average. And what we are factoring in is that

83
00:21:24.700 --> 00:21:36.500
..: I wouldn't say the the number of cuts. But this let me know where probably the rates will will end down . So we're thinking, maybe anywhere between 75 business point to one could be the total impact

84
00:21:36.500 --> 00:21:59.929
..: of rate cuts in 2024. The timing in our view will probably be starting from half one onwards. That is the assumptions we have. Now, if that changes earlier or later, I think the impact would not be that material given the structure of our balance sheet, and I'll talk about it now in a second is that if one would look at our financing book

85
00:22:00.010 --> 00:22:21.160
..: around 115 billion, our our retail book is predominantly towards fixed pricing. Right? So it gives you that natural hedge for longer, and will not be impacted immediately. The new vintages will be priced, maybe at a lower rate. But again, sensitivity will not be that high.

86
00:22:21.180 --> 00:22:41.459
..: We have the the book, which is also a long term which gives you that ammunition all that cover as well. It's only the retail, the wholesale bank book, which will price at the 3 months intervals. But it will take some time to be felt. Now the good thing on the funding side
87
00:22:41.460 --> 00:22:55.280
..: we will have the ability to mitigate some of the of maybe possible impact on the financing side, and hence we will protect our corridor and be able to protect the profit margin as given the guidance for 4 and a half

88
00:22:55.940 --> 00:23:14.810
..: the second point question you had on on fee income. I. There were some, some spikes on fees. I wouldn't say that. Well, one off there I in my, in my view, they are maybe seasonal, but not one off, and they're predominantly in in the Wealth management space and

89
00:23:14.990 --> 00:23:22.240
..: The campaigns we have been running over the the last few quarters are clearly paying off

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00:23:22.240 --> 00:23:46.239
..: and I think that probably one of the best campaigns where we are mainly targeted to our detailed clients of moving their banking relationship to us. They have an opportunity to get back anywhere between 50 to 100% of their salary back, and hence our cost and opportunity has really picked up the last few quarters and giving us a lot of fee uplift in that quarter as well

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00:23:46.470 --> 00:23:53.990
..: our expense outlook. The last quarter is a is a quarter which I think was on the higher side.

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00:23:53.990 --> 00:24:17.590
..: because, a lot of catch ups we have been doing in line, whether it's on on some of our maybe incentive, it's linked to profitability, which is seeing in quota for as well as some of the digital delivery of products have happened in, which reflects in the form of depreciation, and of software costs

93
00:24:17.790 --> 00:24:44.489
..: a guidance for this year in terms of cost. I would probably factor in inflation. Guidance, but nothing out of the usual because whatever investment will continue at the same pace, but it will not create any huge increase towards what you've seen in 23, so probably inflationary adjustment would be a way to look at it.

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00:24:45.640 --> 00:24:46.769
Shabbir Malik: Great. Thank you.

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00:24:47.900 --> 00:24:48.979

96
00:24:49.800 --> 00:24:55.859
Moderator: The next question comes from Chiro. If you'd like to unmute yourself and answer your question.

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00:24:57.160 --> 00:24:59.560
Chiro Ghosh: Hi, chiro! Here, can you hear me?

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00:25:01.820 --> 00:25:17.870
Chiro Ghosh: Yeah, we can hear, please go ahead. Yeah, yeah. Perfect. So the first one is related to asset quality. So it's it's quite evident that the asset quality continues to improve. But the Npl coverage, the the pure cash one. The non collateral part of it seems to have stagnated. So what?

99
00:25:17.900 --> 00:25:42.879
Chiro Ghosh: How should we see it? I mean, what should be a strategy going forward related to that. And what would be a comfort level, I mean, at what level would you like to see this number going forward? That is my first question second one is a a little continuation on the margin side, which you just answered, I mean, are you being a little conservative with your name guidance where you

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00:25:42.880 --> 00:26:07.769
give it to remain flattish. Because your retail book most likely will not, which is a big chunk of your loan book will not get reprised,. It is at a much higher rate, and your deposit also you can reprice. I just want to get a sense that are being a little conservative with your margin guidance. And the third one is

quickly on the. So what is the what is the tax rate which should which we should assume for 2024 onwards?

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00:26:07.770 --> 00:26:12.630
Chiro Ghosh: This is zakat component as well as the corporate. Yeah, these are my 3 questions.

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00:26:15.240 --> 00:26:26.769
..: Sure. Happy to answer the question. Please let me know I miss any of your points. So only Provision collaterals e. So the 74 is actually no

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00:26:26.800 --> 00:26:47.820
..: building some of these provisions as well.

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00:26:47.820 --> 00:27:12.300
..: What is our comfort level we are quite comfortable with with that level it will continue to improve. But it's important for us to continue looking at the coverage here, including collaterals as well, which has really improved. Quarter on quater, and we do the assessment on quite frequently to ensure that with a 50% haircut on the collateral value, we still have a a good coverage of 1 39.

105
00:27:12.560 --> 00:27:29.419
Chiro Ghosh: So that's on the coverage and on the net. Perfect margins. When you say conservative, you expected the 4.5 to be higher or lower. Yeah, maybe on the slightly on the higher side. What do you think that it might be a little higher? Because.

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00:27:29.490 --> 00:27:42.180
Chiro Ghosh: you, you remember la last call you were saying that there are loans which have been dispersed at a much lower rate and which might, we've been right now at a slightly higher rate

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00:27:42.880 --> 00:27:49.259
..: on that context. No, I understand. Understand. No, I think. Would that could they be slightly higher?

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00:27:49.300 --> 00:28:00.999
..: Not unreasonable to think about it. But the what the point which we need to consider is that you are at the cycle where your gross financing cost to your clients is quite fine.

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00:28:01.000 --> 00:28:21.979
..: Right? So why you could protect it for longer. We we have to take into consideration market dynamics and competitive pressure in terms of ensuring that not all the increase continues to be passed onto your clients for too long. Hence we are saying that we are happy at the level we are now, and we will not be looking at increase that any further.

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00:28:21.980 --> 00:28:26.699
..: That's why the 4 and a half percent at this stage seems to be quite feasible as well.

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00:28:27.200 --> 00:28:30.349
..: yeah. Your last.

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00:28:30.430 --> 00:28:38.200
..: Yeah. Th, you had that. The third question was, Yeah, Zakat copper tax.

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00:28:38.900 --> 00:28:58.539
..: Sure, we we think that the effective break at this stage would be probably around 11 as we go into and announce our numbers will obviously give you a much more accurate dynamic, because this is the first quarter that we will report on corporate tax. But for now I would fact in an 11 effective tax rate.

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00:28:58.870 --> 00:29:13.450
Chiro Ghosh: Ju, just one quick! Follow up! On the first answer which you gave, so as say, collateral value goes up or say, maybe real estate prices remain high. You will be lot more comfortable with this 74% and coverage. Am I right in my understanding?

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00:29:14.840 --> 00:29:35.010
..: That's absolutely correct. And and I also just totally emphasize. We don't take the collteral evaluation at face value. We actually take a haircut on it as well. Right? So it's not because we understand the time to sell. There's the stress test, So they're always usually can go up to 50 on the value of taking on the collection, which is fundamentally legacy.

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00:29:35.660 --> 00:29:38.109
Chiro Ghosh: Okay, it's quite clear. Thank thank you very much.

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00:29:39.080 --> 00:29:40.100
..: Thank you.

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00:29:41.410 --> 00:29:47.239
Moderator: Our next question comes from walid. If you would like to unmute yourself and answer your question.

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00:29:49.740 --> 00:30:02.040
Waleed Mohsin: Hi, good afternoon. Thank you much for the presentation. And congratulations. A strong set of results. So 3 questions, please, from my side first. Just wanted to quickly confirm that the guidance that you provided for roe

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00:30:02.320 --> 00:30:12.890

Waleed Mohsin: which is above 25% the step down is mainly on account of the tax right, which you're incorporating, which is 11. So that's the delta between the the 2 years.

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00:30:13.040 --> 00:30:22.620
Waleed Mohsin: So that's the first question. Second, I wanted to ask you about the retail book. I think in your answer to Shabir you were talking about the

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00:30:23.200 --> 00:30:28.549
Waleed Mohsin: you know the difference between the book is priced at this moment.

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00:30:32.560 --> 00:30:39.290
Waleed Mohsin: I understand. Rates obviously going down will will impact the pricing of new origination. But I was just thinking that

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00:30:39.390 --> 00:30:44.099
Waleed Mohsin: if your average duration of retail loans, you know.

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00:30:44.230 --> 00:30:45.639
Waleed Mohsin: 2 to 3 years.

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00:30:45.730 --> 00:30:56.949
Waleed Mohsin: Then something which was written at the end of 2021 was written of an interest rate, which is even below where the market expects rates to settle medium term.

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00:30:57.250 --> 00:31:02.309
Waleed Mohsin: So if you could just provide a little bit of clarity on the book pricing that would be very helpful.

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00:31:02.660 --> 00:31:06.230
Waleed Mohsin: And my third question is on your asset quality

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00:31:06.610 --> 00:31:12.950
Waleed Mohsin: I wanted to get a sense of you know how much of the bad book has been worked through by now

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00:31:13.060 --> 00:31:18.279
Waleed Mohsin: any major legacy accounts you know which need which

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00:31:18.340 --> 00:31:29.790

Waleed Mohsin: could come as a positive surprise. We saw it with one of the peer banks in their earnings earlier this week. So so your you know. Thoughts on that would be helpful and linked to this.

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00:31:30.240 --> 00:31:40.759
Waleed Mohsin: How are you managing Egypt risk at this moment? I mean. given that in the parallel market the Egyptian pound rate is significantly lower than where

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00:31:40.780 --> 00:31:46.010
Waleed Mohsin: the official ratus. So how are you going about managing Egypt? Risk in your book? Thank you.

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00:31:48.500 --> 00:32:01.510
..: Sure. Thank you. Thank you for the question. So I think the one by one. The question on ROE going to 25. Yeah, clearly, an element of it would be tax. But because we're saying 25 and above

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00:32:01.510 --> 00:32:21.609
..: we are taking into consideration not only the tax impact, but you're also creating of enhancing your capital position so naturally as your capital goes up, your your effective return might go down as well. I wouldn't be surprised if we get close up to the number we have this year. But for now we are signalling at 25%

137
00:32:21.610 --> 00:32:48.460
..: which is for us really comfortable level,.. And even in your financing book, having your corporate book tilted towards gre and public sector gives you a lot of capital relief, and in your retail book towards home, finance also gives you a huge capital relief as well.

138
00:32:48.460 --> 00:32:53.200
..: So I believe, very happy with that, and it's one of our most important. Keep your eyes we look at

139
00:32:53.420 --> 00:33:15.950
..: in terms of your book. I think you called it quite rightly is that we are at the cycle where the financing originated at the lower point of the curve. Now, not on all books anymore. Right? So we are benefiting from that. And hence, when I mentioned that as rates go down some of your fixed price

140
00:33:16.240 --> 00:33:40.139
..: financing elements. I'm giving you that natural heads, or maybe another, maybe, and that book specific for another 2 and a half years at least. Now we didn't look at the mix because you have also financing, which have been priced frequency. But that specific book is giving you a good head. So answering your question. Yes, most of the lower price ventages are now of our book. Now.

141
00:33:40.740 --> 00:33:55.099

..: in in terms of this further question on Egypt, our Egypt franchise obviously is going through, not the Egypt as a franchise, but country has its challenges in terms of the Fx availability, and hence

142
00:33:55.100 --> 00:34:13.759
..: the that, there's an official rate. And there's probably another race which is being dealt with. We are, obviously doing stress testing to ensure that the impact is mitigated, but is so important to put into context
143
00:34:14.110 --> 00:34:37.620
..: The balance sheet in Egypt is probably 15 billion or It constitutes a fairly small 7 % of our total assets. So any shock, even in rates we will be able to absorb, whether it's from a tactical position as well as from a a balance sheet or a Pnl. Perspective.

144
00:34:38.600 --> 00:35:05.480
Waleed Mohsin: Got it? Thank you much. So yes, just a couple. Just a few couple of follow ups, please. So on. On capital. You talked about the capital build up, and obviously some of the benefit you get from, you know, secured lending on the retail side. And you know, government lending. So what levels of capital are you comfortable with? You know you would. It seems that you would like to build up capital a little bit if I got that correctly. So you know any comments on that would be helpful. And regarding your first point about

145
00:35:05.480 --> 00:35:16.450
Waleed Mohsin: Roe could well be close to what you delivered in 2,023. That number that you're talking about. That's a pre-tax, are we? Being close to 2023 number right? Not on a post tax basis.

146
00:35:18.280 --> 00:35:41.679
..: That's correct. So let me take a second point. First, you are correct, but you're also expecting growth and possibility as well. Right. So that will definitely help us. So we we we cannot give you too much forward looking view on that. But we are cautiously optimistic that our portability will continue to grow as well, and your ability to grow much faster.

147
00:35:41.680 --> 00:35:58.260
..: Then you'll put you on. LW. 8 will eventually relieve capital pressure, but also gives you a return and hopefully cover some of the tax impact as well. The the first point you had, I think, was on the Egypt point right?

148
00:35:59.190 --> 00:36:08.730
Waleed Mohsin: No. The roe e, as you said so so roe, I was saying, and then the other one was the capital. Where do you? Where would you like your capital to sit like? Are you comfortable with current levels? Would you like to build up

149
00:36:09.870 --> 00:36:29.840
..: very comfortable? So I think at at the, at, the, at the levels we are, we are today, is a comfortable level to be in. and if there is, clearly any difference, we will signal to the market.

150
00:36:30.520 --> 00:36:39.540
Waleed Mohsin: Got it. And and then there was one question left on the on the asset quality bad book. Is there anything on the legacy side which is pending which could which could be a positive surprise this year.

151
00:36:41.870 --> 00:36:58.000
..: I guess the short answer is, yes, there are few names which we will give us hopefully some positive news in which we will signal to the market as and when they happen. But yes, there will be some positions, but that's not factored into your guidance of 50 to 70

152
00:36:59.550 --> 00:37:09.969
..: it. It will be factored. It will be main mainly reflective of our NPAratio
153
00:37:10.880 --> 00:37:13.479
Waleed Mohsin: Got it? Thank you so much, mama, thank you.

154
00:37:14.040 --> 00:37:15.400
..: Thank you. Thanks.

155
00:37:17.280 --> 00:37:22.189
Moderator: Our next question comes from. If you would like to unmute yourself.

156
00:37:24.160 --> 00:37:25.930
Jagadishwar Pasunoori: hey? Can you hear me?

157
00:37:27.880 --> 00:37:33.349
Jagadishwar Pasunoori: Yeah, we can hear, please go ahead. Yeah. Hey? Thanks. A lot for taking my question.

158
00:37:33.470 --> 00:37:43.579
Jagadishwar Pasunoori: Congratulations and good set of numbers I see your casa deposits are going up and up every quarter, and you know.

159
00:37:43.620 --> 00:37:46.400
Jagadishwar Pasunoori: compared to the you know, some of the other banks.

160
00:37:46.610 --> 00:37:51.010
Jagadishwar Pasunoori: What is contributing to this? Who are the end customers

161
00:37:51.210 --> 00:37:57.250

Jagadishwar Pasunoori: that's helping you improve carsa ratios, that's one thing. And second thing is,

162
00:37:57.310 --> 00:38:01.429
Jagadishwar Pasunoori: and this retail loan book being priced.

163
00:38:01.930 --> 00:38:17.440
Jagadishwar Pasunoori: all of your retail book priced, reprived to the latest interest rates. Are you have any? A certain percentage of the loan book is not still priced into the higher interest rates. Can you help me understand that? These are the 2 questions from my end?

164
00:38:19.430 --> 00:38:43.990
..: So the the task is, is is a factor of 2 things. One is the type of clients we have and the product offering as well. So we we are in a position whereby we are receiving a lot of new clients into the bank, which are Salary Bank, which are usually also government officials.
165
00:38:43.990 --> 00:39:11.700
..: And so this, this free combination is the outcome of what you see there, coupled with very targeted campaigns. To ensure that we are able to build costa balances, but also benefit the clients. It is a 2 way. Arrangement where the client sees the value of moving his relationship us and a long term relationship with a deep and the added value they will get not only from keeping Casa with us.

166
00:39:11.700 --> 00:39:18.090
..: but also from the fact that they will be able to benefit in other products and services as well.

167
00:39:18.090 --> 00:39:37.340
..: and not to mention that some of the casa I did mentioned that it's predominantly. But there's also an element of some of the escrow accounts from our corporate relationships, particularly on the commercial real estate which we have been able to on board in 2,023 as well. So that really has helped us on that front as well.

168
00:39:41.690 --> 00:39:44.559
..: That was on the Casa Yo, your second question, yeah.

169
00:39:44.790 --> 00:39:51.099
Jagadishwar Pasunoori: So what percentage of your loan book is not repriced yet? Or is it fully repriced

170
00:39:51.810 --> 00:39:53.919
Jagadishwar Pasunoori: to the higher interest rates. So yeah.

171
00:39:54.090 --> 00:40:21.459

..: yeah. So if I just split them into buckets, our wholesale bank book is on a frequently pricing. So that's taking care of immediately, without any intervention, and our retail book our personal finance book is usually advantage of. I would say that. Take the entire book
172
00:40:21.460 --> 00:40:51.429
..: The home finance book while it is longer term. It's behavior. Live is usually shorter. We can take it from maybe 5 to 6 years and hence majority of the book would have been repiriced at that level. In addition that we also always embed a floor in in our in our financing structure, whereby that never drops below certain level. So we are now at the inflection point where the majority of the book is really enjoying from a better rate. Environment.

173
00:40:52.760 --> 00:40:57.310
Jagadishwar Pasunoori: Okay, okay. And okay, great. Thank you.

174
00:41:00.830 --> 00:41:02.930
Moderator: Our next question comes

175
00:41:02.950 --> 00:41:13.870
Moderator: 1 s naresh, Jp.

176
00:41:14.010 --> 00:41:16.919
..: so the next one let it be naresh. Okay.

177
00:41:23.120 --> 00:41:24.010
..: go ahead

178
00:41:24.260 --> 00:41:26.389
Moderator: naresh, if you're

179
00:41:26.780 --> 00:41:28.680
Bilandani, Naresh: yes, please. Hi, can you hear me?

180
00:41:30.350 --> 00:41:58.840
Bilandani, Naresh: Yeah, we can hear you please go ahead. Okay, excellent. HiThank you very much. I appreciate the opportunity to ask question. A bunch of questions, please, from my side one is, would you please be able to throw some color on the sensitivity that you provided for the net interest margin? If you could please just throw some light on. How should we think of such a sensitivity if we exclude Egypt from a franchise? So I'm kinda trying to understand how the core Uae book works in declining interest rate environment.

181
00:41:58.850 --> 00:42:22.629

Bilandani, Naresh: That's the first question my second question is, if I go to your strategy slide. I think in in in one of the in one of the points that you mentioned, you mentioned establishing FI. As a future growth engine, if you can. Please throw some some further light on that, on, on what you effectively intend to do. Why, at this point that'd be great. My third question is.

182
00:42:22.660 --> 00:42:35.509
Bilandani, Naresh: if I assume dial in Egypt in in the Egyptian pound versus fx. Over the course of 24, would you be, please be able to throw some light on. How does that affect your capital at this stage?

183
00:42:35.650 --> 00:42:55.210
Bilandani, Naresh: And my fourth and final question is, I know you're still not reporting the core basel. 3 liquidity ratios on Lcr and Nsfr. If you have done some some some excise on that, and if you can, please confirm. Where do you stand on? Lcr and Nsfr, that'll be super useful. Thank you.

184
00:42:58.250 --> 00:43:04.569
..: So, thank you, So I thought was a first point. So sensitivity and net not margin.

185
00:43:04.590 --> 00:43:16.039
..: What what we're saying is that again, the 50 base point is approximately 120 million sensitivity on our net profits.

186
00:43:16.040 --> 00:43:23.640
..: Egypt. Just to give you some context. Actually, Egypt has been a positive contribution to a net profit margin

187
00:43:23.640 --> 00:43:47.950
..: because of the high financing yields in Egypt versus the funding cost. So the funding cost is also high, but the the cost has been widely Egypt much faster than in the Ue. And it's been positive. But in the bigger context of it, Egypt being only 7 and 7 of our balance sheet. The movement on that specific front is not very high.

188
00:43:48.320 --> 00:44:15.830
..: The second point on Fi being called out as a strategic initiative. What we meant by that is that our Fi for position has been very successful in the markets which we are operating, and part of our expansion is to explore more markets where we could add value in terms of our Fi relationship, and a deep established meant in the Ue.

189
00:44:16.920 --> 00:44:44.379
..: Our devaluation on capital again, linking back to the Egypt. Point is that given that Egypt? It's size right to the group is not very big, is not is not gonna be material. But we did this, closing our financial statements that we were impacted by approximately 200 million in our capital, , one in 2023, from the Egypt devaluation.

190
00:44:44.380 --> 00:45:09.089
..: Now, if there is a further evaluation to be happening, and if you think about it, in 2,020 on its own. There was, by the severe movement and rates from where we started till where we ended, and that was a 200 million. Assuming a an application of that will happen then you could probably factor in another 200 1 million, and the sensitivity on our C 2, one is probably anywhere between 17 to 18 business points

191
00:45:09.250 --> 00:45:11.990
..: on C, 2, one from that impact.

192
00:45:12.660 --> 00:45:25.340
..: And and as as a sign is calling out, is that also on the flip side, as the valuation happens, your risk weighted assets from Egypt will also go down, giving you some cushion in terms of your capitalations.

193
00:45:25.370 --> 00:45:48.020
..: The last point on on your. We do not disclose these numbers. And also the central bank is not reviewing them, but for your benefit. Our Lcr today is at 250, and our Nsfr is currently at around 107. And these are not numbers., but these are numbers which we track internally.

194
00:45:48.690 --> 00:45:57.779
Bilandani, Naresh: Excellent. Thank you. That was very clear. Just one very quick. Follow up when you talk about the FI Could you please just give a flavor of what the counterparties are in this business.

195
00:45:59.400 --> 00:46:18.370
..: So the the Fi is looking predominantly at the African markets, North Africa, also some of the Asian Asian markets which fall in our risk appetite. We have in some of these markets we already have some sort of relationship. But we're looking at extending that relationship, given its success over the past few years.

196
00:46:19.680 --> 00:46:22.180
Bilandani, Naresh: Great. Thank you very much. I appreciate the replies, thanks.

197
00:46:22.870 --> 00:46:23.890
..: Thank you.

198
00:46:27.780 --> 00:46:31.319
Moderator: Our next question comes from Aaron Aaron. If you like to unmute yourself.

199
00:46:34.820 --> 00:46:55.920
Aaron Armstrong: Hi, thanks very much. So thanks a lot for taking the question. Thanks for doing the call, and congrats on a good set of numbers. Can we talk a little bit about the net interest margin near

term trends, please. So I think on the slide you show the 9 month number and the full year number. Could you talk a little bit about the sequential change, please from to net interest margin, maybe break that down into yields and cost of funds.

200
00:46:55.920 --> 00:47:07.940
Aaron Armstrong: and then talking about the first one or 2 quarters of this year. If you were to see, say, stable and interest rate environment, would you expect your nims to increase over the next one or 2 quarters in that scenario.

201
00:47:12.710 --> 00:47:21.690
..: Yeah, sure. Thank you. Happy. I think you have it on the screen there. Okay, so what are the dynamics of how we see net profit margins evolving for d.

202
00:47:21.720 --> 00:47:41.779
..: Now, if you look at the full year numbers where our funding cost is at 2.9, and our yield are 6/78 giving us this 4 and a half, just to good. Put things into context. The Uaee on its own is probably funding cost goes up to 1.4 right and less is coming from our international businesses

203
00:47:42.800 --> 00:48:03.930
..: to address your question where we see the near term net profit margin moving enhance to fully at 4 and a half percent. I would believe I would like to believe that in and to some extent this number will improve, because your exit point of of 23 has been on the higher side, because the 4 and a half is the average of the year.

204
00:48:03.930 --> 00:48:26.559
. This peak point will continue because you, resetting the clock now into 24. That becomes your entry point. So you would probably see higher net profit margin in and before it tapes off in the second half of 2024, and hence the average for the year will go back to 4 and a half percent.

205
00:48:27.660 --> 00:48:35.040
Aaron Armstrong: Thank you. Are you able to share? That's very helpful. Thank you. Are you able to share what the exit rate was for 2023.

206
00:48:37.080 --> 00:48:42.409
..: Yeah, we as I said, was calling out this round for 4, 4, 55 to 4 57.

207
00:48:45.780 --> 00:48:55.210
Aaron Armstrong: That's great. Thank you. And I think similarly, on your slide for cost of risk, you have a full year number, but not the number. Is that something you could also share, please?

208
00:48:57.160 --> 00:49:00.340
..: Yes. So the cost of this level we can put the

209
00:49:01.360 --> 00:49:02.260
..: yes.

210
00:49:04.740 --> 00:49:08.629
Aaron Armstrong: yes, yes. So I think, yes, yeah. Yeah.

211
00:49:08.840 --> 00:49:28.349
..: The cost of this on average has been 49 basis points at the group level. The reason why it has gone up then going down again is that we did have some curing of our one of some of our legacy

212
00:49:28.350 --> 00:49:49.480
..: exposure, which is also then reflected in the reduction of our NPA. To 6.1 quarters, which was at the higher level, and hence we believe that our normalized level will will be slightly. So we end up slightly lower, because again, the 49 base point is the full year average.

213
00:49:49.480 --> 00:50:16.029
..: So we will enter the year site door. But as we aim to enhance our coverage ratios during the year, and as we start seeing maybe some of the growth in some of the sectors particularly in corporate, which are not Gio. You probably set them on the mid market. That will go up, but the average would probably still be around. The 50 business points was that was, that was the top end of 70. But I think the range will be closer to the 50 business points.

214
00:50:18.170 --> 00:50:26.599
Aaron Armstrong: That's great, thank you. And I think you made a comment in response to a previous question about our WA density. Are there any changes we should expect there this year?

215
00:50:28.630 --> 00:50:52.839
..: We we think that the other probably has the levels that we are today. And the reason we're saying that is, even as we both maybe more to, I would say, I wouldn't say this here. But more, towards the large LARGE CORP in the ecosystem of the GI, which we're operating in the some of the growth we expect on the on the latest side

216
00:50:52.840 --> 00:51:05.040
..: will be on the home finance side, given the pickup and the property market, and and usually the other. The density and home finance is is effective, I think, anywhere between, I think, on 35

217
00:51:05.040 --> 00:51:11.409
..: percent of the financing is only out that you consumed. Hence we believe that this will, this ratio would be maintained.

218

00:51:16.800 --> 00:51:19.430
Aaron Armstrong: That's great. Thanks very much. That was all for me.

219
00:51:20.560 --> 00:51:21.580
..: Thank you.

220
00:51:23.880 --> 00:51:28.109
Moderator: Our next question comes from Musa Musa. If you would like to unmute yourself.

221
00:51:30.620 --> 00:51:32.179
Moussa Alraslani: Hello! Can you hear me?

222
00:51:34.430 --> 00:51:35.940
..: Yeah, you can hear. Please go ahead.

223
00:51:36.780 --> 00:51:43.690
Moussa Alraslani: Okay. What? Just one question, is there any guidance on the payout ratio going forward?

224
00:51:46.290 --> 00:52:08.720
..: Dividends, you mean? We don't usually get forward looking. But yeah, but usually what I what I always said the market is that Adib has been very, very consistent in this dividend policy so we don't get forward looking statements. But I think if you look at the past few years, you would see the consistency and the way we are treating

225
00:52:08.720 --> 00:52:18.930
..: what we consider as we need for creating internal equity for future growth versus what we would like to also give back to our shareholders in terms of cash.

226
00:52:19.940 --> 00:52:33.670
..: And this year this for for again a reminder. We did recommend a dividend payout ratio in terms of percentage of net profit of around 49.4 on average, which translates into 71 fields per share.

227
00:52:36.110 --> 00:52:37.340
Moussa Alraslani: Thank you.

228
00:52:41.100 --> 00:52:45.569
Moderator: lovely. The next question comes from Frederick Frederick.
229
00:52:48.160 --> 00:53:10.119

Fredrik Nyh (Morgan Stanley): Hi, thank you so much for taking my question. So I just have a quick question around your fee and commission income. When I look at your disclosure per segment, what it looks like that really drove the sequential increase this quarter was income from cards. So the number that you have reported was 343 million. If I'm doing the math correctly here.

230
00:53:10.120 --> 00:53:38.999
Fredrik Nyh (Morgan Stanley): which basically compares them to the 9 months of 23 accumulated value of 360, and we saw something quite similar to that. Ha! Also happening the fourth quarter of 22. So last last year, you actually reported 325 million above the 9 months 22 level of 235 million. So if you could give me just some additional caller here as to why this is happening, and if it's something that we could expect going forward to always happen in the fourth quarter. Thank you.

231
00:53:41.020 --> 00:53:54.970
..: Yeah. Sure. So I think when you look at 100 income, and particularly the waterfall we have there. It is important that you you probably will have to do take into consolation last year's

232
00:53:55.030 --> 00:54:24.429
..: Egypt consolidation, because when we did the consolidation last year for Egypt, there was an element of recycling some of the fx losses into our Pn. L. And then taking on some of the fee income. So you would see the investment income was negative and fx positive. The the delta between last year and this year is nothing but the impact of Egypt. Consolidation from recycling the Fx. Which was on the band shift last year and had to be put into Pnl upon consolidation.

233
00:54:25.130 --> 00:54:37.000
..: but normalizing for that, you would see that in Fx income and its own fees and commission on its own investment income, all of them have grown in double digit and have contributed to that growth.

234
00:54:37.010 --> 00:54:52.589
Fredrik Nyh (Morgan Stanley): Okay, well, looking at cards, income specifically. Do you have a sense? And what what could have driven such a large pickup. I mean, it's it's equivalent to the 9 months of 23 value. So I was trying to understand what could have happened there?

235
00:54:54.430 --> 00:55:01.589
..: Yeah, very good point, I think. I believe. we are probably one of the highest

236
00:55:01.610 --> 00:55:12.859
..: spend numbers in terms of cards, whether it's debit. Okay? So these are, I think, numbers which are published, maybe also by the issuers.

237
00:55:12.860 --> 00:55:35.389
..: But particularly this year we've continued to increase our acquisition size. Our cars are considered to be flagship cards in the market, and hence that increase is reflected of the higher volumes and the

higher cost. It should just give you some context in terms of number of cards issued in 2023 versus 2022. We've grown that volume by almost 40%

238
00:55:37.370 --> 00:55:39.469
Fredrik Nyh (Morgan Stanley): super clear. Thank you very much.

239
00:55:40.400 --> 00:55:41.400
..: Thank you.

240
00:55:42.070 --> 00:55:46.270
Moderator: And our final question comes from that. AnKit, if you'd like to unmute yourself.

241
00:55:48.910 --> 00:56:03.849
Ankit Mittal: Yeah, thank you for the opportunity this from HsBC, I have just 2 questions first is on capital ratios. So I wanted to confirm. If the consolidation of Egypt

242
00:56:04.010 --> 00:56:21.110
Ankit Mittal: has been like fully completed in 2,023. With respect to the respected assets, I think last year you mentioned that. You're doing a phased consolidation of Egypt. So just wanted to clarification on that

243
00:56:21.310 --> 00:56:24.090
Ankit Mittal: and secondly, on loan growth.

244
00:56:24.220 --> 00:56:29.950
Ankit Mittal: Are there any plans to tap markets like Saudi to accelerate loan growth

245
00:56:30.050 --> 00:56:37.020
Ankit Mittal: like, we have seen few of you a banks. So just wanted to understand your strategy here.

246
00:56:38.260 --> 00:56:39.829
Ankit Mittal: Thank you. That's on from my side.

247
00:56:40.860 --> 00:57:00.479
..: So thanks so much for the question. So under on your first question. Yes, Egypt now is fully consolidated into Uae books from all aspects, including it's fully loaded . So the capital issues. You see here is a fully loaded number with Egypt, nothing left in terms OF consolidation.

248
00:57:00.690 --> 00:57:29.269

..: The second point again, the answer is, Yes, Saudi is a very, very important market to us. We already have a very calculated healthy exposure to the Saudi market within our RIKS Appetite, and I don't see that trend changing. Anyway, it is an important market for us. It links very nicely to the UAe. And to our clients which create that corridor between UAe and Saudi, and we're very committed to continue investing and going in the Saudi market as well.

249
00:57:33.590 --> 00:57:35.610
Ankit Mittal: Thank you. Very clear, that's all from my side.

250
00:57:38.060 --> 00:57:43.860
Moderator: And that concludes the the questions in the queue. I'll not hand back to roll.

251
00:57:46.050 --> 00:58:10.419
..: Actually, Rahul, from city moment. I have couple of questions because we have couple of minutes. Maybe I can take this opportunity so quick one on on the legacy exposures we've we've heard from Banks like yourself that being an Islamic bank, it's difficult to write off loans and legacy assets were being kind of held on the book for a very long time just wanted to understand what has changed. That added

252
00:58:10.490 --> 00:58:27.270
..: is able to now remove those legacy exposures from the book and related to this, if you could please comment on Nmc. Where do we stand on Nmc. Now, and is it, anyway? Part of Npl. Now, or it is completely out of Npl. That would be very useful. Thank you.

253
00:58:28.420 --> 00:58:51.340
..: Question so difficult, but not impossible. Right? So we are able to write off. But all the reductions you see here. Because you are CURING these legacy exposure. So not by way of light of, but because of settlements and the restructuring and final closure with some of these clients,
254
00:58:51.430 --> 00:58:54.970
..: That's the main production you are seeing here

255
00:58:54.990 --> 00:59:15.449
..: in terms of Nmc. Yes. Nmc. Is now completely out of our npa. Book. It's been taken to phase 2 as part of the plan for Nmc. And you will not see any exposure in the Nmc. Book as well, whether it's from a provision perspective or from acrossNPA. Perspective

256
00:59:17.700 --> 00:59:20.480
..: understood? Thank you so much. Thank you.

257
00:59:24.950 --> 00:59:36.950

..: Thank you. Everyone and Paul, and thank you everyone. So if you have any, follow up questions. You can always email us or call us and thank you. And we'll put it with you in the next forecast. Thank you very much.

258
00:59:37.530 --> 00:59:38.550
..: Thank you.