

J.P.Morgan

Abu Dhabi Islamic Bank | J.P. Morgan | April 25, 2024

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00:00:13.350 --> 00:00:19.800

Stefan | OpenExchange: Thank you for joining the call today. The call is for institutional investors that are clients of Jp. Morgan only.

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00:00:19.990 --> 00:00:23.170

Stefan | OpenExchange: Therefore, if you are a corporate client or a member of the press.

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00:00:23.200 --> 00:00:25.330

Stefan | OpenExchange: Please kindly disconnect from the call.

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00:00:25.590 --> 00:00:34.409

Stefan | OpenExchange: This will be an interactive call. So if you would like to ask a question. Please use the raised hand feature on your screen or press star 9. If you're dialed in by phone.

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00:00:34.710 --> 00:00:40.759

Stefan | OpenExchange: I will now hand you over to your host for this call from JP. Morgan, Narish BilANDI , and Danny. Thank you.

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00:00:41.830 --> 00:01:01.659

Naresh Bilandani - J.P. Morgan: Thank you. Good day, everyone. I'm naresh, head of mENA Equity Research at Jp. Morgan, and I'd like to welcome you all to the first quarter. 2024 earnings call of Abu Dhabi Islamic Bank, which Jp. Morgan is very pleased to host. We have with us today, Mr. MOHAMED ABDEL Barry, the acting group, CEO, Mr. AHSan AKHTAR acting group Cfo AND Miss Lamiah HariZhead of investOR relations, Marketing Communications and Esg.

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00:01:07.080 --> 00:01:11.720

Naresh Bilandani - J.P. Morgan: I will pass the call now to the AdiB team to commence that presentation. Thank you.

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00:01:13.870 --> 00:01:28.940: Lamia Hariz

Abu Dhabi Islamic Bank: Thank you Naresh. Good afternoon to everyone on the call, and thank you for joining us today before we get started. I just want to remind everyone that today's presentation of all our financial disclosures are already available on the IR section of our website and on the Ir app.

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00:01:28.940 --> 00:01:47.850

Abu Dhabi Islamic Bank: as naresh mentioned. I have with me, Mr. Mohamed abdel Barry, our acting group, CEO and Mr. Ahsan Akhtar our group. Cfo. The agenda of today is consistent with the previous quarters. So we will start with a quick highlight of the quarter, and we will give you a quick update on our strategic progress.

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00:01:47.850 --> 00:01:59.340

Lamia Hariz : and then a detailed analysis of the performance. We would then conclude with the guidance for the the rest of 2024, and open the floor for QA. With that I would now hand it over to Mohamed to start the presentation.

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00:02:00.290 --> 00:02:06.390

Mohamed: Abu Dhabi Islamic Bank: thank you, Lamia, and good morning. Good afternoon, everyone, and thank you for joining us on today's call.

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00:02:06.610 --> 00:02:24.989

We are very pleased to have reported a strong start for 2024 with net income for the first quarter of 1.4 5 billion dollar, which is an impressive increase of 32% year on year. Or if you were to adjust for the impact of tax. It's a 41% up year on year.

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00:02:25.330 --> 00:02:34.180

This result was driven by sustained revenue momentum, which was up 24% year on year driven by all business segments.

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00:02:34.280 --> 00:03:00.429

Return on equity has improved to 27%, which is an improvement of around 3.5 percentage points. And if one would just look at from last year the the number was 25 %. This performance was driven by 13% year on year asset growth driven by 9% growth in net customer financing. This was efficiently funded by 13% year on year deposit growth

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00:03:00.480 --> 00:03:08.369

with casa increasing 9%. And our casa contribution to total deposit now stands at 66%.

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00:03:09.350 --> 00:03:13.189

Abu Dhabi Islamic Bank: At the same time our credit quality metrics continued to improve

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00:03:13.220 --> 00:03:21.850

: with our Npa ratio declining to its lowest level. Since fourth quarter of 2019 to 5.5%.

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00:03:22.410 --> 00:03:24.990

on the strategy. So what's important to note that our strategy remains to be unchanged, and we have a very clear vision which is to become the world's most innovative Islamic Bank.

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00:03:38.000 --> 00:03:43.759

Our strategy is built on 4 key pillars, which I would just quickly call out

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00:03:44.040 --> 00:04:01.050

first, continuous innovation of new Sharia, compliant banking products. Second segment focused to build on our existing strengths while still attracting and developing new business segments where the bank can grow profitably and sustainably.

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00:04:01.210 --> 00:04:16.800

Number 3 is our digital excellence to elevate customer experience, trade, leveraging advanced analytics, and last, but not least, sustainable future, which involves embedding sustainability and Esg into our existing banking DNA.

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00:04:17.790 --> 00:04:19.540

Moving forward

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00:04:19.750 --> 00:04:28.759

: under innovation, we continue to launch new innovative products and campaigns. The last one was the famous 100% strategy campaign

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00:04:29.310 --> 00:04:43.499

17,000 new amwali customers were acquired. We have also improved our revenue. Mix with non-funded income now representing 33% of total revenue compared to 30% a year ago.

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00:04:43.790 --> 00:04:51.309

we continue to focus on nonfunded income in the form of asset under management which has now grown to 5 billion

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00:04:51.690 --> 00:05:06.959

under segment. In the first quarter of 2024 we have attracted 46,000 new customers, out of which 15,000 were you nationals

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00:05:07.070 --> 00:05:17.940

We maintained our strong relationship with customers, keeping our cross sell ratio above the 1.5 x, and we're also growing our corporate banking with new mandates from Gres and large corporates

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00:05:18.730 --> 00:05:30.579

under digital excellence. Again, a few points to call out, we are monitoring very closely all our digital metrics. 51% of our sales are now going THROUGH DIGITAL end to end..

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00:05:30.730 --> 00:05:41.109

during the quarter we completed end-to-end journey, customer journeys for covered costs and personal finance, and we introduced new features on our mobile app, which continues to be widely used

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00:05:41.760 --> 00:05:54.379

on the sustainable future, which is the last pillar. Here we finalized our net 0 plan for the highly emitted targets. We maintained our position with A ratings with MSCI ESG Rating.

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00:05:54.450 --> 00:06:02.079

our Emmatization issue now stands at 40, while we continue to be ranked the number one Bank in customer experience.

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00:06:02.930 --> 00:06:07.179

Abu Dhabi Islamic Bank: Okay, let's now move to highlights on the financial performance.

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00:06:07.770 --> 00:06:33.809

: So, as mentioned my opening remarks, we're very happy to see the strong start for the year again, 1.4 5 billion of net profit, which is up 32% year on year and normalizing this for the Uae corporate income tax , we are at the 41% increase year on year. Revenue has grown 24% backed by robust, funded and non funded revenue

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00:06:34.060 --> 00:06:39.170

and assets and financing Boost was tested by maintaining our healthy funding profile.

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00:06:39.980 --> 00:06:55.760

Abu Dhabi Islamic Bank: This was achieved despite that we had seen the devaluation in the Egyptian pound in the first quarter of 2024, and given our exposure in Egypt. It had an impact which we will articulate at the later stage.

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00:06:55.790 --> 00:07:01.710

Abu Dhabi Islamic Bank: But these numbers are net of that impact. So with a forward-looking view

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00:07:01.760 --> 00:07:04.330

Abu Dhabi Islamic Bank: that could only then be hopefully an upside.

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00:07:04.460 --> 00:07:13.369

Abu Dhabi Islamic Bank: our cost to income ratio improved to 30.4 % And, as mentioned in my opening remarks, we are reporting return on equity of 27%.

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00:07:15.570 --> 00:07:43.130

Abu Dhabi Islamic Bank: Okay, on this slide. Maybe I I think I covered most of the points. But 1 one maybe point to call out, and this might come in. The question is that our effective tax rate, which we have calculated for the group stands currently at 11.7. I just would like to remind the audience who have been on our calls previously. We always said that we're going to be anywhere between 11 to 12. Concluding this exercise, we are quite happy that we are close to that number.

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00:07:45.370 --> 00:07:46.180

Abu Dhabi Islamic Bank:

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00:07:47.340 --> 00:07:53.780

Okay? Moving forward on the income statement, we are very pleased with the quality of the profits that we are delivering.

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00:07:53.810 --> 00:08:02.770

as you can see from the top right chart, the key drivers of profit growth were 19% funded income and a 35% increase in non funded income

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00:08:03.160 --> 00:08:12.059

at the same time effective cost and risk discipline resulted in a moderate 5% growth in expenses and a 25% lower impairment charge

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00:08:12.400 --> 00:08:22.170

from a segmental perspective. The retail and wholesale bank have equally contributed very strongly to the net profit

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00:08:23.210 --> 00:08:28.770

Let's move forward.

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00:08:28.810 --> 00:08:47.180

maybe just a few key highlights to remind the audience. Because, again, I would just always like to take you back to what we have been always consistently signaling to the market over the past 5 6 quarters. Our funded income versus non funded income contribution. Clearly our nonfunded income has done very well, and, as you can see from the slides

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00:08:47.715 --> 00:09:13.969

that is contributing to our net profit, margins. And, more importantly, as you see, our funding cost, I think we have not seen one as low in the wider market recently, but given again a deep, efficient funding structure, we continue to benefit from that upside

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00:09:17.826 --> 00:09:31.039

non-funded income grew 35%, as mentioned coming from fees and commission, investment income and an underlying strategic focus on revenue diversification.

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00:09:31.360 --> 00:09:38.649

I would draw your attention to the waterfall chart on the top side, which highlights the components of the movement in non funded income for the year.

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00:09:38.800 --> 00:09:45.980

Investment income improved 53% versus last year, mainly from our ongoing expansion of the investment book

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00:09:45.990 --> 00:09:49.759

fees and commission income grow by a solid 40%.

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00:09:49.770 --> 00:09:52.659

And the drivers that you can see in the bottom chart

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00:09:52.750 --> 00:10:19.539

Abu Dhabi Islamic Bank: It's mainly coming from retail cards and other aums. I think the key message really on the slide is that while we are focusing on nonfunded income, it is not a specific area, but we are ensuring that we have enough diversity that we are pulling on all fronts. Hence we're creating a natural I would say a cover if one area is not going as fast as we expect to see

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00:10:20.280 --> 00:10:34.860

moving forward on the cost line. So expenses grew only by 5% year on year, and the underlying good has actually been lower than that. It's only 2%. If one would exclude the growth we have seen in Egypt

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00:10:34.860 --> 00:11:00.330

Abu Dhabi Islamic Bank: and Egypt. I can talk about it also a bit more later. But it's important to understand the Egypt dynamics is that while there is a currency devaluation in Egypt, which would suggest that even on the cost translated into Dirhams, would be lower. The reality of the matter is that most of the vendors in the country were already pricing their services linked to a dollar rate.

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00:11:00.330 --> 00:11:12.919

Abu Dhabi Islamic Bank: and not even the official one. So while you, actually losing on the top line, used to devaluation, you end up still paying almost the same expenses, if not higher. If once translated into dollars of

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00:11:14.314 --> 00:11:35.469

Abu Dhabi Islamic Bank: moving forward onto the impairment clients. Impairment charge declined by 25% year on year, and the cost of risk is comfortably now sitting at the 38bps in the first quarter of 2024. Again, we have not seen any significant reversals in our numbers. So that's again a very healthy underlying number

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00:11:35.766 --> 00:11:44.054

just for our audience to get that picture, because sometimes these numbers can be a bit confusing when there are too many reverses on that line.

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00:11:46.150 --> 00:11:59.820

Okay, on on the non performing financing. We are. We are very happy to see that trend. So if you, if you look at where we started the year last year in first quarter of 23 non performing asset ratio stood at 7.7%.

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00:11:59.960 --> 00:12:22.330

: Again, we did commit to the market that this is going to be a focus area for us And, as you can see, we're now down to 5.5%. The Nmc impact was last year. So the drop from 6.1 to 5.5 is a combination of further write off as well as some recoveries

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00:12:22.695 --> 00:12:28.909

Abu Dhabi Islamic Bank: with a lot of optimism and caution, this trend will continue as we progress through the year.

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00:12:28.930 --> 00:12:57.789

Also, our coverage ratio, including collateral, has now also reached a 145% mark without collateral It's 73, that is a normal trajectory. Because once you also start writing off some of your legacy book. You are hitting slightly your coverage ratio. But this is going to start building up again, and we are actually expecting to this number, also improving by the end of the year further.

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00:13:00.090 --> 00:13:26.739

So slide 18 on the balance sheet. So the bank reported. A 1% balance q-oq growth. but the number is slightly distorted. I think it's the better to look at it as 5%. Egypt had an impact from the Egyptian pound. Devaluation had an 8 billion impact eating away, most of the growth we have seen so underlying growth was 5.

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00:13:28.410 --> 00:13:40.789

On the financing side the story remains the same. We are very happy to see the trajectory in our growth. The biggest contributor to our financing growth has been in the first quarter, our retail bank.

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00:13:40.800 --> 00:13:53.300

We are very happy to see how the plan on the corporate bank is also now converting, and Q. 2 will see, I would say, a decent increase on that segment as well.

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00:13:53.570 --> 00:13:55.569

Abu Dhabi Islamic Bank: Quickly on the retail side.

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00:13:56.100 --> 00:14:06.709

Abu Dhabi Islamic Bank: we are, continuously focusing all our key areas for us. So auto finance, personal finance and home finance have done well without going into much detail

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00:14:06.900 --> 00:14:13.980

Abu Dhabi Islamic Bank: in the market. Without even distinguishing between Islamic or conventional.

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00:14:14.050 --> 00:14:27.979

We are between Number one and Number 2 in terms of portfolio size. I'm very happy with that. Okay.

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00:14:28.530 --> 00:14:47.679

Abu Dhabi Islamic Bank: okay, our investment book. Again, a very steady growth. We've hit a 26 billion mark by the first quarter of 2024. It is important for us that we continue. Build that portfolio cautiously and in a focused manner. It does give us that natural hedge

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00:14:48.079 --> 00:15:04.450

as rates will start to probably to decline starting, maybe this year, but more profound next year. But we are very focused on sticking to a strategy of to grow the investment book predominantly investment grade base.

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00:15:04.450 --> 00:15:07.710

Abu Dhabi Islamic Bank: Give us that cover and also return.

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00:15:08.930 --> 00:15:16.990

Abu Dhabi Islamic Bank: Okay on the customer deposits. We've seen a growth of approximately 6bn from the beginning of the year.

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00:15:17.090 --> 00:15:19.359

Abu Dhabi Islamic Bank: and we've seen the growth

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00:15:19.440 --> 00:15:36.469

in casa and Wakala equally, I think, just scanning the wider market. And in that rate environment growing casa at any point in time is not an easy task. If you look at this number actually, from a year on year perspective, we have grown Casa, close to 10 billion

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00:15:36.470 --> 00:16:02.599

. That is something I think ADIB is known for. And we will continue to do as such, and it gives us really that a nice cushion in terms of having flexibility when you make pricing decisions on the asset side without by any means compromising on that profit margin. And you've seen it in the earlier slides that our net profit margins have continued to grow, and we are signalling that this will continue to grow as well in the next few months.

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00:16:04.400 --> 00:16:27.889

Okay, so on the capital side. A very predictable story for us as well. We are reporting a CET1 OF of 12.6, and a total capital, 17.2. Now the dip between third quarter and fourth quarter is just the impact of the dividend payout. That is a very intentional drop but, as you can see, we are always very cautious to

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00:16:28.020 --> 00:16:45.090

to keep that floor of 12, and hence we are focusing on continuously a mix of capitalized versus a bit of more higher yielding, financing opportunities to ensure that as we come into year end, we have still enough buffer

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00:16:45.090 --> 00:17:07.609

to follow OUR standard dividend policy, however, I think, has a very consistent way of thinking about how much we will think about dividends, how much we will reinvest into the business. And hence it's important that as we ensure that we continuously grow our business, all these key metrics are important for us to be kept in mind.

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00:17:10.660 --> 00:17:20.890

So I think on the last slide, just on the guidance perspective, thus financing year on YEAR. We're guiding to anywhere between 5 and 7

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00:17:21.089 --> 00:17:32.170

very doable. And we are saying that this will be even after incorporating the Fx impact. So the underlying growth is going to be actually more in double digits. But the effects impact something. We don't control

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00:17:32.330 --> 00:17:55.589

net profit margin at 4.6 7. We're saying above 4.5. Now, you might argue saying, Are you being already conservative about this number? Probably the answer could be, Yes, but we are saying above 4.5. So not 4.5. We're trying to signal to the market that we do not think that you fall fall below that number, but more likely than not, I think we will be closer to where we are today, if not a bit higher.

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00:17:55.740 --> 00:18:01.340

Abu Dhabi Islamic Bank: COST OF RISK of this we are now at 38 business points. We are signaling anywhere between 40 to 60.

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00:18:01.340 --> 00:18:26.289

Abu Dhabi Islamic Bank: What we see today is going to probably going to be at the lower range of that number. But we're still wanting to keep a flow at 40 business points, because, we are factoring in any possible surprises. If there's anything in the economy we need to look at particularly in the Dubai segment. We did say that we are focusing more on that segment which is naturally slightly like a risk segment. But again, at the 40 basIS points we're very comfortable with that number

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00:18:30.940 --> 00:18:52.779

COST TO income ratio 30.4 we were looking forward to celebrate breaking that number very soon, and hence we are signalling that by the end of the year we will be entering the 20S plus number in and this will come BY focusing on top line growth

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00:18:52.780 --> 00:19:17.659

: and keeping our cost under control doesn't mean that we will not invest, we are actually heavily, investing IN all of our strategic pillars. However, we are able also to create efficiencies to support that investment growth. Hence I think. You would be pleased to see that our operating jaws have been very positive, very wide, with a revenue GROWTH OF f 24%, and cost only 5%.

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00:19:17.660 --> 00:19:25.110

On ROE We intend to continue somewhere closer to these frames, and although against the comment, I made a non profit margin.

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00:19:25.110 --> 00:19:36.880

we have 27. I don't think we will fall below 25 could be closer to 27 we have today. But really, our floor where we are looking at is not to go below 25%.

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00:19:37.830 --> 00:19:42.799

Abu Dhabi Islamic Bank: So I think with that we can open it up for any Q. And a. Thank you,

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00:19:43.310 --> 00:19:44.070

LAMIA : thank you.

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00:19:44.440 --> 00:19:49.580

LAMIA : So we concluded the management presentation. And now we're ready to take any questions.

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00:19:51.550 --> 00:20:05.540

Stefan | OpenExchange: Thank you. So just a reminder, you can use the raised hand feature at the bottom of your screen. Or if you're dialed in by phone, you can press, start 9. So our first question is, Rahul, if you'd like to unmute yourself and ask your question. Thank you.

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00:20:07.820 --> 00:20:32.300

Rahul BaAJ: Thank you. Hi! Hi! MoHAMED. Hi, Lamia! This is Rahul from city. I have 3 quick questions. Actually, the first one is on net profit margin we saw a decent increase sequentially in the first quarter. How should we think about the net profit margin going forward over the next couple of quarters. I think Mohamed mentioned that you, you would expect margins to grow

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00:20:32.706 --> 00:20:53.869

from current level. So the next couple of quarters. Is that correct? I mean, are you not seeing cost of funding pressure on your margin? So so that's my first question my second question is in your on customer addition mix. So I saw one of the slides that you've added 46,000 new customers during one quarter

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00:20:53.870 --> 00:21:06.650

Rahul BaAJ: And only one third of that were UAE Nationals. Just wanted to understand. Is this a change in strategy, or is this the continuation of the strategy is the is the same. just wanted to understand. Has there been any deliberate attempt to expand more in the non national segment? In the last few quarters. And if there is a focus in that segment, what what areas are you focusing on.

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00:21:27.510 --> 00:21:39.229

Rahul BaAJ: So so that's my second question. And my third and final question is on on Nmc, so I I recall Nmc is out of the Npl book now. But What is the latest status, I mean? Are are we

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00:21:39.230 --> 00:21:51.229

still expecting any? Write backs from Nmc. In the future, or is it? It is done and dusted for. AdiB. Where are you now? With respect to Nmc, thank you. Those are my key questions.

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00:21:53.520 --> 00:22:01.640

Mohamed from ADIB: Thank you. Okay, thanks. I'll take 2 of these, and then I'll pass one to Lamia as well to address, so on the net profit margins, and

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00:22:02.150 --> 00:22:27.400

given where? Where the portfolio mixes the whole, and because we monitor the the pricing of the book and the vintages very carefully. I see that there is still a strip of lower financed or lower priced financing which is still to go off our books which is happening, and it's being replaced by the higher one. And that's what I said is that in the quarter of 2 of this year we might still see some uptake

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00:22:27.400 --> 00:22:52.720

now given if the rate start to moderate in the second half of the year. Now the verdict is out. Some are now talking about 2 rate cuts, and if you look at the forward swap rate, I think it does indicate that there could probably be 2 cuts happening. Then it's almost like going up a bit and then maybe coming back to where we are today. And hence maybe the end point of that year is probably where we are today.

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00:22:52.740 --> 00:23:21.599

Abu Dhabi Islamic Bank: , I'm still quite optimistic that the ability for us to reprice downwards on the assets is always good, because it's a mix between fixed and floating book, which always gives us this air cover, however, on the funding side, because of our build up of contraction profit carrying. That will tell us these are usually short term in nature, like 3 months, 6 months.

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00:23:21.600 --> 00:23:40.679

hence the moment you start seeing the curve declining, you would be fast also in acting on these. So I'm still quite happy with how I see the profit margins moving so a bit up, and then maybe modifying to where we are today, and I think has been known for really managing that very, very well

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00:23:40.810 --> 00:24:00.520

on the third question on Nmc. Before I pass on to Lamia to take the question on the customers. So Nmc. Is off our books from and from the non performing assets in the fourth quarter of last year it has turned into an investment in the whole core, which is treated as such.

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00:24:00.520 --> 00:24:19.990

Now, what you could expect to see from any impact on the financials going forward is this investment will be marked to market on a regular basis, and if there is an upside to that number, this will be the reflection you will see in our financial, but recoveries in form of a financing

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00:24:20.975 --> 00:24:30.829

having a provision release or a file recovery from an NMC itself. No, that's not gonna happen anymore. It's only gonna be the evaluation of the investment of hope

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00:24:31.430 --> 00:24:53.800

Lamia : and the last one. Let me, if you can, take the last question on customers. I just wanted to highlight here that there is no change of strategy. We will continue to build on our existing Strength, which are the UAE nationals. However, We are expanding our customer base and expanding into new segments. Specifically, in Dubai we have done a campaign which was a salary

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00:24:53.800 --> 00:25:02.229

campaign, we've called it where the focus of the marketing was mainly Dubai, and this have helped us a lot in attracting expats. Customers.

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00:25:04.200 --> 00:25:06.700

Rahul BaAJ: Understood. Thanks. Thanks. Lamia, thanks.

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00:25:08.350 --> 00:25:14.860

Stefan | OpenExchange: Yeah. And our next question comes from Shabir Malik. If you'd like to unmute yourself and ask your question.

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00:25:16.690 --> 00:25:29.620

Shabbir Malik: Alright. Thank you very much. A couple of questions from my side. In terms of the the recent floods that we've seen in in the Uae. Do you? Foresee any negative impact

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00:25:29.760 --> 00:25:32.340

Shabbir Malik: as such on your financials coming from that?

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00:25:33.007 --> 00:25:38.149

Shabbir Malik: That's my first question second question is is regarding the

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00:25:38.916 --> 00:25:43.679

Shabbir Malik: the provisioning in the first quarter was quite low.

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00:25:44.026 --> 00:25:56.379

Shabbir Malik: If you can maybe touch on were there any particular one offs is is this more of a more of a longer term trend that you're likely to see from the bank.

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00:25:56.703 --> 00:25:59.986

Shabbir Malik: So so if you can shed some light on that one, please.

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00:26:00.706 --> 00:26:04.849

Shabbir Malik: And and and thirdly, if I if I look at your

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00:26:06.145 --> 00:26:26.179

Shabbir Malik: growth in the fee income that has been also pretty strong. Again, is there any any one offs that? That is that you will highlight as, or for modeling purposes, should we assume a similar kind of fee income going into the second half? Thank you.

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00:26:26.320 --> 00:26:28.119

Shabbir Malik: or or the rest of the year. Sorry.

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00:26:29.620 --> 00:26:35.862

Abu Dhabi Islamic Bank: just to make sure your first question was about.

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00:26:36.770 --> 00:26:39.160

Shabbir Malik: Yes, deferral. And any potential

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00:26:39.180 --> 00:26:41.640

Shabbir Malik: impact on credit quality.

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00:26:41.640 --> 00:26:42.500

Abu Dhabi Islamic Bank: Okay.

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00:26:43.400 --> 00:26:53.919

Abu Dhabi Islamic Bank: okay, understand? Okay. So on the first point. We haven't seen any impact yet other than that month of April.

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00:26:54.341 --> 00:27:18.180

Has been slower, of course, because of the disruption in terms of clients. Access to clients as well as our own sales team being able to reach our clients so naturally, April will be lower. But I believe that by now we're more into a business mood, and hence, May and June will come, go back to our historical high levels in terms of sales. So

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00:27:18.550 --> 00:27:33.680

Abu Dhabi Islamic Bank: April is to be covered so other than that premises are fine, our capabilities are fine. It was again a test for our digital capabilities, which I think again stood the test of time. We were very happy with that, and our BCP plans works well as well. So nothing on that point.

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00:27:33.989 --> 00:27:59.050

Abu Dhabi Islamic Bank: In terms of the provisions. I think it's just a reflection of again the quality of the book. The good thing about our important thing is that we we stay very true to our strategy. And why, even when we extend some of the segments, we still ensure that the overall book does not dip so far now in for the first quarter

131

00:27:59.400 --> 00:28:25.440

Abu Dhabi Islamic Bank: the originations have been very strong, and hence the provisions have been also good. I don't think there was any material release. There could be some usual reverses which you could see from collections, but nothing to to be assumed like I need to significantly adjust to see a more underlying number. So 38 bps probably a good reflection of our first quarter number, and then the third one in terms of growth and fee income.

132

00:28:25.460 --> 00:28:48.959

Abu Dhabi Islamic Bank: This is a reflection, again, of a high sales number. So the key drivers or the fee and commission income was what was essentially retail bank and and particularly our card business where we've seen acquisitions grow significantly over the last one year. And that has contributed towards the increase in spend

133

00:28:49.317 --> 00:29:01.819

Abu Dhabi Islamic Bank: in addition to that, the other retail products like personal finance. Auto financing. Has also, seen significant increase in sales, so increase in processing fee, and others have contributed towards that

134

00:29:02.380 --> 00:29:03.819

Abu Dhabi Islamic Bank: fantastic Thank you. Absent.

135

00:29:05.820 --> 00:29:06.932

Shabbir Malik: Thank you very much.

136

00:29:09.870 --> 00:29:18.550

Shabbir Malik: sorry. Just maybe one more question from my side. In terms of the environment of hire for longer rates.

137

00:29:19.114 --> 00:29:27.910

Shabbir Malik: Do you expect that to be? Would you view that as positively for your nims? Outlook? Maybe not for 2024? But let's say 2025.

138

00:29:31.170 --> 00:29:55.400

Abu Dhabi Islamic Bank: Yeah, absolutely. So, we, we, we benefit, I I would say exponentially, if compared to the wider market when rates go up. And that's because, our repricing ability is faster, I think, than the market and our ability or our the opportunity not to really have to source to expensive funding

139

00:29:55.705 --> 00:30:17.420

Abu Dhabi Islamic Bank: channels. you see that that chart on net profit margin. So for us, it's welcome. The only point we are really focusing on now is, if there's any stress going to be in our clients, because high rates for a long period of time. T some clients might find it challenging

140

00:30:17.600 --> 00:30:45.679

Abu Dhabi Islamic Bank: to, for now we have not seen that pressure again, thanks to our strong client base of Uae nationals which represent almost 80% of our portfolio today. But we are very aware of that, and wherever we can, we are quite conscious of how much we pass on of rates into our financing structure for products. Because and and why? That is because we can. We have that optionality. And we can make these choices.

141

00:30:46.780 --> 00:30:47.880

Shabbir Malik: Great. Thank you very much.

142

00:30:49.370 --> 00:31:07.989

Naresh Bilandani - J.P. Morgan: Sorry. Pardon my interruption. Ahsan, may I please? Just the question that Shanir asked on fees. Could I please just add a follow up there. Just on the cards. Fee income there has been relative drop as compared to what we saw in the fourth quarter enough. I I realize the fourth quarter. You had a significant spike because

143

00:31:08.262 --> 00:31:27.600

Naresh Bilandani - J.P. Morgan: you had roughly about 100 million or so of what would be considered as a one off income in there. But the drop seems quite significant in the first quarter. Would you attribute that to a seasonality because of Ramadan, or has there been any other factor contributing that drop? And would you see a recovery from this line going into the second quarter.

144

00:31:29.700 --> 00:31:30.680

Abu Dhabi Islamic Bank: Yeah, so

145

00:31:31.840 --> 00:31:56.239

Moahmed : supplemental. But just from a high level perspective quarter 4, and also, I think we mentioned it in our quarter numbers is that it has a seasonal fee element from some contracts we have with a third party, which usually come in q. 4. So Q. 4 is a higher number, which is usually see in our fee number as well.

146

00:31:56.577 --> 00:32:07.070

Abu Dhabi Islamic Bank: That's absolutely right. So and that is really the reason why it has come down, but I think we can see this comfortably building up for the rest of the year.

147

00:32:07.380 --> 00:32:08.460

Abu Dhabi Islamic Bank: Thank you, I said.

148

00:32:10.150 --> 00:32:11.159

Naresh Bilandani - J.P. Morgan: Understood. Thank you.

149

00:32:13.030 --> 00:32:19.280

Stefan | OpenExchange: Yeah. And our next question comes from aybek. If you would like to unmute yourself and ask your question.

150

00:32:22.045 --> 00:32:25.368

aybek islamov: Yeah, thank you for the conference call. And I I think,

151

00:32:26.582 --> 00:32:31.579

aybek islamov: couple of things I want to ask you is, what are your thoughts about your

152

00:32:31.760 --> 00:32:35.749

aybek islamov: of NPL ratios? Where is the flow? In your opinion

153

00:32:36.100 --> 00:32:42.046

aybek islamov: given? How well things are going at the moment I think, Npl ratio, 5 and a half percent you showed earlier.

154

00:32:42.740 --> 00:32:45.189

aybek islamov: Where do you see it falling to?

155

00:32:45.790 --> 00:32:55.849

aybek islamov: that that's one. And secondly, I I think, yeah, we're talking about rates being higher for longer. But nevertheless, if we see rate cuts sometime, maybe later this year next year.

156

00:32:56.080 --> 00:32:59.430

aybek islamov: what could be the implications for loan pricing here?

157

00:32:59.963 --> 00:33:05.459

aybek islamov: Do you think you'll start to kind of pass on these lower rates onto your customers?

158

00:33:06.011 --> 00:33:12.669

aybek islamov: You know. Does your reaction depend on what the bigger competitors will do in the retail market.

159

00:33:13.111 --> 00:33:16.540

aybek islamov: Can you give some color on this, please? Yeah, thank you.

160

00:33:18.990 --> 00:33:33.979

Moahmed: Sure happy to so in terms of Npa. Why, we don't want to give a specific number for forward looking npa. But I think the trend has been quite healthy, and and we do believe that this trend will continue I think we're very close to where we are comfortably looking at

161

00:33:33.980 --> 00:33:58.959

sub. 5 is a good number for us. We are targeting that. And then and this did not come by chance said, it's been working progress for, at least for the past year and a half. Very targeted plan executed and being executed still. So it's not over yet, and has, I think, that's important. And and and it's important also understand that an only be mentioned in 2 ways. Also, that you have to control the flow

162

00:33:58.960 --> 00:34:17.359

Abu Dhabi Islamic Bank: into the NPA Right from stage 2 to Stage 3. Otherwise you almost unattended and that also has worked for us very well with the migration in out of Stage 3 has been strong by having very strong, proactive, early, alert signals where we actually can clear the situation before it gets out of hand.

163

00:34:17.360 --> 00:34:29.879

Abu Dhabi Islamic Bank: So yeah, that's that's really our stand on on Npa. In terms of the I think your second question was regarding the net profit margins and rate cuts and what it means for us next year.

164

00:34:29.960 --> 00:34:46.500

Abu Dhabi Islamic Bank: Again, I think you mentioned it. We're not alone in the market. We are. In a market where we have competition, we are very aware of our competition, and we always do what is best also for the franchise and the client. So if it starts to come off.

165

00:34:46.858 --> 00:35:16.140

Abu Dhabi Islamic Bank: There is a balance to be made between how fast you start absorbing these cuts into your fixed product fixed product opportunities for the clients, that's that's just a fixed element. But the the the pace and the velocity of us starting to even reduce our fixed rates will have to be looked at. Now the good thing is that our fixed rate products already built in 2 things. One is

166

00:35:16.200 --> 00:35:44.650

Abu Dhabi Islamic Bank: itself has a floating and fixed element. Page. So I give you an example. Home finance. We often fix this for 5, and then we'll move into floating. So it's always there, and the client can choose what he wants to do, and IT becomes a win win for the bank as well. So I think after your question we will be mindful of that. We will be aware of our surroundings, but I think if we go down we we are not out of the market. We will have to follow the market as well.

167

00:35:48.200 --> 00:35:54.390

Stefan | OpenExchange: Thank you very much. And then the next question comes from Aaron Armstrong. If you'd like to unmute yourself and ask the question.

168

00:35:56.720 --> 00:36:07.160

Aaron Armstrong: Hi, good afternoon. Thanks very much for taking the questions. Firstly, could you give any comments on International M and A. Anything that's come up kind of the press reports in the last week or so, and how that fits into the broader strategy.

169

00:36:11.010 --> 00:36:34.419

Abu Dhabi Islamic Bank: Yes, so happy to. So if if the question is regarding the news on the Indonesian bank so we we put out the note on that, and we are strongly denying , we we've never had these discussions, not today, not in the past. And, to be honest, we don't know where they're coming from. But it it didn't help, I know, and that's why we felt strongly that we had to put out this official note

170

00:36:34.420 --> 00:36:48.040

Abu Dhabi Islamic Bank: out in the market,. on the wider strategy. We've always been very conscious of the fact that for us to to grow. It's an MIX of organic and inorganic.

171

00:36:48.040 --> 00:37:10.319

Abu Dhabi Islamic Bank: and hence we continuously mindful of if opportunities which will add to the value of the franchise. We look at them at the moment. There's nothing we can really comment on other than once we go public, but all I can assure the audience is that it is a standing agenda items for us to look at. How much we go organically, but also in organically

172

00:37:10.330 --> 00:37:25.319

Abu Dhabi Islamic Bank: thing I can say is that we are more focused in our footprint, in our surroundings. We are not wondering off to why? Because, we are playing to our strengths and our strengths currently sits in that part of the world. And hence that's what we're looking at.

173

00:37:26.170 --> 00:37:26.719

Abu Dhabi Islamic Bank: That's great.

174

00:37:26.720 --> 00:37:28.349

Aaron Armstrong: Thank you. And I think the

175

00:37:28.650 --> 00:37:48.199

Aaron Armstrong: particular kind of article, although it's it's not accurate. And I appreciate that we're speaking about taking a major minority stake, a financial stake rather than a full acquisition and full kind of integration. Can you talk about how you think about that side of things on M. And A. Would you be looking to buy something outright and fully integrate it, or taking financial stakes.

176

00:37:51.060 --> 00:38:07.129

Abu Dhabi Islamic Bank: So everything is on the table. But we are. We are known to not prefer the minority state. We like to be having a bit of more kind of outside control, but ADIB has a very strong DNA and culture.

177

00:38:07.130 --> 00:38:21.369

Abu Dhabi Islamic Bank: and and and the only way that franchise can operate is that the if the entity embraces the culture at DNA, you cannot do that with a minority thing. So it just becomes an investment which is a commercial transaction

178

00:38:21.370 --> 00:38:39.220

Abu Dhabi Islamic Bank: doesn't add any value to the franchise , not on our priority list, and hence we do prefer to have, when we consider a target that we will be able to to bring them to our Dns culture, which I think it has proven to be working quite well, and we can leverage on the wider group as well.

179

00:38:40.210 --> 00:38:53.480

Aaron Armstrong: That's great. Thank you. And could you talk about how a potential overseas M and A could add value to the franchise? Is it a an international customer base for remittances, traveling for Hajj and Omar. Kind of how it fits with your business, and how it would add value.

180

00:38:55.900 --> 00:38:59.140

Abu Dhabi Islamic Bank: The first thing to to add value is that

181

00:38:59.330 --> 00:39:27.839

Abu Dhabi Islamic Bank: we we don't have. We don't. We don't want to start from scratch, so we always see what is our existing value proposition? Who are your clients, and how, first of all, how best you can serve these clients into the wider network. So we follow our clients. That's number one. Where is our clients? Interest? And hence that's why I made the point about this part of the world. Our clients, demographics, and the background is the interest in in this part of the world, and maybe in London. And we are there.

182

00:39:27.840 --> 00:39:42.729

Abu Dhabi Islamic Bank: So that is really where we're focusing on number 2. If we are finding an opportunity to serve these clients either by having to do an acquisition on the ground having to do some kind of Fintech digital solution.

183

00:39:42.730 --> 00:40:03.430

Abu Dhabi Islamic Bank: Everything's on the table, right? And that's why I'm saying, is that the reason why maybe you haven't come out in the past announcing, I think, because there was nothing really which we felt will add value to the franchise, and we we still a matter for us, just hitting the news and saying, we have done one to see. But it's actually valued structured. So we've been very, quite careful about it.

184

00:40:03.430 --> 00:40:17.980

Abu Dhabi Islamic Bank: There will be a time when we come to the market, and hopefully, the market will understand also as an action, because if the market doesn't understand why we did a certain task, then this is the first red flag of why this transaction is anyway being considered. In the first place.

185

00:40:18.680 --> 00:40:36.529

Aaron Armstrong: That's great. Thank you. That was my first question. Second question would be on the the Npa. Side. So you mentioned sub, 5% is a good number for the bank. Can you talk about why, you couldn't potentially be more aggressive? Why, given that the organic inflows of new npas are so well controlled. Why couldn't you be a sub 3 for example.

186

00:40:39.760 --> 00:41:05.840

Abu Dhabi Islamic Bank: Well, the 100% could even sub 2%. But what I meant is that we're taking in phases right? So there is the the very aggressive option. And, as I said, we have been on this journey for some time, and we could have taken that aggressive option, and, but we felt that this is not the right way to go about because you need to to to fix or to address the root cause? What happened

187

00:41:05.960 --> 00:41:17.369

Abu Dhabi Islamic Bank: for us to be in that situation, and address it heads on, and then, as you go into into your future operating model and show that it becomes sustainable. I could take that number to 2% today.

188

00:41:17.450 --> 00:41:36.950

Abu Dhabi Islamic Bank: Right?. We write off the book, we we take the pain and move forward, but that is not sustainable. Hence I'm saying my phase one. Let me just get below the 5, and naturally, with our strong underlying standards, and by us continue for the plan, we will continue to advance. But really, phase one is just upfront, for now.

189

00:41:38.100 --> 00:41:50.640

Aaron Armstrong: That's great. Thank you. Maybe final question for me, if I may please, would be just one on the the Nim dynamics. Could you talk a little bit about how much of the book is fixed versus floating. And then on the Casa side, are you having to pay up for new depositors deposited behavior

190

00:41:50.850 --> 00:42:06.679

Aaron Armstrong: customers asking to move from Casa into time deposits with an interest rate, and then, perhaps just to conclude, We've spoken about rates being higher for longer. Can you talk about how you're thinking about your mid cycle roas and roes given, how you're thinking about interest rates on a 2 3 year, view, please.

191

00:42:09.290 --> 00:42:19.670

Abu Dhabi Islamic Bank: So so in terms of book specification, let me even also give it to you by segment. So if one would look at our book,

192

00:42:19.670 --> 00:42:45.629

Abu Dhabi Islamic Bank: I think the first product, home finance, home finance is a mix. It is predominantly fixed. There's an element of floating. But our clients don't like the floating too much. Likely so, because you want to have some peace of mind, and I'll fix it is very comparable. That's a predominantly a fixed rate book. And our personal finance is fixed. Our auto finance is fixed right? So that's your consider. 62 billion or so immediatel, is a fixed. Now comes your corporate book.

193

00:42:45.630 --> 00:42:58.780

Abu Dhabi Islamic Bank: The cover book is all floating I. It is based on a benchmark, and the hence I would say, probably 60 to 65% of your book is fixed and the remaining on a on a floating level. If you think the 2 segments combined.

194

00:43:00.359 --> 00:43:16.500

Abu Dhabi Islamic Bank: Okay, I think that was the the first one. The second question was, sorry again, what was the second r? Yeah. Roe

195

00:43:16.500 --> 00:43:35.759

Abu Dhabi Islamic Bank: your net profit margins and your certain assets. Right? It's it's mathematically you can almost work it out. These levels of of net profit Margin. 27 is the number the moment we start dipping below the 4%. I think you probably because of the 2022 number

196

00:43:36.020 --> 00:43:54.850

Abu Dhabi Islamic Bank: when we went back to the Covid levels where our net profit margins are probably 3 and a half or 3.4%. We were 18% ROE. So that is the correlation. So I don't think our net profit margin would go to that level next year. Definitely, not probably we get closer to the 2024 mark

197

00:43:55.060 --> 00:44:04.779

Abu Dhabi Islamic Bank: towards the end of next year, if the rate cut starts to happen, but not lower than that. And all these are quite health numbers, in my view. Still, in terms of shareholders and return.

198

00:44:07.250 --> 00:44:08.210

Abu Dhabi Islamic Bank: That's great thanks.

199

00:44:08.210 --> 00:44:10.259

Aaron Armstrong: Very much. Yeah, that's great. Thank you.

200

00:44:12.050 --> 00:44:18.479

Stefan | OpenExchange: Thanks, Aaron, and our next question comes from Frederick Deni, who wouldn't mind unmuting yourself and asking your question.

201

00:44:21.180 --> 00:44:33.697

Fredrik Nyh: Hey? Thank you for taking my question and well done on the results. So I have just one question about the disclosure that you provide on your customer financing slide, where you show the breakdown of gross loans by sector, and also the retail book composition.

202

00:44:34.060 --> 00:44:50.046

Fredrik Nyh: So historically, loans to individuals have largely matched the retail financing number. However, this quarter, we see that loans to individuals is about 5 billion larger than the retail gross loan. So I wanted to know what explains this different. The difference between those 2 numbers

203

00:44:50.659 --> 00:45:04.070

Fredrik Nyh: is that it due to a change in classification of some of your loans to corporates, for example. And the reason, I asked that is because this 5 billion difference seems to be one of the main drivers of your strong quarter, long growth performance. Thank you.

204

00:45:06.920 --> 00:45:23.000

Abu Dhabi Islamic Bank: In in the financial statements. They there. There was some reclassification in in December so that has resulted that the t first quarter data is actually correct. So if we were to compare apples for apples, the increase in the individual

205

00:45:23.000 --> 00:45:39.560

Abu Dhabi Islamic Bank: under the agenda line would be closer to 3, 3 billion if we if we do the reclassification in December, and if you do that, then obviously that that number would then tie with the retail numbers on slide 19 in the investor relations back as well.

206

00:45:40.800 --> 00:45:42.109

Fredrik Nyh: That's clear. Thank you.

207

00:45:47.280 --> 00:45:55.500

Stefan | OpenExchange: Next question will come from Waruna Haarad, if you wouldn't mind a meeting yourself and asking a question. Thank you.

208

00:45:59.330 --> 00:46:02.320

Waruna Kumarage: Hi! Hi! Good afternoon! Am I audible?

209

00:46:05.390 --> 00:46:06.240

Waruna Kumarage: Hello!

210

00:46:06.580 --> 00:46:07.780

Stefan | OpenExchange: We can equally, if.

211

00:46:08.300 --> 00:46:22.758

Waruna Kumarage: Yes. Yeah, thank you very much. I have a couple of questions the first question is on the the gross loan yields. Now I see that. No, since it has, you know, cross the 7% mark, it's almost 7.4%. And

212

00:46:23.360 --> 00:46:25.219

Waruna Kumarage: and I want to know.

213

00:46:25.810 --> 00:46:26.630

Waruna Kumarage: Hello.

214

00:46:27.970 --> 00:46:31.030

Waruna Kumarage: yeah. What I want to understand is that

215

00:46:31.779 --> 00:46:49.130

Waruna Kumarage: in terms of, you know, ability to know pass pass on. This increases and the pain. That the you know, the the customer, I mean in accepting this from that perspective. Do you think how, how, what could be kind of the, you know.

216

00:46:49.510 --> 00:46:59.779

Waruna Kumarage: Sure, you know, medium term impact on this? Could it result in in npl, especially since this is related to the per, the personal loan sector.

217

00:46:59.940 --> 00:47:01.000

Waruna Kumarage: That's my

218

00:47:01.890 --> 00:47:05.529

Waruna Kumarage: first question, and secondly, on the home financing. Now, this is

219

00:47:06.020 --> 00:47:07.600

Waruna Kumarage: amongst the

220

00:47:08.088 --> 00:47:22.732

Waruna Kumarage: the retail segment. This was that, like you mentioned. The poll position, I just want to understand. Was, was there any initiatives which you launch during the quarter, or can? And, secondly, can this be, you know, sustained in the next

221

00:47:23.880 --> 00:47:45.529

Waruna Kumarage: for few quarters, and lastly, I mean, if I may add a third question in the so this quarter the corporate was, has had the back seat. They took a back seat. So, going forward into the rest of the year, do you think corporate demand will return. Or do you think the retail will drive the expected loan growth for the year? Thank you.

222

00:47:47.700 --> 00:47:56.819

Abu Dhabi Islamic Bank: Okay, thanks. So much. So. First question on the net profit margin. You mentioned regarding if these rates

223

00:47:57.290 --> 00:48:04.247

Abu Dhabi Islamic Bank: could probably impact the clients in the long time, and we haven't seen that happening yet. And then and I think

224

00:48:04.980 --> 00:48:30.350

Abu Dhabi Islamic Bank: even again, as I mentioned the demographics of our client base. We're watching this situation very careful, but no stress yet observed on this, and and the the upside always

happens, particularly on the financing, which is on a variety basis, because you you're able to capture that upside much faster, and these are usually the corporate side. So no, the short answer is, we haven't seen any stress on this yet.

225

00:48:30.743 --> 00:48:35.070

Abu Dhabi Islamic Bank: On the home finance you mentioned the sustainability of our

226

00:48:35.353 --> 00:48:48.400

Abu Dhabi Islamic Bank: home finance broker. So I think, has always been very strong and home finance, but I I do have to say with a lot of proud, that we have really taken the market by that. So quarter one has been phenomenal for us. Home finance.

227

00:48:48.685 --> 00:49:12.689

Abu Dhabi Islamic Bank: I think we had record bookings and home finance. What did we do? Different? I think it's an element of. Again we had a lot of campaigns happening. We had a very targeted approach in terms of developers. I can't tell you all the recipe how it will be picked up. But it is clearly working, and all I can tell you is that we will continue to do so, and you should expect similar trends. And obviously the economy is helping.

228

00:49:12.690 --> 00:49:29.250

Abu Dhabi Islamic Bank: I think we'd have to face it. The the record transactions which you're seeing in the property market. Is, allowing all the players to really participate quite them quite efficiently, and it becomes a win win situation for all the players in that specific industry.

229

00:49:29.649 --> 00:49:43.219

Abu Dhabi Islamic Bank: Answering your corporate question on corporate corporate . Sorry the corporate planning book or the hosted bank book. Yes, the answer is, we are expecting to get that book picking up quite nicely in Q. 2.

230

00:49:43.220 --> 00:50:06.420

Abu Dhabi Islamic Bank: And I'm saying that because I I see what I see as we speak today. and it will continue as such and quarter one being a bit slow on that specific segment is not unusual, because what tends to happen is, all these corporates would close all their financing need quite quickly in the last quarter of the year, and by the time you start building the pipeline again, building the needs and converting them.

231

00:50:06.420 --> 00:50:18.130

Abu Dhabi Islamic Bank: We already in Q 2. So I think it's just a seasonal impact and going back in time. It's always been the case in Q. One, and actually the market as well. So we, looking at the market, I think it's not very different from what we've seen here, as well.

232

00:50:20.210 --> 00:50:21.900

Waruna Kumara: Alright. Thank you very much.

233

00:50:24.300 --> 00:50:35.630

Stefan | OpenExchange: So that is all the questions we have. On the line currently. If anyone does have any more obviously short opportunity to raise your hand or press star 9 if you're dialing by phone.

234

00:50:38.350 --> 00:50:43.180

Stefan | OpenExchange: Otherwise, is there any closing remarks from the bank which you'd like to make.

235

00:50:45.318 --> 00:50:56.279

Abu Dhabi Islamic Bank: So thank you. Everyone on the call. If there is any, follow up question as usual, we're available to take your pause or email. And thank you, and hope to see you in the next ported.

236

00:50:56.330 --> 00:50:59.750

Abu Dhabi Islamic Bank: Have a lovely afternoon. Thank you. Guys as well.