ABU DHABI COMMERCIAL BANK PJSC

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Third quarter 2026

Earnings call transcript

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ADCB

Abu Dhabi Commercial Bank
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Rahul Bajaj, Citi: Hello, good morning and good afternoon to everyone on the line. This is Rahul Bajaj from Citi Research in Dubai. We are delighted to host Abu Dhabi Commercial Bank's third quarter 2026 earnings call today. Representing ADCB, we have Deepak Khullar, Group Chief Financial Officer; Robbert Muller, Group Treasurer; Dr. Monica Malik, Group Chief Economist; and Harsh Vardhan, Senior Head of Investor Relations. Without further delay, I will pass the call to Harsh.

Presenter: Harsh Vardhan

Thank you Rahul, and good day, ladies and gentlemen. Welcome to ADCB's call on our third quarter 2026 financial results, which were announced yesterday.

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, followed by 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 morning, everyone.

ADCB's record results for the first nine months of 2026 demonstrate the earnings power of the ADCB franchise, supported by positive momentum in the UAE economy and disciplined delivery against our five-year strategy. We continue to generate broad-based growth across our businesses, while maintaining strong risk management, with significant lending activity and increasingly diversified income streams.

Third quarter profit before tax increased 28% year on year to a record 4.06 billion dirhams, marking our 21st consecutive quarter of profit growth and more than tripling since the third quarter of 2021.

Net profit after tax reached 3.56 billion dirhams in the third quarter, up 15% from a year earlier, and 10.3 billion dirhams in the first nine months, up 27%, demonstrating the consistency of our earnings trajectory. Return on average equity for the nine-month period was 16.2%, compared to 14.7% a year earlier.

Non-interest income continues to be a key driver of performance in the first nine months, increasing 21% from a year earlier and contributing 38% of operating income. Over the same period, the cost-to-income ratio improved by 40 basis points year-on-year to 27.3%, as revenue growth outpaced operating expenses.

We continued to expand the balance sheet at pace. Net loans grew by 66 billion dirhams, or 16%, over the first nine months, and customer deposits by 58 billion dirhams, or 12%. We have also gained market share in both loans and deposits, reinforcing our position as one of the leading banks in the UAE.

We achieved this growth while continuing to strengthen asset quality. Cost of risk improved to 36 basis points for the first nine months, compared with 73 basis points a year earlier, and the non-performing loan (NPL) ratio reached a record low of 1.60% at September-end. Reflecting the strong underlying credit quality of our portfolio, we have lowered our cost of risk guidance to below 50 basis points, from below 60 basis points, for both full-year 2026 and our five-year strategy.

Our capital and liquidity position remains robust, with a CET1 ratio of 13.79% and a liquidity coverage ratio of 116.8% at September-end.

We are now one year into our AI transformation programme, and making significant progress in embedding it across the Bank within a disciplined governance framework. AI is increasingly becoming a core enabler of our operating model, raising productivity, improving the customer experience and giving us greater operational scale. Together with our broader digital capabilities, these investments are delivering tangible business value and strengthening our competitive position.

Turning to slides six and seven, which present the key income statement details for the first nine months and the third quarter.

Operating income rose 10% year on year to 18.31 billion dirhams in the first nine months, led by another strong contribution from non-interest income. Beyond the headline growth, this reflects an earnings base that is becoming steadily broader and less reliant on any single source of revenue.

Operating profit before impairment charge increased 11% year on year to 13.3 billion dirhams for the nine-month period, and 7% to 4.53 billion dirhams in the third quarter, up 4% on the previous quarter.

What stands out is the repeatability of this performance - each quarter this year has built on the last. Sustained business growth, rising profitability, strong returns and a rigorous approach to risk give us confidence in the resilience of our earnings trajectory and our ability to continue creating value for shareholders.

Moving to slide eight… Net interest income rose 4% year on year to 11.34 billion dirhams in the first nine months. Strong loan growth more than offset the impact of lower interest rates following three benchmark rate cuts between September and December 2025. In the third quarter, net interest income grew 4% quarter on quarter and 2% year on year to 3.87 billion dirhams.

Net interest margin was 2.22% for the nine-month period and 2.16% in the third quarter, 4 basis points lower than the previous quarter. Asset yields improved during the quarter, but funding costs rose slightly faster as we increased term deposits and wholesale funding to maintain strong liquidity buffers.

Importantly, as we have highlighted on previous calls, we manage the Bank to risk-adjusted NIM, which increased 11 basis points from a year earlier to 1.89% in the first nine months and held steady at 1.87% in the third quarter, supported by a lower cost of risk and our strategic emphasis on lending to government-related entities.

On slide nine, non-interest income increased 21% year on year to 6.96 billion dirhams in the first nine months, continuing to play a central role in our growth.

Fee income was a major contributor, with net fees and commission income rising 24% to 3.37 billion dirhams in the first nine months. Loan processing fees increased 39% on the back of strong lending origination, and card-related fees grew 22%. With growth spread across products and closely tied to client activity, our fee income rests on a broad and sustainable base.

Net trading income for the nine months rose 39% to 2.89 billion dirhams, driven mainly by gains on financial assets at fair value through profit or loss, as well as higher foreign exchange income. Non-interest income now represents 38% of operating income, up from 35% a year earlier. This rising share reduces our sensitivity to interest rate movements and adds stability to our earnings.

The third quarter extended this trend, with non-interest income up 19% year on year to 2.45 billion dirhams and fee income up 28%.

Turning to slide 10, income growth again outpaced costs in the first nine months, delivering positive jaws and a 40 basis point year-on-year improvement in the cost-to-income ratio to 27.3%.

Operating expenses rose 9% year on year to 5.01 billion dirhams, as we continued to invest in our people, technology and AI, and in building new business capabilities.

We remain focused on delivering efficient growth, continuing to optimise our cost base, while maintaining a significant level of investment in the franchise over the coming quarters to support future profitability.

I will skip slide 11, which summarises the key balance sheet metrics, and move to slide 12.

Strong credit demand across the UAE economy supported loan growth in corporate, retail and private banking. Net loans rose by 16% in the first nine months, including 24 billion dirhams, or 5%, in the third quarter.

The third quarter was driven by domestic lending, with the UAE accounting for over 90% of the quarter's loan growth, with personal lending increasing by 14 billion dirhams during the quarter, alongside further growth in lending to government-related entities.

New lending reached 128 billion dirhams, more than double the 62 billion dirhams of repayments over the same period.

Geographically, the UAE accounts for 71% of gross loans and international exposure for 29%, consistent with our strategy of a balanced domestic and international portfolio. As the loan book grows, it continues to become more diversified and increasingly resilient.

Turning to slide 14, the credit quality of our portfolio strengthened further, supported by sound underwriting standards and close portfolio oversight.

The NPL ratio fell to a record low of 1.60% at September-end, from 1.71% in June. Provision coverage stood at 156%, and total coverage, including collateral, at 263%.

Net impairment charges were 1.65 billion dirhams in the first nine months, 44% lower year on year. In the third quarter, the charge declined 57% year on year and 12% quarter on quarter to 472 million dirhams. The year-on-year reduction largely reflects elevated provisions on a small number of legacy corporate accounts in the second and third quarters of 2025.

Asset quality has strengthened alongside the strong loan growth, confirming that the quality of our lending has kept pace with its scale. Cost of risk was 31 basis points in the third quarter and 36 basis points for the nine-month period, around half the 73 basis points recorded a year earlier.

With that, I will hand over to Robbert, who will take you through the investment portfolio, customer deposits and capital position.

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

Our investment securities portfolio remains an important source of liquidity and diversification for the Bank.

At September-end, the portfolio stood at 169 billion dirhams, an increase of 6% from a year earlier and 2% year-to-date. Approximately 99% of the portfolio was invested in bonds, maintaining a high-quality and well-diversified investment profile.

In terms of accounting treatment, 41% of investment securities were carried at amortised cost, with the remaining 59% at fair value through other comprehensive income and marked-to-market on a daily basis.

Turning to slide 17, we continue to see strong momentum in customer deposit inflows, reflecting the strength of the ADCB franchise and customer relationships. Deposits increased by 12% during the first nine months to reach 558 billion dirhams at September-end. The third quarter was especially strong, with inflows of 32 billion dirhams and growth across every business segment.

Over the past twelve months, deposits increased by 76 billion dirhams, ahead of the 71 billion dirhams growth in net loans, so our lending expansion remains well funded by our customer base. Deposits account for 70% of our total liabilities.

Current and savings account balances grew 16% year on year to 251 billion dirhams and represent 45% of total deposits, broadly unchanged from a year earlier. Term deposits accounted for 21 billion dirhams of the quarterly inflows, which, together with our wholesale funding activities and balance sheet optimisation, supported a robust liquidity position at quarter-end.

Reflecting this funding strength, our liquidity coverage ratio increased to 116.8%, from 109.5% in June, while the loan-to-deposit ratio remained comfortable at 84%.

Turning to slide 18, our capital position strengthened further during the quarter. The CET1 ratio rose to 13.79% at September-end, from 13.66% in June, and the capital adequacy ratio stood at 16.54%. Both ratios are comfortably above regulatory minimums, and CET1 remains ahead of our 12% guidance.

Our growth is also generating its own capital. Earnings added 192 basis points of CET1 in the first nine months, which supported 16% loan growth while holding the ratio steady compared with December. This gives us room to keep investing in our strategic priorities while maintaining adequate buffers above requirements.

With that, I will 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 resilience, supported by strong fundamentals and sustained domestic investment.

The PMI has remained in expansionary territory throughout the year, strengthening in September as output and new orders picked up, pointing to renewed momentum in non-oil economic activity.

There has been some tightening in banking sector liquidity, though still comfortable, as loan growth has outpaced deposit growth.

The investment outlook also remains constructive. Project awards have held up well during the first nine months, with Abu Dhabi accounting for almost half of the total across the UAE. Looking to 2027, we expect a rebound in economic growth, led by both the oil and non-oil sectors. Strong government spending, the ongoing investment cycle, and the recovery in externally facing sectors should support this rebound.

Finally, turning to slide 22, I would like to bring together the key messages from the first nine months.

Our performance this year has been strong on every front: record profitability, supported by growth in both net interest and non-interest income, positive jaws, substantial expansion in loans and deposits, and a further improvement in asset quality.

The sustained performance of the portfolio has allowed us to lower our cost of risk guidance to below 50 basis points, and we remain on track to deliver against our full-year 2026 guidance and the targets of our five-year strategy.

With a solid capital and liquidity position, we are well placed to keep supporting our clients and the UAE's economic ambitions, and we approach the final quarter of the year with confidence.

We will now open the floor to questions.

Rahul Bajaj, Citi: Hi, Deepak. This is Rahul from Citi. Maybe I will kick off, and then we can have others come in as well. I have two questions to begin with, Deepak. The first is on deposit competition. You mentioned earlier that there has clearly been some elevated cost of funding and deposit competition in the market. Are you seeing any signs of this competition easing in the fourth quarter so far? How do you see competition evolving on the deposit side over the next couple of quarters? That is my first question. My second question is on the lending growth ADCB saw during the third quarter. I wanted to understand whether you were involved in the leveraged part of the FCNR(B) deposits that Indian banks were offering. If so, what part, or what percentage, of the quarter-on-quarter growth seen in the third quarter came from those leveraged FCNR products, which I would assume are one-off in nature and should normalise in the fourth quarter? Those are my two questions, Deepak. Thank you.

Deepak Khullar: Thank you, Rahul. Let me take the second part of the question on lending growth, and then Robbert will respond on deposit competition. As you can see, we had a strong third quarter in terms of lending growth, both on the corporate side and on the retail side. Retail grew significantly and, yes, the FCNR product, which is well known, was part of that. FCNR is a seasonal product, and we leveraged that opportunity. It delivered an uplift to both assets and revenues in the third quarter, and we expect to offset any normalisation through other opportunities in the pipeline for the following quarter. So, yes, we participated, and it was a significant contributor to the uplift in both assets and revenues in the third quarter. Robbert?

Robbert Muller: Sure. On deposits, we have spoken about deposit competition in the past. Even before the conflict, this market was competitive, and that has not changed since the start of the conflict. We have seen excess liquidity in the system decline significantly over the last six months or so. In the last quarter, it was also unclear what would happen with the resilience package that the Central Bank extended on 30 September. Going forward, I expect competition to remain, although it may be slightly less. It is still early days, as we are only three weeks into the fourth quarter. We see some easing in pricing, but that may also be anecdotal. From our perspective, we will continue to see competition for deposits and, as a result, elevated pricing. To put this into context, competition is concentrated in a particular segment. As we have said before, there is also a large part of our funding base that we continue to roll at pre-conflict levels and that is not price-sensitive. However, there is clearly a segment, the more professional part of the market, that is asking for higher returns, and that is what we continue to see so far.

Rahul Bajaj, Citi: That is very clear. Thank you. Operator, can you please open the floor for questions?

Operator: Thank you. If you have a question, please use the raise-hand function at the bottom of your screen. Once your name has been announced, you can ask your question. If you wish to withdraw your question, please lower your hand using the raise-hand function. We ask that you limit yourself to two questions. Our first question comes from Naresh Bilandani with Jefferies. Please unmute to ask your question.

Naresh Bilandani, Jefferies: Yes, thank you. Hi, it is Naresh from Jefferies. Congratulations on the results. Two questions, please. First, Deepak, thank you for confirming the FCNR product. Would you be able to elaborate on the level of participation? I am trying to gauge what the normalised run rate in loan-processing fees and the non-mortgage retail product would have looked like had the FCNR product not been available. Also, would it be fair to assume that you acquired a new customer base through the scheme, and do you see cross-selling potential within that new customer base? I am trying to understand the extent of participation so we can assess the normalised run rate excluding FCNR. My second question is on asset quality. Could you share your thoughts on FIRP 3.0?

I am trying to understand what it looks like and how it compares with the FIRP originally announced at the start of the conflict. What benefits, if any, has the Bank received from these measures that may not repeat next year? There was also a reversal in the general impairment reserve in equity, as shown in note 19. Compared with the second quarter, could you confirm what drove that? I assume the reversal was made directly through retained earnings and did not pass through the income statement. I appreciate that there are several questions there, and I am happy to repeat any of them. Thank you.

Deepak Khullar: Thank you, Naresh. Let me take the first question. In terms of FCNR, as I mentioned earlier, we have a very strong existing customer base, as well as some new customers who participated in the product. As I mentioned, it is a seasonal product and obviously will not be repeated every quarter. It delivered a significant uplift to both assets and revenues in the quarter. It will not repeat in the fourth quarter, but we expect the resulting normalisation to be offset through other opportunities in the pipeline. I do not want to provide numbers excluding FCNR because that is not something we separately disclose publicly. Suffice it to say that we expect to compensate for the normalisation. In terms of asset quality, you are seeing strong asset quality, both in NPLs and in the coverage ratio. Some of the deferrals that we provided earlier have now migrated between stages. We have not seen any significant movement, except perhaps to some extent in credit cards. Other than that, the Bank's asset quality remains quite robust. On the reversal in the general impairment reserve through equity, the impairment reserve under equity is a function of IFRS provisions and the CBUAE requirement of 1.5% of credit risk-weighted assets. The provisions for this purpose include both IFRS provisions and certain other adjustments on assets. Anything recognised through this mechanism passes through equity; if there is a release, it is also released through reserves and equity, rather than through the income statement. We reassess this every quarter and will continue to do so.

Naresh Bilandani, Jefferies: Thank you. So this would effectively have gone back into retained earnings, correct?

Deepak Khullar: Yes.

Naresh Bilandani, Jefferies: Then, Deepak, what was the need to shift it from one line to another? Ultimately it remains within equity. Could you clarify whether this reserve forms part of CET1?

Deepak Khullar: It does form part of CET1, yes.

Naresh Bilandani, Jefferies: Okay. Thank you very much. I may have some follow-up questions and will contact you later.

Deepak Khullar: Absolutely. We reassess this every quarter. It is not something we review only at year-end or at the beginning of the year.

Naresh Bilandani, Jefferies: Okay, Deepak. Thank you very much for the clarification.

Operator: Thank you. Our next question comes from Jitendra Singh with Al Ramz Capital. Please unmute to ask your question. Jitendra, I can see you are unmuted. Please go ahead. It appears that we are having some issues with Jitendra's audio, so we will move to Rahul Rajan of Bank of America. Please go ahead with your question.

Rahul Rajan, Bank of America: Hi. This is Rahul Rajan from Bank of America. Congratulations on a good set of results. I have a few questions. First, on the NIM and loan-growth trajectory into 2027: I understand you are not providing formal guidance yet, but broadly, how do you see loan growth next year compared with this year? Also, on NIM, taking into account potential rate hikes and cost-of-funds pressure, how do you see NIM trending through next year? Second, from a tax-rate perspective, how should we think about the tax rate in 2027 and beyond? Should ADCB continue to benefit from the lower tax rate? Third, were there any one-off gains recorded in non-funded income in the third quarter? Those are my three questions. Thank you.

Deepak Khullar: Thank you, Rahul. On loan growth next year, we expect the momentum seen in 2026 to continue. We have good line of sight on deals in the pipeline, and the macroeconomic environment also supports that. We therefore expect similar double-digit growth in 2027. On NIM, for the remainder of this year, we expect it to be broadly stable, with the possibility of slight compression. We expect risk-adjusted NIM to hold up. Next year, similarly, we expect small compression in NIM, but not a significant amount. In terms of tax rates for 2027 and beyond, this depends on the exemption that a bank can claim. The maximum period allowed is five years, and the Bank has to qualify each year. Clearly, the Bank intends to continue working towards that. If there are any changes, we will signal them to the market with the year-end results. Lastly, in terms of one-offs, there were no significant one-offs contributing to the uplift in income. Similarly, on the cost side, we have not seen any significant one-off items.

Robbert Muller: Perhaps I can also address the question on rate sensitivity. As you are aware, ADCB has limited its exposure to rate sensitivity over the last couple of years. If rates were to decline, which appears unlikely at this point, the annualised impact would be negative AED 100 million on an annualised basis. If rates were to rise, which I think is more likely, the annualised uplift would be AED 126 million. That would equate to approximately two basis points of NIM uplift. The difference between the effect of rates rising and rates falling reflects different pass-through assumptions on the various scenarios.

Rahul Rajan, Bank of America: Understood, thank you. Just to follow up on NIM, you mentioned that risk-adjusted NIM should hold up for the remainder of the year and that there may be small compression next year. What Central Bank rate assumptions are embedded in these numbers?

Dr. Monica Malik: We expect one further rate hike by the Federal Reserve, which we expect the UAE Central Bank continuing, in December. We then expect rates to remain on hold through 2027, although we do highlight the risk of one further hike in the first quarter of next year. Our core scenario is one more rate hike, followed by rates remaining on hold.

Operator: Thank you. Our next question comes from Jitendra Singh of Al Ramz Capital. Please unmute to ask your question.

Jitendra Singh, Al Ramz Capital: Thank you for taking my questions. First, I want to return to loan growth, particularly on the retail side. Other retail loans increased sharply from approximately AED 46 billion to AED 59 billion during the quarter. Could you provide some colour on what drove that growth? Was it mainly unsecured personal lending or secured lending? Was it organic, or was there a change in portfolio mix? Second, on trading income, during previous calls you said that approximately 60% to 65% of trading income was repeatable. Trading income remained strong at close to AED 1 billion this quarter and has been around that level for several quarters. Does the 60% to 65% estimate still hold, and how much of trading income comes from realised client activity versus unrealised fair-value gains? Those are my two questions. Thank you.

Deepak Khullar: I will ask Robbert to respond on trading income, but let me first take the question on lending. On retail lending, as I mentioned earlier, with the increase in asset balances and the strong lending we have seen, loan-related fees also increased in line with that growth. A significant part of the increase relates to secured lending, including the FCNR product. That is the position on loans and related fees. On trading income I will let Robbert comment.

Robbert Muller: As we have discussed before, we continue to invest heavily in our franchise and capabilities. The 60% to 65% estimate still holds. We have seen very consistent performance in this area over the last few quarters, and we expect that to continue going forward.

Operator: Thank you. Our next question comes from Jon Peace with UBS. Please unmute to ask your question.

Jon Peace, UBS: Hi, thank you. My first question is on the new cost-of-risk guidance. When you originally guided to below 60 basis points, it appeared cautious, but the reasoning was that this was a five-year outlook and that there would be cycles during that period. If you are now reducing the guidance to below 50 basis points, does that mean you do not expect cost of risk to move materially above 50 basis points over the next three years? My second question is on absolute costs and the growth rate. Cost growth has increased somewhat over the recent period. Would you expect that to trend back towards mid-single-digit growth next year, or will it remain a revenue-dependent decision, such that you are comfortable allowing costs to grow faster while you continue to deliver strong positive jaws? Thank you.

Deepak Khullar: Thank you, Jon. We lowered the cost-of-risk guidance based on what we are seeing in the book. The book has moved towards much higher-quality credit, not only through GRE and government lending, but also through the quality of the corporate exposures we have booked over the last several years. It is a much higher-rated book and, therefore, we see lower ECL coming through. Based on what we have seen over the last three quarters in terms of cost of risk, and the line of sight that we have, we reduced the guidance. We have been trending around the 30-basis-point range, and we felt this was an opportune time to lower the cost-of-risk guidance. Clearly, you are right that there will be cycles, but from where we stand and given the quality of the book today, we believe below 50 basis points is reasonable guidance. In terms of absolute costs and growth rates, the Bank continues to invest and will continue investing in people, technology, digital capabilities and AI. We will see an increase in absolute costs. However, what you have seen thus far is positive jaws in the current environment, and we believe that continuing to invest is the right thing to do. Our cost-to-income ratio is at a very low level, in the mid-20s, or approximately 27%. Therefore, absolute costs will rise as the Bank continues to invest in these areas.

Operator: Thank you. Our next question comes from Shabbir Malik with Morgan Stanley. Please unmute to ask your question.

Shabbir Malik, Morgan Stanley: Perfect. I have one question. CET1 is approximately 13.8% at present. By year-end, assuming the dividend deduction, it could decline to approximately 13%. How do you assess the Bank's capital position? Do you believe you have sufficient headroom to support the growth and loan pipeline you are seeing in 2027 and potentially beyond?

Deepak Khullar: Thank you, Shabbir. You are right that CET1 will likely decline in the fourth quarter because the declared or proposed dividend is deducted in the fourth quarter. We expect that effect to come through. However, so far, organic capital generation has funded the strong growth we have seen, including 16% loan growth during the first nine months. We expect organic capital generation to continue funding growth. You will also have noticed that the RWA density of the book has declined significantly. The mix is moving towards GRE lending, government lending and secured lending, so RWA density is also declining. At these levels, we expect to continue funding growth through organic capital generation.

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

Murad Ansari, GTN Middle East: Good afternoon. Thank you for the call, and congratulations on a strong set of results. I have a few questions. First, on loan-book growth in the third quarter, a large proportion was driven by retail. Based on your numbers, approximately AED 7 billion came from non-mortgage retail and approximately AED 8 billion from private banking. Would it be fair to assume that the majority of FCNR loans were booked under private banking? Related to that, there was an AED 311 million impairment charge within the private-banking segment. Was that precautionary and driven by the growth in the book, or are you becoming more cautious? There was also approximately AED 300 million of cumulative charges, so that one. Second, on cost of risk, the nine-month outcome is below 40 basis points and your guidance is below 50 basis points, leaving a reasonably wide range. Is there anything you see that would require additional coverage or provisioning in the fourth quarter, or is the nine-month average broadly where you expect the fourth quarter to be? Third, on asset yields, there was a good quarter-on-quarter increase. How much came from the retail book, and did the rate hike contribute? Would you expect asset yields to increase further in the fourth quarter? Finally, could you confirm whether any part of the management overlays booked in the first quarter has been reversed, or whether you expect to reverse them in the fourth quarter? Thank you.

Deepak Khullar: Thank you, Murad. On loan-book growth, including approximately AED 7 billion in retail and AED 8 billion in private banking, a large portion of the FCNR loans was booked across both retail and private banking, so it appears in both segments. On the AED 311 million charge in private banking, our private-banking segment also includes businesses and LLCs owned by private-banking clients. Some of the provisions relate to business loans, and some reflect overlays and general impairment provisions. On asset yields, the retail book contributed to the slight improvement. The effect of the rate hike had not yet fully flowed through because the hike occurred in late September. We therefore expect some of that effect to flow through in the following quarters. On cost of risk, I believe your question concerns the sub-40-basis-point level at which we are tracking. We have guided to below 50 basis points, which is a fair corridor for us to operate within.

Murad Ansari, GTN Middle East: So you do not see any reason for a major increase because it is a wide range from 36 where you are to about 50, I appreciate that anything below 50 basis points would remain within guidance. Also, could you confirm the position on the overlays booked in the first quarter?

Deepak Khullar: Let me address the overlays. We took overlays in the first quarter and have written back some of them. More than half, or roughly half, still remains as an overlay, and we reassess that position every quarter. In terms of what we see, we do not see anything significant that would point to elevated cost of risk. That is one of the reasons we lowered our guidance from below 60 basis points to below 50 basis points.

Operator: Thank you. Our next question comes from Aybek Islamov with HSBC. Please unmute to ask your question.

Aybek Islamov, HSBC: Thank you for the conference call. Thank you for the conference call. Thank you for the answers so far. I want to clarify a few bits on the asset quality. Could you guide us what was your credit general impairment allowance to credit risk-weighted assets in the third quarter? It looks to me that this reversal of general impairments through, within your equity led to this ratio dropping below 1.5% in Q3, it would be great to have clarification here. That's number one. Number two, slide number 14 shows the NPL coverage, 156% as of September 2026. Can you remind us what goes into this NPL coverage calculation? In fact, you have footnotes here, but again, I can take this question offline, but I cannot reconcile this 156% number? It's your IFRS 9 reserves, it's your fair value adjustment that you show on the same slide, and it's the, it's also the general impairment allowance within your equity, right, which goes into this coverage, and it's the NPL number or stage three loan number which we report. These are the two kind of accounting questions. Thank you.

Deepak Khullar: Aybek, perhaps we can take the detailed NPL-coverage calculation offline and provide the calculation to you separately. On your first question regarding general impairment provisions, is that correct?

Aybek Islamov, HSBC: Yes, the ratio of general impairment provisions to credit risk-weighted assets. The Central Bank monitors that ratio, and the minimum is 1.5% of credit RWA, if I am correct.

Deepak Khullar: There are two elements. The first is the IFRS provision, which is calculated under the ECL model. The output of that model determines the IFRS general provision. The second element is the Central Bank requirement to maintain a minimum general provision equal to 1.5% of credit risk-weighted assets. The difference between the IFRS output and the Central Bank minimum can be recognised through equity or through the income statement. It is an accounting option. We recognise that difference as a reserve through equity. We reassess it every quarter and adjust the balance accordingly. We would be happy to take you through the calculation separately after the call.

Aybek Islamov, HSBC: That sounds good. I will contact you. Thank you.

Operator: Thank you. Our next question comes from Edmond Christou with Bloomberg Intelligence. Please unmute to ask your question.

Edmond Christou, Bloomberg Intelligence: I want to understand the increase in asset yield and whether it relates to FCNR credit additions to the book. The UAE is a very competitive credit market. We have seen that in mortgage origination, where pricing has been around 3.8% to 4%. Funding costs are increasing and margins are under pressure. Looking into next year, if funding costs continue to rise, which seems possible given the significant pipeline and credit-growth outlook, how much capacity do banks have to increase lending spreads and offset most or all of that funding pressure? Can margins remain relatively stable, or will competitive conditions and affordability create a drag on margins? Second, the Bank generated 5% sequential credit growth in the third quarter. Are you able to replicate something similar in the fourth quarter to offset normalisation? If so, would that growth come from GREs or from the Abu Dhabi pipeline you discussed? Finally, on the fair-value OCI investment portfolio, I can see that you booked approximately AED 760 million. Credit spreads have widened and markets remain volatile. If current conditions continue, what could the OCI revaluation look like in the fourth quarter? I estimate the CET1 effect at approximately 30 basis points. Is it possible to see that impact double in the fourth quarter? Thank you.

Deepak Khullar: Hi, Edmond. There are several questions there. You are right that the UAE market is very competitive. We saw funding costs increase during the first nine months, although, as Robbert mentioned, there has been some slight easing during the first month of the fourth quarter. Margin pressure exists, and competition remains strong. We do not manage solely to net interest margin. We evaluate client relationships based on RAROC and the overall contribution of each client, including not only interest income but also non-interest income. That includes cash management, deposits, trade finance, commission income, foreign exchange and derivatives. We therefore look at the total value of the client relationship. When we announced our strategy last year, we said that we wanted to increase non-interest income from 32% to around 40%. We are now close to that level, at 38%. As we deepen client relationships, we expect non-interest income to contribute more to profit growth in coming quarters. I would not say that it will fully compensate for margin pressure, but it will make a greater contribution. In terms of the 5% sequential growth, GREs were a major contributor. We expect similar momentum from the same sectors that supported growth during the first nine months, including government and infrastructure spending, where we expect to participate in lending. We are also gaining market share. Lastly, on trading income and fair value, these are market-driven, so I cannot provide a definitive number or trend. We assess the position each quarter. Robbert, perhaps you can add some figures.

Robbert Muller: Certainly. At 30 September, the mark-to-market on the OCI portfolio was approximately negative AED 0.9 billion. On the amortised-cost portfolio, the negative mark-to-market was approximately AED 2 billion. The portfolio is highly diversified by region, which provides some protection against further spread widening. The impact of spread widening has been fairly limited so far. Please also bear in mind that the duration of the portfolio is very short. Most exposures have been hedged against interest-rate risk through interest-rate derivatives, and the duration of the overall book is less than one year.

Operator: Thank you. We have another question from Xinyu Wang with China Securities. Please go ahead.

Xinyu Wang, China Securities: Thank you very much, and congratulations on the results. I have one question on asset quality. I noticed an increase in the credit-card delinquency rate in the third quarter. What was the main reason? Are higher rates or the conflict placing pressure on household debt-service in the UAE? Thank you.

Deepak Khullar: The increase in credit-card delinquencies was primarily a timing effect associated with the phased removal of FIRP. This accelerated the recognition of delinquencies that would otherwise have been spread over a longer period. Early-stage delinquency formation improved towards the end of the quarter, which suggests that the increase is largely transitory and concentrated in existing delinquency vintages. Our credit-card delinquencies remain well below the rest of the market. That is also the case across the other products we track. We do not believe this indicates a broader trend of increasing delinquencies.

Xinyu Wang, China Securities: Thank you.

Operator: Thank you. We have a follow-up question from Aybek Islamov with HSBC. Please go ahead.

Aybek Islamov, HSBC: Thank you very much. I have one brief follow-up. How do you think about the local funding premium that banks now have to pay on deposits since the conflict began? Do you view it as transitory, or is it a structural funding premium that is here to stay?

Robbert Muller: It is a good question and, of course, difficult to answer with certainty. I do not have a crystal ball regarding how the situation will develop. What we do see is that loan-growth momentum continues. One could argue that the UAE is doubling down on investment in certain areas, and ADCB wants to play a role in financing that development. We therefore expect some funding pressure to remain. You can also see that the dollar-SOFR spread has widened. We fund some of our dollar positions with dirham funding, which adds pressure. I do not expect that pressure to disappear completely. However, once the regional situation settles, I expect some normalisation, which should lead to lower funding costs over time. Again, it is difficult to predict precisely, but that would be my base case.

Harsh Vardhan: Thank you, Aybek. Deepak, any final remarks?

Deepak Khullar: Thank you, Harsh. I would like to leave the audience with a couple of thoughts. The Bank delivered a very strong performance, including record profitability. We saw strong growth in both net interest income and non-interest income, positive jaws on the cost-to-income side, substantial expansion in loans and deposits, and an improvement in asset quality, supported by strong liquidity and capital positions. We are well positioned for the coming quarter and for 2027. Thank you, and thank you for your time on the call.

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