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# First quarter 2026

## Earnings call transcript

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# First Quarter 2026 earnings call transcript

**Shabbir Malik (Morgan Stanley):** Good afternoon, everyone. Welcome to ADCB's First-Quarter 2026 Results Call. My name is Shabbir Malik. I cover MENA Banks for Morgan Stanley. Before we start, I would like to read a disclaimer. This webcast is intended for Morgan Stanley institutional and corporate clients as well as Morgan Stanley employees. It is not for members of the press. If you are a member of the press, please disconnect now and reach out separately. Please also note that this webcast is not for retail or individual wealth management clients. For important disclosures, please see the Morgan Stanley Research Disclosure website, at www.morganstanley.com/researchdisclosures. Please note that this webcast is being recorded. I will now hand the call over to Harsh Vardhan, Senior Head of Investor Relations. Harsh, over to you.

**Harsh Vardhan:** Thank you, Shabbir. And good day, ladies and gentlemen. Welcome to ADCB's call on our First-Quarter 2026 Financial Results. We will be referring to the earnings presentation available on the Investor Relations section of our website. I am joined today by Deepak Khullar, Group Chief Financial Officer, Robbert Muller, Group Treasurer, and Dr. Monica Malik, our Chief Economist. We will discuss key financial highlights as well as the operating environment and guidance, before opening the floor for questions. With that, I will hand over to Deepak to begin on slide five.

**Deepak Khullar:** Thank you, Harsh. And good afternoon, everyone. ADCB has delivered a very strong start to 2026, with profit before tax increasing 30% year-on-year to a record AED 3.78 billion, marking 19 consecutive quarters of profit growth. This performance reflects disciplined execution of our five-year strategy, marked by continued broad-based revenue growth, enhanced operating efficiency, and continued balance sheet expansion, supported by the strength of the ADCB franchise. I would like to highlight that there has been strong continuity in economic activity across the UAE, and the bank has seen robust credit demand. And throughout this period, ADCB has maintained consistent operational delivery with uninterrupted branch operations and high service standards across all customer touch points.

A key driver of growth over the last year has been non-interest income, and this trend continued in the first quarter with an increase of 36% year-on-year and 27% sequentially, driven by fee and trading income streams. At the same time, strong top-line growth combined with greater efficiencies resulted in a 360 basis points year-on-year improvement in the cost to income ratio to a record low of 25.6%.

Balance sheet growth continues to be underpinned by trust in the ADCB franchise. Total assets have now reached over the AED 800 billion mark. Net loans to customers increased by AED 20 billion, or 5% quarter-on-quarter. Notably, the bank extended AED 10 billion of gross loans to GREs. Customer deposits grew AED 23 billion, up 5% sequentially, including a net inflow of AED 14 billion of CASA deposits, further supporting a favorable funding mix. Our liquidity position also remains strong, with LCR at 124.2%.

Additionally, the Central Bank of the UAE introduced a 'Proactive Financial Institution Resilience Package' on 17th March. To date, we have not drawn on any of these facilities, and the Bank continues to manage liquidity through its own diversified funding base.

It is also worth noting that ADCB launched a suite of banking solutions for eligible corporates designed to strengthen financial resilience and support business continuity. This package includes fee reductions, deferrals, and preferential terms. In parallel, the bank also introduced targeted measures for individuals providing essential frontline services in appreciation of their contributions. Overall, this has been a strong start to 2026 and the bank continues to benefit from a strong financial position. We are also reaffirming our full year and medium-term guidance. Turning to slide six, and a more detailed look at the income statement.

Operating profit increased 24% year-on-year and 13% sequentially to AED 4.42 billion. Net profit after tax was AED 3.36 billion, representing a return on average equity of 16.3%. Please note that the bank has continued to apply a 9% statutory rate for UAE corporate income tax, under the Initial Phase of International Activity Exclusion. While net profit in the first quarter of 2025 included a tax provision reflecting introduction of the 15% Domestic Minimum Top-up Tax (DMTT) rate. Turning to slide seven.

Net interest income increased 10% year-on-year to AED 3.74 billion, supported by higher volumes. The 2% sequential decline reflects the lower rate environment following three benchmark rate cuts in September 2025.

Net interest margin was 2.32%, 16 basis points lower year-on-year and seven basis points quarter-on-quarter. That said, margin performance remains relatively resilient in the context of the rate cycle, supported by strong CASA deposit inflows. Turning to slide eight.

As mentioned earlier, broad based non-interest income has continued to drive top-line growth. Our earnings profile is increasingly diversified, with non-interest income contributing 37% of total operating income in quarter one, up from 32% a year earlier. Net fees and commission income increased 14% year-on-year to AED 938 million, driven by higher loan-related fees, trade finance commissions, and asset management and investment service fees. Net trading income increased 72% year-on-year to AED 959 million, supported by higher FX income and gains from financial assets at fair value through profit or loss, as well as derivatives. Other operating income increased 25% year-on-year to AED 299 million, driven primarily by higher gains on non-trading investment securities.

On slide nine, the cost to income ratio continued to reduce to a record low of 25.6%. This is an improvement of 360 basis points year-on-year and 400 basis points sequentially, driven by strong top-line growth, combined with greater efficiencies. Operating expenses were AED 1.52 billion in quarter one. Over the last year, we have continued to invest in technology and talent to support growth priorities, particularly to drive the Bank's digital and AI transformation program.

Turning to slide 11, net loans increased 5% in the quarter, with the bank extending AED 52 billion of new credit and receiving AED 32 billion in repayments. Credit demand remained resilient and characterised by high-quality lending, including to government-related entities (GRE), financial institutions, trading, manufacturing, and services. The portfolio remains well diversified by economic sector and also geographically. Abu Dhabi accounts for 48% of gross loans, Dubai 19%, other Emirates 5%, and loans outside the UAE represent 28% of the portfolio, as ADCB continues to support cross border investments by UAE entities and clients operating across key regional economic corridors.

On slide 12, there is a useful reminder that our real estate exposure remains conservative. Real estate investment has progressively reduced to represent 11% of gross loans, and we maintain an LTV of 76% across the portfolio. Our approach to the sector is low-risk and based on disciplined underwriting, with nearly 80% of exposure to completed income generating assets.

Turning to slide 13 and 14, asset quality remains strong in the first quarter, and our cost of risk of 41 basis points stayed within guidance. The NPL ratio improved further to 1.76%, from 1.83% at the end of 2025, while provision coverage ratio rose to 151.8%. Net impairment charge of AED 638 million was broadly steady year-on-year and up sequentially, driven mainly by prudent macroeconomic overlay of AED 596 million to address heightened geopolitical risks. This is a measured response and does not alter our view that the underlying credit profile of the book remains strong.

Additionally, on slide 14, you will see that our disciplined risk management and underwriting practices are driving strong risk performance of the ADCB retail portfolio compared to the market. I will now hand over to Robbert.

**Robbert Muller:** Thank you, Deepak. Turning to slide fifteen. The investment securities portfolio remained conservatively positioned and highly liquid. The portfolio closed the quarter at AED 160 billion, up 7% year-on-year, with almost the entire portfolio invested in bonds. 47% of the securities portfolio is accounted for at amortised cost and 53% at fair value through other comprehensive income and marked to market on a daily basis.

Turning to slide 16, we continue to see strong momentum in deposits, which remains a key pillar of our funding resilience. Over the past year, customer deposits grew 18% and were up 5% quarter-on-quarter, closing at AED 523 billion. This consistent growth highlights both the strength of our franchise and the confidence customer plays in the bank. Notably, CASA accounted for 58% of deposit growth in the quarter, driven across corporate, retail, and private banking. At the end of Q1, CASA represented 46.9% of total deposits, up from 44.7% a year earlier.

Please turn to slide 17. Following the successful rights issue completed in December, the Bank benefits from solid capital buffers with a CET1 ratio of 13.82% and Capital Adequacy Ratio (CAR) of 16.95% at March end - above the regulatory requirements as a Domestic Systemically Important Bank (D-SIB). I will now hand back to Deepak.

**Deepak Khullar:** Thank you, Robbert. On slide 19, we provide updates on our AI and digital transformation programme. The bank is expanding AI use cases into new areas while progressing select early pilots toward deployment. Our focus is on embedding AI into the day-to-day work of employees engaged in direct customer interaction, as well as back office and corporate functions.

Turning to slide 20, on sustainability. You will have seen that ADCB published its 2025 sustainability disclosures in an Integrated Report informed by IFRS, S1, and S2 standards, and the Bank has also introduced a Human Rights Position Statement. We are continuing to progress well towards our sustainable finance target of AED 1.25 billion by 2030, with our latest published commitments standing at AED 71.9 billion as at the year end. ADCB's ESG performance continues to be recognised by leading global rating agencies. In the first quarter, the bank earned the 'ESG Industry Leader Badge' from Sustainalytics, while its FTSE Russell ESG score increased to 4.0 from 3.7, supported by 5.0 governance score and continued progress across key social indicators.

On slides 22 and 23, you will see key macroeconomic charts. We expect some short term impact on externally exposed sectors such as trade, travel, and tourism. However, domestic activity has remained relatively stable and PMI data in expansionary territory indicates continued momentum in business activity and supports confidence in the operating environment. The financial system remains well positioned with comfortable liquidity conditions supported by stable deposits. In addition, the UAE benefits from a strong government balance sheet and fiscal fundamentals. Project awards in the first quarter remain solid, and we expect continued investment in strategic priorities, which typically generates a multiplier effect across the broader economy.

Finally, turning to slide 24, let me close with where ADCB stands following a strong quarter. We are reaffirming our guidance for key metrics for full-year 2026 and the medium term, as set out in the five-year strategy launched in early 2025. ADCB continues to deliver diversified earnings growth and sustained efficiency gains. We have also seen strong loan and deposit momentum in the first quarter, with CASA inflows supporting a favorable cost of funds. With strong capital and liquidity buffers and a disciplined approach to risk management, we remain confident in our ability to navigate and evolving operating environment.

Thank you, again, for your continued engagement. We will now open the floor to questions.

**Shabbir Malik (Morgan Stanley):** Thank you very much for the presentation. We'll now open the floor for questions and answers. If you would like to ask a question, please raise your hand. I'll start with the first question. This is from the line of Jon Peace. Jon, your line should be open.

**John Peace (UBS):** Hi there. Can you hear me okay?

**Shabbir Malik (Morgan Stanley):** Yes, please. Go ahead.

**Jon Peace (UBS):** Great. Thank you. Congratulations on the resilience of the results. First question is some of your peers have talked about looking to potentially revisit the guidance in the middle of the year. Is that something you intend doing and would you still think you could be able to maintain the 20% earnings growth target for this year? I guess it means basically keeping roughly the same level of profitability through the rest of the year as you have done in the first quarter. If so, I just wondered where you see the momentum or the levers to sustain that.

And then the second question, please, is if there's any color you could give us just about trends in March and April versus January and February as it relates to loan growth, deposit growth, and fee income? Thank you.

**Deepak Khullar:** Thank you, Jon. In terms of guidance, of course, we will be looking at how the economy develops over the second quarter and third quarter. As of what we see today between March and April, we haven't seen any unusual trends, but obviously the supply chain impact will be felt in quarter two. And should there be a need to revise guidance then we will look at it in - after quarter two. But where we stand today, we're confident that the trends will continue. We've got a very strong pipeline of growth, noninterest income as well. You can see we've had a very solid performance in the first quarter, we expect that momentum to continue. But obviously with the wider geopolitical environment, should things not improve, then clearly we will relook at our guidance after Q2.

**Shabbir Malik (Morgan Stanley):** Thank you. I'll now move to the next question. This is from the line of Jitendra. Jitendra, your line should be open.

**Jitendra Singh (Al Ramz Capital):** Hi. Thank you for taking my question. This this Jitendra from Al Ramz Capital. Just want to understand on impairments, so you reported impairments of around AED 638 million in total charges, including the AED 596 million overlay. So if we strip out this overlay, it suggests that underlying credit costs were very low in the quarter. Could you please confirm whether the core impairment charges ex-overlay, was close to the breakeven or maybe even a net recovery? So could you confirm on that?

And probably second question, I just wanted to check on - maybe this is this is too early to ask, but this is on your strategy or your strategy 2030. So maybe as I said earlier, but on your strategy targeting AED 20 billion net profit, does the current environment change the phasing of delivery even if the end target remains intact? Should we expect a flatter ROE trajectory in the near term? Thank you.

**Deepak Khullar:** Thanks, Jitendra. I think what you see in the impairment charge is the net impairment charge after recoveries of written-off accounts. But the gross impairment charge was AED 711 million, as reflected in Note 10 of the financial statements. And these charges are the total of impairment charges and impairment reversals on existing accounts that are not written-off. There have been provision reversals during the quarter due to repayments from certain customers, and thus the underlying charge is higher than what you see in the numbers.

But if you look at Note 30 - Operating Segments, you would see Retail Banking year-on-year impairment has gone up from AED 145 million to AED 277. Corporate and Investment Banking gone up from AED 8 million in quarter one 2025 to AED 242 million. Private Banking is where you would see a decline from AED 499 million to AED 126 million. And in Q1 2025, we had taken a fairly large charge on legacy accounts, which obviously is not repeated this year. So when you look at all of this together, the bank has taken a higher impairment charge in Q1 2026. But we've also seen some of the reversals coming through on accounts that have paid up during the quarter.

In terms of the strategy, we remain committed to that strategy and we're not making any changes to that. Our guidance remains the same across all of the metrics. The portfolio and the pipeline of credit growth remains solid. And we expect that to be drawn down during the coming three quarters. So as at this point in time, we're not making any changes to either our 2026 guidance or the medium-term guidance that we put out so far.

**Shabbir Malik (Morgan Stanley):** Thank you. We'll now move to the next question. This is from the line of Mehmet. Mehmet, your line should be open. Please go ahead.

**Mehmet Sevim (J.P. Morgan):** Hi. Good afternoon. Thanks very much for taking my question. I have just a couple. So one on the overlays. Could you please walk us through the methodology that you applied here? Some of your peers talked about specific weightings of the downside scenarios that they're now using. If you can please give us any color on that, that will be very helpful. And what macro assumptions specifically underpin the overlay?

Second question was on the trading income, which looks very strong this quarter. And I just wanted to understand how much of this is client driven and linked to the structural improvements you've been delivering recently? And how much you think is linked to the cyclicality and the volatility that we saw in this quarter?

And finally, the growth momentum seems to have shifted back to UAE this quarter, after very strong momentum we saw in international last year. Can I please ask, with everything that's changed now, how would you see that split going forward in terms of the drivers of net growth? Thanks very much.

**Deepak Khullar:** Thank you, Mehmet. Let me take the first one on overlays. So we're in a position where the conflict has created an unusual macroeconomic environment oil supply shock, where oil prices increased while export volumes were constrained. So this breaks the historical relationship embedded in some models where higher oil prices typically correlate with stronger regional conditions, meaning model outputs can understate emerging risk and can even show counterintuitive provision releases. So as a result, we've applied a management overlay to ensure that the provisioning remains aligned with reasonable and forward-looking risk signals under IFRS-9.

So we've adopted a three step approach. We've updated the macroeconomic variables. We've adjusted the scenario weights to reflect higher likelihood of downside outcomes, given elevated uncertainty. We've also looked at tactical sector specific stress tests to capture sector stresses in a macro environment that is not well represented by historical data. And our business, as usual, weights - we're roughly on the upside 20%, base case 50%, and downside 30%. We're now looking at upside of 10%, base of 30%, and a downside of 60%. So that then gives you a different level of impairment overlays. So basically that's how we've applied the overlay. And we looked at sectors like trading, real estate, investment, retail, hotels and restaurants, transport and energy. And on the trading income, I'll hand over to Robbert.

**Robbert Muller:** Yeah. As you know, we have been investing in the franchise quite a bit over the last couple of years. And we have been investing in people, we have been investing in infrastructure. We're offering a lot more products to our clients nowadays than what we did a couple of years ago. That's paying off, it's also paying off in a more volatile environment that we have seen.

In the past - and again, we need to be careful how we phrase this, there will always be volatility associated with net trading income. In the past, we have indicated that this roughly 50% of this business should be repeatable. I think we can be a little bit more confident that this number will be slightly higher. It's maybe more in the context of 60%. Again, this is not based on excessive risk taking at our end. If you look at the RWAs related to market risk, they're fairly small. They're AED 12.5 billion compared to the total RWA of the bank of AED 490 billion, which is only 2.5%.

So again, I think it's just the outcome of our continued investment in people, in infrastructure, in products, and getting into a more intimate dialogue on a lot more topics with our customers that we develop very carefully over the last couple of years.

**Deepak Khullar:** And then finally, on the growth momentum in the UAE, you're right that we've seen stronger growth domestically than internationally. And as I've said before, it depends quarter on quarter where those drawdowns happen. But at an overall level, we expect to be in this corridor of 70% domestic, 30%-odd in international. And that's where we are currently, about 28% international and 72% domestic.

**Mehmet Sevim (J.P. Morgan):** Super. That's very helpful. Thanks very much.

**Deepak Khullar:** Thank you.

**Shabbir Malik (Morgan Stanley):** Thank you. We'll now move to the next question. This is from the line of Murad Ansari. Murad, your line should be open.

**Murad Ansari (GTN):** Yeah. Hi. So thanks for the call. Just one question on loan growth. So we've had a very decent quarter on growth. As you mentioned, about AED 10 billion in GRE. So we had the a bit of a drop in GRE exposure last quarter, so is this somehow related that some of that has come back? And then the other element that's been a key driver here on growth is the FI lending. So if you could help us understand on the nature of this lending in terms of long-term, short-term and that.

And lastly on, Retail, so that's - you've done really well on the liability side where - on the Retail Banking, but the asset side has been quite stable for the last three or four quarters. So just wanted to get your thoughts on that. And just related to linking that up with your asset quality metrics, I mean, you've continued to improve the cost of risk and cross NPL formation as well. Just thinking that if you've been too conservative on the Retail side, especially in view of how some of the peer banks are actually seeing very strong growth on the retail side. So just wanted your thoughts on how you're looking at the Retail asset business. Thank you.

**Deepak Khullar:** Thank you, Murad. So the first question around GRE growth, yes, we're seeing very strong growth. Nearly 50% of the quarter growth has come through lending to GREs. And these are strong growth numbers, primarily in the infrastructure lending areas. And we expect that growth to continue to be strong, project awards as well in the first quarter of this year. And so we expect that growth on the government and GRE sector to continue.

Financial institutions as well. So these are typically non-deposit taking financial institutions, or non-banks, and covers a range of entities like SPVs, which are borrowing entities, other financial vehicles, sovereign wealth funds, brokers, et cetera. And they're engaged in various industries, from energy trading, et cetera, but primarily energy related as well. But these are financial institutions which are non-deposit taking institutions.

On Retail lending, you're right, we've been fairly stable on the Retail lending growth. But the Retail segment has been a fairly significant contributor to the deposit taking in the institution, with their CASA deposits moving up significantly. So a huge amount of focus has been on the liability gathering where we expect the retail lending growth to pick up in 2026 as we move ahead into the rest of the year.

**Murad Ansari (GTN):** All right. Thank you.

**Deepak Khullar:** Thank you.

**Shabbir Malik (Morgan Stanley):** Thanks. We'll now move to the next question. This is from the line of Olga. Olga, your line should be open.

**Olga Veselova (BofA):** Yes. Thank you. Thank you very much. Three questions. One is on funding, we noticed growth in treasury deposits and higher growth of deposits from related parties this quarter. How are these deposits allocated? Is there an auction process where you come with interest rate and you need to compete with other banks, so it's actually there is no auction? And what is usually typical maturity of these treasury deposits? That's question number one.

Question number two is on provisioning. Today we saw that all three major banks revised overlays and weights of factors in ECL models. Was this a requirement from Central Bank or was this individual management decision in each bank? And if this was Central Bank recommendation, requirement, do you think more can be asked or advised in the second quarter?

And my third question is, could you please remind us what your guidance on net interest margins is for the full year? Thank you.

**Robbert Muller:** I'll start on the funding one. Again, so Treasury takes detailed deposits from a variety of counterparties. These are normally the counterparts that have professional treasury departments on their side. These are the bigger customers. This is not an auction process, this is just the consequence of a regular dialogue that we have with these type of clients. Of course, there are more of a competitive nature. These clients, like I said, they do have a professional treasury function, so they will most likely put you in competition. But this is not an auction type of style. And then of course, we have also our needs in terms of maturity. So there's no fixed maturity to this. That could be short term money, let's say a month, but it could also be longer dated money, up to a year. Depending on our needs. It also, of course, depending on what these treasuries are looking for.

**Deepak Khullar:** Thank you. On the second point on provisioning overlays, no, this was not a specific requirement from the UAE Central Bank. But this is fully aligned with IFRS-9, which requires forward-looking information in ECL and allows for expert judgement or overlays when models do not fully capture emerging risks or when historical relationships may not hold. So therefore, all banks are looking at that from a forward-looking perspective as well. And overlays will be subject to quarterly review and recalibration as needed.

In terms of NIM, We've seen a compression of NIM in the first quarter. But if you look at our risk-adjusted NIM of 1.94%, which is how we run the bank, it's been pretty stable compared to the NIM for the full year last year, which was about 1.9% risk adjusted NIM. We do not expect any further rate cuts this year. And therefore, if we can hold the NIM steady, that would be a good outcome for us. Robbert, would you add?

**Robbert Muller:** No. Maybe some more color on the deposit side. Clearly, even before the events unfolded on February 28th, this is a competitive market. I think so far we have been - again, ADCB is of course a relationship-driven bank with a very granular franchise, both on the Corporate side, Private Banking, and Retail. So we have a lot of relational relationship deposits that roll at these levels. And also we've been very disciplined in our pricing during the month of March. So we have not seen too much upward pressure from that perspective on our cost of funding thus far.

**Olga Veselova (BofA):** Thank you. Clarification on your margin comment. You say you want to hold the margin steady by the end of the year, do you mean risk-adjusted or not risk-adjusted margin versus first quarter?

**Deepak Khullar:** We expect risk-adjusted margins to hold.

**Olga Veselova (BofA):** Thank you.

**Shabbir Malik (Morgan Stanley):** Thank you. We'll now move to the next question. This is from the line of Rahul. Rahul, your line should be open. Please go ahead.

**Rahul Bajaj (Citi):** Hi. Thanks for taking my question. Rahul Bajaj from Citi. I have two quick questions actually. The first one is on maybe the stressed sectors that you see at these levels. Which are those sectors where you think you need to put an extra eye on and you're kind of closely monitoring? And I double click on the hospitality and - the hotels and hospitality sector. If you could please help us quantify what kind of exposure you have to that segment, both from a Corporate perspective, but also from the Retail perspective, employees working in that sector. I mean, what is that as a percentage of your loan book, if you could provide some inputs? And have you seen any initial signs of stress in any of those externally sort of facing sectors? So that's my first question.

My second question is on margins. You talked about holding risk-adjusted margin stable through the end of the year. With the growth in GREs that we are seeing, is it fair to assume that the headline names will continue to contract as we go ahead, but probably the risk-adjusted margin would still be stable? Is that a fair way to think about it? That those are my two questions. Thank you.

**Deepak Khullar:** Thank you, Rahul. So as I mentioned earlier, the sectors most exposed to the conflict would be trading, real estate investment, retail, hotels and restaurants, transport, and energy. If you look at our other economic sector breakdown of loans, hospitality is a very small amount, just AED 5.5 billion on a total gross loan book of AED 434 billion. So it's a very small portion of our overall loan book. Similarly, real estate is today just about 11% of our loan book. And we've been progressively bringing that down over the years. So we do not expect too much of a stress on that sector. Trading, similarly, we have a small not very big amount, about AED 45 billion of the total AED 434. So roughly about 10%. Are we seeing any stress in these sectors? Not as yet, we haven't seen anything. But these are most exposed to any disruption in their businesses.

In terms of margins? Yes. We would like to maintain the risk-adjusted NIMs where they are for the first quarter. We could see some compression in gross NIMs going forward. But again, we'll see how the market behaves over the next few quarters. But we run the bank to risk-adjusted NIM. And you've seen that over the last several quarters as well, we've been running it to that level.

**Rahul Bajaj (Citi):** That's clear. Thank you, Deepak.

**Deepak Khullar:** Thank you.

**Shabbir Malik (Morgan Stanley):** We'll move to the next question. This is from the line of Chen Li. Chen, your line should be open. Please go ahead.

**Chen Li (China Securities):** Thank you for taking my questions. I have two questions. First, about the impairment charges, we see that the charges included overlays to address heightened geopolitical risks. Though, unlike FAB, you did not separately quantify the amount. So could you first talk about the size of those geopolitical overlays, and more importantly, what specific conditions would trigger additional overlays beyond what's already booked in Q1?

And the second question is about the non-interest income, which is very strong. But I saw the card-related fees appear to have declined. So could you explain why and whether this is a temporary or permanent trend? Thank you.

**Deepak Khullar:** Sure. On the impairment charges, as I mentioned earlier, we have taken an overlay of roughly AED 596 million in the quarter. And in terms of how we determine this overlay as well, I had briefly outlined the methodology in terms of updating the macroeconomic variables, looking at certain sector specific stress tests, various sectors. And then we use scenario weights on these macroeconomic variables, and upside, base case, and a downside. And this is where we would move that. And we've now moved it to an upside of a 10% outlook, base case of 30%, and a downside of 60%. That then gives us the forward-looking ECL. And we'll be looking at this every quarter, reassessing it. And should conditions improve, then obviously we will recalibrate that. And if conditions remain static, this - we will continue to keep this until such time as I think improve significantly.

In terms of the non-interest income, you're absolutely right, very strong performance. Total non-interest income grew 36% year-on-year and quarter-on-quarter, it increased 27%. Card-related fees, as you highlighted, has come down year-on-year. And that's primarily due to a timing difference in terms of some of the fees we receive from Mastercard, et cetera. Which last year came in quarter one, and this year we expect it to come in quarter two. So when we look at half one results, hopefully those will be balanced out. So that's the key driver.

And I think you'll also see that loan processing fees has a significant uplift as well in terms of uplift of about 54%. And that's primarily on account of a few accounts where either have settled early. So the unamortised portion of the fees gets then recognised to income. Or where we've sold some loans, then again, the unamortised fee gets recognised to income. But yes, overall, we've had a very strong quarter on the non-interest income.

**Shabbir Malik (Morgan Stanley):** Thank you. We'll move to the next question. This is from the line of Naresh. Naresh, please go ahead. Your line should be open.

**Naresh Bilandani (Jefferies):** Yes. Hi. Thank you, Shabbir. Hi, Deepak, Robbert. Thank you so much for the presentation. It's Naresh Bilandani from Jefferies. I have three questions, please. One, could I request if you could please, once again, share a summary of how the key items like NII fees, loans, and impairments would have trended through April? I know you did mention some comments about the continuing strength of the franchise, but again, it would be very helpful to hear the extent to which the Q1 is reflective of the business trends still continuing into May, while of course, the sort of like the geopolitical risk remains elevated. That's the first question.

My second question is, I'm just keen to hear your thoughts on how you are reassessing your international credit growth strategy in light of these elevated geopolitical risks. Now, we've seen growth in the first quarter, but from here, I'm assuming - but from here, like assuming this conflict elongates, should we expect to see any change in the trend between the local and international credit growth in your franchise? Just would be keen to hear your thoughts there.

And my third and final question is, I mean, we saw a liquidity injection that came into the system towards the end of the quarter from the UAE Central Bank. It would be very helpful if you could please offer some more color on this action in terms of recipients across the industry, what's the level of maturity, and what was the cost with regards to this injection? Any colour there would be very helpful. Thank you.

**Deepak Khullar:** Thanks, Naresh. As you probably aware, we can't comment much on quarter two numbers of April. In terms of generic trends, what we can say is that the momentum of Q1 continues into Q2. So we haven't seen any significant unusual activity around either net interest income or fees or loans or impairments. We still have a very strong pipeline of growth, we expect growth in Q2 as well. But unfortunately, I can't give you more detailed color on the April performance, other than to say the momentum continues.

In terms of how we are reassessing our local versus international, we've got very strong domestic growth. As you can see, this quarter, AED 10 billion of the AED 20 billion came from lending to GREs. We expect that to continue in the coming quarters as well. And we will continue to support our clients in the regional corridors as well, where they have businesses. So that is something we will continue to support them in. So, no significant change over there.

**Robbert Muller:** Naresh, are you talking about the liquidity surplus in the system or what are you referring to?

**Naresh Bilandani (Jefferies):** No, the contingent liquidity insurance facility, the AED 30 billion of funds that were - liquidity that was provided, please.

**Robbert Muller:** Again, that's really difficult to comment on. The only thing I can comment on that is that ADCB has not used any of these facilities. It could be the case that other banks have used that. I'm not privy to that information because it is a bilateral agreement between the Bank and the Central Bank. So to me, it's very hard to quantify where that liquidity injection is coming from. If I look on average, at the end of February, there was a surplus liquidity of roughly around AED 177 billion. That number came down, but it also came up again. And again, this is purely speculation from my end. It could be on the back of indeed banks participating in the facilities that were being offered. But again, I have no - I'm not privy to any of that information. All I can say is the situation for ADCB, that is we haven't used any of these facilities.

**Naresh Bilandani (Jefferies):** Understood. Thank you so much.

**Shabbir Malik (Morgan Stanley):** Thank you. We'll move to the next question in the queue. This is from the line of Kato. Kato, your line should be open. Please go ahead. Cato, can you hear us?

**Kato Mukuru (Cantor Fitzgerald):** Thank you so much for letting me ask some questions. And thanks so much for the presentation, to the management team. I think what I would like to understand is really the competitive environment. As somebody who banks and lives in the UAE, I mean, the number of offers I'm getting from various banks has been outstanding. So in an environment where good credit is probably scarce, I guess, hence the moves towards GREs and public entities, how would you describe the competitive environment before and after the conflict? I think that's really what we're trying to get at to get a sense of just how tough it is out there.

And then in terms of trading income, could you give us a little more color on what drove the outperformance, what is the secret sauce there? You see a lot of people are struggling with the volatility. So I would love to hear what you did right. And in terms of the conflict, one other follow up question would be, are you seeing anything in terms of account closures? Because one of the key risks when the conflict started was that your flight risk, people going back to Europe, going back wherever they came from around the world. Are you seeing any level at all of account closures or are they just being replaced immediately by new openings? I mean, there has to be some element of post a conflict in the business environment that's slowing down. Because we've been on three calls today and everyone keeps telling us everything's okay. And it's really hard to understand how that's possible. Thank you.

**Robbert Muller:** Maybe I'll start off with the trading income. I don't think there is a secret sauce. I don't think that what ADCB is doing at this point in time, or have been doing over the last three years, is a secret sauce. I think it's just - yeah, almost I would call it a plain good old banking, whereby we continue to invest, like I've said, in infrastructure and hiring the right people. Because in the end, this is a people's business, and having these more intimate discussions with clients and supporting their needs on a much bigger scale than what we have been doing before.

So I don't know whether it's a secret sauce. If you were to ask me, like I've said before, this is not on the back of a very massive risk taking from our perspective. So like I pointed out, there are RWAs connected to market risk are relatively muted. So this is also partially flow related. And that's of course, then again, a reflection of the multiple of products that we are trading today vis-à-vis a couple of years ago. So that's on the trading side.

Maybe on the funding side, the competitive landscape, again, I've been discussing before, also prior to the conflict, the funding market is a competitive market. And what's been very helpful for ADCB is just our granular reach into our client base. So we are still seeing a lot of deposits that we're rolling at this point in time at pre-conflict levels. And of course, that helps in keeping our funding costs down.

There are also clients out there who are asking for outlandish returns on deposits. But luckily for us, we are in a resilient position where we can say no to taking those type of deposits. So again, from my point of view, again, slightly speculating, the impact on the banking landscape might not be equally divided amongst all the banks. I think there will be some banks suffering more from this environment than perhaps we are doing at this point in time.

**Deepak Khullar:** Thank you, Robbert. On your first question on the competitive environment, the banking sector still remains very competitive in the UAE, both on the Corporate side and on the Retail side. And on the corporate side, we continue to gain market share. And that's driven by our product suite, the solutions that we provide to our client base. And not just on the lending side, but on all of the non-interest income side, especially trade finance, cash management, treasury solutions, derivatives, FX, et cetera. But the environment still remains very, very competitive in the UAE.

And on the question around conflict and account closures, we've seen a few account closures, but net-net we've seen an increase in acquisition volumes across both retail and the SME segment and Corporate. And you can see that in the deposit growth as well, 5% deposit growth in the first quarter. And we've seen net increase in our customer base in the quarter. So we saw some few account closures, not too many, but overall, it has been a net growth in our customer base.

**Kato Mukuru (Cantor Fitzgerald):**Thank you so much. That's very clear. Thank you so much.

**Harsh Vardhan:** Are there any last questions? Otherwise, we might bring the call to a close.

**Shabbir Malik (Morgan Stanley):** Just maybe a couple of questions from my side. In terms of the provision recovery that you saw this quarter, was it a client - a domestic client, a UAE client, or an overseas client? Is there some - if you can give some color on that, that would be pretty helpful.

And secondly, in terms of fee income, do you expect potential disruption in trade, any fee waivers to retail or SMEs potentially weighing down on your fee income trend in the coming quarters?

And finally, when we think about the worst case scenarios, how relevant are the recent crisis like COVID in terms of elevated cost of risk? How relevant are those in kind of framing what we're seeing right now in terms of how bad provisioning can potentially get? Do you think those are relevant in this scenario or that's - this is a different kind of a setup?

**Deepak Khullar:** Thank you, Shabbir. On the recoveries, I think it's not just one recovery, but there have been several, and I think mostly domestic client base. So those were the recoveries we saw. On fee income, especially trade, clearly, obviously trade volumes are lower in the coming quarter, then yes, that trade fee will be impacted. But as of now, we're not seeing that significantly. But as things resume, we would expect the pent up demand to sort of pick up, which means that the trade fee will pick up also. So it's a timing issue as to how the trade fees moves over the next few quarters.

In terms of fee waivers, those are primarily, yes, we've been offering them to our Retail clients and to the SME. And we expect that to be in Q2 but not significantly impact the overall fee income. There will be some impact, but not - I don't expect it to be significant. And overall, from a credit perspective, asset quality remains strong. We haven't yet seen any sign of stress emerging in the loan book or in client behavior. Utilisation patterns, repayment trends remain in line with expectation. There has been no evidence of unusual drawdowns or deterioration across key portfolios. But again, we remain cautious and we'll take a look how things pan out in Q2 and for the rest of the year.

And finally, in terms of COVID and this scenario, I think that was very different to the COVID scenario, when I think everything came to a standstill, businesses, et cetera. And everybody was impacted, all businesses equally. This is slightly different. Limited impact on certain industries for a certain period of time before things recover. So you can see in the UAE, overall economic activity is back to normal. And we expect that to continue going forward.

**Shabbir Malik (Morgan Stanley):** Great. I think we are coming towards the end of the hour. I know there are a few other questions in the queue, but maybe those can be taken offline by the Investor Relations team. I'll now hand it over back to the management to make any concluding remarks.

**Harsh Vardhan:** Thank you, Shabbir. And thank you very much, everyone, for dialing in to our call. The IR team will always be available post the call and in the next few days as well. So please, any questions we haven't gotten to, you can either call me or write us an email. And we'll ensure that we get back to you. So thank you very much. And thank you, Shabbir, for hosting the call.

**Deepak Khullar:** Thank you, all.

**Robbert Muller:** Thank you.

**Shabbir Malik (Morgan Stanley):** Thanks very much. Have a good have a nice day, everyone.

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