Shabbir Malik: Good morning, good afternoon, everyone. Welcome to Abu Dhabi Islamic Bank's First Quarter 2026 Results Call. My name is Shabbir Malik. I cover MENA Banks for Morgan Stanley. Please note that today's call is not for the media. Please also note that this call is being recorded. I will now hand the call over to Lamia Hariz, who is Head of Corporate Communication, Marketing, and Investor Relations at Abu Dhabi Islamic Bank. Lamia, over to you.

Lamia Hariz: Thank you, Shabbir. Good afternoon to everyone on the call. And thank you for joining us. I would like to welcome you to Q1 2026 Financial Results Call. Before we get started, just a quick reminder that today's presentation and all our financial disclosures are currently available on our corporate website as well, and our IR app. With me on the call, we have Mr Mohamed Abdelbary, our CEO, and Mr Ahsan Akhtar, our Acting Group CFO.

In line with the last quarter, we will begin with the key highlights of the quarter, including the guidance for the rest of the year. This will be followed by a deep dive into the financial performance for the first quarter, which Ahsan will take us through in detail. And as always, we will end the session with Q&A. Thank you. And Mohamed over to you.

Mohamed Abdelbary: Thank you, Lamia, and good morning. Good afternoon, everyone, and thank you for joining us on today's call. We will be taking you through the slides as usual. And then at the end, obviously looking forward to some engaging Q&A. A few highlights. So, we had a strong start for the year, and we've delivered a net profit before tax of AED2.1 billion, which is 8% up year on year. We've also seen our revenue growing by 12%, as you will see later in the slide. If one were to normalise for the 12% growth for the impact of rates, that's probably closer to a 19% growth year on year.

Okay. From a client perspective, we've welcomed around 66,000 new clients for the quarter, which I think is a continuation of our trajectory we have seen in previous quarters. Balance sheet perspective, we are now reporting a balance sheet of AED287 billion, which is around 18% year on year growth. But financing has grown 28% year on year. We'll talk about why there is a bit of disparity between financing growth and total asset growth. It's predominantly due to us utilising some of the reserve requirement we had with the central bank. From a liability perspective, a very healthy growth on deposits. Again, very happy to see that our trajectory in terms of originating CASA balances has remained strong. We've added around 15 billion or so in terms of CASA year on year. Again, our return equity stood at 27%, way above our full-year guidance of 25%.

If we move to the next slide again on performance and the outlook. What's happening? Again, a full year of guidance, nothing has materially changed. We are reconfirming our guidance for 2026. During this period, again, the UAE has demonstrated resilience supported by strong fundamentals and a stable financial system. And we are very happy to see the proactive intervention by the UAE central bank. I'm sure we're going to talk about this later on the call as well. Confidence in the system has remained strong.

During this period and the first quarter, and particularly in March, where the situation was a bit fluid, we were very happy to report that ADIB remained fully operational. All our digital channels were up and running, and all our ATMs were functional. Also, our IT infrastructure has demonstrated resilience, whereby we had a 100% uptime during that period. Talking again about gross financing for the year, 28% year on year, and our guidance remains to be unchanged at 12% to 14%.

Net financing margin at 3. 9% today, full year guidance remained as reported before, anywhere between 3. 8% to 4%. I think we've also seen that the outlook on rates, it has been moving, but now from probably no cuts to. Also, we're seeing some consensus for possible rate hikes, and let's see how this goes. But as we stand, we are very comfortable with where our margins are and where we head for the rest of the year.

Cost of risk, we reported 48 basis points in our guidance. We maintain our guidance between 40 to 60 basis points. Cost-to-income ratio at 29. 6%, sub 30% remains to be our guidance for the year, and our 27% ROE, again above the 25%, remains to be unchanged.

Okay. This slide just to summarise some of our key pillars. It's a good story to tell. We're starting first by our unique position summarising between capital liquidity performance controls. They're all heading in the right direction. Our capital and liquidity has remained very healthy and robust, and I think it's been tested very heavily in quarter one. The resilience of the franchise has been visible. Business momentum is strong, asset quality on track. We've been signalling that now for the last two years that we will be continuously enhancing our asset quality ratios. Now we are reporting a 2. 6% non-performing asset ratio. Our coverage ratio from a cash perspective, so not including collateral, is now inching towards 100% and continues to improve quarter on quarter.

Okay. Before we move into the detailed financials, let me just quickly talk about our vision 2035 because that's important. What we see today are situations where there is volatility. There are changes in the market, but we keep our eyes on the medium to long-term view, and hence our vision 2035 pillars remain to be intact. Just to summarise, we continue to scale our EU franchise. We maintain our leadership in the Emirati segment and continues to also to expand selectively in the expat segment as well. We are reinforcing our differentiating position as a leading Islamic bank. On the wholesale bank side, we've seen growth quarter on quarter re-empha-

sising our position as the go-to bank for now most of the GREs and select local corporates.

More importantly, we have always been saying that we're leading with technology and AI. We've done lots of strides. We're very happy to report our leading position and being the first bank to offer open finance. We had the first bank to have the TPP license in place, and we continue to lead the market in terms of our technology and AI infrastructure. With that, now I'm going to hand over to Ahsan to take us through the financials. Then at the end, we'll open up for Q&A. Ahsan, over to you.

Ahsan Akhtar: Thank you, Mohamed, and good morning and good afternoon to everybody on the call. As the CEO mentioned, we've witnessed a very strong performance momentum coming from last year. This has continued in Q1 2026 as ADIB delivered another record quarter, having achieved a profit before tax of 2. 1 billion. Up 8% year on year and profit after tax of 1. 8 billion, up 7% year on year. While at the same time delivering a strong ROE of 27%. This growth has been on the back of continued top-line performance as revenue grew to reach 3. 2 billion, higher compared to last year by 12%. This has been supported by healthy customer activity and robust balance sheet growth. As total assets have now reached 287 billion, primarily driven by both sides of the balance sheet, as growth customer financing are now inching towards the 200 billion mark at 198 billion higher compared to last year by 28%. While at the same time, the deposit side increased to reach 2. 39 billion higher by 20% year on year. Importantly, CASA performance during the same time was very good. We grew by 11%, supported our funding mix, which has helped us to manage the funding cost.

Please note that we have used a tax rate of 9% in the UAE, while the effective tax rate for the group as a whole continues to be around 13%, which was in line with our expectations and the guidance previously provided.

Turning on to our income statement on slide 10, we can see on the left-hand side that we've delivered the highest quarterly performance in our history with net profit before tax of 2. 1 billion. This chart also shows that net income has continued to grow over the last five quarters. Quarter on quarter, exceeding the 2 billion mark, reflecting sustained business momentum in the group. The key drivers of this performance have been growth in our funded income, which grew by 17% year on year, supported by expansion in our balance sheet and resilient margins. Non-funded income at the same time also increased by 4% and is now contributing in healthy 36% of total income, reflecting a diversified business model revenue streams across all the businesses.

If you combine these two, then together, our total revenue increased 12% with growth across all major business segments. In terms of expenses, these increased 1% sequentially and 14% year on year as we continue to invest in people and technology as well. While at the same time, impairments were higher by 50% year on year in line with our financing growth of 29%, reflecting a more prudent provisioning approach, while asset quality indicators continue to remain sound as well.

Now turning towards the funding income in terms of the key drivers, as you can see, our net profit margins have remained resilient at 3. 91%. This represents a nominal sequential decline of only two basis points compared to the last quarter, where we ended Q4 at 3. 93%. But in comparison to last year, the same time in March, we are lowered by about 40 basis points. The decline is essentially a result of the gross margin coming down over the year. As the impact of the 2025 rate cuts is now fully reflected in the margin, while yield remains healthy at 6.8%.

The impact has been mitigated through effective cost of fund management by growing our CASA portfolio with increased by 15 billion and optimal pricing across our current deposit portfolio. As a result, our cost of funding has remained well under control at 2.5% for the group. If you look at our UAE business, it's now at 1. 7%, reflecting a diversified model and predominantly CASA-driven deposit base. The funding income growth was broad-based with retail growing 22%, while wholesale contributed 16%, reflecting growth in core client segments and government and public sector.

Moving on towards our non-funded income, in the first quarter, we recorded an increase of 4% to reach 1. 16 billion. And this now contributes 36% of our total income. Growth was primarily driven by investment income, which increased by around 10% year on year. This also complemented by a modest contribution in our foreign exchange income, reflecting steady client activity, which was partially impacted by the ongoing situation and some reduced trade flows. Fees and commission income declined by 5% year on year, mainly due to lower card and trade-related fees. However, this was partially offset by strong performance in our wholesale banking business, related transaction fees.

If you now go on towards expenses, while the overall increase was 14% year on year, it does reflect disciplined investment in certain growth initiatives. The key driver of this increase was primarily employee cost by 16%, which reflects continued investment in critical areas of the bank. Such as the frontline capacity, revenue-related activities, technology, risk, and regulatory readiness. Other than that, general and administrative expenses increased by 16%, largely linked to technology spend and business independent initiative. Our overall cost-to-income ratio, while it declined sequentially to reach 29. 6 on a year-on-year basis, it increased by 74 basis points. The overall cost growth is targeted and aligned with our strategic priorities, or money well spent, driving benefit for the organisation as a whole.

Moving forward to slide 14, in terms of our provisions, as I said previously, while the portfolio has increased by 29%, provisions increased by 58% to reach 158 million. The increase in provisions, as you can see, is primarily driven by our wholesale portfolio reflecting a normalisation from the very low level last year. While at the same time in our retail business, the increase has been relatively modest. It has remained in line with our portfolio growth and stable underlying performance. As a result, a cost of risk continues to track within our through the cycle guidance. As mentioned, it is 48 basis points. But importantly, our asset quality indicators remain relatively stable.

If we move on to our non-performing assets, our asset quality improved year on year, with our non-performing assets declining by 9% to reach 5. 24 billion. This has been as a result of reductions across both the individual as well as our wholesale business portfolio. Our non-performing assets now is at lowest level recorded ever at 2. 6%, down 3. 7% a year ago. Underscoring the strengthening quality of the book despite a more cautious macro and geopolitical backdrop. More importantly, our coverage ratio has further improved to inch towards the 100% mark. While if you were to include the impact of the collateral, this is at a relatively high level at 178%.

Turning on towards our balance sheet. While total assets as previously mentioned, increased by 44 billion to inch towards the 287 billion, this represents 18% growth. This increase has been primarily driven by strong expansion in our customer financing portfolio of 29%, supported by a robust and diversified funding position. It also reflects continued momentum across both our core businesses, wholesale, as well as our retail businesses. This has been supported by disciplined underwriting and selective growth in priority segments.

On the funding side of the balance sheet, the asset growth has been supported by a strong customer deposit growth of 20% year on year. Essentially matching the asset growth underlying a funding stability and supporting balance sheet expansion. In terms of our customer financing, our portfolio remains resilient, with net customer financing increasing by 12 billion in the first quarter of the year and a growth rate of approximately 5%, reflecting a broad-based growth across diverse sectors and client segments also. On a year-on-year basis, as previously mentioned, this increase is 28%, driven by retail, government and our public sector area.

Within the retail space, the portfolio grew 25% or 20 billion. We are very happy to say that we have now hit the 100 billion mark as far as our total retail portfolio is concerned, and this has been supported by sustained demand across all our core products. The growth has been led by home finance, reflecting continuing momentum in our residential financing alongside solid growth in our personal finance and auto finance portfolio as well.

Within our wholesale business, our overall growth has been 33%, reflecting strong contribution from the government and public sector entities, which grew 50%, reflecting participation in priority and low-risk areas. In terms of our investments, the portfolio has increased by 11% year on year to approximately 35. 5 billion, reflecting a measured approach as we build portfolio. Ensuring strong liquidity and income diversification. This portfolio remains conservatively positioned with approximately 84% held as a [inaudible] cost. Underscoring our focus on stability, predictable income, and limited earnings volatility.

In terms of our deposits, as we move forward. While deposits increased by 20% year on year, this reflected strong franchise momentum and continued success in attracting low-cost, stable funding. More importantly, our current and savings deposits increased by 15. 5 billion, reinforcing a healthy and improving funding mix. As a result, our total cost deposits now represents 160 billion, which is 67% of our total deposits. Essentially, supporting our funding stability and helping offset pricing pressure in a low environment.

Lastly, in terms of capital and liquidity, ADIB continues to maintain robust fundamentals across our key capital and liquidity metrics, with ratios comfortably above our regulatory requirements, supporting both growth and resilience. As a result, our common equity Tier 1 now stands at 12%, while total capital adequacy is at 15. 5%. Our focus, deployment of capital and continued efficiencies have ensured that our rate fee access increased by 15% year on year compared to our financing asset growth of almost 28%.

Liquidity remains strong and continues to improve. The advances to final funding ratio is at 87%, while our funding to deposit ratio further improved to 81%, reflecting a healthy funding structure and strong deposit flows. With that, we conclude the financial side of the presentation, and we open the floor to questions.

Shabbir Malik: Thank you very much to the management team for this presentation. If you allow me to start the Q&A section by asking a question from my side, and then we'll open the floor to the audience. My first question is around liquidity. What has your experience been with regards to liquidity in this quarter, especially in March? Considering that you've seen a pretty good growth in loans and investments, even though deposit growth has been pretty good, it has not kept pace with loans, and financing, and investment growth. What has your strategy been considering the geopolitical backdrop?

My second question is around fee income. Your comments and your presentation suggests that cards and trade finance, those fees from those sources, were a bit weak potentially because of the situation. Can you give us any colour on what we should expect in terms of the second quarter? The first quarter, two of the three months was business as usual. Could there be further weakness that can be expected in the second quarter in the fee income line?

Finally, I guess my question is around NIM. Your NIM guidance, you're currently sitting in the middle of your NIM guidance for 2026. I just want to understand what your expectations for rate cuts is for 2026. How do you see NIM playing out for the rest of the year? Thank you.

Mohamed Abdelbary: Okay. Thanks, Shabbir. I'll cover your three points, and let me know if any follow-up is required. Let me start with the liquidity question. I think what we have seen in March is that the movement in liquidity was offset by some of the central bank interventions, which we have seen. I think the proactive approach taken by the regulator was very welcomed. The most impactful one, in my view, is the action on the reserve requirements. That almost released 80 to 90 billion dirhams into the system. And for us, because the reserve requirement is a function of 14% on current accounts and 1% on contractual deposits, and given that our huge size of current accounts. We had a huge amount with the central bank in terms of reserve of the 14%.

Effectively, almost 4% of that was released back to us immediately, which translates to almost 6 to 7 billion. Hence, even some of the outflows which we have seen and which were expected given the situation, were offset by that inflow. What also we have is that we have in our balance sheet what we call structural cushions. These are instruments where we can easily engage and create additional buffers. We have these instruments with other FIs, and happy to share more details from them later on. Is that whereby we can call on some of these instruments, creating almost 4 to 5 billion additional liquidity at very attractive rates.

Answering your question, has there been liquidity pressure in the market? Probably, yes, given the situation. For us, in ADIB, we were able to mitigate some of these. Enhance all our liquidity ratios for quarter one have been resilient, whether it's from an LCR, and AFR or even an FTD ratio. That was good. In fact, in such times, still able to grow your CASA account is again a demonstration of how ADIB is able to leverage on its client base and the wallet we have with the client. That's on liquidity.

On the fee income, you absolutely correct that Jan and Feb is one story. March is a complete different story. That is natural because what happened in March is that number one, as you mentioned, the cards fee income was impacted. The reason that is coming from international spending. A lot of fees come from card transactions, particularly when used internationally. Given the situation where international travel was pretty much shut down, there was no international spend, and hence our cards income was negatively impacted. That's what you see in the quarter. And for us, it's quite sizeable because we do have, I wouldn't say one of the largest, but the largest spend on our cards in the UAE. When a complete channel is almost closed, that's what you see immediately translating into our numbers.

Now, early days in quarter two, but we have seen really good ramp-up again, coming back into the system with the opening up of travel. That's on the fee side. Your comment on net profit margin, we are sitting at 3.9%. Our guidance is anywhere within that range. The reason why we're comfortable still with that outlook is that our gross yields on assets is likely to come off any further, because the biggest repricing usually happens on the corporate side. This is now fully absorbed, given the rate cuts which happened. That's already built in.

In terms of the retail side, we have not priced up when rates were high. The downside pricing will also not be there as well. If you look at it on average, our personal finance, home finance, or even auto finance, are priced very competitively in high rates and low rates. Hence, the gross yield on assets will probably stay where it is. In terms of our cost of funding, I think we've seen the highs now. We actually were expecting to see it moderating. But again, the situation is a situation, and there's no going away from it, is that the liquidity cost has gone up in March. Two points. We had options for liquidity, but liquidity cost also was high.

Having said that, we will observe and be very closely watching the situation because it all depends how fast the situation from a geopolitical perspective is going to be normalised. We go back to business as usual. It's a matter of when, not if, but the when is very important because it will also dictate how the future will look like from a performance perspective. Shabbir, did I miss any of your three points you want me to elaborate on?

Shabbir Malik: No, that was very comprehensive. Thank you very much. We'll now move to the participants. The first question is, give me one minute, please. One second. The first question is from the line of Murad Ansari. Murad, your line should be open. Please go ahead.

Murad Ansari: Yes. Good afternoon, and thank you for the presentation. Congratulations on a good set of results. I had three questions. One is more of a clarification, which is on the cost of risk. Just to confirm that you haven't taken any ECL overlays in this quarter. If that's the case, I just wanted to get a view from you as to how you've considered the current environment in terms of ECL models. Would you consider building in any further ECL overlays in second quarter? Is that something that's an ongoing discussion?

My second question is on the capital ratios. The first quarter growth was up. If you look at the split, half of it was public sector GRE lending. But when you look at your RWA density, it seems to have moved up, although I think fourth quarter was a low number on RWA density. But just wanted to understand that sequential improvement from fourth quarter to first quarter in view of the fact that the majority of the growth was from GRE and public sector.

My third question is on, I think maybe you've touched upon this, but maybe for my clarification, the note 42 in the financial statements, where you've talked about the central bank measures that were put in place, and you've mentioned that there were relaxation of the minimum reserve requirements, which the bank is utilising. Is there anything else that you've kind of observed relief measures that you've realised? Because I've looked at other banks and I think the majority of the banks that I've seen on this note on haven't really mentioned that they haven't used any facilities till 31st March. Just wanted to understand how to view this. That's it. Thank you so much.

Mohamed Abdelbary: Thanks, Murad. Actually, I'll start with the last point first. Relief measures, there were a lot of them offered by the UAE central bank. We've only utilised the reserve requirement. We have not used any of the cliffs or any other measures. It's always good to know that they exist. They are there, and they will give a lot of relief at very short notice. But at this stage, we have not used them.

Having said that, the relief measures were not only directed to the banks but also for the clients. We did offer a lot of support to clients who have requested deferrals on the corporate side. There were less than a handful, to be honest. It's been quite pleasantly surprising that not many have come asking for deferrals. The ones which are asked for are predominantly in the retail and hospitality side. Again, not a surprise there as well.

In terms of other initiatives we have taken. We have launched a campaign called Sanadna, and that's something from our side where we supported frontliners across many, providing deferrals and fee waivers. Which I think we felt is important for us and important for the community. It's just a small thank you for the support being provided. That's on the relief measures.

On the cost of risk in Q1, while we have not taken any overlays, we did do a full stress testing, and we have reclassified accounts where we saw it necessary to be done. The 48 basis point cost of risk is a reflection of where we are today. Also taking into consideration the external environment. We do not believe that there will be a significant change to the effective cost of risk for us. That's why we also have kept the guidance stable. I would also advise the audience to probably use that guidance for the rest of the year as well. But anything happening, but I think our portfolio is very resilient. We did a very stress testing. And actually we are quite comfortable with the situation we are sitting at this stage.

Capital ratios. Again, we have continued to create internal equity. I think this is something which sometimes is not given the due credit, but the bank has been growing in 20% plus over the past two or three years in terms of asset growth. In terms of investment and financing, has continued to pay 50% of its dividend, has increased the effective dividend per share to now almost 97 fils. And still maintain these capital ratios. I think that is the reflection of prudent originating and balancing between a capital light transaction, but also a transaction which give you the income because you can't have it both ways.

Hence, you see that the capital density for us being monitored very carefully; we're currently sitting at CE1 at 12%. If one would look at even without the support from the central bank, our capital buffers are at least 2% above our minimum requirements, which is very healthy. We continue to monitor the situation. But I think if you take it all in one bucket, financial performance is strong in terms of creating almost 8% growth with a strong balance sheet momentum while preserving capital and ensuring that our liquidity situation is catering even for the future pipeline, not where we are today. Very happy with the situation where we stand today.

Murad Ansari: Great. Thank you so much. Just to confirm, then ECLs are not, overlays are not something that you're considering in the second quarter. Is that something that stress testing could throw up over the course of the year? Just the increase in RWA density, is that more of a calculation timing issue or something that's kind of led to that?

Mohamed Abdelbary: No, there's no ratios. It's just the mix we have because we are creating when we originate assets, it's a mix between the capital lights and also some of the more capital, heavier transaction. But the density we are in today are quite at comfortable level.

Murad Ansari: Okay. All right. Thank you so much.

Shabbir Malik: Thank you. We'll move to the next question. This is from the line of John Peace[?]. John, your line should be open. John, please go ahead. Okay. We'll move to the next person. This is from the line of Veruna[?]. Veruna, your line should be open.

Veruna: Hi. Good afternoon. Am I audible?

Shabbir Malik: Yes, you are. Please go ahead.

Veruna: Hi. Thank you, Shabbir. Thank you to the management. I have three questions. The first one is related to the public sector, the loan growth that the previous questions related to. I want to ask, do you have, given the fact that there are a lot of infrastructure projects being announced in Abu Dhabi, I just want to understand what's the pipeline like? Could we expect more days from this segment?

Secondly, related to that is traditionally, the yields on these public sector loans tend to be low. Will that be a reason for the margins to compress a bit further sequentially? Then the third question is on the retail business. I just want to understand, you had decent growth in retail, but in terms of if you break it down into months, did it happen mostly in Jan, Feb? I just want to understand what is your experience in March and April in terms of retail growth? The last one, if you can squeeze in one more question, what is the split between your retail portfolio? What is split between expatriates and UAE nationals, if you can provide that? Thank you very much.

Mohamed Abdelbary: Yeah, sure. Thank you. Let me start with the first question. Your question regarding public sector financing and the pipeline. We've been very close to clearly as always to our clients, but especially even more in the first quarter. I can assure you that everyone is open for business. I have not seen any change in the pipeline. Maybe some entities are recalibrating the phasing or pace of some of them, but I have not seen any. I would call them strategic transactions which have been either reconsidered or there is a second thoughts about them.

I think the word we keep on using "Open for business for us and for the clients. " I think you will see that in the bank. This goes even in Q1, but also, I believe Q2 will continue to be at the same pace, particularly in that space. No change in pipeline for public sector financing. Yields, yes, of course, it's all about a return discussion. Clearly, if you have a lower capital consumption, yields will be lower, credit risk is lower. And accordingly, it will be also impacted as such.

But I would not think that our gross yields are coming down because of compression on the mix. But it's just was a function of that. The base rate is also coming off. It's almost because you're pricing this, and margin. The margin has not changed. The margin is the margin. But the base has come off. Very happy to see that, actually, that specific sector is going ahead, and the mix is continuous as such. Nothing has changed on this front. As I said, the repricing of the portfolio in terms of lower rates and the corporate book happens very quickly. It's usually on a short-term repricing. Given that the rate cuts which happened last year have happened now, all, and I have flown in. What you see today is the repriced model for the proceeds.

For retail, yes, March was slow as expected. We are big on home finance, so we have seen some slowdown in transaction executed. You also make a valid point. Some of the March transaction could be flow over from Jan and Feb because it does take time to close. But the good thing is that now, looking into April, the pipeline is building up. Sentiment is coming back, and I always keep using the word very important sentiment. The client sentiment is what drives your performance. We're starting to see more and more that the positive sentiment is coming back.

I would say too early to judge, but we are hopeful that this will come back. Let's also not forget the summer months. Sometimes it could be slightly slower in terms of transactions. But early April signs are extremely encouraging for us to see where the transactions are coming back.

I think your last point was expatriates UAE. Our book so while half of our clients are UAE nationals, because we have around 1. 7 million clients, I would say 800,000 or so are UAE national. But the financing side is almost 80% UAE nationals and 20% expert. This mix has not changed. While the expert segment has maybe gone a bit faster than the UAE nationals, but just share of the population size. In terms of financing amount, it's still an 80-20 mix towards UAE nationals.

Veruna: All right. Thank you very much, and wish you all the best.

Shabbir Malik: Thank you. We'll move to the next question. This is from the line of Olga. Olga, your line should be open.

Olga: Thank you very much for hosting this call today. I have several questions. One is on your business mix. We see growing role of government and public sector on both sides of the balance sheet. It's a significant increase in the first quarter. Do you think this will continue? And if yes, do you think that long-term, this is a risk for your net interest margin over the next quarter or so here's?

Number two is your funding. There was a very nice inflow of funding from public sector NGLs. What was the nature of this funding, for how long this money came in? Is it three months, six months, 12 months? How shall we think about cost of this money versus existing funding or versus Eibar? Just any colour on the nature of this inflows would be very useful.

Finally, on cost growth. It was not very high quarter over quarter, but in annual terms, it is a relatively high figure, higher than revenue growth. If we assume that there is a bigger focus on government business, and maybe a bit smaller focus on retail business, shall we think that cost growth will slow down? By how much would you think cost growth can slow down in the next, maybe 12, 24 months? Thank you.

Mohamed Abdelbary: Sure. Thanks, Olga. Again, let me start maybe with the last question first. On the cost. The way I think about cost is very simple. Is that it is important that an institution takes a medium to long-term view in terms of its strategic initiatives. I always say you have to invest through the cycle. If you take a start-stop approach, whereby you have outlined clearly, what are your strategic investments you have to make to take the bank to the next level? Then the short-term volatility comes and maybe shows a bit of distortion between your operating leverage, and then you pull the brakes. I think this is a very bad strategy for the bank medium to long term.

My answer is that we will continue to invest in our strategic investments. When I say strategic, it means in our digital proposition, in our AI agenda, in terms of in our channels, customer proposition, and just to end-to-end value proposition, this is not going to change. Also, some of the cost growth has always been linked to revenue initiatives. When you make more money and you are predominantly retail bank, your incentives also are being I would say not impacted, but it's good money to spend. This is usually normalizing with top-line growth. I think our cost trajectory is possibly going to not show the 14% you see here, but we're not going to take our foot off the pedal in terms of ensuring our investments happen.

Now the answer is your revenue has to come back again. This is for me, more important, it's productivity. We are at 12% today, underlying probably more to 18% to 19%. I think that once the situation normalizes, client sentiment comes back. Clients transact, retail, particularly start to travel again. This number will look very differently. I would rather have a higher revenue number than pulling back on strategic cost. Having said that, there are a lot of initiatives which are in flight which will create capacity for us to continue investing. This has always been my philosophy. You have to earn the right to invest, and this will come in naturally as your value proposition in terms of digital adoption comes in naturally and hence create this capacity for spending. That's on the cost.

Second question was on the funding. The funding from GREs has always been a very important part for us, but there is a good mix between profit or non-profit paying deposits. You asked about the tenor. The tenor can vary between three to six months. This has not changed pre or post-conflict. It's usually on a rolling basis. These are important for us because they do give us leverage, stability, and also the forward-looking view in terms of ensuring that our funding mix is a good structure between retail deposits, who are in my view, quite sticky even when you say, CASA.

For me, CASA is behaving almost like a long-term financing opportunity. But also, you need some of these corporate deposits. From a cost perspective, our effective cost on profit-paying accounts has actually come down quarter on quarter. They're probably now at its lowest point, even where we see the conflict. We price for market, but we usually have not seen a situation where we have to price up to get deposits at this stage. Your first question was, I think, the mix between government and local, in terms of our business mix.

We are very careful to balance between our ability to grow our financing book without putting undue pressure on capital while still creating a strong asset quality mix, but also make money. We're in the business of making money. That all put it together is the model you're seeing today. We are slightly heavy on GRE public sector, which I think is working for us because for us, while the margins on that front might not be very high, but because it's a complete value proposition. You get the cross-sell in, you get the escrow accounts, you get also the cash management, FX. At the relationship level, it works very well for us, and we're happy with that mix. I think perfect time in this situation has helped us very well, because even in a stress test scenario, and you test some of these names, you find out that you're very comfortable with the situation we're in today.

Olga: Thank you. Just to double-check, you said you want to accelerate revenue growth to 18% from 12% today. Did I get this correctly?

Mohamed Abdelbary: No, what I said is that our 12% is actually underlying 18%. If you adjust for the rate impact we have seen year on year, almost 18%, 19%. But for me, I want to get it up again from the 12% we have today, for me to earn the right to invest. Because if my cost is going today at 14%, and I think these are good costs to spend, I would like to see my revenue outpacing that as well. That's where we are trying to inch in the next few quarters.
Olga: Thank you very much. Thanks.

Shabbir Malik: Thank you. We now move to the next question. This is from the line of Rahul. Rahul, your line should be open.

Rahul Bajaj: Hello? Hi. This is Rahul Bajaj from City. Thanks for taking my questions. I have three mainly. The first one is on loan growth. You've done 7% year to date loan growth during the first quarter, but you haven't changed your guidance, which looks quite easily achievable if I believe the kind of commentary around April trends. Is this just being conservative, and you will probably take a fresh look at your guidance after 2Q, or do you expect some major repayments to occur in the foreseeable future, which would get the full year loan growth in that range 12% to 14%? That's my first question.

My second question is on the capital ratio. Our capital requirements. As I understand, the counter-cyclical buffer requirement has been pushed or kind of delayed by the central bank. Just wanted to understand. Have you had at the same time any discussions around these requirements that might apply for ADIB? If you had any discussion, how are you thinking about any potential rights issue in the future? Is that something on your table at some point in 2026? That's my second question.

My third and final question just wanted to understand. While I see the credit quality has remained pretty resilient, if I kind of focus on the mortgage portfolio, could you please provide us some colour on the kind of mix of this mortgage portfolio, especially how much is Dubai versus Abu Dhabi, and what is the average LTV of this portfolio? Thank you.

Mohamed Abdelbary: Sure. Thanks, Rahul. First question. Financing growth. You're right. I think we had a fantastic quarter one. Can't complain. It's been really good. And even on retail side, despite all what I said, I think we're just being a bit modest, but I also had a fantastic growth as well as corporate. Now question is our guidelines conservative? I think given this guidelines, even before the year started, so that we have not changed that. I think we will probably overachieve maybe that number. But let us maybe revise it in Q2. I would say I'm cautiously optimistic that this number, you're right, is achievable. The pipeline we have is taking us there. Probably we'll do a bit more, but we'll give you an update on this probably in Q2. But yeah, the number is definitely within sight.

From a capital perspective. You had a few points there, and any discussion on DCEP, the answer is no. We have absolutely no discussion with central bank, whether formal or informal, hence leading to a rights issue discussions. As I said, also last year, and this is even before the situation we had in Q1, I always said capital is an enabler. If ever I see that there is a need for us to do any capital action for us to ensure that this positive momentum remains. It will be accretive to the bank and to the shareholders.

At this stage, we're not thinking about it. But for me, as I signalled also last year, definitely always on the table can be discussed, will be assessed at that point in time, and to ensure that the momentum is never being held hostage or pulled back because of a capital situation. I think the opposite is much better for shareholders and investors, that we think about how we make capital available to continue creating these returns, these ROEs, which we've seen at 27%. Even if we were to do any action on the capital, do we ensure that it will never be dilutive to the ROEs we have seen guiding at least to above 25%?

The amount also you can take into consideration will never be as big as ever, diluting that return matrix. Your last point on home finance. It's currently 60% Abu Dhabi, 40% Dubai. That is the split we have. I think it's performing extremely well. I think our under-writing standards, the collateral we've taken, have been very sound. It's one of our best-performing books. It's collateralised, it's strong, and it's been really a driving force for the business for us in the past few years, and will continue to be our flagship product, in my view. It gives us a good underlying secured product, and overlaying it with personal finance and auto finance gives us additional yield as well. It's a very good mix to have.

Rahul Bajaj: Thank you so much, Mohamed . Just went to small point to clarify, could you provide the LTV of the mortgage portfolio?

Mohamed Abdelbary: Yes, on 55%. So just saying 55%.

Rahul Bajaj: Okay, perfect. Thank you. Thanks so much.

Mohamed Abdelbary: Thanks.

Shabbir Malik: Thank you. We'll move to the next question. This is from the line of Mehmet[?]. Mehmet, your line should be open.

Mehmet: Yes. Good afternoon. Thanks very much for your time. And thank you also for all the comments on liquidity earlier, which I think was very helpful. If I may follow up on that, can I please ask where you saw these outflows from specifically? I'm asking, particularly obviously, because of your very comfortable local resident-driven deposit base. Maybe could you clarify which lines you've seen outflows specifically from, and looking into April, have all these come back so far? Basically, how is the situation evolving in your view? My second question is, new customer additions were still pretty strong in the first quarter. How is this evolving in April so far? Last question, if I may. Thanks again for the disclosures on asset quality and overlays. The framework you're using currently in your IFRS-9 models. Specifically, what are the weightings you apply to your portfolio for the different macro scenarios? That would be helpful to understand. Thank you.

Mohamed Abdelbary: Thanks, Mehmet. First question on the liquidity where we seen the outflows and have they come back? I think April, we are very pleasantly surprised how things have normalised. Despite that, we know that the situation has not been resolved yet, but clients, I think, are starting to come to terms of the situation. Hence, we're seeing more and more money coming back. Outflows. I think if I'll be very honest, I think, which is surprising, the cash was one of the biggest outflows we've seen. People have been using the ATM quite heavily. We have 600 ATMs in the country. You can imagine the work we have been doing to ensure they are all stacked up, but this cash was taken out and has come back again.

People would be wanting to have some cash on hand when things are a bit uncertain. But this has come back. In terms of the Corporates. Corporates have been utilising some of their cash as well. Because to fund their operating requirements day to day, especially when the revenue, or let's put this way, people are not travelling, people are not using hospitality, so some cash was used. But most of that has also come back. That's why you see the year-to-date, actually, deposits have grown even from December.

What we've probably lost in March, we have more than recovered by April, and even before March end. Liquidity is comfortable. We haven't changed our approach as ADIB; we always fund before we finance. This will continue. Always make sure that we have ample liquidity before even thinking about putting the pedal on the financing growth as well. Client acquisition. Yes, very strong as well. I think this has helped us that our digital channels are doing most of the heavy lifting. Again, happy to the mix as well. Most of them have been in the UAE national space. Most of them actually, or even salary clients, big clients, so that is a huge boost for us in terms of deposits, but also asset origination.

Last point on ECLs, we have done a stress testing separately across our entire portfolio with stress test. Most of the macroeconomic environment variables, but model change has not happened. This is across the industry, model change will not happen before probably June, even. These are very clear guidelines. We've started with our stress testing, we made sure that we have enough ECL enhanced the 48 basis points, but model changes will not happen at this stage. That is, as I mentioned, that's industry wide is, not only a specific.

Mehmet: That's great. Thanks very much.

Mohamed Abdelbary: Thank you.

Shabbir Malik: Thank you. I just want to check because we have a few people in the queue. Can we let one more person ask a question?

Mohamed Abdelbary: Yeah, Shabbir, go ahead.

Shabbir Malik: Okay. The next question is from the line of Naresh. Naresh, your line should be open.

Naresh Bilandani: Yes. Hi. Thank you very much. It's Naresh Bilandani from Jefferies. Just two questions, please. One, could I please confirm? Just to reiterate the point, if you have chosen to employ a pillar four of the relief package offered by the central bank on 17th March and not yet classified any credit exposures into stage two or stage three. Because if I'm taking a look at the asset quality metrics, these almost look pristine and kind of reflect no signs of the conflict at all. I think the early impact seems to have only come through on liquidity. I'm just keen to understand whether this is a delayed reclassification of stage two and stage three exposures. That's the first question.

My second question is on the loan growth. There's been a very strong 31% over the quarter loan growth in the FI segment. We've seen the same in your larger peers. Could you please reconfirm the nature of this growth and what has driven the strength? My third and final question is, could you please reconfirm again what is the composition of Saudi Arabia within your loan book, and how that has grown quarter on quarter and year on year? Thank you so much.

Mohamed Abdelbary: Sure. Thanks, Naresh. I think two elements to your first question. Delayed classification. I would say no. Despite that, this option was on the table. This financial package was giving us the option that we delay classification. But the good thing is that when we actually scanned or looked at our entire book, whether it's on the corporate side, retail side, even business banking, we were very pleased to see that we actually did not need it to classify. In fact, we did classify a couple of names, but because we felt in natural circumstances we would have classified them anyway.

They were not big. But I just want to tell you this, that we are not having any delayed classification at this stage in our book, even if we had the option to do so. That was a good outcome for us. In terms of financing growth in the talked about the FI segment, so yeah, we didn't have that much, but this is our usual transaction, which we had. These are mainly also transactions which are closed in quarter one would have been in the making for a few months before. Hence, you would see them translating. Nothing specific related to the March event that we had to do more FI, but it's just part of the pipeline conversion, which was even in the making before March came about. The last point you had in terms of the Saudi exposure, you have the number.

Ahsan Akhtar: Yeah. We have approximately 13 billion, which is about seven and a half. This is within the financing assets. Approximately 7% of our total.

Mohamed Abdelbary: So, that's the number 7% for Saudi exposure.

Naresh Bilandani: That's very kind of you. How has it grown over the quarter? If I may please just check.

Mohamed Abdelbary: Saudi hasn't grown that much. No. Maybe there was a couple of sukuks we've done. But financing directly, nothing specific. No.

Naresh Bilandani: Understood. Thank you so much. That's very helpful.

Shabbir Malik: Thank you very much. Just wanted to check again. There are a couple of questions in the queue you would like me to, I can let them through.

Lamia Hariz: Okay, so go ahead, Shabbir.

Shabbir Malik: Sure. The next question is from the line of Aaron. Aaron, your line is open. Please go ahead.

Aaron: Yes. Hi. Thank you. It's Aaron [inaudible] here. Can you talk a little bit more about the scenarios, the ECL, and what's changed on the provision cost side? Obviously, your MPA ratio has touched all-time lows. But provision costs are materially higher this quarter, particularly in the wholesale side. They are much higher. Can you talk about what kind of underpins that? Then you mentioned kind of no changes in your models. That's an industry-wide kind of initiative. Could you talk a little bit more about that, please?

Would you ideally have made a few changes? You need to keep it standardized for whatever reason, to be in line with the rest of the industry, kind of overall picture of what's going on, and what you're thinking, and what's driving your decisions on the provisions that you put through the PNL.

Mohamed Abdelbary: Sure. Thank you. I think on an MPA, so guys, we're now at 2. 6% ECLs of the cost of this around at 48 basis point. The increase you have seen in the last.

Lamia Hariz: Sorry, guys, but we need to mute. Yeah. Go ahead.

Mohamed Abdelbary: Yeah. Okay. I think yeah, so the increase you have seen as a natural change, and because if you compare, particularly year on year, most of them have been also stage one provisions, which are naturally, as the portfolio grows, nothing specifically on macroeconomic. Again, when I mentioned industry wise is that we're not jumping into changing macroeconomic because it's way too early to do any assessment on that. Having said that, we did all. All we talk about we did a full stress testing using some of the most stressed macroeconomic environment. Hence, we decided that there was no need for us to take any overlays. But we're very comfortable, I think, where the NPA stands today.

Aaron: Okay. Yeah. That's excellent. Thank you. Then one, I guess, very kind of high-level question. If you just talk about which areas of the book have you seen the biggest change? If you compare, say, March and April versus January and February, because the Q1 numbers are kind of a mix of both scenarios that we've been in. But comparing March and April versus January and February, have you seen a significant change on the retail side, or perhaps more specifically on the expert retail side, or corporate and SMEs, kind of where are the changes in sentiment, as you mentioned, a number of times, where things kind of showing up.

Mohamed Abdelbary: I think the biggest change in sentiment has been probably March in retail side, which is normal. At times of uncertainty, people just take a pause, take a breather, and reassess their priorities. But didn't lasted for too long because people have normalized to the situation. Hence, when we look at April, a very strong start. I think we are very close to hopefully pre-COVID levels. But at least the trajectory is definitely moving in the right direction.

Lamia Hariz: Shabbir, unfortunately, we have a hard stop now. But we're available for any follow-up later on, so we can schedule one-on-one later on.

Shabbir Malik: Sure. I think there are a few questions in the text box as well. You can reach out to the investor relations team at Abu Dhabi Islamic Bank if any of your questions have been left unanswered. I'll hand it over to ADIB's management for any concluding remarks before we close the call.

Lamia Hariz: No, thank you. Thank you all for attending the call. Shabbir said, if you have any follow-up questions, please do write for us or call us anytime we're available to answer them. Thank you all.

Shabbir Malik: Thank you. Have a nice day, everyone.