FAB Q2/H1’22 Earnings Call Transcript*

Thursday, 28 July 2022
3:00 pm UAE Time

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Sofia El Boury: Thank you, and good afternoon, everyone. Thank you for joining us today to review FAB's financial performance for the first six months of 2022. All our financial disclosures related to our results are currently available on the dedicated Investor Relations section of our website, as usual, as well as on our IR app. So, our webcast today is hosted by our Executive Management team, represented our Group CFO, James Burdett, and our acting Group Chief Credit Officer, Rajesh Deshpande, and other senior members of our Senior Management team are here today to answer any questions you may have at the end of the presentation. So, without further ado, I'll pass it on to James for the financial review.

James Burdett: Thank you, Sofia, and good afternoon, everyone. Thank you for joining the call today, and a little bit of an apology about my voice. It seems to be that flu season got me over the last two weeks, but I'm recovering, so I hope you can hear me clearly enough. I know it's a busy day for you. I know three banks are reporting, so we'll keep it short and brief, and we've got plenty of time for Q&A at the end of the session.

So, going through the investor presentation and starting off with slide 4, clearly a record first half for us. And you can see that there's very strong performance, first-half profits of AED 8 billion, which is up 50% year on year, clearly, driven by the sale of Magnati at AED 3.1 billion. But also, I think it's important to call out strong underlying performance with profits QoQ up 13%, with growth across all business lines and strong leading growth indicators for profitability going forward.

In terms of balance sheet, you can see, loans are up 6% QoQ, very strong growth year to date, at 12% or +AED 49 billion. The balance sheet remains strong. Liquidity coverage is strong. Core equity Tier 1 has taken a slight hit, mainly from the AFS losses on our investment books as credit spreads blew up. But against the economic backdrop, the UAE seems to be a standout performer. Obviously, it's a complex environment in the world at the moment with strong inflation, Fed rate hikes, the War in Ukraine and so on, but UAE seems to be a standout with strong GDP growth. And I think that regional outperformance is reflected in our results.

Turning to the next slide and just spending a little bit of time on ESG, it's a very busy slide, but it's becoming one of the more popular questions, what we are actually doing on ESG. So, we've listed a number of achievements here, and I'll let you go through it in due course, but just to call out a couple of big proof points, so by 2030, we targeted USD 75 billion of sustainable project financing. Pleased to report, we're already just under USD 3 billion. In terms of diversity, you can see the target for Emiratisation is 50% by 2025. This is the box in the middle of that page. And we're already at 42%, and in terms of gender diversity, you can see we've hit our 2025 target for female board directors at subsidiaries, which was 20%, and we've achieved 22%. And there are other numerous items there, and we have Shargiil, our Compliance Officer, on the call today, should you have any further questions around that.

On slide 6, just looking at the bridge, which shows profit from the first half of 2021 to the first half 2022, clearly, you can see the significant growth of 50% year on year, mainly driven by Magnati. Net interest income was up quite considerably on the back of strong balance sheet growth. It was up 19% with some early impact from the Fed rate hikes starting to come through. Fees, you can see, were flat year on year, but I think it's important to note that we took out AED 180 million of Magnati fees (deconsolidation in Q1'22 post stake-sale). And if you added that back or compared like for like, you would see fee growth up 15%. FX and investment income is clearly lower, as you can see there, and you'll recall, back in the second quarter 2021, we recorded supernormal gains on the back of our global markets and trading profits. Costs are up moderately, mostly due to Bank Audi inclusion, but also the continued charge for depreciation coming through as we continue to invest in our business.

Jumping to the next slide to give you a little bit more detail on the profit bridge from the first quarter to the second quarter, you can see underlying profits are up 13% year on year. Clearly, the reported profit is down significantly, or 43%, because of the AED 2.8 billion Magnati gain we recorded in the first quarter. In the second quarter, you can also see we recorded just under AED 300 million of additional gains on sale from Magnati. And this is, as we called out in the first quarter, just upside recognition on the deferred in-and-out contract structure that we had with Brookfield, so a little bit more coming through.

Net interest income continues to grow, again, on the back of growth from the Bank Audi inclusion, as well as some small impact from rate hike starting to come through. Fees and commissions are down. We had a very strong first quarter in a couple of our businesses that wasn't repeated. FX and investment income are starting to recover in the second quarter over the first quarter, mainly in global markets through trading-related gains, as well as strong growth in customer sales or global market sales. And that led to the AED 2.9 billion, which, as I said before, is up 13% on an underlying basis.

Just turning to the next slide to drill down a little bit further and give you some insight in terms of core growth, we're showing you the operating income bridge from the first quarter to the second quarter. And I think the big picture point here on the top left-hand side chart is that we are recording growth across all businesses and pretty significant growth QoQ, on the back of strong balance sheet growth.

And on the chart on the bottom left-hand slide of slide 8, you can see investment banking loans up 7%, deposits up 11%, corporate and commercial banking up a significant 31% in loans, Ytd. So, we are seeing very, very strong momentum in terms of balance sheet growth with our traditional client base. And then, moving onto consumer banking, you can see the growth there QoQ is also starting to come through. And some of the leading indicators in Consumer Banking, we called out in the MDA such as personal loans up 15%, CASA sales up 40% and AUM up 31%, are starting to come through. So, we are showing very strong growth year to date in those businesses.

Turning to slide 9 and looking at the balance sheet, there's good growth in customer deposits by AED 34 billion year to date, which is up 5%. Clearly, it's been deployed into strong loan growth, which is up a record a AED 49 billion, or 12% year to date, mainly to FI government and corporates, and also Other FIs, which mainly comprise of our traditional client-based sovereign wealth funds, the investment holding companies, all very high-quality names that are helping drive Abu Dhabi growth as we go forward. So, very strong growth in our core client base. Liquidity remains strong at 135% liquidity coverage ratio. And we saw an improvement in our net stable funding ratio from 100% to 103%.

Turning to slide 10 to look at net interest income, you can see net interest income for the second quarter was at AED 3.4 billion, which is up 8% QoQ and up 21% year on year. This is mainly due to volume growth, which has been strong, as well as the inclusion of Bank Audi when we're comparing year on year, but also the Fed rate hikes starting to come through. The NIM itself improved modestly, up six basis points to 1.57%, mainly due to those Fed hikes coming through. The tailwinds from the Fed rate hikes mainly kick in for us in the third and fourth quarter later this year, and as we've said before, every 25 basis points is worth AED 290 million. If we assume full-year rate hikes of 275 basis points or 11 hikes, for us, that should drive the margin up to somewhere around the 1.7% mark for the full year.

Turning to the next slide, looking at the non-funds income, we've provided the breakdown there. So, total non-funds income at AED 2.9 billion is down year on year, mainly because of lower FX and investment gains because of the significant gains we took in the first half of 2021. Fees, you can see, are up modestly, but down QoQ, mainly because we had a strong first quarter. And you can see on the chart in the middle, at the bottom of slide 11, the significant one-off reduction in consumer banking from the derecognition of Magnati, which, if you added back in, would show fairly strong fee growth year on year. On other non-interest income, the movements mainly relate to the gain on sale of property in the first half of 2021.

Turning to the next slide, just looking at costs, a similar story to the message in the first quarter. Staff costs are flat for us. Ex-Bank Audi, we've got costs up 8%, and you can see most of our growth is in our strategic digital investments and relates to depreciation and amortisation of the capex spend as we continue to invest in our information technology with a view to generate higher revenue productivity, as well as cost efficiency. Cost/income ratio ex-Magnati at 31.5% for the quarter.

Turning to the credit quality metric on slide 13, we're showing healthy asset quality metrics. You can see the cost of risk for the second quarter was at 52 basis points, or just under AED 600 million. That brought first-half cost of risk to 47 basis points, or just over AED 1 billion, which is down 9% over prior comparative period. NPL was at 16.8 billion, and the ratio has improved to 3.6%, mainly on the back of asset growth, and coverage remains strong at 100%. And I think the overall picture here shows a very healthy asset quality metric for the bank.

On core equity Tier 1, you can see a deterioration from March to June of around 40 basis points. You can see, we took in a charge of CVA risk, which is the Central Bank regulatory requirements for CVA, which we took in June. You can also see the organic profit growth helping to offset that. And then we had a negative impact on our AFS book of 37 basis points, which is a result of what's happened in the market, in terms of volatility with credit spreads blowing up. And you'll recall, this happened to us back in March 2020 on the back of COVID and we made a pretty substantial recovery. So, we do have a high-quality book with 75% of it investment-grade or above and well-diversified. And you would expect, as the economy recovers, for a lot of that to come back. We are sticking with our guidance of 13.5%. We know we can drive the ratio back up to a healthy level above 13%, just on the back of some of the initiatives we've got, plus the organic capital generation and some of the RWA optimisation initiatives that the bank has.

Turning to slide 15, just look at the market, and as I've said before, the market is obviously very complex with hyperinflation across the world, the Fed rate hikes looking to combat that, the War in Ukraine, the supply chain disruptions and so on. I think the UAE stands out with impressive GDP growth, obviously tailwinds from oil prices, which are high, government initiatives and so on and so forth. Inflation's relatively mild compared to the rest of the world, and as I said at the start, I think that regional outperformance will continue and I think it will be reflected in our results as well as our pipeline.

Last couple of slides. So, just looking at guidance, we're maintaining conservative core equity Tier 1 and provision coverage ratio. I think you'll appreciate, as analysts, that it's a very uncertain market out there, and it's prudent for us to do so. We will revise loan growth up from mid-single digit to high single digit, based on the fact that we've delivered 12% growth year to date.

So, to wrap up, a very strong set of results, obviously, driven in part by Magnati. But you can see, in terms of the core business, strong fundamentals in terms of growth quarter on quarter, with a healthy pipeline and the tailwinds from the Fed rate hikes likely to come through and significantly benefit the bottom line in the third and fourth quarters. So, we will continue to invest. We will continue to grow with our clients, and we believe we can continue to deliver superior shareholder returns for the markets. So, with that, I'll hand over to Sofia for Q&A. Thank you.

Sofia El Boury: Nadia, we can start the Q&A session.

Operator: Thank you. if you would like to ask a question today, please press star followed by one on your telephone keypads. If you have joined online, please use the Q&A chat box provided. If you choose to withdraw your question, please press star followed by two. When preparing to ask your question, please ensure your phone is unmuted locally. And our first question today comes from Waleed Mohsin of Goldman Sachs. Waleed, please go ahead. Your line is open.

Waleed Mohsin: Thank you, good afternoon. I have three questions, please. First, on loan growth, so you've materially outperformed the sector in this quarter and also on a year-to-date basis. And James, you touched upon some of the areas where you're growing. But it would be very useful if you could talk a little bit more about where in particular are you picking up market share, and on the basis of that growth, are there any particular sectors, which are holding back your NIM?

We see that your asset yield may have increased a little bit less than some of your competitors. Is the kind of lending you are doing holding back your fee generation? Secondly, on your fee growth, we get that there's a base impact as well in terms of comparisons, but in general we would expect loan growth to transfer into fee growth. So, just wanted to get your outlook on fee growth going forward. And third and final question on cost of risk. Again, there was strong performance in the cost of risk line. Your guidance seems to be very conservative.

Just wanted to understand the underlying thinking behind that conservatism around your cost of risk guidance. And are you seeing any signs of high rates translating into early stress for your customers, or do you think that rising rates can derail the momentum? Thank you

James Burdett: Thank you, Waleed. So, on loan growth, obviously, significant outperformance for us, up 12% or AED 49 billion. You can see, if you look at the financials, it's pretty well diversified, but a significant chunk is actually Other FIs, which, as you know, includes sovereign wealth funds, the investment holding companies and so on. And I think one of the reasons for the outperformance is that, it's our traditional client base that's spearheading economic recovery, particularly in Abu Dhabi, as well as partly the UAE. And so, that's our traditional client segment, and that's where we're growing.

And to your question, they are very high-quality assets, so it's not really impacting the fee generation, but the margins are tight because it reflects a high-quality asset. So, there is a little bit of NIM dilution in that segment as we lend to those high-quality names, as you would expect.

On your question of fee growth, as I've mentioned, we've got strong growth QoQ. We have a strong pipeline going into the third and fourth quarter. We outperformed considerably in the first quarter, which is why you're seeing a slight contraction in the second quarter, but we expect the fee growth to continue. And every single leading indicator we've got, in terms of volume growth is showing very robust growth. If you look at our consumer franchise, PILs (personal instalment loans), new credit cards, growth is up 40%. For example, PILs are up 15%. Most of the businesses have grown loans by double-digits, CASAs and deposits are also up. So, whichever metric you care to look at, it's growing at a pretty substantial pace. I think, provided the economy continues to do well, relative to the rest of the world, you should see that outperformance continue.

And in terms of cost of risk, I'll pass you over to the credit and risk guys. But 80 basis points is simply because we've decided to remain conservative due to the considerable uncertainty that's out there. Having said that, we would expect to very comfortably beat that because we have such a high-quality book.

In terms of interest rates, if you go back to pre-COVID levels, rates were about 2%. Let's call it 3% by the end of this year, or something in that vicinity. I think there will be a little bit of stress, and an uptick in the cost of risk as a result of that. But we've got a high-quality book, and I don't think 1% is either here or there for most of those investment banking, corporate banking kind of names. Do you have anything to add guys?

Rajesh Deshpande: Specifically with regard to the interest rate hike and the possible impact, the only sectors, which we would be a bit careful about watching the impact of this on the credit cycle would be the commercial and the SIB sector and then looking at clients, which are unable to pass on these increases to their customers, so these are the two sectors which we would be looking at. But overall, in terms of percentage, this is not a significant portion of our balance sheet. Thank you.

James Burdett: Thank you, Rajesh.

Waleed Mohsin: Where would you put that number, like the clients which will not be able to buffer, or the vulnerable clients? How much would you put as a percentage of your book, if you were to quantify?

James Burdett: It's immaterial from a cost of risk perspective.

Waleed Mohsin: Got it, thank you so much James.

James Burdett: Thank you, Waleed.

Operator: Thank you, and our next question comes from Shabbir Malik of EFG Hermes. Shabbir, please go ahead. Your line is open.

Shabbir Malik: Thank you. I have a question around your capitalisation. Your CET1 dropped about 40 bps this quarter, and I think one of the reasons for this was the impact on the AFS book. Do you see that this impact can potentially reverse in the coming quarters as we saw in 2020?

James Burdett: It's a good question. Thank you, Shabbir. And what I tried to say on the call was that our investment books are very high-quality books. As I said before, 75% are investment-grade and above, and I think there's an appendix here that shows those statistics for you. It's well-diversified across a number of geographies. Most of them are repo-eligible. I think you're absolutely right, as the market recovers, so if you subscribe to a recovery, you will see those credit spreads come back in, and it will flow through into our equity line.

And we believe it will, but obviously everyone's got a different view of how fast the economies are going to recover, but most of the investment houses are calling a near-bottom in terms of equity markets and credit spreads and so on, with inflation almost at its peak. If you subscribe to that view, then you will start to see the markets recover, including the credit spreads in our AFS book.

Shabbir Malik: So, just to follow up on that, so you've also given a guidance on your CET1 ratio for the full year. Do you see a risk, potentially, of hitting that target by the end of this year, given this, if this AFS book does not recover meaningfully?

James Burdett: No, we have a number of initiatives in the pipeline to ensure we're comfortably above 13%. Will it be 13.5? It's hard to predict. As you know, we finished last year at 13.3%. That was still a comfortable ratio for us. So, it will be somewhere between 13.3% and 13.5%, and we have a number of initiatives to address that, including, potentially a recovery of the AFS book.

Operator: Thank you, and our next question comes from Naresh Bilandani of JPMorgan Chase. Naresh, please go ahead. Your line is open.

Naresh Bilandani: A few questions, please. It would be very helpful if you could throw some light on the source of the growth inside the deposit base. I would have simplistically assumed this would be coming from the Government and public sector, but it seems to be actually coming from corporate, private and institutional. It would be very helpful if you can just throw some light into what segments drove the growth and what were the drivers there.

Secondly, you kindly provided an indicative, even, albeit a theoretical guidance, I'd say, for your net interest margin. Did I hear the number right, of 1.9% by the year-end, assuming the sensitivities do work on a static balance sheet? Just keen to understand, what would you say are risks to achieving the NIM target by the end of the year?

My third question is on Magnati. My apologies, I missed a number. Could you, please, reconfirm the fee number that you have that was excluded, which was a contribution of Magnati? Just need to understand, to what extent is that indicative of an operating income of Magnati as an entity as a whole on an ongoing basis?

And my fourth and final question, and I posed this also to your competitors on their conference call right now, just keen to understand any early thoughts on the impact of the corporate tax in the UAE, starting mid-2023/2024. I know there's been a debate around numbers of what the banks have been subject to 9% or 15%. Do you have any thoughts on these lines?

James Burdett: Firstly, on the deposits you can see, and hopefully, I articulated in the presentation, that we're seeing growth across all businesses. In terms of our cash platform, we're dispensing significant number of cash mandates QoQ, which are coming through into the results. And obviously, we're a flight to quality. We're a "AA-

" rated bank. People want to bank with us, so wherever we go, we have an ability to garner deposits and bolster our liquidity.

So, we're very pleased with the cash platforms. We're very pleased with the way the customers have been growing year on year, every year. That will start to come through the results very significantly in the third and fourth quarters as the Fed rate hikes start to take their grip, versus the prior comparative period. In terms of NIM, what I said was 1.7%, and that's a fairly easy indicator for me to say, yes, we will achieve that, and with very little risk for us in doing so.

In terms of Magnati, we recognised AED 288 million in the second quarter, and that was really just a recognition of deferred earn-out structure that we said could happen in the first quarter. So, we've booked some more incremental revenue in that space. We don't expect much more to come through in the subsequent quarters, and we certainly don't expect any impairment of that.

And, lastly, your question on corporate tax. We have no update. We're waiting for an update from the regulators, which we're expecting sometime mid-this year, so very, very soon. We understand it takes effect from 2024, but we have no clue what the rates are or how that will impact us at the moment. We're hearing various numbers, and we know as much as you in that space at the moment. We're waiting for further clarity.

Naresh Bilandani: Great. James, sorry, if I could just follow up on the point on Magnati, so the AED 288 million that's been recorded to gain for the second quarter, could that be construed, or to what extent is that indicative of, an ongoing top line for Magnati as an operating revenue on an ongoing basis? Is that an indicative number that we should consider, or that may not be fully reflective at this stage?

James Burdett: Oh, sorry, I misunderstood you. So, you're talking about the Magnati fee income, not the Magnati gain in the second quarter, for your third question?

Naresh Bilandani: Yes.

James Burdett: There was approximately AED 180 million, which was derecognised when you compare it half-year versus half-year. But, no, I don't think you can use that as the compass to work out what the Magnati profits are looking like. What we can say is, the business is performing very well, that in terms of future recognition, we'll be equity accounting for our share of the profits going forward, but as of the first half, it was immaterial.

But speaking to the Management of Magnati, I can give you one nice piece of insight, volumes are up very considerably over the prior comparative period to the tune of about 30%. We are seeing some nice growth coming from that, and obviously, with Brookfield as partners, we expect to considerably grow that business, both in terms of volumes and profit.

Operator: Thank you, and our next question comes from Aybek Islamov of HSBC. Aybek, please go ahead. Your line is open.

Aybek Islamov: I think the second-quarter results are quite impressive. You were delivering on margin, so quite glad to see that. Loan growth is also quite impressive, but it appears to be quite concentrated in the financial institutions and lending to Government. Could you please comment on what's the nature of this lending to Other Financial Institutions? Some of your peers actually do not put these kind of loans into the core loan portfolio, so they keep it outside in a separate line.

Secondly, is there a material change in risk-weighted asset composition in the second quarter, compared to last year or the first quarter? In particular, I'm interested about the market risk component of your risk-weighted assets. What happened with that during Q2?

James Burdett: In terms of loans, there's not much more to add than what I've said to some of the previous callers. The Other FI segment was the lion's share of growth, but you can see it was diversified across all segments. The Other FIs, in this case, the sovereign wealth funds and the investment holding companies are driving some of Abu Dhabi's growth. They're our traditional client base, and we're very pleased with the growth in that space, and it's high-quality assets and very attractive for us.

The RWA composition hasn't changed significantly, but what we have done is implement the Basel III Guidelines for CVA risk, which have adversely impacted the core equity Tier 1 by 28 basis points. So, obviously, that was an increase in RWAs, associated with risk on that business.

Aybek Islamov: Thank you, and just one follow-up question to the first one. The loans that you're giving to Other financial institutions, are they in foreign currency, or are they in dirham? And what's the use of these loans? Are they used outside of the UAE for foreign operations, external operations, or are they used domestically by your borrowers?

James Burdett: I don't have insight to every single deal we've done. We've done lots of deals across lots of different customers, and I think they're investing in a multiple number of areas, be it locally, be it internationally and so on. So, I think the answer to your question is all of the above. And I don't think I've completely answered your question before, but we have no concentration risk in this space. Our balance sheet is huge. Yes, we've shown very good growth in that segment in the last quarter or so, but no significant concentration risks that we're concerned about.

Aybek Islamov: And the currency of lending, is it probably in foreign currency, or is it in local currency, or diversified?

James Burdett: It's a mix, as you would expect.

Sofia El Boury: We're going to go through the chat questions that we received. One about loan growth, so as you expect, high-single-digit loan growth, compared to 12% in H1'22. Does it mean that we expect repayment in H2? This is the first question. The second question, what is the underlying reason for the strong growth in loans to Other Financial Institutions, And the third question, what's the reason behind the slowdown in consumer loans in Q2? This is from Waruna Kumarage from SICO.

We've already responded to the second question, but on the first question, indeed, the single-digit loan growth guidance was revised from mid- to high single digits to high single digit. So, although we've already achieved 12% year to date, we do expect our book to remain strong for the rest of the year, but as James mentioned, it's still a quite uncertain and complex environment, and we're not immune to corporate repayments impacting the books.

This is where the guidance comes from. We're relatively conservative, I agree, with regard to loan growth, but this actually captures the fact that we still have a better outlook than we had in previous quarters, but we obviously, expect loan growth to be strong. The slowdown in consumer loans, Waruna, I'm not sure what you're alluding to, but you might have seen on a QoQ basis some contraction that's mainly related to the fact that our balance sheet in Q1 was inflated, due to the IPO-related financing.

That's something that we already guided on in Q1, and that flew out of the balance sheet once the listings were done in Q2. That's mainly impacted actually our private banking.

We have another question from Chiro Ghosh. The other banks in the region are struggling to grow their public sector loan book. However, you have been an exception. Can you please throw some light on this?

So, Chiro, I think James responded to this question earlier, talking about the fact that our growth is also driven by a traditional client franchise, particularly across sovereign wealth funds and investment holding companies in Abu Dhabi.

Operator: We do have one final question on the phone lines from Valentina Stoykova from Barclays. Valentina, please go ahead. Your line is open.

Valentina Stoykova: I have a very quick follow-up question on capital. I was just wondering whether you can give us a little bit more colour on the initiatives that you have taken to bring the CET1 ratio above 13, and also whether you anticipate any further negative impacts from regulations, going forward?

James Burdett: The good news is we've taken all the regulatory headwinds that have been coming down from the Central Bank over the past several quarters and half-years, so we don't expect any more significant items to come through regarding Basel III. That's the good news. Obviously, we've got several initiatives underway to help bolster the ratio. One is credit spread starting to tighten again on the back of an economic recovery. Secondly, we have some RWA optimisation initiatives, and this is us looking at suboptimal assets that we may have and disposing of them or exiting them or managing them in some way, shape or form to bolster the ratio. And, thirdly, we have a couple of very significant items that we're discussing with the regulators around both RWA optimisation and capital adequacy treatment for some of the assets that we've got that we're getting very favourable responses from the Central Bank for. The combination of all of these, plus the fact that we generate significant organic capital growth through our profitability, means that we are comfortable maintaining that guidance going forward.

Valentina Stoykova: Thanks a lot.

Operator: Thank you, and our final question comes from Chander Kumar of Al Ramz Capital. Chander, please go ahead. Your line is open.

Chander Kumar: Yes, first of all, I would like to congratulate you on delivering a good set of results. My question is, could you please highlight some colour on asset liability structure? How much of low-yielding loans have been repriced so far relative to 2019 and 2020 loans?

James Burdett: I don't have that information on hand. We'll get our Investor Relations function to come back to you, post- meeting. What I would say is most of our assets are short-dated in terms of pricing, so we reprice them pretty quickly, both on the asset and liability side. But, I can get someone to come back with some specifics on that.

Operator: Thank you. We currently have no further questions, so I'll hand the call back over to Sofia El Boury for any closing remarks.

Sofia El Boury: Thank you, everyone, for joining our call today. If you have any further questions, obviously, you can reach out, and, Chander, we'll get back to you on last query. I know you have a very busy afternoon, so good luck with all the other calls, and I hope you enjoy the rest of summer. Thank you all.

James Burdett: Thank you.

Rajesh Deshpande: Thank you.