مصرف أبوظبي الإسلامي
ADIB

Earnings call transcript

Second quarter 2026

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Olga Veselova | BofA: Thank you, we will begin this call. It is our pleasure and honor to host today Abu Dhabi Islamic Bank to present second quarter financial results. From the company, we have Mohamed Abdelbary, Group CEO, Ahsan Akhtar, Acting Group CFO, and Lamia Hariz, the head of corporate communications, marketing, ESG, and Investor Relations. My name is Olga Veselova, I am the head of EMEA Financial's team, and I'm the lead analyst on MENA Banks from Bank of America Equity Research. I will pass the call to Abu Dhabi Islamic Bank team, to present the results, and then we'll have, Q&A session. Thank you.

Lamia Hariz | Head of Corporate Communications, Marketing, ESG & Investor Relations: Thank you, Olga. Good afternoon to everyone on the call and thank you for joining us. I would like to welcome you all to ADIB Q2026 2 financial results. Before we get started, just a quick reminder that all our financial presentations and financial statements are already disclosed on the website and on ADIB IR app. With me on the call, we have Mr. Mohamed Abdelbary and Mr. Ahsan Akhtar. Today, like every quarter, we will start with key highlights that Mr. Abdelbary will present, including the guidance for the rest of the year. And this will be followed by a deep dive into the financial performance that Ahsan will take us through. As usual, we will end the session with a Q&A I'll hand over now to our group CEO, Mr. Abdelbary.

Mohamed Abdelbary | Group CEO, ADIB: Thank you, Lamia, and good morning, good afternoon, everyone, and thank you for joining us on today's call. ADIB delivered another strong set of results for the first half of 2026. It demonstrates the strength of our franchise, the quality of our earnings, and our ability to continue growing across all our key areas of the business. We achieved record profit before tax of AED 4.3 billion, which is up %9 year-on-year, which was supported by strong financing growth, continued customer acquisition, and healthy business activity across both our retail and wholesale banking franchise. Importantly, momentum remained strong in the second quarter, with profit before tax increasing by %6 compared to the first quarter of the year, reflecting continued growth in customer activity and business volumes. Revenue increased by %9 to AED 6.5 billion, supported by both funded and non-funded income.

Funded income increased %14, while unfunded income continued to contribute around %37 of our total income, demonstrating the strength and diversification of our business model. Customer acquisition remained a key strength, with more than 125,000 new customers joining ADIB during the first half, supporting continued market share gains, and reinforcing the strengths of our proposition. We also delivered strong balance sheet growth, with customer financing increasing by approximately AED 25 billion year-to-date, and customer deposits growing by AED 17 billion, enabling ADIB to surpass AED 304 billion in total assets for the first time, reaching AED 304 billion. Asset quality continued to improve, with a non-performing asset ratio declining to a record low of %2.2, while coverage levels strengthened further. Cost of risk remained in line with our risk appetite, reflecting disciplined underwriting and prudent risk management.

At the same time, we maintained strong profitability, with return on equity of %28.2, a cost-to-income ratio of %29.0, and strong liquidity and capital positions that continue to support future growth. If you move to slide 5 okay, now let's talk about our outlook and guidance. The strength of our H1 performance supports an updated outlook for 2026. So, The updated guidance reflects two main changes from the previous outlook. We the decision to upgrade guidance reflects the strength of our H1 performance and our confidence in the momentum we have seen, particularly in the second quarter of this year. Financing growth continues to track ahead of our original expectations, reflecting healthy demand across both wholesale banking and retail banking. And growth continues to be supported by a healthy pipeline across all our businesses. At the same time, our core fundamentals remain strong.

Cost of risk is tracking comfortably, and we're going to talk about it in more detail, especially when it comes to the Q&A session, and our return on equity remains robust. The main change is that we are adjusting our targets for gross financing, to be in the range of %18 to %20 on a year-on-year basis. Especially that on a year-to-date basis, we're already at %13, and year-on-year, we were up %26. So that's one of the major changes we are talking about. The second change is that, regarding, net profit margin. We are also adjusting the guidance slightly, so we're currently at %3.78. We are keeping the outlook within that band, so we're talking about %3.7 to %3.8. And the reason is, and we'll talk about it, I'm sure, in more details later in the slide, is predominantly the cost of funding, which is a market-wide phenomenon. It's not ADIB-specific, it's not specific to any specific segment.

It's just the fact that the liquidity, which was originated, has become more expensive, because afterwards, we will see that the gross yields on assets have actually held up quite nicely, and have exactly performed as expected when we were looking at changes in the future outlook for rates. It's a matter of cost of funding and our ability to ensure that the bank remains liquid, and it's going to come with a bit of a cost, I think, for the next few quarters. Cost of risk has remained unchanged, cost-to-income ratio also unchanged below %30, and our return on equity about %25. We're tracking at 28.2. I think this number is comfortably also within reach. So moving to slide 6 brings together the core strengths that define ADIB and explains the consistency of our financial performance. First, we have a unique market position. ADIB has a large and loyal customer franchise. We are now approximately 2.7 million customers across the group.

And we are the leading we are still remaining having the leading position when it comes to UAE national clients. Second, our growth is supported by strong fundamentals. Our CET1 and our capital adequacy ratios are still trending way above regulatory requirements, and even Without looking at the financial package or support package which has been provided by the central bank. CASA remained healthy at %64, so there is no decline from previous quarters, which is, which is testament to the fact that this is trending very well. Finally, asset quality remains a key strength, and this is reflected in the quality of the portfolio. And when we look at ADIB today, the investment piece is very clear. Our franchise is well diversified, well-defined, and more importantly, it's now being tested. And what we call a very unusual situation, and we talk about it more, is that actually the business model has been designed and is fit for weathering the current operating environment.

Moving forward to slide 7, our strong financial performance is accompanied by continued execution of our Vision 2035 and our 2030 Corporate Plan. Across customer experience, digital transformation, sustainability, wholesale banking, and new growth engines, we continue to make tangible progress against our strategic priorities. And these initiatives are strengthening our franchise, creating new opportunities for growth, and supporting the long-term sustainability of our performance. Vision 2035 remains to be our North Star, and our well-defined corporate plan is on track and is well within execution. So with that, I will now hand over to Ahsan to take us through the remaining slides.

Ahsan Akhtar | Acting Group CFO, ADIB: Thank you, Mohamed, and good morning, good afternoon to everybody on the call. I'll take you through the key financial highlightss, first for the first half of the year, and then for the second quarter. The financial performance in the first half of 2026 has been very strong across all the key metrics. As we have explained just now, profit before tax increased %9 year-on-year to reach a record AED 4.3 billion. This has been supported by growth in revenues, which were higher by %9, and increase in funded income by %14. We've continued to maintain strong cost discipline, as cost-to-income ratio was %29.0, while we have continued to invest in the business. Impairments remained broadly stable, while cost of risk was 33 basis points for H2026 1 for H2026 1 in line with our risk appetite. In terms of our balance sheet, we've continued to grow strongly, with total assets reaching AED 304 billion by the end of June. While customer financing was up %26, and deposits higher than last year, at the same time by %15.

Importantly, this growth has been delivered alongside improving asset quality, with non-performing asset ratio now even further improving to reach %2.2, while the coverage ratio has now increased to reach %108. From a financial perspective, H1 has demonstrated strong earning quality, disciplined execution, and continued balance sheet growth. Let me briefly comment on the second quarter performance. Quarter two has seen further improvement in profitability, with profit before tax increasing %6. Q2 2026 2026 has seen further improvement in profitability, with profit before tax increasing %6 quarter on quarter to reach AED 2.2 billion. Revenue has inched up sequentially by %3, supported by both funded and non-funded income, while operating expenses has continued to decline by a further %2 compared to quarter one, driving further improvement in our cost-to-income ratio to reach %28.3.

The balance sheet has continued to expand during the quarter, with financing assets increasing by AED 12 billion, deposits a further AED 6 billion, supporting further growth while maintaining strong funding profile. As we move along towards the income statement, we've delivered the highest quarterly performance in our history in the second quarter. As you can see on the chart from the left-hand side, net income continued to grow quarter-on-quarter, reflecting sustained business momentum across ADIB Revenue growth has been broad-based, with every business segment, retail, wholesale, private banking, treasury, contributing positively during this period. This diversification is very important for ADIB, it's one of our key strengths, and the growth we are seeing now is supported by healthy customer activity across retail, wholesale. Private banking and transaction-led businesses. Moving on to slide 12, which is our funded income, we can see here that total funded income increased by %14 year-on-year, to reach AED 4.1 billion.

This momentum was driven by a combination of resilient margins. Higher business volumes across both financing and deposits, and continued optimization of our cost of fund. Our net profit margin stood at %3.78. This represented a marginal sequential decline compared to the previous quarter, and this decline, as we mentioned a little while back, this is primarily driven by the higher cost of fund that we are seeing across the franchise and in the UAE among different banks. The funded income growth was broad-based. Retail funded income grew %21, supported by strong customer activity, while wholesale business contributed a further increase of %23, reflecting selective growth in core client segments across the government and the public sector. In terms of our non-funded income, this remains an important source of earnings diversification for ADIB, contributing %37 of total revenues in the first half of the year.

We've seen a clear acceleration in customer activity during the second quarter, resulting in %6 quarter-on-quarter increase in the non-funded income. This is an important trend for ADIB, as this improvement has been broad-based, with stronger performance across fee and commission lines, including cards, trade finance, foreign exchange, investment income, reflecting higher transaction volumes in the second quarter, and deeper customer engagement across the franchise. Overall, our non-funded income remains on a positive trajectory and continues to demonstrate the benefits of higher customer activity and transaction volumes across the bank. On operating expenses, the bank continues to invest, particularly in talent, technology, digital capabilities, and customer experience. We have remained focused on productivity and operating efficiencies to ensure that these investments are self-funded over time.

This is reflected in our second quarter performance, where we've seen expenses decline by %2 quarter-on-quarter, and our cost-to-income ratio improved further to reach %28.3 despite investment across the business. Moving on to slide 15, in terms of our provisions, the key takeaway is that our portfolio quality continues to improve while we maintain a prudent and disciplined approach to provisioning. Our cost of risk, therefore, was 33 basis points, remaining comfortably within our risk appetite. We continue to perform regular stress testing across the different portfolios within the bank, and ensure that we have a disciplined approach to risk recognition and provisioning over the year. During this period, in the last 6 months, we have continued to take provisioning as a result, based on portfolio performance and our forward-looking assessments of risks that we face.

In terms of our non-performing portfolio, as you can see on slide 16, what is particularly encouraging is that the asset quality continues to improve while we have ensured that we have continued to grow the balance sheet. While customer financing assets have increased by %26 year-on-year, our non-performing assets ratio has further improved to a record low of %2.2, while total non-performing assets have decreased by %22 year-on-year as well. From an ECL perspective, we remain comfortable with the overall risk profile of the book. Stage 2 balances broadly remain stable, while Stage 3 exposures have continued to decline, reflecting the continued improvement that we've seen in the underlying portfolio quality. Finally, coverage levels, as you can see on the right-hand side, in the graph, have strengthened further. Collaterals, coverage excluding collateral increased to %108.1, exceeding the %100 mark for the first time in the history of the bank. While coverage including collateral remained particularly strong at %177.1.

Moving on towards our balance sheet side, our balance sheet has remained very strong throughout the first half of the year, with total assets increasing AED 44 billion year-on-year to exceed the AED 304 billion mark for the first time. Customer financing assets have been the primary driver of growth within the balance sheet, increasing %27 year-on-year to reach AED 206 billion on a net basis, while gross customer financing reached AED 210 billion. Most importantly, this growth has been supported by continued expansion in our customer deposits as well, which has increased %15 to reach AED 246 billion. The strength of our funding franchise continues to provide the capacity to support the financing growth while we have maintained a healthy and diversified funding profile in the bank.

Moving on towards the financing side of the balance sheet, the customer financing has remained the key engine of our balance sheet growth, increasing by AED 25 billion year-to-date, AED 12 billion in the second quarter alone, and %27 year-on-year to reach AED 206 billion. This growth has been, as you can see, remains broad-based across the portfolio, reflecting healthy demand across both our retail and wholesale banking businesses. Retail continues to be our primary engine of the bank, now representing approximately %49 of gross customer financing, and growing %23 year-on-year to reach AED 104 billion by the end of the quarter. Growth was driven by continued momentum across our core products, particularly home finance, which has increased %37, alongside growth in personal and auto finance. Our investment portfolio has broadly remained stable at AED 35 billion, and continues to be managed conservatively, with approximately %85 held at amortized cost.

The portfolio remains high quality, well diversified, and primarily invested in sukuk and other low-risk instruments. Supporting liquidity management and balance sheet resilience. In terms of deposits, these have continued to grow strongly during the first half of the year, increasing by AED 17 billion year-to-date, and %15 year-on-year to reach AED 246 billion, providing a strong foundation for continued financing growth. More importantly, this growth has been supported by continued expansion in our current and saving deposit balances, which has increased by almost AED 10 billion year-on-year to reach AED 157 billion. CASA remained a key strength of the franchise, representing %64 of total deposits, while we continue to support a competitive funding profile. Within retail business, CASA remains exceptionally strong at around %91 of total deposits, reflecting the depth of our customer relationship and the strength of our retail franchise.

Overall, deposit franchise continues to be a key differentiator for ADIB, enabling us to fund strong financing growth through stable customer deposits while maintaining healthy liquidity and funding metrics. Lastly, on capital, we continue to maintain robust fundamentals across our capital and liquidity metrics, with ratios which are comfortably well above the regulatory requirements, supported by both growth and resilience. We ended the quarter with a Common Equity Tier 1 at %12.2, and total capital adequacy of %15.6. Throughout the first half of the year, we've continued focused deployment of capital, and continued efficiencies has ensured that our risk-weighted asset growth of %15 year-on-year was almost %60 of the total financing asset growth of %26 year-on-year. While at the same time, total capital balances have increased by %10 year-on-year, benefiting from earnings accretion.

In terms of our liquidity ratios, these remain comfortably above our regulatory requirements, and particularly strong, with advances to stable funding ratio at %90, financing-to-deposit ratio at %83.9, and eligible liquid asset ratio at %15.0. With that, we conclude the financial side of the presentation.

We're ready for Q&A now.

Olga Veselova | BofA: Yes, thank you very much. We are opening this call for the Q&A In order to ask a question, please press the raise hand button at the bottom of your screen, and wait for your name to be announced. Our first question is coming from Shabir Malik from Morgan Stanley. Shabir, please unmute and go ahead.

Shabbir Malik | Morgan Stanley: Hi, thank you very much for this presentation. I have two questions. In the second quarter, we saw your margin coming down to around %3.67 to %3.70. You're going into what's your sense of how NIM is going to look like by the end of this year? And assuming there are no further rate cuts. In 2027, if there are no rate cuts in 2027, what do you think is the, more of a normalized or medium-term NIM outlook for the bank? My second question is around lending to the public sector. This quarter, we saw pretty decent momentum on public sector growth. Can you give us a sense of the typical RWAs that you're earning on this lending. I think you've talked about this before, that the capital requirements on this, these tend to be really low, but just wanted to get a sense of the return on equity on this type of lending. Plus, is there any constraint other than funding, in terms of how much you can lend to the GRE sector. So so those are the two questions, mainly. Thank you.

Mohamed Abdelbary | Group CEO, ADIB: Thank you, Shabir. Let me start first with the question on the margin. And, I think before answering this question, maybe I just spend briefly explaining how we think about margins within ADIB. One of the key strengths for ADIB has always been the strength of its margins, driven by its strong retail value proposition in terms of its CASA. But we are also equally, active in wholesale banking. The way we measure, or we always control the net profit margin in the wholesale banking is you would see that the total assets in wholesale bank are almost equal to total Wakala deposits from corporate bank and wholesale Bank as well. They go hand in hand. AED 70 to AED 80 billion in financing to wholesale bank, AED 70 to AED 80 billion in Wakala. And the reason that is, is that they move broadly in parallel, because they are price sensitive. Rates go up, you charge higher on the asset. And you also pay a bit more in deposits.

Rates go down, you lose a bit on the asset yield, but also you make actually more of it sometimes on paying less on the deposit. At the same time, we are in a very unique situation where we had a few rate cuts at the end of last year, which had filtered into our wholesale bank book, and what normally should have happened is that the funding cost on these Wakala deposits should have gone down as well. But what we've seen in the clearly since March. And this is not ADIB-specific, this is market-specific, is that there was resilience in terms of repricing lower these deposits, because we were focusing on ensuring liquidity is available, and we were all competing for the same liquidity pool. So what has happened is that you lost a bit on the asset yield on the wholesale bank, you could not price it down, and that's why you see the margin compression. Now, answering your question, we will be looking forward, as we go into the end of the year, as per the guidance, to be anywhere between %3.7 to %3.8.

But there will be an normalisation, in my view, next year, when the market goes back to normalisation. Because what will happen, your assets yield will have largely been repriced, because that's a functional benchmark. But you will be able to normalise funding costs faster for your funding costs and bring that down. So probably this year, we'll have to live with that, guidance %3.7 to %3.8, but next year, hopefully, when that all is behind us and the market normalizes, the margins will, in my view, significantly improve and go back to normal levels, as it should be for a franchise like ADIB as well. So that was the question on margins. On returns for GREs, they are always very capital accretive, because as you rightly said, Shabbir, some of them are actually zero risk-weighted exposure. I wouldn't even say %20. Depending on who is your off-taker, or who is your counterpart, it can go anywhere between %20 ,%0 or %50. It's never really a matter of the returns.

Returns are also always very accretive, and the moment you add in some of the escrow accounts, other ancillary business, the relationship return can go anywhere between sometimes %20 to %30 even, Because, and in some cases, even infinite, because there's no risk-weighted asset consumption. But what is important for us is that we always price accordingly as well, so we don't go too fast on these assets, and accordingly put pressure on gross financing yields. So it's a bit of a balancing act between returns, but also pricing at that front. I hope that addresses your questions, Shabbir, for the two questions.

Shabbir Malik | Morgan Stanley: just maybe one element of this question was, is there any so there isn't any capital constraint as such, but is there any other constraint which stops you from growing, let's say, uninhibited in this sector? Like, liquidity, leverage

Mohamed Abdelbary | Group CEO, ADIB: Leverage, no, because our capital has enough room for us in terms of single borrower limits, so that's not also a problem. We just so far, we haven't had to make a choice to not do a transaction we wanted to do, but if there will be ever a decision point choosing between two transactions, it will probably be a liquidity discussion at that point in time. Because today, liquidity is a bit scarce, and then you will have to think how you would deploy it. It hasn't been the case so far, and I think also when things normalize, hopefully next year will be the case. But you're answering your question, it will be probably a liquidity discussion, rather than a capital or return discussion.

Shabbir Malik | Morgan Stanley: Got it. Thank you.

Olga Veselova | BofA: Thank you. Our next question is from Naresh Bilandani from Jefferies. Naresh, please unmute yourself.

Naresh Bilandani | Jefferies: thank you very much. Hi, it's Naresh Bilandani from Jefferies. A few quick questions, please. One was, in the second quarter, we saw the retail could you just explain, please, in the second quarter, if the retail origination was actually more driven by expats or locals, and Given that retail growth remains driven by home finance, can you please confirm if the new originations are more for completed properties, or under-construction properties, and at what LTV have these originations been done. Question on was mainly on retail driven by expats or locals. And given that this was mainly driven by home finance, how much of this is was the new origination was to completed or under-construction properties, and the, some number on the LTV? So that's the first question. And my second question is, when we're looking at the staging categorization of the assets by staging, we see some of the portion of the cash and central bank balances, actually having been put into, Stage 2.

Could you please explain what drives the shift of some of these assets into, Stage 2, given they're traditionally we always see them in Stage 1? That's the second question. And my third and final question is. We have seen a creep up of your financing-to-deposit ratio, clearly, over the past two quarters, so from a modeling perspective, and if you can give some perspective on how we should see the financing-to-deposit ratio evolve in the coming quarters, that would be super helpful. Thank you so much.

Mohamed Abdelbary | Group CEO, ADIB: Look, I think there's three questions, many elements, so if I miss any part, just let me know, and Ahsan, also please come and Sorry.

Naresh Bilandani | Jefferies: Sorry for that moment. I'm happy to repeat those if

Mohamed Abdelbary | Group CEO, ADIB: No, it's fine. Take it one at a time, and then let's see if we miss anything. I think the last question is the financing-to-deposit ratio. That's just a function of the financial package provided, when the conflict started, the central bank offered a reduction, not reduction, but you could dip into your reserve requirement. Up to a certain percentage of, I think it was %30 of what you have placed usually. And then there was facilities. So ADIB never used the liquidity facility, and hopefully we'll never have to do that. I think we were fine on that. But it was from day one, we said also in the last call, is that we utilized the reserve requirements to help us or to support some of the liquidity growth we had. So what happened is that immediately, some of the central bank liquidity, which was parked as reserve requirement, non-profit-bearing, immediately was reduced and redeployed into assets.

And that's why you see that customer deposits did not need to grow as fast as financing growth, because you had that excess liquidity to help you growing your business, and hence, you have seen that reduction in financing-to-deposit ratio. Now, the financial package, the last revision which came out, is that there's a gradual pullback of that reserve requirement element. I think the first one is coming next week, where %50 will have to be now redeployed again, and the other %50 in September. So you will start actually seeing, as we approach year end, the usual financing-to-deposit ratio of ADIB, which is sub%80-. But today is more than %80, because we just had that excess liquidity available to us, and we did not need to raise customer deposits To support some of the financing growth. So that was on the financing-to-deposit ratio. What was your first question? Just tell me the hint, and I will

Naresh Bilandani | Jefferies: this was the reason for having cash and central bank balances into Stage 2. That was one, and the other was, on the expats versus local, and the quality of the resident base.

Mohamed Abdelbary | Group CEO, ADIB: so I talked about the home finance piece, and then I let Ahsan talk about the staging, for the, for the, reserve requirements as well. I think it's a, it's a a two-part answer, as I say, When the conflict started, clearly March, March, April, asset origination in retail almost halved, it was a very slow as expected, the momentum was not there, and it came down. I can tell you that in June itself, we had I wouldn't say we are at pre-conflict levels in terms of asset sales, but June recorded the highest ever sales in ADIB's history. Again, in terms of selling retail products to our clients, so it just shows you how quickly the ADIB business model bounces back because of the type of clients we have. And this will answer also the question, how it is a mix between the UAE and expats. The mix has not changed. If I take the entire portfolio together, home finance, personal finance, auto finance, and everything together, it's still the 20-80 split.

Back to where or now it's probably %78 and %22 split between UAE national and expats, and that's also reflective in the outstanding portfolio when it split between UAE nationals and expats. In terms of home finance itself origination, it is more balanced mix, I would say probably a 50-50, with UAE nationals and expats broadly at %50 each. In terms of, is it off-plan or ready property? It remains primarily ready property. We are offering facilities for off-plan financing. I think the reason why it has not really shown or shown a huge impact on the portfolio is is linked to the timeline of deliveries, because I think most of the properties which are at the stage of off-plan, just about to deliver, will come probably in the next quarter, and as we approach year-end. And that's where we'll see more and more of that coming. Ahsan, would you talk about the staging, Question?

Ahsan Akhtar | Acting Group CFO, ADIB: hi. Naresh, the balance that you see within Stage 2 for cash and balances with central banks are primarily related to a franchise in Iraq. So classification within stages is really based on the risk rating of the country, and then because of certain country rating for Iraq, these are classified right now as part of our Stage 2. So these are typically central bank balances, deposit balances that we hold with the Central Bank of Iraq.

Naresh Bilandani | Jefferies: Excellent. Thank you, Mark. Thank you. Thank you, Ahsan. Thank you, Mohamed.

Olga Veselova | BofA: Thank you. Our next question is from Jon Peace from UBS. John, please unmute yourself.

Jon Peace | UBS: hi there. So first question, please, would be on the provisions. It looks like the others category was quite a big piece of the provision charge this quarter. Just wondered if you could give us, please, a bit more color on that. And then the second question is on the cost-to-income ratio. It looks like you're tracking to come in well ahead of your guidance. I just wondered, if you could even be below %29 this year, or if there's some expenses in the second half of the year that we should anticipate. Thank you.

Mohamed Abdelbary | Group CEO, ADIB: thank you. In terms of Q2026 2026 2, let's answer also the provision question slightly more broadly. What we've done in Q2026 2026 2, and if I just go back in Q2026 2026 1, what we said, ADIB has not taken overlays, because we stress-tested each and every name, each and every portfolio, and took what we needed to do. In Q2026 2026 2, we have done we have taken a slightly, I would say, an enhanced approach in terms of now building what we've done in Q2026 2026 1. So what you see there is actually additional overlay provisions we have taken, And, the reason why the cost of risk overall has not really accordingly grown is that we also had a major recovery in Q2026 2026 2 as well. Which has helped us not only in reduction of provision, which I would say was almost all of it offset in the overlays and additional provisions taken, but also it had an impact on reduction in our non-performing asset by almost AED 800 million to AED 900 million, bringing down the ratio to 2.2, and you see it in the lower left graph.

It also had a positive impact on capital. Because there was an element of it as a provision or impairment reserve booked in equity. So this one, resolution of a significant legacy of a very big, I think, outstanding item we had in our non-performing asset, all closed and recovered in-house, so it's not a sold asset, but we actually resolved it, and we got nice credits back, whether it's on P&L or NPA. On the P&L side, we offset it all with our overlays and additional provisions. Answering questions, this other is all overlays and additional provisions we have taken in Q2026 2026 2 of this year. In terms of cost-to-income ratio. We're still tracking just about %29. We are still targeting for the full year to be sub30-. I wouldn't want to pressure point that too much at this stage, because ADIB's philosophy has always been, and when you go even 4 or 5 years back into our investors, we always said the same thing, we invest through the cycles. We don't take the active measures.

We have a clear path, we have a few strategic projects we want to invest in, we will not defer from them. And if top line softens a bit. Due to circumstances not under our control, and nothing to do with our business model, we still go ahead and we're going to invest. So that's why, maybe for the first time, you see us having negative jaws, so our costs are growing faster than revenues. We are perfectly okay with that at this stage, because we know revenues will pick up again, but if you put the brake on some of these strategic investments to restart the entire process, you've already lost the game. So we will continue for that. We will still be sub%30-. Will it be significantly below 30? It is too early to say, and I think we will still be okay with that, if that's going to be our landing point.

Jon Peace | UBS: Got it, thank you.

Olga Veselova | BofA: Your next question is from Vineet Surana from Autonomous Research. Vineet, please unmute yourself.

Vineet Surana | Autonomous Research: Hi, thank you for letting me on. My first question is a follow-up to the, to the customer question. On the expats and the mortgages. You added 125,000 new customers in 1H26, which implies a nearly 20,000 year-on-year slowdown in 2Q. Just want to understand, how central is this affluent expat cohort to the medium-term plan? Do we expect deeper penetration on the existing base? As the prime driver of the medium-term plan in a scenario where expat inflow depresses severely due to the conflict. And then I have a follow-up question as well.

Lamia Hariz: Vineet, I'll take, I'll take this question. We've added 125,000 new customers. I think between Q2026 2026 1, it was 60,000, and Q2026 2026 2, another 60,000, and if I compare to the run rate last year, we were I checked, it was 80,000 in first half, so I do see an acceleration in customer acquisitions. And it's across the board. From the 120,000, I would say it was %40 locals, so it's either gaining market share or new bankable population, and the rest were expats. And when we say expat, it doesn't mean a new population coming to the country, it can be market share gains from other banks as well. Because we do only bank the bankable, the people that have a record, and expats that work in companies, that have a credit record.

Mohamed Abdelbary | Group CEO, ADIB: so I think just building on Lamia's point, so your question, how do you see the future? We don't intend to change the client mix, because it all talks about the DNA of the bank. We are a bank open to all clients, all nationalities. But our value proposition, as we see it, appeals more to the UAE nationals and the affluent expat segment. With a minimum profile, if you like. And that's also why, even during turbulent times, our cost of risk has remained fairly stable because of that. It has been working for us, it's part of our strategic intent. And as we go into the vision statement, that will continue to be the case for ADIB.

Vineet Surana | Autonomous Research: Got it, thank you. My second question is, cards income was quite strong in the second quarter. Just want to understand, what drove that step up in card's income in the second quarter? Was it spend volumes, rrrevolving balances, interchange, or anything related to rewards, a lowered acquisition cost? And how much of it is repeatable? So just trying to understand, if cards fee income is going faster than the card book. Is the growth more, transactional or credit-led? And are you willing to let the revolving balance grow a lot from here?

Mohamed Abdelbary | Group CEO, ADIB: so I think, in terms of context, ADIB, card spend, across debit and credit cards combined, we are the number one bank in the UAE by a bit of a margin, the spend on the cards, different than the revolver and transactor profile, but card spend which drives the fees. The softness in Q2026 2026 1, and then picking up back in Q2026 2026 2 is a natural rebound of given what happened in March and April, and then how it stabilized in Q2026 2026 2 again, especially with international traveling opening, and especially with client confidence and sentiment coming back, and our clients starting to spend. Is that repeatable and consistent? My answer would be no, it should be higher, because the base has not really come back where we want it to be. Our underlying fees has improved. It will improve further, because we are not still at pre-conflict levels. It has improved. Has to improve further, and that's where I think the strengths of the client franchise and the spend on our cards happen.

Now, the revolver and transactor profile is a bit different, because our clients are usually not very high. In terms of rrevolving balances, they're more transactors, given the profile of the client, and hence, you would see that from while we have the high spend in the market, we're probably number four or five in terms of asset value on cards. Has helped us in terms of our cost of risk, has not helped us too much in terms of profits on these balances. But again, you have to really as I said, you can't have it both ways, and we're trying to always balance that we still have revolvers, but under a very controlled risk appetite framework.

Vineet Surana | Autonomous Research: Thank you very much.

Olga Veselova | BofA: Thank you. Our next question is from Rahul Bajaj from Citi. Rahul, over to you.

Rahul Bajaj | Citi: Thank you. Thanks for taking my question, Rahul Baji. Two quick questions from my side. The first one, you alluded to, Mohammed, cost of funding escalation, as some of the banks have been throwing out very attractive time deposit rates. Just trying to understand what has been what have you seen in the third quarter so far? Have those attractive competition on the of the competition, with those attractive rates subsided in any ways, or how do you see that play out over the medium term? And to what extent is this conflict-driven? Or is this purely promotional, and banks are trying to get customers in, and it's a season of promotion, something like that? Or this is, in a way, conflict-driven as well. So that's my first question. My second question is off-plan mortgages, and you kindly addressed part of the questions earlier, part of the question earlier. A small follow-up there. How comfortable are you with the risk that off-plan mortgages bring, or you think the risk profile is not very different from a normal mortgage.

How should we think about it? From a loan-to-value, for example, of an off-plan mortgage with a normal mortgage, and a risk profile of such mortgage products? Thank you.

Mohamed Abdelbary | Group CEO, ADIB: thanks so much. Your first question regarding the cost of funds, what you've seen in the start of the third quarter, it hasn't changed. I think, if anything, it has gone up, a bit more. We've seen a few basis points moving up, And, as they say, whoever has liquidity today from a client perspective, has pricing power. And, has competition eased among banks? Definitely no. Everybody's still willing to pay up, and in my view, rightly as we should, because when you are operating at slightly uncertain times. It's not only about profitability, it's how you create profitability, but also protect your liquidity and capital and controls. It goes all hand in hand. The cost of funds, in my view, will continue to escalate a bit further. I don't think we've seen the end of it yet. I'm just hopeful that as there is more clarity on where the situation is evolving by year end, and as we enter next year, that will all start to mod to normalize. I can tell you from an ADIB perspective.

We are also making sure that we price to gain some of these deposits, but we also, as we've always been doing, matching the tenor of maturity of these deposits to when we think it's a good time to reprise them to our advantage as well, We will not take long-term, we will not take very high expenses, but we will probably do a three to six months all the time, So that gives us optionality. In funding pricing, scenario. The second question you had on home finance, particularly on off-plan, is it riskier? In my view, it's actually less riskier, because your LTV on the off-plan is actually lower than what you would offer for ready properties. What has been offered in the market so far is probably a %50 client equity versus %50 from the bank, and also that is directly dealt with with the developer, so you also control how that property will transfer into becoming a home finance, as and when it's handed over. So I'm not entirely I'm not too concerned about it.

It is a good thing, because when you give stability and comfort to the end users, or the buyer of these properties. That there is a financing solution, you prevent some panic reaction in that specific market, which could actually have a trigger impact on the wider portfolio you have. So while we're helping the clients, we're also helping the economy and ourselves by offering these products. And I'm not too concerned about that this will in any way create any undue risk to that specific industry in the UAE.

Rahul Bajaj | Citi: Understood, Olga. Thank you.

Olga Veselova | BofA: Hi, can you hear me? The next question is from Chiragosh from SICO. Please go ahead. Sorry, I had that.

Chiradeep Ghosh | SICO: Hello. This is, Chirokh from Sico Bharan. So I have two questions. First one is on the CET1 ratio, which is %12.2, not very bad, but if D-SIB comes in, so where do you stand? Would there be any impact on the dividend strategy? I understand that thanks to a stronger lending road to the GREs, you could manage a lower CET1, but what kind of buffer you would be comfortable in keeping? Just want to get a sense on that. That's my first question. Second one is, there were some major recoveries which you highlighted, that happened. Which are the sectors that's contributing to it? And, we want to get a sense that if real estate prices have corrected, which we assume would be a big chunk of your collateral book, if real estate prices have corrected by, say, %15-10, wouldn't your NPL coverage including collateral, should have also come down? Also. Wouldn't have, wouldn't it have an impact on your ECL, ECL requirement? These are my two questions.

Mohamed Abdelbary | Group CEO, ADIB: thank you, and if I miss any points, do please call it out. Let me first take the last one first. Our LTV on the book is around %60. On the book itself, two things have to happen, that the property value has to reduce by almost %40, And the client stops paying, because it doesn't automatically trigger also that you have to take ECL, even if the property goes down. Even if some properties were priced on the higher side, Just the sheer amount of the client paying back amortization on his outstanding amount reduces his exposure to that property as well, and you usually don't re-value the property as well. We're not concerned about this, but in a very stressed scenario, let's say a %50 crash in the market, okay, then we start probably looking at, okay, what do we need to do with the portfolio before that, I am not too concerned about that. The recovery I called out, is probably a 10 to 12 year old, Ahsan, how long was the, was the, on the book, 12 years or so when the transaction recovery?

Ahsan Akhtar | Acting Group CFO, ADIB: This customer was around 10 to 12 years old.

Mohamed Abdelbary | Group CEO, ADIB: so that was a -12year exposure at a time where clients were still very active in terms of land acquisition, real estate, that industry, property, real estate, land. After 12 years, this has now been successfully resolved, and the outcome has been, I think, fantastic. A very good outcome. The bank exited well. The client also we took care of the client as well, to make sure that he's also made whole, so I think that was a good transaction, which gave us also an opportunity. We would have taken probably the overlays provision anyway, but it helped us to soften at least the quarter to show you the underlying real cost of risk, because they almost washed out.

Chiradeep Ghosh | SICO: On the CET1, so how much buffer would you like to keep?

Mohamed Abdelbary | Group CEO, ADIB: sorry, CET1. D-SIB, again, no discussions with the central bank, formal or even informal, Because before this quarterly call, I always make a point of asking, because I know this question will be asked. Absolutely no communication, whether formal or informal. Does it not mean that it could happen at any point in time in the future? I would probably say possible, because we are a AED 304 billion balance sheet today. We are probably, in terms of profitability, even in absolute terms, but I think, after a few other banks announce we're going to probably be number four or five in the market. So I think probably we are definitely being watched for that event. Is it being discussed today? No. And even when it's being announced, usually they give you a long lead time before you have to align your capital position to these requirements. But we are comfortable with the capital position. As I always say, we continue to look at our capital, we assess, and we make capital decisions not when we have to, but when we can.

As I said, capital will be an enabler. Let's not forget, ADIB has been growing -20plus percent over the last 4-3 years, With no capital intervention, and with paying dividends. Paying dividends is important to us. We make these choices. Growth is important to us. If we, as part of our assessment, which we are continuously doing, we feel there is a need for us to do something in capital, I always say we'll do it when we can, not when we have to. And obviously, we'll be very transparent with the market if that's going to be the case.

Chiradeep Ghosh | SICO: My question was in the context that are you being indirectly being forced to lend more to GREs, or either way, your buffer is sufficient?

Mohamed Abdelbary | Group CEO, ADIB: no, not at all. No, no, we this is our business model, and if you look go back also years in time, the mix has always been the case. It has to do with the way we approach our clients, and our risk appetite, and our underwriting standards, because when we even finance the GREs, we never finance we know, we don't only give balance sheet only. That's not where we are. I think there are probably other banks who are more equipped to do that on our behalf, but when we give balance sheet, we make sure that we also capture the entire value proposition. In wholesale bank, in retail, in Treasury, across the entire spectrum. So it becomes an end-to-end value proposition, and that's why, when I quoted the returns of %30-20, it's not from the asset. We'll never give you 30-20. It's from all the other business you will get by just engaging with the GREs at that level.

Chiradeep Ghosh | SICO: Oh, that's very clear. Thank you, that's all from my side.

Olga Veselova | BofA: Thank you. The next question is from Aybek Islamov from HSBC. Aybek, go ahead.

Aybek Islamov | HSBC: thank you for the conference call, and congratulations for the strong set of Q2026 2026 2 results. I'd like to ask you about your funding, Given the strength from the financing growth, how are you thinking about your funding strategy? I can see CASA deposit ratio falling. Do you expect CASA deposit ratio to stay at this low level, or you can recover it going forward? What about AT1 instruments? Do you feel like you need to issue more AT1 debt, given the strength and the financing growth? That's my first question. Second question is, you recently announced a partnership with Modon, a government-owned developer in Abu Dhabi. To finance their under-construction properties, So we're talking about off-plan mortgages. Can this partnership transform your mortgage financing growth going forward? Now, obviously, this is a low-risk developer. Like, will it also de-risk your off-plan mortgage exposure? That's my second question. Thirdly, on your cost of risk, your guidance is quite above what you delivered so far in first half.

Do you expect a higher load in bad Asset charges in the second half? And will there be a point where you start to filter your loans into those that need to be impaired as a result of the conflict? And the loans with transitory problems, which can be held in Stage 1.

Mohamed Abdelbary | Group CEO, ADIB: Thank you, Aybek. Again, if I miss any of your points, please do call them out. I'll start with the second. First of all, we're very proud of our partnership with Modon. And why am I part of that? And as you, said, low, low-risk, top Abu Dhabi developer, is because, hand-in-hand, when we come out with innovative solutions to support that specific industry. It's not only about ADIB, it's about the economy, it's about the client, it's about the developer, we were the first of the kind, we announced it, more of our details will be shared in due course when we can, but this is something which I think we're the first bank to do that in partnership with Modon, and it's almost redefining the way off-plan financing will be done, and I can assure you does not take any single additional risk. To the bank, or to the client, or even to the developer, and fully in line with the central bank regulations as stipulated.

And I agree with you, once this all takes off, this will actually enhance the home finance portfolio significantly, because it's probably going to be lower risk. But the profitability is not going to probably be changed as well. So that is the Modon transaction. Your question on funding, the 64 CASA ratio is a distressed number for ADIB, So we are usually much higher than that. And I can tell you, it's all attributed to in my view, the conflict, because clients CASA has still grown almost 10 billion at a time where probably clients will be more careful and trying to get more returns for the money, but they still insisted on having a growth in CASA. In my view, and what we are planning, is that once the situation normalizes, and once we have a slightly more flexibility, I wouldn't call it negotiation power, but flexibility in terms of pricing Wakala deposits.

We will definitely price ourselves out on many of these and start bringing back the CASA issue to the normalized level for ADIB, which is, I think, much higher than any of our peers even close can come close to that. So that, I think, is, again, a seasonal element. AT1 issuance remains on the table. Our AT1s are trading very nicely in the market, and it always strengthens not only from a liquidity, but also capital position. It gives us more optionality from a local from a legal lending limit perspective. We did not do need it today, but as I said, we do it when we can, so probably, yes, always on the table. AT1s are in demand. I think for some reason, our clients are asking us for it. Not that we will do it because of that, but it is an in-demand instrument. Aybek, sorry, what was the third question?

Aybek Islamov | HSBC: Third question is about your asset quality. The cost of risk implies your provisions kind of go up in Stage 2.

Mohamed Abdelbary | Group CEO, ADIB: When we give the guidance, we don't I'll be honest with you, we don't factor in recoveries, And we because recoveries happen when they happen, and they're the icing on the cake, So even this quarter, if you were to exclude the additional amount, which we have taken, almost 100 million, which we've taken. It's 100 plus, not even 100 million, which we've taken as overlays and, you can call it additional provisions, given the situation, and, there was no recovery. It would have probably been, slightly closer to our guidance. Does it mean that cost of risk would increase materially to come to that guidance level? I don't think so. I'm not seeing it. I'm not seeing portfolio migration into Stage 2 or Stage 3, anything which is concerning, but for now, we'll keep that guidance. We will give you some line of sight for your modeling, but I'm not seeing anything of concern in my Stage 1 or Stage 2 even, which could significantly change where we are today. In fact, we might surprise you even on the upside.

Again, we have a few more recoveries under review. Again, very optimistic, cannot disclose more at this stage, but we have been really doing an excellent job with the team in terms of cleaning up that legacy book, and this year is a very defining year for us of really getting this done.

Aybek Islamov | HSBC: Thank you very much.

Mohamed Abdelbary | Group CEO, ADIB: Thank you.

Olga Veselova | BofA: Thank you. We have approached the end of our call. Let me thank ADIB team for the presentation today and insightful Q&A, and let me also thank all the participants for being with us today. ADIB team, over to you for any concluding remarks.

Ahsan Akhtar | Acting Group CFO, ADIB: Thank you, Olga, thank you everyone on the call, and as usual, we are all available if you want any follow-up questions, and enjoy your summer leave if you're planning any. Thank you.

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