FAB Q1'25 Earnings Call Transcript*

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Operator: Hello all, and a warm welcome to First Abu Dhabi Bank's first-quarter 2025 results call. My name is Nadia and I'll be the moderator for today. Joined on the call today, we have the First Abu Dhabi Bank's senior management team, who will discuss the Group's first financial results of 2025. This call is restricted to analysts and investors only. If you are a member of the press or media, kindly disconnect now. At the end of the presentation, you'll have the opportunity to ask questions. You can ask a question by pressing star followed by one on your telephone keypad.

I will now have the pleasure of handing over to your host today, Sofia El Boury, head of investor relations. Sofia, please go ahead.

Sofia El Boury: Thank you, Nadia. Good afternoon, everyone. Welcome and thank you for joining us today to discuss First Abu Dhabi Bank's financial results for the first quarter of 2025, which we published earlier today. All related disclosures are available on the investor relations section of our corporate website and through the FAB IR app. Today's call will be led by Lars Kramer, our Group Chief Financial Officer, and Chris Jaques, our Group Chief Risk Officer. Lars will walk you through the earnings presentation and we will open the floor for questions at the end of the session.

With that, I'll now hand it over to Lars for the presentation.

Lars Kramer: Thanks, Sofia. Good afternoon, everyone, and welcome and thank you for joining us today. I'm pleased to present FAB's financial results for the first quarter of 2025. As usual, I'll go through the slides quite quickly in order to allow us a bit more time for Q&A at the end.

So, starting with the first slide, slide number four, and our key highlights, clearly I'm very pleased to report that FAB has delivered an outstanding set of results in the first quarter of 2025. The Group profit before tax reached a new high at 6.13 billion dirhams and this is up 22% compared to the first quarter of 2024. Similarly and despite, actually, the step-up in UAE corporate tax, the Group net profit grew 23% year-on-year to 5.13 billion dirhams. The ROTE for the first quarter was in excess of 20% and this is well on track with our medium-term guidance and an outstanding level of return, considering the scale of our institution.

The Group revenue grew 11% year-on-year to 8.81 billion dirhams and, as you'll see in the subsequent slides, these results were achieved on the back of a sustained business momentum. It

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was underpinned by resilient NIMs, diversified revenue streams, and strong client activity as well as ongoing operating efficiencies and a prudent approach to risk. The Group delivered 4% and 7% growth in loans and deposits year-to-date respectively and the Group's total assets crossed the 1.3-trillion-dirham milestone. Importantly, we maintained robust balance sheet fundamentals across asset quality, liquidity, and capital and this is positioning us well for future growth.

Now, moving on to slide five, our achievements in the first quarter continue to underline the progress in our strategic initiatives. These are to drive diversified growth as well as transformation, which are fundamental to our sustained performance and resilience.

Firstly, we continue to unlock growth across businesses as well as sources of income. A healthy origination and strong deal pipeline execution have resulted in balance sheet growth as well as FAB securing consistent top-tier rankings across all major IB League tables. We also had a record performance in markets. We saw sustained fee momentum across our businesses and enhanced cross-sell, all of which fuelled robust growth in NFI, which now stands at 43% of Group revenue.

The retail momentum was also very strong and this was driven by customer acquisitions, 10% growth in CASA, and 57% expansion in assets under management. During the quarter, we also realigned our business segments to better reflect our customer-centric strategy and further enhancing our ability to serve client needs in the UAE and across our international franchise.

Secondly, we continue to leverage our extensive global presence to build new client relationships across key economic corridors and markets, resulting in double-digit expansion in both loans and deposits. At country level, we are seeing good momentum across a number of key markets within the region and across our operations in Europe, US, and Asia-Pacific.

Next, we continue to invest strategically to enhance customer experience as well as drive operating efficiencies. We've accelerated our AI deployment with FAB actually becoming the first bank in the region to use an AI-enabled agent at our board level as a board observer. We also continue to leverage technology across the business, leading to a significant increase in new-to-bank customers as well as improved net promoter score and increased digital engagement. These initiatives continue to create productivity and efficiency gains, resulting in a Group cost-to-income ratio of 22.3%.

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Lastly, we continue to deliver against our ESG agenda. Sustainable and transition financing facilitated to date rose to 284 billion dirhams and that's 57% of the Group's 2030 target of 500 billion. We've also issued the first major report aligned with the TNFD framework of any bank in MENA and we continue to boast leading ESG ratings in MENA with the best Refinitiv ESG score, where we're in the top 6% worldwide, as well as the best MSCI ESG rating of AA.

Going to the next page, I know that there is a concern amid persistent market volatility at the moment, so we just thought we'd give a little bit of insight into how we view things from a FAB and UAE perspective. The key point here is that the UAE and the region clearly stand out as relatively more resilient. In particular, the UAE's economic fundamentals have significantly strengthened over the past few years, driven by economic diversification, structural reforms, incentives to drive FDI flows, and a very strong net fiscal position.

In terms of our macro view, you can see here that we believe these recent developments will have a very limited impact on our outlook for oil and economic growth. In fact, we still expect UAE real GDP to grow by over 5% in 2025. With regards to interest rates, we continue to assume a maximum of two rate cuts for 2025.

From a bank point of view, we enter this period from a relative position of strength. The Group presents the strongest combined credit rating in MENA at AA-minus or equivalent and this speaks to our resilient profile through the cycles. We are not only the largest UAE bank but also one of the most diversified regional franchises and we operate from a robust foundation with ample buffers across liquidity, capital, and provisioning.

Importantly, challenges can also create new opportunities and that's why we remain firmly focussed on navigating the current environment with agility but also actively positioning ourselves and leveraging our strong institutional franchise as well as diversified business model and cross-border network across our 20 markets to provide and to continue to provide innovative solutions to our clients and to create value for our stakeholders.

Now turning to the financial review itself, let's start with a summary income statement and key ratios for Q1’25. As mentioned earlier, net profit reached 5.13 billion dirhams and this is up 23% year-on-

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year and 22% sequentially. This was underpinned by top-line growth of 11% year-on-year, driven by a 3% increase in net interest income and a 22% growth in non-funded income.

This performance was supported by healthy origination and execution, resilient NIMs, robust client activity, enhanced flow income, and a record performance in markets. We'll cover the specific drivers in more detail later in the presentation, but this performance is very much aligned with our strategic focus on deepening client relationships and deploying capital more efficiently as we develop a more capital-light and high-ROE-accretive model.

On the cost side, operating costs only increased 3% year-on-year and this is underlining ongoing efficiencies. This continues to be amid investments in technology and front-line activities. So our cost-to-income ratio continued to improve and it now stands at 22.3%. Impairment charges were 724 million dirhams and this translates to a cost of risk of 51 basis points, reflecting the high quality of our portfolios.

Then, on the corporate tax, you see a charge of around 1 billion dirhams for the quarter and this translates to an effective tax rate of about 16%, which is slightly lower year-on-year, despite the step-up in UAE corporate tax requirements, which became effective on 1st January 2025. What this actually reflects is that we had elevated charges in Q1'24 specifically due to withholding taxes on Egyptian government bonds. We also had a different profit mix at the time with a higher contribution actually now coming from the UAE in Q1'25.

So, as mentioned in earlier calls, the effective tax rates will fluctuate quarter-on-quarter due to all these various factors, but overall we still see it standing below 20% for the full year. The balance sheet fundamentals remain robust with Group LCR above regulatory requirements at 132% while asset quality remains solid with NPL ratio at 3.3%. This is 15 basis points and 40 basis points lower sequentially and year-on-year respectively. Our capital levels are comfortable with CET1 ratio at 13.5%.

So, turning now to how we are delivering against 2025 financial guidance, Q1 marked a particularly strong start to the year and we are currently tracking very well across all the metrics you see here.

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As per our usual practice, we will be reassessing our guidance at the half-year mark and we'll update you on any outlook changes at that point, if necessary.

Slide ten showcases the Group revenue mix by division and geography as well as sources of income, so, in other words, how we are effectively leveraging our scale and diversified business model to generate broad-based growth across the franchise. Starting with divisional revenues, as mentioned earlier, we've realigned our business model during the first quarter to three core businesses. You can see here that these three divisions are significant contributors to Group revenue with momentum evident year-on-year.

Looking first at Investment Banking and Markets, delivering a strong revenue performance, growing 15% year-on-year. This was driven by solid origination, deal execution as well as enhanced ancillary income from client flows and a record performance in markets, as mentioned before. Wholesale Banking revenue grew 12% year-on-year, underlining strong activity as well as business momentum across all client franchises, with loans and deposits up 13% and 18% year-on-year respectively, with CASA especially expanding its balances.

The Personal, Business, Wealth and Privileged Client Banking Group's revenue was up 11% year-on-year, driven by strong retail momentum, customer acquisitions, and enhanced customer experience. Loans and deposits grew 4% and 12% year-on-year respectively with CASA balances up 10% year-on-year. FAB's Wealth and Private Banking franchise also continued to expand with assets under management growing 57% year-on-year.

It's worth noting that there's also the Head Office, which contributed around 1.2 billion dirhams in Q1 to the Group revenues. This includes support functions as well as Group treasury, various subsidiaries including FABMISR, and some legacy portfolios. For ease of reference, the quarterly series file with historical P&L and balance sheet trends for the past five quarters has been made available to you and is accessible on our corporate website.

Looking at the revenue mix by geography, the international franchise remains an important contributor to Group revenue at 17% this quarter. This was lower year-on-year, primarily due to the non-recurring FX benefit on the capital invested in our Egypt franchise, which was shown in Q1'24

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following the currency devaluation. The UAE itself produced a stellar performance, growing revenues by 25% year-on-year.

Lastly, looking at the revenue mix by source of income, non-funds income now represents 43% of Group revenue and this is up from 39% in Q1’24. FAB continues to showcase the most diverse revenue mix among the regional peer Group, which underlines tangible progress as we deploy capital more efficiently to support Group returns.

On the next slide, we highlight our NIM and NII performance. NII grew 3% year-on-year and 1% quarter-on-quarter, crossing the AED 5 billion mark. This was driven by strong business volumes and well-managed margins, with Q1’25 Group NIM at 1.97%. This was up five basis points year-on-year and four basis points quarter-on-quarter, supported by disciplined pricing and IIS recoveries as well, offsetting the impact of lower benchmark rates.

In terms of interest rate sensitivity, every 25-bps movement in interest rates would impact the bottom line by around 200 million dirhams. As always, the actual impact of rate cuts may differ from the headline sensitivity figures due to a range of factors, which include market dynamics as well as shifts in the asset liability mix. We'll continue to focus our efforts on defending this NIM and ensuring that our balance sheet remains optimally positioned for any rate environment.

Turning to the next slide, the main chart on the page, we wanted to clearly highlight the results of our strategic focus on expanding our capabilities and building more diversified, more recurring streams of revenue. What shines through here is our franchise strength and ability to deepen client relationships to capture flows and leverage our market-leading capabilities and increasingly sophisticated global markets platform. While there'll always be an element of volatility in non-funds income, the trend line here, though, is pretty clear with a step-up in revenue every year for the last three years.

Looking at the more recent trends, non-interest income grew 22% year-on-year and 38% sequentially to 3.8 billion dirhams. In terms of the key drivers, you'll see that every single component of the non-funds income has grown sequentially. Fees and commissions have increased by 23% year-on-year and 35% quarter-on-quarter from strong origination, deal execution, and also driving broad-based growth in lending as well as trade and other fees. FX and investment income grew 14% year-on-year and 35% sequentially. This was benefiting from elevated market volatility, higher client flows as well as monetisation, driving record performance in sales as well as trading.

While the growth in Q1 is pleasing and in line with our strategic focus areas, our delivery was particularly strong across a few areas, especially in treasury and global markets trading, where we've tactically monetised some portfolios. Although some normalisation may be expected in subsequent quarters, our revenue outlook remains positive and favourable to our medium-term ROTE target of greater than 16%.

Moving now to expenses, which remain very well managed. Operating expenses grew by only 3% year-on-year and with continued investments in talent and in systems and in technology. This cost increase was partially offset by productivity and efficiency gains. Opex was stable over the quarter against a 14% growth in revenue and again underlining our firm control on costs. As a result, the Group cost-to-income ratio stands at 22.3%, improving from 24% in the prior comparative period.

Moving to the next slide, we continue to operate on strong fundamentals with total assets up 8% year-to-date, crossing the 1.3-trillion mark. This is a real milestone for us because we've reached this milestone for the first time. This translates into 356 billion US dollars. Our gross loans grew 20 billion dirhams or 4% year-to-date to 571 billion dirhams, again reflecting healthy origination across divisions as well as geographies, with lending to banks and retail the main contributors. We saw 56 billion dirhams of customer deposit inflows during Q1’25.

The international franchise served as an effective aggregator of liquidity over the quarter, leveraging our network as well as the Group's AA-minus rating to grow deposits by 48 billion dirhams or 27% since December 2024. Some of the deposit growth over the quarter was driven by US financial institutions at shorter tenure, which partly led our cash balances to rise 24% year-to-date.

Worth calling out here that this is a highly ROTE-accretive business, given that it's 0% risk-weighted in terms of asset deployment. The CASA deposit generation was strong, growing 5% year-to-date, and this was led by sizeable inflows in both wholesale, and the personal, business, wealth and

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privileged clients banking group. The Group LCR stood comfortably above regulatory requirements at 132%, again underlining very strong liquidity for the bank.

On the next slide, looking at asset quality, at 724 million dirhams during Q1’25, impairment charges were lower by 29% year-on-year and 34% sequentially. It's worth noting that impairment charges were elevated in 2024, in part reflecting prudent provisioning related to the macroeconomic challenges in Egypt in early 2024 as well as one-off provisioning charges taken with respect to the implementation of the CRMS framework during the year.

Asset quality was robust in Q1’25, translating to a benign impairment charge. NPLs stood at 18.3 billion dirhams as of March 2025 and this was down by 200 million dirhams since December, again reflecting an overall subdued NPL formation during the period. With the strong growth in loan book and robust asset quality, the NPL ratio stood at 3.3%, which is lower year-on-year as well as quarter-on-quarter. Lastly, provision coverage remains strong at 98% with total ECL at 18 billion dirhams.

The final slide of this financial review looks at our capital position, where the CET1 ratio remained comfortable at 13.5%, which is well above the Basel III regulatory minimum. This represents a slight reduction of 20 bps from December as profit accretion during the period was offset by 6% growth in RWAs. These were primarily driven by balance sheet growth. The March-end tier-one and total CAR also remained solid at 15.1% and 17.2% respectively.

So, just to wrap up, I'd like to reiterate a few key messages related to this quarter. Clearly, we've delivered outstanding results led by strong revenue growth with good momentum in both loans and deposits as well as demonstrating a resilient NIM. We've seen enhanced client activity and we've seen continuation of our strong fee generation as well as the record performance in our markets business.

Our strong fundamentals and AA-minus credit rating provide us with a robust foundation for our expected future growth, as well as to enable us to navigate with confidence through this evolving backdrop on the macro level. More importantly, we’re also well on track with our guidance for the full year. Our earnings delivery in Q1 should provide the confidence that we are well positioned to continue to deliver on a ROTE that will be greater than 16% in 2025 as well as over the medium term.

So, with that, I hand you back to the operator and I'll open the floor to any questions. Thank you.

Operator: Thank you and thank you for your presentation. If you would like to ask a question, please press star followed by one on your telephone keypad now. Our first question goes to Naresh Bilandani of Jefferies. Naresh, please go ahead.

Naresh Bilandani: Great. Thank you. Hi. It's Naresh Bilandani from Jefferies. Thank you so much for the presentation, Lars, and congrats on the results. Just two questions, please, from my side. My first question is, could you offer any insight into how you fared on your treasury and investment book amid the elevated volatility that we've observed in the global markets earlier this month? You've had a great quarter on your FX investment income in Q1. I'm just keen to get a sense if this performance could be repeated in the second quarter amid the elevated volatility that we have seen. That's the first question.

My second question is, could you please just clarify on how you position from a currency risk perspective amid the weakening USD? At the end of FY'24, if I take a look at your report on note 50, you were sizably net short the US dollar, roughly about 38 billion dirhams or so. I realise these positions are dynamic, but I'm just keen to get a sense if a weaker US dollar could offer any risk to your delivery into the second quarter.

Just one very quick question, please. You mentioned in the presentation that IIS gains have helped your NII. Could you please offer any insight into how much that contribution looks like in this quarter and compared to the previous quarters? Thank you so much.

Lars Kramer: Thanks, Naresh. So, maybe looking at the performance in terms of global markets and treasury, clearly, what we had in Q1 was actually, from a bank's perspective, a very good climate for this particular business because we had what I would call healthy volatility, which basically has led to a really good quarter, not only on the trading side but also on growing the customer franchise when it comes to hedging activities, around derivatives, around FX, around commodities. We saw really strong activity there. Therefore, again, as with all the fee buckets, a good growth sequentially and year-on-year.

What I would say in terms of repeatability… Again here, I think we've come down to a repeatability of our fee and the non-funds income where we talk about the 60% repeatability. So I would again say that is something that we continue to have some confidence in where you would say, on the trading front, where you saw a really strong performance this quarter… We were up in terms of GM trading at 932 million for the quarter. That's really probably the strongest quarter ever, right? So here it could be that you do see potentially some pullback because we did monetise certain of our positions. We anticipated a little bit of the risk. It does give us some oxygen, though, to potentially reposition ourselves in the next quarter.

Your question on the IIS, I would think we had about 100 million of recovery there, which I would say is not something that necessarily will recur on a quarter-to-quarter basis.

Naresh Bilandani: Got it. Just one follow-up, Lars, please, on the weakening dollar.

Lars Kramer: Yes. On the weakening dollar, I'll let Chris give you some insights because I don't think this is really us position-taking.

Chris Jaques: No. I think there's no real material FX positioning taken from us. Obviously, on a dollar perspective, it's against the peg. Elsewhere, I would say that there's no real expansion of our FX principal risk that we're taking across the board. We remain within appetite on that. So I think, to your point on the weakening dollar, then, we don't think it correlates into our revenue stream.

Naresh Bilandani: Thank you so much. I appreciate your answers. Thank you, Lars.

Operator: The next question goes to Shabbir Malik of EFG Hermes. Shabbir, please go ahead.

Shabbir Malik: Hi. Thank you very much. Congratulations on a good set of results. A couple of questions from my side. The first one is, when I look at your loan growth this quarter, two areas stand out, corporate private sector and banks. Those have been pretty strong. So, if you can, please, highlight if most of this growth has been domestic or has there been an international element in this growth?

Secondly, if I look at the retail growth, it's decent. It's about 2 billion dirhams. But when I put it in context of some of the other banks that have reported, it looks a bit light. So I want to just get your sense on what is your view on these retail components for the bank?

Second question is around cost growth, which has been quite modest in the first quarter relative to last year. I understand there has been some business segment reorganisation as well that has taken place. Did that in any way reflect in the cost escalation that we saw this year? Were there any offsets that reduced cost growth this quarter? Or, basically, is this a normalised cost growth trend for the rest of the year?

Finally, in terms of the non-interest income, just if you could explain. There is the FX income line in the P&L. I think that was negative this quarter. I know you club FX and other income together when you disclose it in your presentation, but I just want to understand what have been the underlying drivers of the negative FX income and the stronger other income. Thank you.

Lars Kramer: Thanks, Shabbir. I just hope I've got all these questions down here. Look. In terms of loan growth, it was actually quite broad-based. I'd say probably 40% international, 60% UAE. But then also, within sectors, you've got the small chart there in terms of the waterfall where you see the high-level segments. But really, within the corporates and the private sector, we also saw very good growth on a very broad-based set of sectors.

So it really isn't concentrated anywhere. That is particularly pleasing, that we are seeing that diversification. I think the same goes internationally. We are seeing this growth coming out of Egypt, out of Saudi, out of the UK. We're seeing growth in Asia. So it is even a little bit of growth in Europe as well as the US. So, from both those dimensions, it is what I call healthy growth.

When you're talking about the retail, clearly the retail is an area that… At 2 billion, we are very much focused on mortgages at the moment. We are starting to move more and more into personal loans and consumer financing. So, when you compare us to, let's say, peer banks, we are still very much a bank dominated on the wholesale front, on the corporate and the large corporate side. We're making that move more and more into the retail and business banking space.

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That's actually one of the reasons also why we've clubbed together our business banking or our SME banking together with the personal banking. It’s really to leverage off similar channels, similar systems. So, apart from the distribution channels, also the feet on the street. So here you'll see more and more coming on the retail side, but you have to take as a starting point that there is still a bit of a fundamental difference between our business mix as well as those of the competition.

In terms of costs, this reorganisation that we did was very much focussed on driving top-line opportunities and maximising, grabbing those where potentially we are not necessarily picking up all the opportunities. So that's been the real focus as well as how to ensure that we make our products more sophisticated, our service levels more specialised. We're looking a lot more at sector orientation as well and sector specialisation.

Also, what you've seen in terms of the reorganisation is more emphasis on the international distribution network as well as a real emphasis now on specialising on the operations and the processes of the bank as well as the IT specialisation to really underpin how we deliver our services and our products through the entire network, inclusive of the UAE. So I would expect to get some cost efficiencies, but that is not the material driver behind the reorganisation. That is really around better service delivery to customer.

In terms of the cost evolution, in the end we are focussed very much on continuing to invest really in people driving origination and driving revenues, very much in terms of IT investments when it comes to more and more so on the AI front. But we also still have quite a bit of transformation to go on the IT front, so that will continue. But I'm really driven by, cost increases should not exceed revenue increases. So, in terms of the future evolution of costs, we will keep it well under control, but I'm not going to pin down a run rate on this at the moment. We've got, I think, a very good legacy and proof points in terms of our cost discipline and I think that will continue.

On the FX, it's very much technical accounting. I think a better reflection of how to read the other income and the investment income and the FX income is really how we do show it on the slide where we break out our non-funds income. Because here you've got certain products, and basically the total return swaps is a good example, where you effectively carry collaterals and those get revalued and they get reported under the investment line. Then the FX component of the total return swap goes into the FX. So it's decomposing it from an accounting perspective, but really it's a single product and a single, call it, trading strategy that we have. So I would say, look at it on a combined basis because it doesn't really make that much sense, bifurcating it.

Shabbir Malik: All right. Thank you. Maybe just one quick one. Within, again, the breakdown of the growth of loans, the government and GREs are almost flat. So, anything to highlight over there, why there's no appetite in the government and GRE segment?

Lars Kramer: It's not that there's no appetite in the government and GRE segment. It's obviously a very competitive segment. I would say here, as I've said a few times before, our decisions around which lending activity to go into is also very much informed by how we can get ancillary fee business off the back of our balance sheet deployment and how we can ensure that we have really enhanced returns to deliver on our 16% ROTE. So all segments go through that lens. So it's a bit of a combination of demand and competition as well as our appetite for returns.

Shabbir Malik: Thank you so much.

Operator: The next question goes to Jon Peace of UBS. Jon, please go ahead.

Jon Peace: Thank you. Hi, Lars. Hi, everybody. So my first question, please, is on the NII. You noted that you were going to have a resilient NIM, but, given there's some volatility in the average interest-earning assets, I wonder if you could offer us any comment on your NII growth expectations. Presumably, it'll be a little bit below loan growth like we saw in the first quarter.

Then my second question, please, is on the cost of risk outlook. I think you were indicating towards the end of last year that it probably wouldn't go a lot lower than the 75 basis points and that's where you hang the upper end of the guidance this year. Q1 was obviously quite a bit better than that. Should we anticipate those earlier comments still stand and it probably returns back into the 60s or could we see it sustain this level? Thank you.

Lars Kramer: Jon, hi. So, on the NII, I would say we are obviously working in an environment of rate cut expectations, right? We'll have to see a little bit how the business mix evolves as well because the second quarter, to me, will be quite telling because all these tariff uncertainties really only kicked in the first week of the second quarter. So we're really going to have to see how all of that plays out.

Clearly, in terms of NIM resilience, what you can see is that, even with this backdrop, which, in a way, has been with us for more than six months now, we have managed in the last two quarters to show resilience as well as growth on that NIM. What I am seeing is something that we've also, in a way, discussed in the past, that we are seeing our cost of funds coming down faster than, let's say, the cost of or the yields on our loans. So there is definitely a time lag there. So that is something which is helping us as well. At some point, it is going to catch up later on in the year.

What we also have, I would say, is… In terms of the underlying volume, you've seen a big build-up again in the first quarter on trade. You've seen a big build-up on the deposit side, where we had what I would call high-volume wholesale deposits, which have a very low NIM, but they have zero risk-weighted assets. So we get an excellent return on those and they give a very good contribution to bottom line.

So these are all things that could impact the NIM going into the second quarter and the third quarter. So what we are really targeting is, we're trying to keep it within a range. I think that range is something we've also discussed in the past, where we're running somewhere between 1.85 and 1.95.

In terms of the cost of risk, I'll let Chris give you some insights.

Chris Jaques: Jon, it’s Chris. Thank you for your question. Look. We've had a good start into the year in Q1 with the cost of risk helped by the subdued NPL flow and, obviously, the underlying loan growth in the book. As we mentioned earlier in the presentation, we remain with our guidance for the first half of the year. I think also, at this juncture, bearing in mind the volatility that we have seen caused from the tariffs, etc., it's too early to be able to really see what that impact is going to be. I would emphasise that we've done what is to be expected in terms of, we've done deep dives into our credit book and we've definitely been analysing that and we feel that the book is very resilient to the tariff shock. The bias that we have in the loan book is definitely beneficial and defensive for us here.

So there's nothing material from that perspective at this point, but we’re obviously very aware that there are secondary and tertiary impacts of this volatility coming through. So, at this point in time, we just want to wait and see for this because, certainly, one appropriate question could be, are we actually doing a macro overlay for that tariff volatility, which, as I said, really with the defensive quality of the book, we don't think is appropriate at this point. But it's also something that we're keeping an eye on as well. So I think that's really our perspective here. Obviously, we'll update at the end of the second quarter.

Jon Peace: Great. Thank you.

Operator: The next question goes to Olga Veselova of Bank of America. Olga, please go ahead.

Olga Veselova: Thank you. Thank you for taking my questions. Several questions. First one is on capital. Does your counter-cyclical buffer go up from January 2026? Generally, given a bit lower CET1 over the past two years and rising requirements from the central bank, would you still be open to consider M&A options or that's no longer interesting? Now, this is number one.

Number two is on effective tax rate. It moved up only moderately to 16% in first quarter from 14% last year. I appreciate your comment that it can be really volatile quarter-over-quarter and it should stay below 20, but, just for a bit more accurate calculation, could you help us to understand? What's your normal effective tax rate outside of the UAE? Do you use any deductions in the event you apply 15%? So this is the second question.

Third question is if you could please comment about management turnover recently. Is this on the back of the internal reorganisation or restructuring or is it just a normal churn process? Thank you.

Lars Kramer: In terms of the capital buffer, in terms of what we're expecting, the CCB, the counter-cyclical, it will come in effective January 2026. I would expect this to be maybe a step-up of something like 36 basis points to our minimums. So we'll most likely be at around 12% on the minimums from next year January onwards.

So, in terms of M&A, look. M&A will continue to be something that we look at on an opportunistic basis. It's not something that goes away. If there's a really good opportunity that comes along and it meets all of our return metrics. As I've emphasised in the past, we look at any opportunities through the same lens of returns as we do with our organic business. So that will continue going forward.

In terms of the effective tax rate outside of the UAE, there I think we're running at around 27%. It really does depend very much on especially Egypt because that's quite a big contributor to the international franchise. But, then, most of the other countries are actually running at quite a high tax rate, obviously relative to the UAE.

The one thing comparing the effective tax rate evolution to last year is, it was quite lumpy last year because we did have certain withholding taxes on, particularly, Egyptian bonds, which we basically only took account of at the year-end. So that is something which, this year, you'll actually see on a much more of a smooth basis. So it should be less volatile than last year and as we also improve our optimisation efforts around the tax side. Definitely, that lower-than-20% is something that we're targeting.

Then you were asking about management turnover. Look. I think management turnover is always a combination of things. We have retirements, so that is natural. You've seen what we've done in terms of creating, in a way, new, more senior roles. I was talking about the COO and the CIO role. You actually bring in new people to fill in more senior roles. Generally, yes, there is also a certain staff turnover that just happens.

But, ultimately, what are we trying to do here? We are continuously strengthening the management team. We are making it more specialised. I think, for me, the really strong signal is the calibre of people that we are able to bring in and to attract. I think that is a really strong message for the bank, that we are really able to build expertise, bring in new capabilities, basically increase both the breadth as well as the depth of our bench strength.

Olga Veselova: Perfect. Thank you very much.

Operator: The next question goes to Murad Ansari of GTN Middle East. Murad, please go ahead.

Murad Ansari: Hi. Good afternoon and congratulations on a very good set of results. Two questions, first one on fees. So we saw almost 20% growth on fee sources, on loan-related fees, in first quarter

25 versus last year. So I just wanted to get a sense of, how should we look at these fees relative to loan growth? Is it a one-on-one or are there any one-offs here? So I just wanted to understand the differential between that loan growth of about 19% versus loan-related fee growth of about 22%.

Secondly, on the asset quality, great progress over the last few quarters. You have relatively low coverage on a standalone basis when we look at stage-three, which suggests that there's obviously quite a lot of benefit of collateral. Just as a sector trend or comparing what we've seen with some of the other banks on realisation of these collaterals and write-backs on provisions, there's a decent collateral buffer that you carry on stage-three loans. From what we hear from some of the banks, a lot of it is real estate-backed collateral. So I just wanted to get a sense of, is it similar in your case in terms of real estate collaterals? Could we expect some monetisation of these collaterals, given how real estate values have improved over the last 12 to 24 months? Thank you.

Lars Kramer: So, just on the fees, there is obviously a correlation between fee growth and loan growth. It's not a one-on-one correlation. It's not easy to put a correlation on it. What you're really seeing in terms of Q1 is that we've had quite a lot of origination and there's always a certain amount of upfront fees that come with origination and then some of the other servicing base fees come in over time. So I would definitely not drive the fee correlation at this level.

We have to see a little bit now. We've had a very strong first quarter in terms of origination. Again, we spoke earlier about what some of the potential consequences could be from the tariff volatility in Q2. As we sit here now, we actually have a pretty solid pipeline still and we're not really seeing any pullback. In fact, what we are looking for is certain opportunities, actually, to see if there are going to be repositioning in the trade corridors in terms of where people manufacture, which is a little bit what we saw the last time around with a Trump presidency. We actually saw quite a lot of Chinese production moving into the UAE.

So let's see if we actually maybe benefit from some of that in terms of lending activity. But, generally, there is the correlation between loans and fees but not at the two-for-one ratio that you were alluding to. The asset quality, I think Chris can comment on that.

Chris Jaques: Thanks for your question on the asset quality, specifically around stage-three. As we've mentioned before, when we look at the coverage ratio and we add in the collateral, then we're north of 100%. So that obviously gives us a degree of comfort. To your question, that's a combination of real estate and other liquid collateral as well that we would hold there.

I think around, should we be expecting to see some liquidation and value there, I think definitely with the CRMS guidelines, obviously you know that you've got a two to three-year time period from last December to deal with a lot of those. So active management of your stage-three book is very critical and key and definitely to get movement in the next couple of years.

Murad Ansari: All right. Thank you.

Operator: The final question goes to Waruna Kumarage of SICO. Waruna, please go ahead.

Waruna Kumarage: Hello. Hi. Good afternoon, gentlemen. Am I audible?

Sofia El Boury: Yes. We can hear you.

Waruna Kumarage: Hello. Thank you very much for the call and congratulations on a good set of results. I have just one question related to the earlier question related to the weakening of the dollar. I want to get an understanding of what you think could be the implication of a weakening dollar in terms of your ability to get the deposits in the international branches. You alluded to the increase in deposits this quarter. If the dollar continues to weaken, will that have an impact on your ability to get more deposits on those franchises? That's my question.

Lars Kramer: Honestly, I don't think there is a link between our deposit-gathering ability and the weakening of the dollar. This is really much more in terms of commercial flows and businesses building and individuals building cash balances. So I think it would be much more the economic activity that would influence deposit growth. We have that additional, I guess, attraction of having our AA-minus rating as, if things really become very volatile, we do tend to attract deposits just as a flight to safety as well. So I would say, in the end, we would benefit from increased deposits if times are good.

*Edited

Then, actually, if times are bad, there's also a tendency to see deposits coming in. The difference is a little bit the tenor of those deposits. I think that's something that we look at quite closely because, obviously, we want longer-term deposits that we can deploy into longer-dated assets. So the short-dated stuff, as I said, we can deploy at very good returns and it gives us good cash bottom line, but it is a much more volatile business. We are obviously much more into building the franchise.

Waruna Kumarage: So, just to follow up on that, what would be the term of these deposits? Are these less than three months or are they slightly on the higher side, longer-term?

Lars Kramer: We have a full range of deposit profiles. So let's say maybe the stuff that you're talking about coming in the US. That is really overnight. But if you look at our CASA terms, we have CASA terms, three months, six months, one year. We even have certain deposits which run across three years-plus. So it's a really broad profile.

Waruna Kumarage: Thank you very much.

Operator: Thank you. We have no further questions. I'll hand back to Sofia for any closing comments.

Sofia El Boury: Thank you. Thank you, Nadia. Thank you, everyone, for joining us today. As usual, if you have any further questions, don't hesitate to reach out to the IR team or to call us directly. We appreciate you taking the time, especially on such a busy day of results across multiple institutions. So thank you very much and speak to you all soon.

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