Abu Dhabi Islamic Bank Earnings Call | Citi | January 30, 2025

1
00:00:01.361 --> 00:00:24.110
Well, good afternoon to everyone on the call and thank you for joining us today. I would like to welcome you to Q4 2024 financial year results, before we get started. Just a quick reminder that today's presentation, as well as our financial disclosures are already available on the IR section on our corporate website, as well as our dedicated IR App

2
00:00:24.442 --> 00:00:38.710
with me on the call. I have Mr. Muhammad Abdelbary, our group, CEO and Ahsan Akhtar, our acting group, CFO. The agenda of today, is pretty much consistent with the last quarter, so we'll start with the key highlights by the group CEO,

3
00:00:38.711 --> 00:00:55.220
followed by a high level guidance for next year. This will be followed by more detailed analysis given by Ahsan on our financial performance, and after which we will open the floor for Q&A. With that I will now hand it over to Mohamed to take you through the brief introduction. Thank you.

4
00:00:55.921 --> 00:01:02.480
,,: Good, thank you, Lamia, and good morning. Good afternoon, everyone, and thank you for joining us on today's call.

5
00:01:02.831 --> 00:01:32.140
So 2024 has been an outstanding year for the group. We continued our growth trajectory, and we have reported a net profit before tax of 6.9 billion, which represents 26% growth year on year. And, we continued to report a market leading return equity of 28%.

6

00:01:32.531 --> 00:01:48.271
The record profit was driven by a 14% increase in revenues driven by strong business volume and a diversified income strategy driven by the continued strength in fee-based revenues as well as the new products we have introduced.

7
00:01:48.381 --> 00:02:16.660
I think one more important point to call out is that we've seen a healthy growth in non-funded income, and we will talk more about it as we go through the slides, because we've always been signalling to the market that on our growth trajectory, We will be focusing on funded and non-funded income. However, the non-funded income will play a bigger role in the growth story to also create more capital capacity for the group.

8
00:02:18.781 --> 00:02:19.441
Okay?

9
00:02:20.121 --> 00:02:49.620
if we move forward and just talk quickly about the number of clients we have welcomed. So we have 216,000 as new clients. And that's net clients. So it's between attrition and joining. Have joined the bank in 2024, which has taken the total number of clients today to 1.5,000,00 one thing also, which just a quick note on the composition of our client base

10
00:02:49.631 --> 00:02:58.670
,,: approximately of these, 1.5 million anywhere between 650 to 700,000 would be Uae nationals

11
00:02:59.041 --> 00:03:24.921
,,: from a balance sheet perspective. Again, a very good story. We are reporting a total asset of 226 billion. Now, if I were to normalize this number for the Fx impact we have seen from our Egypt business, we would easily add another 12 to 12.5 billion. So actually, the underlying

12
00:03:24.921 --> 00:03:43.490
,,: asset size of the institution now is touching closer to 240 billion, the growth again efficiently funded by a very clear strategy, and we have managed to grow our client deposit base almost in line with financing

13

00:03:43.491 --> 00:03:55.790
,,: growth, and I say almost because we did enter the year with excess liquidity which we were able to utilize as we were delivering that exponential growth on the financing side.

14
00:03:56.611 --> 00:03:57.331
,,: Sorry

15
00:03:57.781 --> 00:04:26.531
,,: on the funding side. And again, I think Ahsan will talk about it a bit more is when we look at the composition of deposit growth. Approximately 9 billion of the growth has come from current account and saving accounts, and I would sound biased. But in an environment where rates are where they are today. And growing casa by that amount of money just reflects on the strength of the franchise and the quality of service we provide

16
00:04:26.971 --> 00:04:30.410
,,: from a asset quality perspective.

17
00:04:30.541 --> 00:04:40.630
,,: Our non-performing assets have now reached 4% just to remind you the audience, this was 12 months ago. More than 6%.

18
00:04:40.721 --> 00:05:05.801
,,: 24 months ago this was more than 8%. And at the time of the 8%, we did come to the market and say, we have a clear strategy on how this number will trend sub even 4%, and very pleased to announce that we have delivered on these commitments, and we're not done yet, and this number will continue to come down as we go through 2025.

19
00:05:06.231 --> 00:05:14.031
,,: Last, but not least, on the slide. We are very happy to announce a cash dividend of 83 fills per share

20
00:05:14.041 --> 00:05:42.571
,,: if one would compare it to last year, that is 71 5th per share. That's a 17% growth. And it should present a consistent 50% of our net profit. Just to put that in terms, we are paying 3 billion Dirhams of dividends back to our shareholders this year, pending agm approval and Regulatory approval as well. However, this would definitely be a record year for the adib franchise.

21
00:05:43.441 --> 00:05:51.791
,,: moving forward just very quickly to confirm what we said in terms of guidance, and what we have delivered

22
00:05:51.951 --> 00:06:02.671
,,: without going into details, one by one very happy to report that we have been quite consistent in our guidance. We have outperformed our financing growth.

23
00:06:03.361 --> 00:06:27.181
,,: The guidance was more than 20%. We deliver 22, but we always did signal, even last quarter, that this number would probably be more than 20% net profit margin 4. 35, more than 4%, and we talk about it a bit more in the slides of how the quarter 4 has looked like cost of risk. Very nice. Given guidance cost to income ratio 29.6,

24
00:06:27.181 --> 00:06:46.621
,,: I think, for the audience who have been following the bank for some time, this used to be 48% probably 3 years ago. So to be almost amongst market leading efficiency ratios, I think that's a big achievement for the franchise. And then, last, but not least. I spoke about of 28% ROE

25
00:06:46.661 --> 00:06:53.231
,,: That is I think probably one of the highest in the market, not only in the UAE , but probably in the region as well.

26
00:06:55.471 --> 00:06:58.350
,,: Good. Moving forward.

27
00:07:00.051 --> 00:07:15.940
,,: I would now hand it over to Ahsan, who will take us through the details of the financials, and then we would open it up for any Q. And a. So, Ahsan, please over to you. Thank you, Mohamed. Good morning. Good afternoon to everybody on the call, and thank you for joining

28

00:07:16.288 --> 00:07:44.780
,,: to start off with a quick summary. As MOHAMED mentioned, we've had an incredibly strong year, a record-breaking one year in which we have witnessed adib achieving a number of firsts delivering one of the best financial results in its history. Net profit, growth before tax was particularly strong at 26% year on year to reach 6.9 billion. And we crossed 6.1 BILLION after tax with a growth rate of 16%.

29
00:07:45.290 --> 00:07:49.290
,,: Revenue for 2024 CROSSED THE 10 billion

30
00:07:49.801 --> 00:08:06.081
,,: they're a many milestones for the 1st time, while revenue growth was 14% expenses actually grew by a nominal 3% only, which reflects the widening jaws that we've seen now. In in 2024.

31
00:08:06.171 --> 00:08:20.861
,,: This growth was supported by a strong increase across both funded and non-funded revenue streams, and came across all segment and products along with continued strength in our fee based business. Having played a key role in this improvement

32
00:08:22.241 --> 00:08:38.321
,,: cost to income ratio improved to 29.6% in 2024.. This is the lowest in our history ever since inception, and this was driven by enhanced efficiencies and disciplined cost management

33
00:08:38.721 --> 00:09:07.900
,,: asset growth was remarkable with balance sheet growing 17% year on year and 26% at constant effects. If we account for that, and we crossed the 225 billion milestones for the 1st time, having reached 226 billion by year end, and this was driven by strong financing growth of 22% year on year across both our retail business and wholesale, and in our investments portfolio in our Treasury business.

34
00:09:08.351 --> 00:09:30.871
,,: The growth in assets was funded through a cost efficient, healthy deposit base, which has increased by 16% year on year to reach 183 billion. And as Mohammed mentioned, we've had, we've actually maintained a very, in fact, improved on a healthy funding mix and grew casa by 9% during 2024 as well

35
00:09:31.901 --> 00:10:01.200

,,: moving forward. On slide 8. I'd like to point out 2 things here. Firstly, 2024 saw the introduction of the UAE Corporation tax, which became effective from the beginning of 2024, and as a result we had to recognize an additional approximately 500 million of corporate tax. The total taxes are about 766 million. Other than that. This other point that I would like to call out is the

36
00:10:01.251 --> 00:10:20.771
,,: quantum of the net income before the tax growth, which was 1.4 billion this was almost entirely achieved through top line revenue growth in essentially signalling the fact that almost 95% of this was achieved through revenue momentum

37
00:10:23.311 --> 00:10:41.850
,,: as we move forward on the income statements, and we can delve into the drivers of these, as you can see from the top left hand chart. We've recorded consistent upward trajectory in net income growth year on year. Over the last 3 years. Within that funded income has increased by

38
00:10:41.851 --> 00:10:54.300
,,: 7% a year on year. And the next slide. We will go into the further details. But this was on the back of very strong increase in customer financing of 26%, funded by a stable and low cost deposit base.

39
00:10:54.941 --> 00:11:08.420
,,: Additionally. We're very proud to say that our non-funded income, increased by 28% compared to 2023, and this has been driven by growth across

40
00:11:08.421 --> 00:11:31.431
,,: key products, fees and commission especially increasing by 12%. This has been underlining our strategic focus on revenue diversification. So cards income increased by 10%. Customer remittances were up. We've made inroads in Cfib, fx , investment income. And this growth has been achieved across all customer focus segments of the group.

41
00:11:33.453 --> 00:11:40.641
,,: As a result, non-funded income now contributes 38% of total income compared to 34% a year earlier

42
00:11:41.471 --> 00:11:50.849

,,: from a segment perspective. The core retail and wholesale businesses continued significantly towards the net profit increase.

43
00:11:51.611 --> 00:12:06.281
,,: additionally, income from associates and subsidiaries, which is essentially Egypt rose 28% year on year, and contributing, contributed a healthy 226 million towards the overall profitability of the group

44
00:12:07.871 --> 00:12:17.780
,,: as we move forward on slide 10 on funded income. As we may. As I mentioned earlier, the funded income increased 7% to

45
00:12:17.941 --> 00:12:44.281
6.5 billion in 2024, and this was essentially driven from growth in business volumes, offsetting the slight margin contraction that we've seen in 2024 compared to 23. But in terms of performance by segments. The improved performance came across all businesses with particularly good performance from retail and wholesale business, as well as treasury and associates as well

46
00:12:44.961 --> 00:12:58.611
,,: on the funding side. We've continued to benefit from a strong deposit. Low cost liability base. Therefore, we remain a market leader in the Uae in terms of cost of funding this in

47
00:12:58.611 --> 00:13:18.221
,,: improved sequentially by approximately 20 basis points in the Uae to reach 1.7% compared from 1.9 in quarter 3, key Drivers of this was that our liabilities have now started to reprice faster as rates came down, and we booked new Wakala deposits

48
00:13:18.811 --> 00:13:22.571
,,: and roll them over at relatively low rates.

49
00:13:23.033 --> 00:13:27.141
,,: Benefiting from the rate cuts that happened earlier in 2024

50
00:13:28.601 --> 00:13:40.041

,,: full year, 2024 net profit margin. Declined by only 15 basis points, and still at a very healthy 4.3 5%, one of the best in the banking sector right now.

51
00:13:40.961 --> 00:14:04.208
,,: on a sequential basis. So comparing Q. 4 to Q. 3 the net profit margin actually improved marginally by about 10 basis points. So it was about 4.1 in q. 3. It ended there at 4.2 in q in Q. 4. And this is that despite the fact that the lower yield or the assets started to

52
00:14:04.561 --> 00:14:24.421
,,: hit us as the rates cuts have been impacted. But this has been more than offset by a better deposit mix where we've seen an improvement in the cost of funds, and we've also seen a substantial increase in CASA coming through in Q. 4 as well, almost 80% of the deposit growth in Q, 4 came through current and saving deposits

53
00:14:26.101 --> 00:14:38.040
,,: with regard to npm sensitivity. This remained unchanged at 120 million impact on net income resulting from 50 basis points change in net interest rates

54
00:14:41.071 --> 00:15:02.191
,,: as we move forward on a non-funded income. This increased by 28% to reach 4 billion. As you mentioned earlier on the call. This is a substantial achievement for us, because this now represents 38% of our total income. It helps towards our capital efficiencies, and it underlines a strategic focus of revenue diversification as well.

55
00:15:02.705 --> 00:15:07.521
,,: The key drivers of this was investment income, which increased by 39%

56
00:15:07.981 --> 00:15:15.401
,,: on the back of an increase in our Sukuk investment portfolio by approximately 5 billion, while Fx income

57
00:15:15.591 --> 00:15:25.081
,,: was up by 21%, resulting from increased customer fx flows as well as execution of treasury, hedging solutions.

58
00:15:26.761 --> 00:15:54.930

,,: fees and commissions. Another driver of the non-funded income Was fee icome which was up by 12 % and this was mainly driven by higher processing fee on assets. Increased spend in our cards portfolio, which was up 10%. And in our wholesale banking business as evidenced by the 26% growth in our risk participation fees with the wholesale team now playing a much bigger role in syndication arrangements and debt capital markets.

59
00:15:55.505 --> 00:16:06.701
,,: We also saw an increase in retail and other fees of 18%. Essentially the branch managing fees and increased wealth, management and asset management fees.

60
00:16:08.201 --> 00:16:21.191
,,: Other income, which is the last vertical on the right hand side increased 180%. But this was essentially the gains that we did in Q, 2. On a portfolio acquisition that we had mentioned in our Q 2 call

61
00:16:24.411 --> 00:16:43.981
,,: moving on in terms of operating expenses. These grew marginally by 3% to reach 3.1 billion this continues to demonstrate our continued investment in talent and strategic initiatives to support business growth and partially offset by cost saves driven by digital initiatives.

62
00:16:44.511 --> 00:17:03.991
,,: despite the increase in expenses. The overall improvement in cost to income ratio of 336 tBPS resulted in us reaching a historical low of 29.6 comfortably within our guidance. As continued acceleration of investment for growth is supported by existing income levels.

63
00:17:07.111 --> 00:17:21.760
,,: staff cost increased by 43 million year on year. And this is essentially a continued investment that we did in human capital, attracting talent. And we continue to invest in digital to deliver market leading technological solutions.

64
00:17:25.761 --> 00:17:28.131
,,: So slide 13 impairments.

65
00:17:28.221 --> 00:17:41.201

,,: while the overall net impairment charge decreased by 18% to reach 620 million total credit provision increased by mere 4% to reach 774 million

66
00:17:41.632 --> 00:17:59.730
,,: in quarter 4 impairments were up, 100 to reach 170 million. But this was primarily on account of, some provision that we had to recognize as a result of implementing the new credit risk management standards introduced by the central bank during 2024.

67
00:18:01.191 --> 00:18:15.981
,,: The full year cost of risk is at 53 basis points. This was up slightly compared to 49 basis points at the end of 2023, and only up marginally, sequentially from 49 basis points. At the end of the 9 months in September.

68
00:18:16.790 --> 00:18:27.270
,,: It is worth mentioning at that. At this stage we've not seen any credit quality pressures, neither in retail or in wholesale, and the overall credit environments remains very stable

69
00:18:30.801 --> 00:18:50.790
,,: moving on to slide 14 in terms of non-performing assets. We can see from the top left hand chart that the overall non-performing assets have dropped from 7.3 billion to 5.9 billion, which is essentially a reduction of 19% as we make inroads into resolving some of our legacy credits through remediation.

70
00:18:51.275 --> 00:19:06.210
,,: Also in the top, right in chart, we can see that one of the reasons of the drop in the down performing assets has been resolution in wholesale and retail and this has essentially been driven by recoveries and sub write off that we had to take this year.

71
00:19:08.051 --> 00:19:20.801
,,: overall. Our non-performing assets, as Mohammed mentioned earlier, has now reached a low of 4%. This was 6.1 last year and 8% the year before, and this is one of the lowest level that we have started to see now.

72
00:19:21.374 --> 00:19:39.501

,,: In terms of coverage. On the bottom right-hand chart, steadily increased by 8% to reach a high of 82%. We're very proud to say that, including collateral, this is now almost 1 60% at 1 57 at the end of 2024, and we will continue to build this.

73
00:19:40.311 --> 00:19:49.490
,,: What is important to note here is that we've had no new build up in non-performing assets during pre. 24, and asset quality remains very healthy.

74
00:19:53.121 --> 00:20:20.600
,,: So, moving on into slide 15 in terms of our balance sheet. Total assets have now reached 226 billion with a growth rate of 17% that we saw in 2024 in reaching this position, we've absorbed an Fx impact of 13 billion relating to the Egyptian subsidiary, without which we would have actually reached almost 240 billion which we would, which would have been almost 24.

75
00:20:21.272 --> 00:20:33.781
,,: The growth, as you can see, the 2 verticals clearly are, contributing to the significant growth, our customer financing, which contributed 32 billion and investments of 5 billion

76
00:20:34.531 --> 00:20:42.301
,,: over the last 5 years. Our balance sheet has expanded now by over a hundred 1 billion in at a compound annually growth rate of 12%

77
00:20:45.441 --> 00:21:08.221
,,: in terms of financing. We've extended 26 billion of new financing up 22% to reach 147 billion this year, reflecting our gains particularly in our retail increasing market share, and being a prominent player in the corporate banking space through execution of landmark. Several landmark deals

78
00:21:08.651 --> 00:21:17.391
,,: the Mo. This the momentum that we had in earlier in the year has continued in Q. 4, where our customer financing actually increased by 7 billion quarter on quarter

79
00:21:18.791 --> 00:21:38.870
,,: in terms of business segments. As you can see from the top, right and chart retail, made a visible contribution. To financing growth of 16.5 billion or 28% with record sales in Q 4. And I'm proud to say that this has been our strongest, ever retail acquisition. Here

80

00:21:39.731 --> 00:21:52.850
,,: within retail, all our flagship products have grown significantly, and we are number one in terms of market share in products such as home finance and personal finance, with home finance increasing by 53%.

81
00:21:53.461 --> 00:22:18.720
,,: Corporate banking also had a very strong year. There has been solid demand across most industry segments with gre growing at 48% and 3 billion. New financing was executed in Q. 4 as well. In addition, corporate continues to maintain its dominant position in the commercial real estate segment as well as providing value. Add solutions to top tier local corporates.

82
00:22:19.645 --> 00:22:27.831
,,: also proud to say that deep wholesale banking also continues to make strides in the Esg. And green finance space as well

83
00:22:31.601 --> 00:22:32.690
,,: in the future.

84
00:22:32.831 --> 00:22:46.740
,,: moving on to the next slide on terms of investments. This portfolio has now expanded by 5 billion, reflecting our strategy to deploy excess liquidity of the bank into Sukuks, to lock in longer duration assets at higher rates.

85
00:22:49.294 --> 00:23:17.940
,,: As we move further on, customer deposits the strong franchise has driven broad, based growth in customer deposit, which has increased by 16% or 22% at constant fx, but we are particularly proud of the fact that we've grown Casa by 9 billion year on year, especially in our retail business and through acquisition of new to bank operating accounts as well as Austro balances in our wholesale banking business, while the balance of the funding has come from deposits.

86
00:23:19.171 --> 00:23:29.681
,,: our casa stands at a very healthy 61%, which continues to support a low cost of funding as well as mitigate the risk. The risk of higher rate environment.

87
00:23:30.687 --> 00:23:41.510

,,: Cost, also, at current environment is a key factor in terms of our success and reflective of our focus on product innovation and attracting Salaried accounts.

88
00:23:43.821 --> 00:24:04.961
,,: The last slide now on capital slide, 19 levels and liquidity position comfortably above, we continue to be comfortably above the regulatory thresholds. Despite the significant growth we have witnessed during 2024 in terms of our balance sheet growth.

89
00:24:05.604 --> 00:24:16.870
,,: capital adequacy ratio continues to be at a very healthy level of 16%. And Cet1, one is at 12%. After incorporating the dividends on the back of strong earnings.

90
00:24:17.581 --> 00:24:33.661
,,: Lastly, as far as risk overall RWAS are concerned, these increased by 16%. I'm happy to say that this has been achieved through capital optimization initiatives. Given the fact that assets increased by 26% year on year.

91
00:24:34.501 --> 00:24:50.711
,,: liquidity levels remain strong at so advances to stable fund was 81% financing to deposits closed there at 78% and and earnings to liquid assets, ratio at 18%. These are all stable on a sequential basis.

92
00:24:50.901 --> 00:24:51.981
,,: Oh, thank you.

93
00:24:52.121 --> 00:24:56.111
,,: Thank you, Ahsan We are now ready to take any Q. And a. Thank you.

94
00:25:06.051 --> 00:25:08.955
,,: Rahul, you can hear us. Yeah. So

95
00:25:09.881 --> 00:25:34.101

,,: while while we collect the Q&A queue well, maybe maybe I can start off with couple of questions and then we'll take the questions from the queue. So 2 questions from my side Mohammed AHsan Lamia, 1st one is on your strategy. So if I remember correctly you had the the previous strategy which was initiated in 2021. Yeah, I think it ends this year.

96
00:25:34.514 --> 00:26:02.620
,,: Do you plan to share with the market any refresh sort of medium term outlook kpis and strategy. At at some point this year, I think some of your peers in in the market in Abu Dhabi have started doing it so so would love to hear what? What thoughts you have in terms of your next leg of strategy. So so that's my 1st question. And the second one is on cost to income ratio you kind of clock below 30%

97
00:26:02.621 --> 00:26:18.070
,,: in 2024. Is this as good as it gets? I mean, for a retail bank in Uae, or you think there is more room to go further down in the twenties in terms of the cost to income ratio. So those are my 2 questions. Thank you.

98
00:26:18.681 --> 00:26:36.134
,,: Thanks. So I start 1st with your 1st question regarding strategy. So the answer is, yes, so it. Our strategy is coming to an end by 2025. So we've launched it in 2021 and

99
00:26:36.571 --> 00:27:03.220
,,: we are currently working on refreshing our next 5 year plan. But I think, more importantly, in the summer we have launched Vision 2035, because this will be the overarching direction of what will formulate our next 5 years into then the 10 years. So we will be coming soon with more clarity in terms of our next 5 years, as we go through the corporate plan exercise.

100
00:27:03.261 --> 00:27:08.851
,,: but also we are more excited to share with you more and more in our vision. 2035,

101
00:27:08.881 --> 00:27:37.030
,,: which I think is probably the only one in the market who's launched. A vision of that kind. Second question is on your cost to income ratio. Now we are sub. 30, we are more looking towards efficiency, and while we could reduce that number, or, as we said, we can shrink to greatness. We are very focused on ensuring that we remain productive. So by no means we will be

102
00:27:37.081 --> 00:28:00.800

,,: holding back on investment, spending and setting us up for success in the future. But the important part is that we will have to ensure that the productivity is always faster than our ability to or our spending patterns. And more importantly also is that we create optimization. So whenever a new initiative is implemented.

103
00:28:00.801 --> 00:28:30.441
,,: it has to be led by a self funding initiative. And hence, when you look at our cost, growth, year on year, we are in the low single digit. Right? So. And I think this is probably a market leading number which does not imply that we're not spending, but, in fact, that we are spending quite heavily in our strategic projects. But we are able also to crystallize on cost optimization, to create room for future growth. Does it answer your question?

104
00:28:33.271 --> 00:28:51.730
,,: It's very useful moment, just just one clarity, just one clarification. The cost growth. Indeed, like 3% or or cost growth for last year, is that kind of run rate. We should be thinking of like single digit, mid single digit kind of cost growth, even in the next few years. Or you think that could go higher.

105
00:28:52.721 --> 00:29:20.420
,,: My guidance to the market will probably be single digit, but I wouldn't say low or high, but I think we will be always focusing on having it within the single digit number, because if you look at it, our top line has been growing at double digits and sometimes in the high double digits. So our focus is to maintain a positive operating drawn and if it means that we will probably go in the high single digits, so be it as long as the top line grows at at much faster rate.

106
00:29:21.431 --> 00:29:27.370
,,: Understood all clear. Maybe. Ashwini. Can you take the questions from the Q. And a queue. Now.

107
00:29:28.251 --> 00:29:32.940
,,: thank you for today's webinar. We will be utilizing the raise hand feature

108
00:29:33.241 --> 00:29:38.841
,,: for Q. And A, if you're on a computer, this can be found at the bottom of the zoom app as raise hand icon.

109
00:29:39.121 --> 00:29:41.071

,,: or by clicking the reactions button.

110
00:29:41.491 --> 00:29:48.331
,,: If you're on a mobile device using the app simply tap into the 3 dots or more button to find the resent feature.

111
00:29:48.861 --> 00:29:55.571
,,: And if you're dialing in today, Star 9 will activate the raise hand and use Star 6 to mute and unmute.

112
00:29:55.841 --> 00:30:03.470
,,: If you're watching the live stream, request to refresh your page and join the webinar link to ask the live questions

113
00:30:03.761 --> 00:30:10.291
,,: we have our 1st question from Olga. Olga. I request you to please unmute yourself and ask a question.

114
00:30:11.381 --> 00:30:15.770
Olga Veselova: Thank you. Good day, and thank you for taking my questions. I have 2,

115
00:30:16.001 --> 00:30:18.171
Olga Veselova: one on fees, one on provisions.

116
00:30:18.670 --> 00:30:41.071
Olga Veselova: on fee income. What more can you do in fees? Which segments are you not? Have you not monetized yet? Well, and that could be an opportunity for you in the next several years, and also as a part of this question, what was behind the weakness and non-funded income in the 1st quarter? How well should we think about run rate for 2025.

117
00:30:41.841 --> 00:30:51.300
Olga Veselova: And my second question is on provisioning. If we can look at Slide 13. I noticed that the group cost of risk is running above

118
00:30:51.461 --> 00:31:02.311
Olga Veselova: cost of risk for wholesale and retail standalone. So what are these additional provisions on which segments are you adding them? And also maybe bigger picture and provisioning

119
00:31:02.941 --> 00:31:15.771
Olga Veselova: your guide almost flattish cost of risk, despite new Npl regulation. And despite you being more focused on non uae nationals. What helps you to be confident in cost of risk outlook for next years? Thank you.

120
00:31:19.181 --> 00:31:40.031
,,: Thank you, let's start with the 1st question, please. If I miss any point, do let me know. So 1st on the fees and commission. I think your question was, why has this quarter shown slightly lower fees and commission? And and I would say that in actually the underlying the underlying fees and commission have

121
00:31:40.031 --> 00:32:03.621
,,: grown. However, what you see here is some of the impact on regulation changes when it came to fees and commission, particularly in the credit card space. And actually, now it's still on the debit card, and I'm sure you might be aware that there have been some caps imposed or requested by the central bank, on how much interchange fees will charge on debit cards, which was coming into effect

122
00:32:03.621 --> 00:32:28.101
,,: as the full quarter of 2024. So while the underlying has grown,. But we do see opportunities to quickly close that gap, and hence your question is that going to be our new norm? No, I think in q. 1, you will start seeing that number picking up again. But the actual fundamentals of the fee business has actually not reduced at all.

123
00:32:28.171 --> 00:32:34.331
,,: The second part was the question. I think, on your provision, if you can.

124
00:32:35.471 --> 00:33:03.820
,,: 13. Yeah. On the provision side. So I think your question on the cost of risk. We are. We have grown the portfolio by 28 BILLION it's a good mix between what you've seen on retail and corporate bank as well. But what gives us comfort that the cost of risk will stay, probably at the same basis. Point level is a good proxy to look at our. So if you look at our base efficiency.

125

00:33:04.303 --> 00:33:10.490
,,: the the growth in financing has outstripped our consumption of risk related assets, which means

126
00:33:11.001 --> 00:33:24.550
,,: that on the corporate banking side we have a good mix between very high rated financing opportunities with a mix of high yielding, but the mix is tilted towards more the low risk.

127
00:33:24.631 --> 00:33:50.880
,,: and in the retail bank we have led with home finance, which is 35% rwa and usually lower risk and personal finance towards more unions. Now we have started to look more and more to the expert segment in Dubai, but in the bigger scheme of it, or the proportion of the pie, they still remain to be the lower part. So we are confident that this cost of risk will continue, as is

128
00:33:52.811 --> 00:34:14.691
,,: in terms of the new characteristic standards. We have indeed implemented them in quarter 4, but we had some good recoveries, which has also reflected on the Npa. Ratios and and hence what you. What happens is that while we've taken the 1 70 million Ahsan spoke about, we were able to offset them with some of the recoveries we had.

129
00:34:14.801 --> 00:34:23.401
,,: So all in all, I think it's really a good story. As we go into 2025. So, please let me know if I missed any of your points.

130
00:34:24.501 --> 00:34:37.191
Olga Veselova: Thank you. I actually didn't know that there there are caps on interchange fees from the end of last year. What are these caps now, and do you see a risk of more consumer protection measures from the central bank.

131
00:34:40.381 --> 00:35:00.970
,,: I cannot really talk on behalf of the regulator, so we will have to wait and see the guidance. But what I mentioned is something implemented and enforced across the entire industry. So that's not a ADIB specific. But why is it slightly more prominent? Because we do have the biggest debit card spend in the industry.

132
00:35:01.041 --> 00:35:24.010

,,: Actually, by far, I wouldn't say credit card or credit card, but debit cards and and the regulation has currently been imposed on debit cards, and it just regulates the amount of interchange fees you can actually charge on these debit card transactions. And not only that the percentage has been fixed and the cap applied. So it's a bit of a both

133
00:35:24.021 --> 00:35:43.281
,,: double whammy. However, having said that, we believe it is, it is a good direction from the regulator, because it does create some more competitiveness in the market. It did mean lower revenues for us, but I think it's definitely one step in the right direction taken by the regulator.

134
00:35:45.079 --> 00:35:48.421
Olga Veselova: Thank you. Not yet on credit cards. Did I hear you correctly?

135
00:35:50.061 --> 00:35:55.150
,,: No credit. Cards, no, not covered fast covered card. No, but industry. Credit cards. No, yes.

136
00:35:55.831 --> 00:35:57.751
Olga Veselova: Okay, thank you very much for answers.

137
00:35:59.581 --> 00:36:00.401
,,: Thank you.

138
00:36:02.511 --> 00:36:08.761
,,: We have our next question from Murat Ansari. I request you to please unmute yourself and ask a question.

139
00:36:11.281 --> 00:36:21.960
Murad Ansari: Thank you very much. For the presentation and congratulations on names. You know, just, you know.

140
00:36:22.511 --> 00:36:24.431
Murad Ansari: good quarter that you've seen and

141

00:36:25.078 --> 00:36:28.580
Murad Ansari: you did explain about being proactive on managing

142
00:36:28.771 --> 00:36:46.231
Murad Ansari: your funding cost. But how should we see that? This going? 1st of all. You know, just confirming that there's more one offs here. And secondly, how do you see names evolving? In 2025. Secondly, on

143
00:36:46.541 --> 00:36:57.151
Murad Ansari: on the new credit standards, on on collaterals. She talked about. How should we see this evolving? I mean, you know it.

144
00:36:57.441 --> 00:37:01.221
Murad Ansari: From what we understand. There's a phasing period of 5 years.

145
00:37:01.886 --> 00:37:10.071
Murad Ansari: To implement these fully comply with these regulations is that something that we will see progressively?

146
00:37:10.536 --> 00:37:15.551
Murad Ansari: Happening over the course of the year over the next 3, 4 years in terms of provisioning.

147
00:37:16.079 --> 00:37:24.441
Murad Ansari: You know, being slightly elevated. And when you say cost of risk, guidance being flat is, is, does that include

148
00:37:24.921 --> 00:37:29.491
Murad Ansari: these improvements on on coverage? Thank you.

149
00:37:31.801 --> 00:37:41.881
,,: Sure. So first, st thank you. So 1st on the net profit margins. So if you look at margins average for the year, it's 4, 35.

150
00:37:41.951 --> 00:38:08.991
,,: The reduction in last quarter is a function of the rate cuts which happened in the last quarter of last year, which had an immediate impact on our financing yield for the corporate book, which is around 50 billion out of the 140 billion you have seen, you've seen. So that's 50 billion prices immediately. While I think the strong proactive measures adib has taken over the last 2 years is that we actually went long

151
00:38:08.991 --> 00:38:22.100
,,: in terms of the fixed price assets. So if I look at retail book, we are market leaders in home finance, which is a fixed rate product for personal finance as well as auto finance. So these are natural hedges

152
00:38:22.161 --> 00:38:24.741
,,: for the situation we are seeing today.

153
00:38:24.811 --> 00:38:39.550
,,: And then when you come, look at our investment or support book. We've also went long, long duration, and also giving us some good cushions, so the only part which was easy and would always be exposed is the corporate book which

154
00:38:40.171 --> 00:38:47.920
,,: And luckily we are more on the retail side. But I think probably institutions which are more on the corporate banking side will see that the pain much more

155
00:38:47.961 --> 00:39:11.400
,,: now on the funding side, we've also consciously timed the repricing of the WAKALAS in h2 of 2024, knowing that or expecting that, this is probably where the cuts will happen. So we actually incentivized that specific tenor. And accordingly, out of the 40 billion wakals We had

156
00:39:11.401 --> 00:39:37.870
,,: more than half of them were priced down in quarter 4, and that's why you see, if you were to look at the cost of fund because it is group wide, and the pickup is coming mainly from Egypt, but the Uae cost of fund itself is trending more towards the 1.7 8%, which is lower than what we've seen in the 9 months of 2024, and hence we were able to protect our margin at that level

157
00:39:37.871 --> 00:39:41.421
,,: Our guidance for next year. I think this was your question as well.

158
00:39:41.691 --> 00:39:52.590
,,: I think, with the outlook of probably one or 2 cuts towards the later part of the year. We believe that we would be able to hold on to what we have

159
00:39:52.711 --> 00:40:17.711
,,: for some time, but there is a market reality which we have to face is that if rates, cuts, will come in again in half 2, then the asset yield will be impacted. But also our cost of fund will hopefully protect that margin corridor and keep us more or less closer to the net profit margins we have today. We have to look and see.

160
00:40:17.771 --> 00:40:35.821
,,: but our balance sheet is well positioned to be able to meet such movements. Other question on the credit risk standards just to clarify. It was not a 5 year implementation plan. It was an implementation plan immediately, however.

161
00:40:35.871 --> 00:40:55.191
,,: from here onwards, if you have a non-performing asset. Your reliance on the collateral will continue to diminish 20% every year for the next 5 years. But if you had a non-performing asset today with the collateral, which was, let's say, 7 years old.

162
00:40:55.211 --> 00:41:15.560
,,: That is now not any of any value anymore. Right? It doesn't give you 5 years in the future to recognize it. So we have done that cleanup we have. That's why shown the hike in our profit provisions in quarter 4, and we expect obviously the industry also to show some provision hikes.

163
00:41:15.931 --> 00:41:31.220
,,: We haven't seen other banks yet, but I would expect that provision should go up in quarter 4. Given that standard because it's just almost a cleanup of an existing book. It's nothing to do with whether you're better or worse. But it's dealing with what you have today.

164
00:41:31.421 --> 00:41:38.051
,,: Right. So, looking forward, we believe that.

165
00:41:38.161 --> 00:42:04.790

,,: given the cleanup we have done, given the health of our portfolio, we believe that the cost of this at 50 basis point still very much holds, and we do not leave it for chance. So we monitor it very carefully. If we by any chance our models indicate that this is tilting towards an uncomfortable level, we will definitely take certain decisions. But for now our vintages our performance of the book has been very resilient.

166
00:42:07.711 --> 00:42:09.281
Murad Ansari: Thank you very much. This is very helpful.

167
00:42:09.411 --> 00:42:10.461
Murad Ansari: Thank you.

168
00:42:16.161 --> 00:42:22.771
,,: We have our next question from Ebek. I would request you to please unmute yourself and ask a question.

169
00:42:26.013 --> 00:42:38.310
Aybek Islamov: Yeah, yeah, thank you very much. Yeah. So thank you for the conference call. So I'd like to ask you about your international growth like, can you comment about Egypt? What are your projections there for? Your Egyptian subsidiary?

170
00:42:38.840 --> 00:42:50.821
Aybek Islamov: That that obviously you now fully consolidate that. And secondly, you know, there are other banks in the Uae which are quite active on the international lending side.

171
00:42:51.385 --> 00:43:02.820
Aybek Islamov: There, there seems to be a agenda, you know, on a national level to invest in technology as well. How do you see yourself on the international lending arena

172
00:43:02.941 --> 00:43:06.131
Aybek Islamov: and also participating in this government-led

173
00:43:06.251 --> 00:43:10.971

Aybek Islamov: technology investment kind of Capex programs, etc. So would appreciate the color. Thank you.

174
00:43:14.331 --> 00:43:41.500
,,: Thank you, Eric, so I'll touch on the Egypt 1 first, st but I'll I'll be slightly careful, because Egypt is a listed company, and they haven't announced their financials yet, but so I'll give you some sound bites and still protecting the confidentiality of that business. But Egypt on itself has has done very well. and it has been a positive contributor to the franchise. It's approximately 10%

175
00:43:41.826 --> 00:43:53.560
,,: net revenue contribution to the to the group, and and they are announcing soon, so I would rather maybe leave the Egypt discussion when they go to the market. But I can assure you that

176
00:43:53.561 --> 00:44:07.510
,,: and what you will see when the Egypt business comes. It's phenomenal growth and spectacular performance in the local market, and we're very happy with their performance now, what they don't control is clearly the Fx element.

177
00:44:07.511 --> 00:44:24.280
,,: So at the group level, maybe we're not benefiting as much as we wanted to given the Fx headwinds they have, but we measure them against their local currency performance or constant currency performance, which has been more than satisfactory from my perspective.

178
00:44:24.451 --> 00:44:49.381
,,: And when it comes to the international arena. Actually, we're very active internationally. So, even with our international presence and without international presence, we have a lot of exposure, particularly in Gcc. I can, for example, give you a number that more than 30% of the corporate book is in Saudi. Despite that we don't have an onshore presence in Saudi yet, but

179
00:44:49.451 --> 00:45:02.281
,,: almost 30, 34% of the business in Saudi and other Gcc markets who are very active internationally as well, and in the Uk as well. By the way, despite that we don't have, maybe the onshore presence and others might have

180
00:45:02.787 --> 00:45:14.680

,,: we have ambitions to also look at the international Arena, and and we'll be probably sharing more information in due course on that specific agenda which is very active.

181
00:45:15.277 --> 00:45:28.430
,,: When it comes to the technology part. So as part of our vision 2035, they're classified into 3 main pillars. One is leading with technology advancement, particularly in Gen. AI.

182
00:45:28.441 --> 00:45:52.701
,,: The second part is redefining the entire client experience. And when we say client experience, it's overhauling it with complete new technology, where everything has to become instant. That is our keyword. It has to become instant, and 3rd or last, but not least, is doing it in an ethical, sustainable Esg framework. We are very big in that arena, and we are true believers in it.

183
00:45:52.701 --> 00:45:59.341
,,: We are currently with AA by Msci, and we're taking that agenda. Very seriously.

184
00:45:59.571 --> 00:46:19.191
,,: our technology spend is our biggest spend. And as part of our operating expenses, it has grown year on year by at least 15%. And I'm talking from a capex perspective. So the investment pool in technology growing 15% year on year. And I don't see that changing anytime soon, especially on the back of launching ad ventures

185
00:46:19.507 --> 00:46:31.840
,,: in the summer of last year as well, which is very active in the Fintech space. We are making partnerships. We are bringing these Fintechs into our ecosystem, and we do in-house what we do best, and we get

186
00:46:31.841 --> 00:46:36.790
,,: external Fintech partners to do what they do best, and we, partner on that front as well.

187
00:46:37.383 --> 00:46:39.498
,,: So either answer your questions.

188
00:46:40.928 --> 00:46:47.070

Aybek Islamov: Yes, thank you very much. Yeah, thank you. I have some follow ups. But I'll I'll probably after the call. Yeah, thank you.

189
00:46:49.431 --> 00:46:50.250
,,: Thank you.

190
00:46:51.211 --> 00:46:57.641
,,: We have our next question from Varuna. I request you to please unmute yourself and ask a question.

191
00:47:03.771 --> 00:47:06.100
Waruna Kumarage: Hello! Hi! Good afternoon! Am I audible?

192
00:47:10.421 --> 00:47:11.381
,,: Please go ahead.

193
00:47:11.781 --> 00:47:35.567
Waruna Kumarage: Yeah, yeah, thank you very much. So this is, I'm from Seco Bahrain. I have a couple of questions. The 1st one surrounding loan growth, your loan growth guidance. So what what I want to understand is that I mean, given you're coming back off a very strong growth this year. I mean going into next year. You have given like a broad guidance of more than 10%. But I mean, I just want to get.

194
00:47:36.111 --> 00:47:58.591
Waruna Kumarage: you know, directional, you know, guidance. As to you, looking at, you know much higher growth than 10%. Are we looking at low teens or mid teens kind of a growth. Is that what you're looking at? That's my 1st question. And secondly, I mean around the same thing. Do you expect to the retail to

195
00:47:58.591 --> 00:48:09.921
Waruna Kumarage: drive growth even going forward? Or you expect more cooperate, especially coming from outside Uae, like you, said the international lending to contribute more

196
00:48:10.467 --> 00:48:13.384

Waruna Kumarage: that's on loans and secondly,

197
00:48:14.919 --> 00:48:21.600
Waruna Kumarage: so if you can, probably touch the answer that question I'll follow up with the second question.

198
00:48:24.641 --> 00:48:51.791
,,: Sure. So in terms of financial guidance would probably be in the mid teens. So let's say, 14 15% give or take, and we will obviously give you the full year guidance as we go into the q. 1 numbers I expect both businesses retail and wbg Bank to contribute as strong as they have done in 2024, because, I just want to clarify that in actually 2024, both businesses have done phenomenally well, we did not depend on only one segment.

199
00:48:51.791 --> 00:49:14.721
,,: Clearly, on the corporate side there might be a slightly more chunkier transaction, as the nature of the business would be. But in the retail side it's a very, very sustainable, focused, targeted strategy whereby we have been able to months on months increase our market share from whether it's home finance, personal finance, and auto finance.

200
00:49:14.998 --> 00:49:25.271
,,: I don't have the final numbers yet for the full year, but I would like to believe that probably in the home finance space we are probably number one, if not number 2 in the local market.

201
00:49:25.271 --> 00:49:34.670
,,: so both will contribute. And to answer your question. Probably 14 15% is a good guidance at this stage for financing growth in 2025.

202
00:49:35.531 --> 00:49:53.210
Waruna Kumarage: Okay, thank you. And secondly, on net interest margins now given by your narrative, I think you explain how you you expect the names to progress based on, you know, one to 2 based on the current. I mean the cards that you so far has happened. And

203
00:49:53.569 --> 00:50:06.121
Waruna Kumarage: so saying that you expect the names to hold for some time based on the cuts that we have already experienced, and then 1, 2 more cuts so I want to understand

204
00:50:06.121 --> 00:50:18.090
Waruna Kumarage: again, you have said that names will progress towards 4%. But I get the sense that you expect some kind of you know, stability and the decline could be minimal. Is that the correct interpretation.

205
00:50:20.251 --> 00:50:31.430
,,: And so so let me clarify. So the good thing about, even if you look at the net profit margin over the past few quarters, and even when rates were lower, we are an institution which is.

206
00:50:31.541 --> 00:50:48.461
,,: I would almost say, predictable, right? So we are going in a direction where we have a very strategic focus. We don't have lots of volatility in our business, which is actually a good thing, because you're creating that strong foundation as you go into the future, and hence.

207
00:50:48.461 --> 00:51:08.561
,,: even when rates come down, it is not a sudden decline, it will still gradually come off as the external market reprices or rates go down, and there's also a market that we have to face is that when rates go down, and even if you have a fixed rate

208
00:51:08.561 --> 00:51:26.450
,,: product. There will be definitely competition amongst banks to probably offer better rates, and you start seeing buyouts happening. This is all factored in our models and expected but to answer your question. Net profit margin while there will be a decline. That's something we'll have to face and will happen.

209
00:51:26.451 --> 00:51:39.121
,,: but it will not be a sudden decline, it will be very well managed, and will give us enough time to build enough volumes and consider the business to really mitigate for any of these deductions.

210
00:51:41.851 --> 00:51:45.160
Waruna Kumarage: Alright. Thank you, Urban. That's it from me. Thank you.

211
00:51:49.641 --> 00:52:00.551

,,: Thank you for today's webinar. We will be utilizing the raise hand feature for Q&A, if you're a computer, this can be found at the bottom of the zoom app as raise hand icon, or by clicking the reactions button.

212
00:52:01.011 --> 00:52:13.250
,,: If you're on a mobile device using the app simply tap into the 3 dots or more button to find the raise hand feature. If you're calling in today, Star 9 will activate the raise hand and use the Star 6 to mute and unmute.

213
00:52:13.561 --> 00:52:21.261
,,: If you're watching live stream, request you to please, refresh the page and join the webinar to ask the live questions

214
00:52:21.971 --> 00:52:34.071
,,: we? We received few of the written questions. Our 1st question is, can you comment on quarterly nim progression in 2025 versus exit margin, and 4 Q to 4.

215
00:52:37.281 --> 00:52:50.841
,,: So this is the question on net profit margin, I assume. Right? Just answer, yeah. So I think I just addressed this point in terms of where we see the net profit margin just to summarize again in case the

216
00:52:51.161 --> 00:53:10.821
,,: this question was not answered. For the person who's asking we are seeing again some stability before it starts to reprice down, and it will not be a sudden change in net profit margins from where we see today, and I think I elaborated on that quite heavily in my previous answers.

217
00:53:13.571 --> 00:53:16.841
,,: Thank you. We have 2 more written questions

218
00:53:17.041 --> 00:53:22.731
,,: in that 1st part is, How are you seeing the fee income. And what would you see as normalized level?

219
00:53:22.991 --> 00:53:26.181

,,: Considering there has been some volatility

220
00:53:26.421 --> 00:53:36.630
,,: and follow follow up question in that the cost of risk was high in 4 Q. To 4 it appears that you are looking to build up the loan loss reserves

221
00:53:36.811 --> 00:53:45.840
,,: related to the new Uaacb regulation. Can you give some color? Where would you aim to raise your Npl coverage to

222
00:53:45.951 --> 00:53:46.851
,,: thank you?

223
00:53:48.221 --> 00:54:13.711
,,: So I think the second question first.st So the answer is, yes, the higher provisions in quarter 4 is predominantly driven by the new credit standards issued by the central bank, and we did a complete cleanup of an alignment and compliance to the standards. So we are starting a fresh start into 2025 have absolutely no backlog to cover for that specific point. So that's on the cost of risk.

224
00:54:14.094 --> 00:54:39.921
,,: What was the first? st I would split it into 2 elements. The fee income is the normal fee income flow which happens from the likes of whether it's your card business, whether it's your wealth management, these are very predictable, but then there will always be elements, particularly on the corporate bank side which create the volatility. So I would split it into the core bank core. Business has been growing very steadily.

225
00:54:39.921 --> 00:55:01.110
,,: and as in when there are opportunities for, particularly on the corporate finance side, to create more fee income. That will happen. But it's almost like looking at your core behavior on your funding side. You'll always see a flaw in terms of your fee income and the plus and minus will be volatility coming from transactions, particularly on the corporate banking side.

226
00:55:05.041 --> 00:55:06.121
,,: Thank you.

227

00:55:06.241 --> 00:55:15.940
,,: We have no more raise hands on Webinar End, and no written questions to cover. Now I would like to pass to Lamia for the closing remarks. Thank you.

228
00:55:16.881 --> 00:55:27.901
,,: Thank you. Everyone on the call as usual. If you have any, follow up questions, please do send send them to us, or give us a call. Thank you, Rahul, for your help, and have a good evening. Thank you.