ABU DHABI COMMERCIAL BANK PJSC

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Second quarter 2026

Earnings call transcript

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ADCB

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Second Quarter 2026 earnings call transcript

Operator: Good afternoon everyone and welcome to the UBS Abu Dhabi Commercial Bank Q2 '26 earnings call. If you wish to participate in Q&A, please use the raise hand button in the middle of the bottom of your Zoom screen. I'll now hand over to our UBS host, Jon Peace.

Jon Peace: Thank you and good afternoon everybody. Welcome to ADCB's second quarter 2026 results call. My name is Jon Peace and I'm head of MENA Research at UBS. Before we start, I'd like to read a disclaimer. This webcast is for analysts and investors only and any media personnel are requested to drop off. This call may be recorded and by participating in this call you agree that the recording of your participation may be made publicly available for replay purposes. For further information, please see the disclaimers issued in the event email confirmation from UBS. At the end of the management presentation, the operator will give instructions on how to take questions. Please limit your questions to two per person to give time. Any unanswered questions can be directed to Investor Relations.

I'll now hand the call over to Harsh Vardhan, Senior Head of Investor Relations. Harsh, over to you.

Harsh Vardhan: Thank you, Jon and good day ladies and gentlemen. Welcome to ADCB's call on our second quarter 2026 financial results. We will be referring to the earnings presentation available on our investor relations 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 the key financial highlights as well as the operating environment and guidance before opening the floor for questions.

With that, I will now hand over to Deepak to begin on slide five.

Deepak Khullar: Thank you, Harsh, and good afternoon everyone. ADCB delivered an excellent first half performance reflecting the strength of the franchise, the resilience of the UAE economy and the disciplined execution of our five-year strategy. Against a backdrop of sustained economic momentum in the UAE, we continue to generate broad-based growth across our businesses while maintaining strong risk discipline. This resilience is evident across multiple dimensions from corporate lending and customer acquisition to revenue diversification and efficiency gains.

Quarter two profit before tax increased 26% year-on-year to our record 3.83 billion dirhams, marking the bank's 20th consecutive quarter of profit growth and unbroken run that stretches back to 2021. Half one profit before tax increased 28% year-on-year to 7.61 billion dirhams, demonstrating the consistency of our earnings trajectory and the strength of our business model. Net profit after tax reached 3.38 billion dirhams in the second quarter and 6.74 billion dirhams in the first half delivering a half-one return on average equity of 16.2%.

Non-interest income remained a key driver of performance, increasing 22% year-on-year in the first half, supported by higher fee and trading income. This reflects the continued diversification of our earnings profile. Additionally, cost-to-income ratio improved by 90 basis points year-on-year to 26.8% in the first half, reflecting double-digit top line growth combined with disciplined cost management.

Balance sheet momentum remains strong. Net loans increased by 42 billion dirhams, or 10%, during the first half with growth across a diverse range of economic sectors. Customer deposits increased by 27 billion dirhams, or 5%, year-to-date, underscoring the depth of our client relationships and franchise strength. This growth continues to be characterised by strong asset quality metrics.

Cost of risk improved to 38 basis points at the first half, remaining comfortably below our through-the-cycle guidance range. ADCB remains in a robust financial position with a CET1 ratio of 13.66% and a liquidity coverage ratio of 109.5% at June end.

On slide six and seven, you will see key income statement details for the first half and second quarter. Operating income increased 12% year-on-year to 11.98 billion dirhams in the first half with particularly strong momentum in non-interest income. This not only reflects robust revenue growth, but also the continued diversification of our earnings profile with a broader mix of income streams. Operating profit before impairment charge increased 13% year-on-year to 8.77 billion dirhams in the first half and rose 3% year-on-year to 4.36 billion dirhams in quarter two.

The consistency of these outcomes is important. This is not a franchise that has simply delivered a strong quarter, but one that continues to compound. The combination of sustained business growth, improving profitability, strong returns and disciplined risk management gives us confidence in the durability of our earnings and our ability to continue creating long-term shareholder value.

Turning to slide eight and a more detailed look at net interest income, which increased 6% year-on-year in the first half to 7.47 billion dirhams. This was driven by significantly higher volumes and disciplined pricing despite a lower interest rate environment following three benchmark rate cuts since September 2025. In the second quarter, net interest income was 3.73 billion dirhams, broadly stable quarter on quarter and 2% higher year-on-year. As expected, NIM moderated to 2.26% in the first half and 2.2% in quarter two, reflecting the lower rate environment and a shift in liability mix to maintain a resilient liquidity position. Notably, risk-adjusted NIM increased to 1.91% in the first half supported by a lower cost of risk and continued asset quality strength.

Turning to slide nine, non-interest income remains a key growth driver, increasing 22% year-on-year to 4.5 billion dirhams in the first half. Growth was broad-based. H1 net fee and commission income increased 21% year-on-year, primarily driven by higher activity across cards, lending, and trade finance. Card-related fees rose 34% year-on-year and loan processing fees 24%, complemented by higher trade finance and asset management income. This breadth gives us confidence that fee generation is structured rather than driven by any single line. Net trading income increased 35% year-on-year to 1.93 billion dirhams, supported by higher gains from FX, derivatives and financial assets at fair value through P&L.

As a result, revenue diversification continues to strengthen with non-interest income contributing 38% of operating income in the first half, compared with 34% in the prior year period. As rates normalize, the growing contribution from non-interest income provides a natural offset to margin pressure and supports a more balanced and resilient earnings profile. Momentum remained strong in the second quarter with non-interest income increasing 12% year-on-year and fee income rising 28%.

Turning to slide 10. As mentioned earlier, the cost-to-income ratio improved by 90 basis points year-on- year to 26.8% in the first half, achieving positive jaws as income growth outpaced the cost base. I would like to highlight that the bank continues to invest in strategic growth initiatives including talent, technology, AI, and new business capabilities. Operating expenses increased 8% year-on-year to 3.21 billion dirhams in the first half and were up 12% year-on-year at 1.69 billion dirhams in quarter two.

I will skip over slide 11 where you will find key balance sheet metrics and go straight to details of the bank's strong loan growth on slide 12. As mentioned earlier, net loans increased by 42 billion dirhams during the first half, or 10%, year-to-date and by 22 billion dirhams, or 5%, during the quarter to reach 445 billion dirhams. Credit demand has remained robust across a broad range of economic sectors with growth in the first six months of the year driven by energy, trading, manufacturing, and government- related entities.

The strong demand we are seeing reinforces our confidence in the economic outlook and our ability to support clients across a wide range of industries. It is worth underscoring the momentum behind this growth. We extended 85 billion dirhams of new credit during the first half against 44 billion dirhams of repayments. Geographically, the UAE represented 70% of gross loans while international exposure stood at 30% supporting ADCB's strategy of balanced domestic and international growth. The portfolio is becoming larger, more diversified and increasingly resilient.

Turning to slide 14, asset quality metrics continued to improve during the period reflecting the strength of the portfolio and disciplined risk management. The NPL ratio declined further to a record low of 1.71% while provision coverage ratio increased to 159.4%. Total coverage including collateral remained exceptionally strong at 272%. Net impairment charge was 1.17 billion dirhams in half one, 36% lower year-on-year, primarily due to higher charges related to a few legacy corporate accounts in the prior year. The lower Q2 charge is driven by higher recoveries and portfolio quality. On a like-for-like basis, the underlying gross charge was essentially flat, 711 million dirhams in Q1 and 695 million dirhams in Q2. What changed is the recoveries, 159 million dirhams in Q2 versus 73 million dirhams in Q1, more than double. That accounts for the bulk of the roughly 100 million dirhams improvement in the net charge from 86.38 million dirhams to 85.36 million dirhams.

I will now hand over to Robbert to cover the investment portfolio, customer deposits, and capital position.

Robbert Muller: Thank you, Deepak, and good afternoon to everybody on the call.

Please turn to slide number 16. The investment security portfolio continues to provide liquidity, diversification, and a stable contribution to the bank's overall balance sheet strength. The portfolio increased to 171 billion dirhams at June-end, up 11% year-on-year and 3% year-to-date, with 99% invested in well-diversified bonds. In terms of accounting treatment, 41% of the investment securities were carried at amortized cost and 59% at fair value to other comprehensive income and market-to-market on a daily basis.

Turning to slide number 17, we continued to see solid momentum in deposit inflows during the first half. Customer deposits increased by 27 billion dirhams to reach 527 billion dirhams at June-end, up 5% year-to-date and 14% year-on-year, reflecting the strength of the ADCB franchise and customer relationships. CASA deposits increased by 9 billion dirhams in the first half to 241 billion dirhams and represented 45.7% of total customer deposits, up from 44.7% a year earlier. In the second quarter, we attracted 8 billion dirhams in term deposits, supporting a resilient liquidity position. Reflecting this funding strength, our loan-to-deposit ratio stood at a comfortable 84.4% at June-end, and ADCB was a net lender of 40 billion dirhams in the interbank market.

Turning to slide number 18, the bank maintained a solid capital position at June-end. The CET1 ratio stood at 13.66%, while the capital adequacy ratio was 16.50%, comfortably above regulatory requirements for a DSIB, or a domestic systematically important bank. This provides a strong foundation for disciplined growth, continued investment in strategic priorities, and resilience in a dynamic operating environment.

I will now hand back to Deepak to discuss the operating environment and guidance.

Deepak Khullar: Thank you, Robbert. Turning to slides 20 and 21, the UAE economy continues to demonstrate significant resilience, supported by strong fundamentals and sustained domestic investment. Within the banking system, credit growth outpaced deposit growth in yearly terms during the first four months of 2026.

Overall, liquidity remained comfortable and deposits were higher year-to-date. The investment outlook also remains constructive. Project awards in the first half reached the equivalent of nearly two-thirds of the full-year 2025 level. While activity moderated in the second quarter, we expect momentum to strengthen, led by critical infrastructure and oil-related investment, with continued support from the government and GRE sectors.

Finally, turning to slide 22, let me close with a summary of where ADCB stands at the end of the first half. H1'26 is a record on almost every metric. The underlying performance is strong and genuinely broad-based, diversified income, positive operating leverage, strong lending momentum, and improving asset quality, all delivered in a demanding operating environment. This financial strength provides significant capacity and flexibility to support our clients, capture growth opportunities, and meet the financing requirements arising from the UAE's continued economic transformation. Our performance in the first half gives us confidence in the durability of the bank's earnings trajectory and long-term value creation. We remain on track against our 2026 guidance and the five-year strategy launched in early 2025.

We will now open the floor to questions.

Operator: If you wish to participate in Q&A, please use the raise hand button in the middle of the bottom of your Zoom screen. Please limit yourself to two questions so we can give everyone equal opportunity. Our first question comes from Shabbir Malik with Morgan Stanley. Please unmute to ask your question.

Shabbir Malik: Thank you very much. I have two questions. Year-to-date, your loan growth has been about 10%. Can you give us some sense, based on your discussions around the potential CapEx in Abu Dhabi, what can we expect in terms of loan growth for the second half of this year? And maybe also on the margins, we saw a dip in margins in the second quarter. How do you see the margin trending for the rest of the year, and how do you think it's likely to end up by the end of 2026? Thank you.

Deepak Khullar: Thank you, Shabbir. Yes, year-to-date loan growth, 10%. We are positive on the trajectory and the momentum that we're seeing so far to continue into the second half of the year. The pipeline is strong, the demand is strong, and we expect to have a loan growth of high-teens by the end of the year. So we are on track to deliver the kind of growth that we had promised in our guidance. In terms of potential CapEx, there is a lot of CapEx in the UAE economy. I'll let Dr. Monica Malik comment.

Dr. Monica Malik: Thank you, Shabbir. As Deepak mentioned, the pipeline of project awards is very broad. It goes everything from the hydrocarbon sector, including gas, to chemicals downstream, but also in the non-oil economy, transportation projects, but also in Abu Dhabi, there's a lot of real estate projects going on as well, tourism, hospitality, and of course, renewable energy. A big focus also, I think, in the next two, three years will be diversifying supply chains and transportation links, so there'll also be a lot of investment into new ports, pipelines, and export capacity, and we see the pipeline broadening from here. So we think this isn't just a remainder for the second half of this year, but also going into the medium term.

Deepak Khullar: Thank you, Monica. And in terms of margin, yes, we've seen margin compression come through in the second quarter of this year. But I think most importantly, what we're running the bank to is the risk- adjusted NIM, which has improved over the last year. So, it's 1.91% is our risk-adjusted NIM for the first half compared to 1.83% in the first half of 2025. The margin compression that we saw in the second quarter was driven primarily by the higher cost of funds, which moved up based on the environment that we're in.

Our composition and mix of deposits also changed, more term deposits than CASA, even though we grew the CASA balances, but our term deposits grew at a faster rate than that, and that is to be expected in this challenging operating environment. Yields held steady. Between quarter one and quarter two, yields were steady at 5.3%, so it's basically driven by the cost of funds. And for the balance of the year, we expect NIMS to be stable, but obviously hoping that the environment will improve. And I'll also let Robbert comment on that, please.

Robbert Muller: Yeah. Maybe to follow up on the funding side, of course, the funding market in UAE, it was always, always very competitive before the conflict started, and that remains to be the case. So you can also see it in the liquidity surplus. So at the beginning of the crisis, there were, I think, 240 billion dirhams. That has come down to 80 billion dirhams as of late. So there's more pressure on the surplus, so there's also more pressure on the funding costs, and we expect that also to be continuing in Q3.

Shabbir Malik: Thank you.

Operator: Thank you. Our next question comes from Liu Jinzhu with China Security. Please unmute to ask your question.

Liu Jinzhu: Yeah. I have a question about loan growth. I found that international loans grow much faster than domestic UAE loans in Q2 and contribute to the majority of the quarter loan increase. Could you please break down the international growth by key geography and borrower type and product? And domestic loan growth was comparatively moderate during this quarter. Was that mainly due to the temporary wait-and-see approach in UAE project awards and to geopolitical uncertainty? How do you now expect the four-year-long growth, including the domestic and international lending? Thank you.

Deepak Khullar: Thank you for the question. Yes, we did see international lending grow in the second quarter, and that's more a timing issue on the drawdowns of the pipeline of deals that we have to international clients.

Domestic demand remains very strong, the pipeline even domestically remains very strong, and we expect to see that growth go up domestically as well. In terms of the lending is primarily in the GCC sector and in our presence in Egypt, Kazakhstan, and Saudi Arabia, where also now we very recently opened a branch. So basically, these three or four countries, along with the GCC sector, make up most of the international lending. Our commitments to lending also remain strong, at over about 90-odd billion dirhams, and those drawdowns would happen in the coming quarters. So again, most of the exposure is between Egypt, Saudi Arabia, and the GCC countries, and including Kazakhstan.

Operator: Thank you. Our next question comes from Murad Ansari, GTN Middle East. Please unmute to ask your question.

Murad Ansari: Yes. Hi. So just a quick question on fee income, that's been quite strong this quarter. So if you could just give maybe a broad overview on how that's trended, given the current environment, and how do you see that in the second half? Do you expect this trend to continue?

And then on the loan book, pleasing to see some pickup on the retail side versus the previous quarter.

Deepak, you've talked about retail being a key focus area. Are we seeing now this is really turning a corner and expect retail growth to continue to accelerate from here? Thank you.

Deepak Khullar: Thank you, Murad. And yes, we've had a strong first half on fee income across every line item, card-related fees, loan processing fees, asset management, trade finance, account-related fees, all of which have grown in the mid to high teens. And in particular, card-related fees we've had a strong first half, and that's also driven by certain fees that we get not on a regular basis, but they come periodically. So, as you would have seen in the first quarter, those were slightly lower, but now in the first half, those have increased significantly to 34%.

A lot of the fees are also correlated to the lending. And as lending improves 10% growth, clearly the correlation between loan processing fees, also that is likely to go up. And trade finance commission as we add newer clients and the lending clients that we've added, we also do trade finance, FX, derivative business with these clients. So, with a larger client base, we would expect the fee income to grow as well.

As we also mentioned on earlier occasions, as part of our five-year strategy, the growth in income and profitability is going to come not only from lending, but the fee income. And our goal was to take it from the early 30% of total income to closer to 40%. And we are pleased to see that momentum. We are now at 38%, and we'd like to continue to see that grow.

Retail also will pick up. We are seeing good momentum on the retail lending side as well. And the second half of the year looks promising for us on that front.

Murad Ansari: Deepak, just to follow up, I mean, you did mention in the first quarter that there were some fees from Mastercard, Visa, et cetera, that were late because of timing issues, and that was the reason the first quarter number was low. So, is the second quarter number, in particular, largely reflecting that kind of income coming through?

Deepak Khullar: Yes, it does. Part of that is because of that one-off gains.

Murad Ansari: And if I may add, just on the investment income that's trading income, that's another strong quarter here. I think Robbert did talk about some expectations of moderation, but it's kind of held up very strongly in second quarter as well. So, just some thoughts. Are we still seeing a lot of demand on hedging products, et cetera, that we saw in the first quarter? And how do you see the second half on this? Thank you.

Robbert Muller: Thank you. No, I think we still continue to see strong momentum also in the second quarter, and I have limited reason to believe that it'll change going forward. So, I think we're still quite bullish on this. At the same time, like I said on the previous call as well, we continue to invest in people, continue to invest in new products, continue to invest in infrastructure. That hasn't slowed down. Since the start of the crisis, we continue to do so. And again, I also said again on the last call that we think that roughly 60%-65% of this is repeatable. Of course, trading income will also have an element of variability in it, and that is to be seen how that develops. But overall, the flows, what we see from our client, the client behaviour, I think we're still very positive on.

Murad Ansari: Great. Thank you so much.

Operator: Our next question comes from Olga Veselova with Bank of America. Please unmute to ask your question.

Olga Veselova: Thank you, and good day. I have two questions. One is on net interest margin, and second is on costs. So, on net interest margin, I want to come back to the increase in cost of funds in the second quarter. I see that your deposit growth was actually pretty moderate, less than the 1% QoQ. So, you didn't really compete for deposit gathering. Was the mixed effect of what was behind this increase in blended cost of funds? And maybe you see that this pricing competition is coming down in the second half of the year. So, do you think your margin can recover a little bit after the decline in second quarter?

And my second question is on costs. In previous quarters, you have mentioned good room for cost optimization, and we saw this in the numbers. And now we see that OpEx grew by 8% year over year for first half, 12% year over year for second quarter, so these are well above domestic inflation. Is there actually a room for optimisation, or your investments into IT and people and AI will more than offset the optimisation efforts? Thank you.

Robbert Muller: I mean, I'll kick it off on the funding cost. Again, like I've said before, how the market remains competitive, the liquidity surplus came down. And there are certain client segments that require higher spreads. Of course, we are a relationship bank. We have many relationships whereby we roll the deposits at very, very favourable rates, but there's also a certain segment which is more professional, and they will require higher spreads. And I think from our end, we have been very selective as to where we pay off. So, that's one element of it.

The second element, of course, is also, because rates have been going up, we have seen an increase in term deposits which is also adding to our funding cost as such.

And the third element is maybe a little bit technical in nature, but we do have a mismatch in our balance sheet in terms of the assets and liabilities. So, EIBOR went up during the quarter, and SOFR stayed the same. So, that also added to our funding cost as such.

So, again, I think going forward, like I've said before, we do expect this pressure to persist, depending always a little bit what happens on the wider market, what happens to the liquidity surplus. But again, at our end, we have been trying to be very selective as to whom we are paying up. And we also let some deposits just go because it's not worth overpaying.

Deepak Khullar: Thank you, Robbert. And on the other elements of OpEx growth and OpEx costs, if you look at the first half of this year, we still got very positive jaws, operating income up 12%, expenses up 8%, so still 400 basis points positive jaws.

We are optimising the cost base, but we are also reinvesting in the franchise. So, you would see the optimisation going back into revenue-generating opportunities, building new businesses, new products, investing in AI, in technology, upskilling or improving the operating platforms, et cetera. So, we will continue to invest in the franchise as long as that generates the revenue that we expect it to generate. And with the cost-income ratio coming down, return on equity going up, we feel that's the right approach to run the business. So, it is not a question that we are not seeing optimisation. We are seeing optimisation but reinvesting in the business.

Olga Veselova: Thank you, Deepak, and thank you, Robbert.

Operator: Thank you. Our final question comes from Waruna Kumarage with SICO. Please unmute to ask your question. Please try one more time. All right, looks like we're having some technical issues from Waruna. So, we'll go to our final question from Jitendra Singh with Alrama Capital. Please unmute to ask your question.

Jitendra Singh: Hi. Hi. Congrats on the results, and thank you for taking my question. Just quick question on the asset quality. I was looking at your presentation on page 15 which shows some early delinquencies for retail segment. I know your retail portfolio is very low, credit card portfolio is very low, but when I look at the credit card delinquencies for the market, it's been going up, whereas it's going up for autos as well for ADCB. So, just wanted to get your, maybe, views or, maybe, how do you see delinquencies in this segment? Is there any concern on any of these segments? Do you see any early signs of stress? Thank you.

Deepak Khullar: Thank you, Jitendra. I think, if you look at slide 15, you'd clearly see that ADCB's delinquency ratio, or what we define as 30 days past due, is well below what the rest of the banking sector is. Whether you look at it at the entire retail portfolio level, we are well below. Or even if we look by product with personal loans, cards, mortgages, and auto loans... If you look at auto loans, it's picked up slightly, not too much. 0.4% to 0.5% in quarter one and quarter two for ADCB. Similarly, for the rest of the banking sector, 0.6% to 0.7%.

Mortgage delinquencies are virtually flat for the banking sector. The last three quarters, 1.9% for ADCB. It has, in fact, come down from 0.4% to 0.2%. And cards, again, we've seen slight uptick in the banking sector from 4% to 4.6%. However, ADCB is far more stable between 2.5% and 2.7%. So, we have not seen a similar uptick in the delinquencies in our portfolio across all the products.

Deepak Khullar: And our cost of risk, as you can see, is down to 38 basis points for the first half of this year. And our risk-adjusted NIM, therefore, has improved over the first half compared to last year.

Operator: Thank you.

Deepak Khullar: Hope that answers your question.

Operator: Thank you. This concludes the Q&A session. I'll now hand back to Jon Peace.

Jon Peace: Thank you very much, Operator. I wonder, we probably have time for a follow-up if anybody has one, but maybe just I could ask a final question or two. The first one would be on the risk- adjusted margin. As you highlighted, it was up over prior year. Do you have a particular number in mind that you think you can achieve or that you're managing the business towards? And then, lastly, just around capital and dividend outlook, you've got this policy of the progressive dividend and reiterated that. Are you managing your CET1 towards a certain figure and just in terms of how we should model the dividend going forward or should we just imagine a relatively steady progression in the absolute level? Thank you.

Deepak Khullar: Thanks, Jon. Let me take the second question first. So there is no change to our guidance on dividend, which is a progressive dividend and we promised to pay over AED 25 billion, what we paid in the previous 5 years. And there's no change to that outlook or to that guidance.

In terms of CET1, we are on a strong CET1 and we are managing the bank quite tightly on the capital ratios. And the rights issue that we did last year and the timing at which we did the rights issue was absolutely the right timing. It's given us enough capital for the growth that we are seeing coming through, 10% in the first half of this year. And after the growth, our CET1 is still fairly strong at 13.66% and a total CAR of 16.5%. So our guidance on CET1 is to be above 12%. We are well above that. We will continue to manage the bank quite strongly around capital, but we have enough capital for growth that we see coming through.

On the risk-adjusted NIM, we are at 1.9% and that's an improvement from last year's 1.83%. We hope that we will continue to improve on this. If not, at least keep it stable. So that is a level at which we think we can maintain our risk-adjusted NIM.

Jon Peace: That's great. Thank you. Operator, do we have any final questions? And if not, we could pass it back to management for closing comments.

Harsh Vardhan: I think Naresh had a question. So if we have Naresh on the line, please go ahead. If you could just unmute, Naresh Bilandani from Jefferies, please.

Operator: Naresh, please go ahead with your question.

Naresh Bilandani: Harsh, thank you so much. Hey, Deepak, Robbert, it's Naresh from Jefferies. Thank you so much for your time today. You didn't answer my question on the net interest margin. I had a question on how do you see this panning out in the second half of this year? Just, if you could, please, Deepak, add some colour in case there is a rate hike from the Fed as we go into 2H, and given the fact that we are entering into an environment where cost of funding has been elevated or is likely to be elevated for some time, how should we think of the sensitivity around the net interest margin in the new reality? Any colour there, that would be super helpful. That's first.

And my second question is, is there any particular reason why you moved the NMC loan, I think, which was categorized as fair value through P&L, from loans to the investment book? Should we be reading anything into this? Any colour there would be great.

And my third and final question is, if you could please just call out a few areas or factors that are keeping the impairment charges quite suppressed despite the conflict. My plain question, simple question would be how should we factor this into our modelling into the second half of this year? While I realize that the visibility still remains mixed, would you expect to see the second half trend be somewhat elevated on the impairment charges as compared to the first half? Or should these continue to remain muted simply because there's some factors within the franchise that are a lot more resilient as compared to what we've seen in the previous years? Thank you so much. I'm happy to repeat if you didn't get any of the questions, please. Thank you.

Deepak Khullar: I'll try my best, Naresh. I'll take the last two and then probably Robbert can comment on the rate hikes and the interest rate sensitivity. First one around the NMC loan, I don't think there's anything to read in there. It's just a matter of classification. We are now carrying all of the fair value through P&L assets in one category. It's more a reporting item rather than anything else. So it's all loans and all investments in a particular category, which is fair value. So there's nothing further to read in there.

And in terms of impairment charges, I'd just like to say that our total ECL actually rose over the first half, about 800 million dirhams. So it went up now to 8.7 billion dirhams. And the total coverage was held at 1.91% of the NPL book, or the entire book. So this is not a release story. What you're seeing in stage one and stage two is a change in the mix and quality of the book, not a reduction in prudence. So the 42 billion of growth that we saw was entirely in stage one and the new business came on at a better average credit quality than the exposures that repaid or rolled off. So stage two is a smaller book, but more heavily covered. And the incremental provisioning has gone precisely where the risk has actually emerged, which is in stage three.

So I'd just like for you to take that away. And if you just look even at the numbers which are in, I think, notes 9 and 10 to the financial statements, you will see that the impairment charge in quarter one was 711 million dirhams. In quarter two, it was 695 million dirhams. We just had significant recoveries in quarter two of 159 million dirhams. Therefore, you see the net charge coming down from 638 million dirhams to 536 million dirhams, driven primarily by the recoveries. So the bank continues to remain prudent and will take charges wherever we think we need to, and you can see that flowing into stage three accounts. I hope that answers your question. And then I'll hand over to Robbert to comment on the interest rate sensitivity.

Robbert Muller: Thank you, Deepak. On the interest rate sensitivity, if you may recall, we have been bringing this down gradually over the last couple of years, so it's been stable from quarter to quarter. So at this point in time, the impact of a 25 basis points hike would be roughly 114 million dirhams impact on NII. And if you were to translate that into basis points, there will be 2 basis points. The impact will not be massive, and to be honest, I find it very difficult at this point in time to predict what will happen to rates because the markets have been fluctuating between one hike and two hikes. And, Monica, maybe you'd like to comment as well?

Dr. Monica Malik: Yes. I think, of course, at the moment the focus is on oil prices, but we've seen that being volatile. I think the Fed is very much on a wait-and-watch mode to see how oil prices, how sustained they are and how they filter into core. Our view is our base case is for no rate changes this year. Though, of course, if oil stays at this level, we do see risks of one rate hike in the fourth quarter of this year, but market expectations have been very volatile based on geopolitical developments in oil price.

Robbert Muller: And then, to conclude, the impact on NII will not be massive. So if this is going to be a hike of 25 basis points on an annualised basis, that's roughly a 2 basis points impact on NII.

Deepak Khullar: Thank you, Robbert.

Naresh Bilandani: Thank you so much. Thank you. Thanks a lot.

Deepak Khullar: Thank you, Naresh. And just a final couple of closing remarks from myself, and I'll just repeat what I mentioned earlier. H1'26 has been a record on all metrics. The bank's underlying performance is strong, broad-based. We're seeing diversified income streams, both from net interest income and non-interest income. The positive operating leverage, the pipeline is strong. The lending momentum is strong. We've done 10% in the first half. Asset quality is improving. All of this delivered in a very demanding operating environment, so we are pleased with the results and the pipeline, and the second half also looks to be of the same momentum.

So thank you very much for taking the time to be on the call. If there are any further questions that you may not have had the opportunity to ask, please send them across to Harsh, Senior Head of Investor Relations, and he'll get back to you. Thank you very much.

Operator: This concludes today's call. Thank you for your participation. You may now disconnect.

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