مصرف أبوظبي الإسلامي
ADIB

Earnings call transcript

Third quarter 2026



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Mehmet Sevim | J.P. Morgan: Good afternoon, ladies and gentlemen. Thank you very much for joining us today. This is Mehmet Sevim from J.P. Morgan's Senior Financials Research Team, and we are delighted to host Abu Dhabi Islamic Bank's 3Q26 results call. Please note that this call will be recorded, and a replay will be made available after the call. Now, please let me hand it over to Lamia Hariz, Head of Corporate Communications, Marketing, ESG, and IR, to start the call.

Lamia Hariz | Head of Corporate Communications, Marketing, ESG & Investor Relations: Thank you, Mehmet. Good afternoon, and thank you for joining us on this call. It's a pleasure to welcome you to ADIB Q3 2026 financial results. Before we start, please note that today's presentation and all our financial disclosures are already available in the Investor Relations app and on our website. I'm joined today by Mr. Mohamed Abdelbary, our group CEO, and Mr. Ahsan Akhtar, our Group CFO. As usual, and as every quarter, we will go through the highlights of the quarter. And we will give you an update on the guidance, and also a clarity on the performance trajectory in relation to our strategy. Ahsan will then present a detailed overview of the financial performance.

And we will end it with Q&A. Over to you, Mr. Mohamed

Mohamed Abdelbary | Group CEO, ADIB: All right, thank you, Lamia. Good morning and good afternoon, everyone, and thank you for joining us on today's call. ADIB delivered another strong set of results in the first 9 months of 2026, reflecting sustained business momentum, strong balance sheet growth, and continued customer acquisition across our key businesses. Profit before tax increased 6% year-on-year to AED6.4 billion, driven by strong financing growth and continued business momentum. Revenue reached AED9.7 billion, driven by strong funded income, with non-funded income contributing a healthy 37% of the total revenue.

What's particularly encouraging is the breadth of our growth. We continue to see strong demand across our business, with financing and deposits growing alongside our customer base, bringing total assets to AED318 billion. So… Customer acquisition remains exceptionally strong, with more than 200,000 new customers joining ADIB since the beginning of the year, reflecting the strengths of our proposition and the opportunities we continue to capture in the UAE market. Importantly, we continue to maintain disciplined underwriting, strong asset quality, and robust liquidity and capital levels.

Our capital position remains strong, with a CET1 ratio of 12.4%, and the AED1.75 billion rights issue will further strengthen our capacity to fund future growth and deliver on Vision 2035. Overall, these results give us confidence as we look ahead. We have a strong franchise, growing customer relationship with our customer, and the capacity to continue investing in our business and delivering on our Vision 2035. Moving on to slide 5, so let's look at our outlook for the rest of the year. With financing growth continuing to exceed our original guidance, we have raised our full-year financing growth to 20… between 20% and 22% year-on-year.

On margins, we have revised our full-year guidance to 3.5% to 3.6%, and we will be touching on this point in more detail during the presentation, but I'm pretty sure also during our Q&A. Equally, the quality of our growth remains very strong, with a resilient portfolio, performance across our key segments, and our national customer base. And asset quality has remained robust as well. As a result, cost of risk is performing better than our original expectation, and our decision… decision was to revise our full-year guidance. We… the number we have set for the full-year guidance, I will say it at this point, and we'll talk about it later as well, I think it's probably, again, on the conservative high side, given where we are even now with two months left in the year, things are looking very promising.

The investment is focused on revenue-generating business and capabilities. Returns remain central to how we manage the business, and we have consistently allocated capital where it earns attractive returns. Accordingly, also, our return on equity, we have kept it unchanged, guiding above 25%, and year-to-date, we are at 28%, are we? Moving forward, let me add to slide 6. Okay, so this slide sets out the core strengths that underpin ADIB's performance and define our investment case. First, our distinctive market position. We serve today 2.8 million customers.

Strong standing among UAE nationals, and a significant share of the UAE retail banking market. This gives us deep customer relationship and a strong platform for growth. Number two, the strengths of our funding and capital position. We have a stable customer-led funding base supported by strong liquidity and a strong capital position. Third, we continue to deliver strong growth-based momentum. We are growing financing and deposit, expanding our customer base, and translating that growth into higher revenues and profitability. And importantly, we are achieving this growth while maintaining strong asset quality.

Okay, let's move forward, slide 7. Our strong financial performance is matched by continued progress in executing our vision, and as well as our 2030 corporate plan. We are continuing to invest in the areas that will strengthen our franchise and create the next phase of growth. We are building the bank of the future and accelerating investment in AI and digital capabilities. We're also deepening customer relationship by expanding our proposition across retail, wealth, and business banking, while continuing to grow our wholesale franchise as well.

We're also making progress on new growth engines, creating more diversified sources of growth for the future. Importantly, we are doing so while maintaining strong operational resilience and rigorous liquidity and capital discipline. Our focus, therefore, extends beyond today's results. We are investing now to strengthen ADIB's competitive position and deliver sustainable growth and returns over the long term. With that, I'll hand over now to Ahsan, who will take us through the financial results. Ahsan, over to you, please.

Ahsan Akhtar | Group CFO, ADIB: Thank you, Mohamed, and good morning, good afternoon to everybody on the call. I'll take you through our financial metrics for the first 9 months of the year, followed by the quarter as well. So, in terms of profitability, it grew very strongly. Our profit before tax was higher than last year, by 6% overall, reaching a record 6.4 billion. Our revenues increased 6% year-on-year, to reach almost AED9.7 billion, and this performance has been underpinned by the continued expansion in our balance sheet and consistent underlying momentum that we've seen in the bank, in the business. Throughout this period, we have maintained prudent operating efficiency.

Amid continued investment across the business to support the future growth, the asset quality continues to improve further, reflecting the resilience of our portfolio and our consistent, disciplined approach to risk management. In terms of our balance sheet growth, this has, remained particularly robust, with total assets reaching AED318 billion, up 18% year-on-year. And this performance has essentially translated into a strong return performance, as return on equity is now 28% supported by a solid capital position. Moving forward now onto slide 10, which is our third quarter performance, the key message for the quarter remains that our underlying momentum continued, which we inherited in the first half of the year, has remained particularly strong.

Especially as our customer activity has increased, robust financial demand continued, and our fee and, fee and commission, capabilities, increased across all businesses. As a result, our customer financing increased by a further AED8 billion during the third quarter, supplemented by an increase in deposits by approximately AED13 billion, which was a clear evidence that the franchise continues to expand and customer activity remains healthy. Importantly, this activity has translated into an 11% increase sequentially in our fees and commission growth, reflecting higher business and higher transaction volumes across the different franchise.

Overall, the underlying business continued to perform strongly. Supported by sustained growth in customers, financing assets, and fees, alongside a resilient asset quality. So as we move forward in terms of our income statement, you can see here that our quarterly pre-tax income has consistently exceeded the AED2 billion mark over the last five quarters, reflecting the stability of our earnings, as well as supporting the soundness of our business model. More importantly, our growth has remained broad-based across all businesses within the franchise, reflecting the strength of our diversified model.

Our income mix is equally important, so while funded income has increased by 11% year-on-year, reflecting the expansion of our core financing proposition, our non-funded income has continued to account for more than a third of our total revenues and continue to grow. In terms of our funded income, the key takeaway is that the robust business volumes continue to mitigate to a great extent the margin compression, supporting an 11% increase to reach an all-time record number of 6.1 billion. This has been broad-based, and you can see that our retail increased 20%, on the back of sustained customer activity. Meanwhile, wholesale funded income increased 23%, reflecting selective growth in our core government and public sector client segments.

Meanwhile, if you look at our cost of funding, it did increase sequentially by 12 basis points. Reflecting continued competition for deposits, and as you mentioned, we will allude to this point a little later as well, with our net profit margin now at 3.64% for the first 9 months of the year. We do, however, expect, as rates have already started to go up, some parts of our portfolio start to reprice, in Q4. Moving towards the non-funded income side of the balance sheet, the income statement, we've seen that this component remains an important source of earnings for the group, and contributing in a healthy 37% of our total revenue base.

What is particularly important to call out here is our fee and commission business. We've seen this grow continuously since the fourth quarter of last year. In Q3 alone, fees and commission have increased 11% sequentially, and 9% year-on-year. This is a notable development, reflecting rising customer activity and transactional volumes across the bank as a whole. While headline non-funded income was impacted by some mark-to-market volatility that we saw in the third quarter, with a positive contribution in the second quarter, which was followed by an unrealized loss in the third quarter, creating a negative swings between these two periods.

As a result, you will see non-funded income has declined 2% quarter on quarter, a movement which is best viewed, in our opinion, against the 11% sequential increase that we saw in our fee and commission business. Turning on to slide 14, which is the operating expenses. So while we've continued to invest through the cycle, this has been done to support the growth and the transformation that we are actually doing as the franchise in ADIB. Therefore, at a group level, we've seen expenses increase by 9% year-on-year to reach AED2.8 billion.

Hence reflecting sustained investment that we continue to make in people, technology, the AI capabilities, which drive… which will drive future growth and productivity as well. More importantly, on the efficiency front, we remain disciplined. As a result, our cost-to-income ratio has remained relatively stable at around the 29% mark, which is comfortably below the guidance of 30% that we have provided. In terms of provisions on slide 15, you can see here, that the portfolio continues to perform very well. Over the last year or so, despite the fact that we have had a significant increase in our financing portfolio. As a result of this, our impairment charged declined year on year by 12%, to reach AED450 million, while overall cost of risk has further improved to reach 30 basis points against 33 basis points at the halfway mark at the end of June.

In terms of the breakup of this by business, so retail cost of risk remains broadly stable at 48 basis points, while the wholesale is at about 18 basis points. And this reflects disciplined underwriting, regular stress testing that is done at a group level, and a prudent approach to provision recognition. As we move forward towards the non-performing side of the balance sheet, the broader asset quality indicators remain very positive. The overall non-performing assets have further declined by 22% year-on-year. To reach an all-time low of AED4.4 billion, as a result of some chunky settlements that we've seen, a reduction of AED1.3 billion overall, and some selective write-offs that we've done during the year.

Our non-performing assets ratios, therefore, has further declined or improved to reach 2%, which is at an all-time low. Further strengthening the cash coverage ratio, to reach 114%, and if you were to include collateral, that number has further improved to reach 183% by the end of September. So, if we now turn our attention to the balance sheet side, overall, the growth has remained very strong during the first 9 months of the year, with total assets reaching AED318 billion. Up 18% year-on-year. This expansion in our balance sheet has been achieved by, A primary increase in the customer financing business, as we mentioned earlier, of 26%, as well as increase that have been supported by a diversified funding base, with customer deposits being higher by 17% year-on-year to reach AED259 billion by the end of September.

So on slide 18, we turn our attention to the key drivers of our customer financing business. These continue to demonstrate broad-based momentum, with total financing assets increasing by AED44 billion, to reach AED215 billion, by the end of September. This is 26% higher, but more importantly, the momentum that we've seen in the third quarter has continued, with the further increase of 8 billion net assets, or 4% quarter-on-quarter growth. The growth has been well diversified across our key business segments, with particularly strong momentum, which we've seen in our retail and wholesale businesses.

On an overall business, our retail has increased their assets by AED15 billion year-on-year, or 15%, which accounted for approximately 45% of the total growth that we've seen during this year. And we're very proud to say that we've seen record origin… sales originations across all key products within the retail in the third quarter. Within our wholesale business, our government and public sector financing has contributed a further AED11 billion year-to-date, or around 33% of the total increase. Together between retail and wholesale, this has driven an increase of over 80% of the total growth, further complemented by continued expansion in corporate and other segments.

So, as we move forward, on slide 19, this is the investment portfolio, which has remained broadly stable. So, total portfolio now is about AED36 billion, up 3% year-on-year, and 2% quarter-on-quarter. The portfolio quality remains high. It's a very well-diversified portfolio, primarily invested in amortized cost and other low-risk instruments supporting liquidity management and balance sheet resilience. So, in terms of our deposits, which is slide number 20, here you can see that these have continued to grow very strongly over the last year or so, rising by AED30 billion year-to-date, supporting the financing increase that we've seen across the bank. Particularly important is the fact that The overall increase in deposits were about AED13 billion in the third quarter, or 5%.

Our current and saving deposits continue to grow, even during these times, which is a key strength of our franchise, and it's now at a healthy 60% of our total customer deposits, underpinning a competitive funding advantage. Overall, deposit growth has been across both retail, but it has also been led by the wholesale businesses. In this year. So lastly, we now go to slide 21, which is our capital and liquidity position. So in line with the expansion that we've seen in our balance sheet overall, we've continued to maintain a strong capital position, as well as a liquidity position also.

Our total capital adequacy ratio was at 15.6%, while our common equity tier 1 further improved since the beginning of the year to reach 12.4%. In terms of our risk weighted assets, we continue to optimize capital, so overall risk weighted assets increased by 15% compared to financing asset growth of 26%, as we have continued to deploy, capital into customer-friendly assets, and we've done this through disciplined capital allocation and ongoing efficiencies, enabling this growth to be absorbed through strong organic capital generation. Lastly, just a point on liquidity. These ratios remain healthy. Our overall financing to deposit ratio is stable at 83%, while our advances to stable fund ratio continues to be around the 80s With that, this is… we conclude the financial side of the presentation, and over to you on the question.

Lamia Hariz | Head of Corporate Communications, Marketing, ESG & Investor Relations: Thank you, Ahsan. So, I'll hand it over to you, Mehmet, for the questions.

Mehmet Sevim | J.P. Morgan: Thank you. Operator, can we please open up for questions?

Operator: We will now begin the Q&A session. Our first question comes from Aybek Islamov.

Aybek Islamov | HSBC: Yes, good afternoon, and thank you for the conference call, and congratulations with a good set of numbers in the third quarter. Well, I think I have, two questions relating to your net interest margin performance. The first one is the guidance that you provided, on the NIM implies that you're going to see more contraction in Q4, This year compared to Q3, how do you think about your NIM into 2027, given that we may see more rate hikes, right? And can you also discuss what sort of mitigants can you use in order to protect your margin from further decline, into next year, right? Rate swap products, growing GRE book or corporate lending more aggressively, you know, will be interesting to have that color.

And secondly, I notice a gradual increase in cash balances relative to your deposits or liabilities. What's the view here, right? So… Loan-to-deposit ratio is comfortable. Is there room to… you know, optimize your cost of funds at this point by leasing some expensive deposits? How do you think about this funding equation and fairly increased cash balances on your balance sheet? Is that something which is also holding back your margin? Thank you.

Mohamed Abdelbary | Group CEO, ADIB: Thank you, Aybek. So, I'll attempt to answer this question. If I miss any point, please do let me know. So, first on net profit margins, I think the situation, which we need to look at Is that this year has been quite unusual in terms of, number one, that rates, after initially being thought of coming down, have now reversed. And I have… actually have seen one hike, there's probably one more hike coming in December, and the forward curve suggests another probably in March.

March, April, and then another one towards the end. So we're still in the, now, in a reverse situation. Now, what has happened unusually, is that, actually, higher rates are good for banks, right? When rates go up, actually, we make more money. But given the situation we have seen this year, and I've been, I think, alerting the market first for some time, is that the funding cost increase has outstripped the ability for institutions to reprice on the asset side, because the situation particularly which emerged at the start of this conflict is that because of the instability of some of the liquidity available, some outflows, and I think we've spoken about what the major pockets where we know about the India outflow impact, I can elaborate, people are not aware of that, and some other outflows, which had to be backfilled with some other funds. So, the liquidity is available, but it became more scarce. And what it meant is that the funding cost, or what institution to pay for funds, have not been passed on to clients at the same time, so there's a timing difference in this. Second is also that, I'll speak about ADIB specifically, and probably my colleagues will join me on that, is that We also, in some cases, were cautious about passing on immediately the higher, higher rates into the asset side to support the economy, to support our clients in, again, very unusual times.

What it means for us, and that's why we keep on saying it's actually a temporary situation. If I look forward into Q4 and into next year, what is likely going to happen? What is likely going to happen is that our assets will automatically reprice because the entire wholesale bank book is on a variable basis. And by the end of this year, and we've done the analysis, Ahsan can talk about it, is that by the end of this year, the entire book would have captured the rate hikes, and as the book starts to reprice even into next year, it will capture it. Now, we expect that the funding cost should not keep up, because the higher funding cost has already been built in today, which actually should have happened over the next, in my view, few quarters. And hence, the margin will start opening up again.

The second point, I think, what will happen is that we will start, hopefully, seeing some of the money coming back into the system. The good thing is, which has worked for ADIB, is that actually, even in that environment. Our current account and saving accounts for the retail book has actually grown 5 to 6 billion, right? Which is, again, very unusual for a market where there is some pressure and the rates are high, but we still have grown 5 billion. Where the outflow happened on the CASA side were more on the institutional and wholesale banking side.

Hence, we believe still that I would not extrapolate the current situation margins are compressed, probably in Q4, there will be pressure, and that's why we have guided the market accordingly. But as we look into that in the next few quarters, I believe we will go back to some sort of normality, where actually higher rates are beneficial for the bank when we said, every 50 basis points actually adds 120 to 130 million dirhams. We are not seeing that this year, right? Because we're only paying one side, not being rewarded for the other side, given the situation we're in today.

So that is on the net profit margin side. You had a question on the reserve… on the cash balances. So, Aybek, these are the reserve requirement adjustments. So, in the beginning of the conflict, the financial package included an element of the release of reserve requirement, which banks have placed at the central bank. This, as part of the renewal of the package, this was one of the elements which was not carried forward, and it ended by the end of August. End of August, yeah, end of August, and we were back to pre-conflict reserve requirement level, and hence you would see that higher cash balance appearing on the balance sheet.

Before that, yes, we were obviously using that money to recycle back into financing. But, this has, stopped. One more thing also I think worth mentioning is that there was also a choice between, do I protect my margins and shrink to greatness? What I mean by that is that I could just hold the machine, stop asset origination, wait for CASA balances to build, and then build the balance sheet. But as we have been always saying, we run through the cycles, not only from business, but also from cost, every element, and we decided to do the same. We will continue originating the assets which we like, which meet our threshold.

It meant in the near term, maybe we pay a bit more for funding them, but these assets will stay. The financing or the funding will normalize eventually.

Aybek Islamov | HSBC: Yeah, thank you very much.

Operator: Our next question comes from Jon Peace.

Jon Peace | UBS: Hi, hi, I hope I'm audible, apologies. So my first question, please, is just a follow-up on the net profit margin question. You talk about the normalization next year, but I just wanted to get your thoughts on what the pace of that normalization might be. Could we be back to a normalized profit margin by the middle of next year, or is it likely to be a little slower and towards the end of the year? And then the second question, please, is on your guidance overall. I think as you were going through that slide, you mentioned that the guidance was quite conservative. Was that specifically the cost of risk guidance, or did it apply more broadly to things like your lending growth as well? And just maybe on the cost of risk, are you seeing any areas of pressure at all in the portfolio?

Thank you.

Mohamed Abdelbary | Group CEO, ADIB: Thank you. Let me, let me take the last one, first. So, yes, I was specifically talking about cost of risk, right? So, when I said we're being conservative, the cost of risk has, I think this is a year where ADIB has been stress-tested to its maximum, and it's almost, proven that the quality of the book was not only an assumption, but this was a real-life example. And again, just to remind them, the audience in our retail book, having just 80% of the entire retail book financed to you in nationals has definitely paid off.

And accordingly, the ECLs have done fantastically well. And when it comes to the wholesale banks, this great mix between corporate and GREs meant that we still have a good margin on the corporate side, but also protected ECLs when we went to GREs. So the cost of risk is the one where I think we are conservative. I think we'll probably surprise the market to the upside on the cost of risk. But anyway, we are Q4, so let's see how this plays out. In terms of timing of normalization, I'm… I'm penciling in Q2, right? And why I'm saying Q2? It's just a measure of how my, how I'm matching my, variable financing book towards the size of my contractual funding mix.

And for us, we always… not even this year, but always we are keeping an eye on what is the size of my wholesale banking book, which is contractual… which is, sorry, floating in nature, versus what is my deposit base, profit paying. And I always match the two in terms of size, but also frequency of repricing. And when we did the math, I think, barring any left-field surprises, it should happen in Q2 of next year.

Jon Peace | UBS: Got it, thank you.

Operator: Our next question comes from Naresh Bilandani of Jefferies.

Naresh Bilandani | Jefferies: Thank you. It's, Naresh from Jefferies. Just a few questions, please. One, can you please offer more insight into the sizable mortgage origination that you've done in the third quarter? I'm just keen to know the average LTV of the new origination, the borrowing customer segment, and any indication that you can offer on the average pricing at which you raise these mortgages specifically in the third quarter? So that's the first question. My second question is on regulation. It would be very helpful if you can please throw some light on this new draft regulation that is circulating in the media that requires a certain length

of the relationship aging before the customer can transfer their loans to a different bank, how would such a change be positive or negative for you as a franchise? So that's the second question. And my third and final question is, on the capital. Now, in light of the recently announced rights or upcoming rights issue, as we approach the dividend payment season, which is likely to be just two months after the rights conclusion, would you please be able to share some thoughts on how the management is thinking of recommending dividends to the board, so any thoughts there would be extremely helpful. Thanks a lot.

Mohamed Abdelbary | Group CEO, ADIB: Sure, thank you. So, first on, the home finance, situation. So, home finance remained to be one of the products which, ADIB is known to be very strong in, and the strength of the home finance situation for us is not actually… we don't look at it only as home finance. Why… why are we so strong in home finance? Not only because we exercise better, or we're the cheapest because we are not. It's because we bank the ecosystem, so when we work with a developer, when we work with a contractor, when we work with the entire ecosystem, the home finance comes naturally, and that's why we are almost 25% of any new origination in the market for home finance.

Now, your question on the average LTV, it's around 65%. That's where… where it currently is. Some go up, some go down. But this is the… because the average book today is actually about 60%. So the average book today on LTV on the home finance is 60%. And when it comes to the pricing, we, again, I think the market, when they look at the landscape, we are priced competitively for the risks we have. So, the return, actually, on this book is very lucrative, and it gives us not only RWA relief, but it's also a natural hedge for us. So, pricing on this book is very good, risk-adjusted. RWA is 35% of the book, and the LTV is down 65% on new origination, and the existing stock is at 60%.

In terms of the new regulation, I think, which you have seen in the media, we will get to know more about it when we receive, actually, the final draft, but what I can tell you is, I think what is being addressed is that in the personal finance space, there was a common practice whereby banks would give grace period To clients before they start paying any installments, whether it's principal, or profit, or the conventional bank interest. And what I think the regulator might have picked up is there's too much shopping around, or round-tripping from bank to another whenever this grace period ends, because the cost of moving between entities was low.

So the barrier was very low. You just could finish your first few months grace period, and it could go all the way up to 9 months, by the way. Some institutions will offer 9 months to 12 months grace period. You finish that, and then you go to the next bank, who'll give you another 6 months. So it became like, and a never-ending circle, so I think what will come out, and I will caveat just my statement, because we haven't seen the final circular head, but what I expect to see is that the regulator will control that round tripping to ensure that the financial system is not exploited by just personal finance or clients moving from bank to another, and actually never ending up paying any instalment to anyone, right? It's just moving between banks and buyouts.

So, by the end of the year, obviously, we will review the situation, we will look at our dividend policy. We cannot give you a forward-looking statement on dividend, but I've always been saying that ADIB is very consistent in its dividend policy. You go back 5 to 10 years. It's very, very predictable of what we usually pay to the market, what is the percentage of our net income, sitting here today, I don't see that changing, for any reason whatsoever, right? So let's see, right? Obviously, there will be a time and date for that, and approvals to be taken, but our dividend policy is very consistent with what we have seen in prior year as well. Can you just tell me the capital question? What was the, what is the… behind recommending dividend to the board?

Sorry?

Naresh Bilandani | Jefferies: So the thinking behind the recommendation of the dividend to the board, so I'm just keen to get some visibility on, given the fact that you are just conducting a rights issue at a point in time when we will have the dividend sort of like a decision taken two months after the rights issue, I'm just… I just wanted to get some clarification on whether you're trying to still have a conservative thought process of The dividend payout to retain more capital for growth, or that is unlikely the risk that the market will be seeing?

Mohamed Abdelbary | Group CEO, ADIB: Yeah, no, I think also that's, I think, what your answer is that our dividend policy and proposal were probably very consistent with prior years, and at that time, we would also be coming to the market with more details, but at this stage, I don't see the reason why we would change our approach from prior year, even with the rights issue coming up. It's all baked in into our forward capital planning.

Naresh Bilandani | Jefferies: Got it, got it. Thank you. Very, very quick follow-up. You mentioned the number 65% LTV. That's the LTV on the front book only, right? Not the entire mortgage book. Just to clarify, that's the LTV that you are on the new origination. And also, in the third quarter, the strength of the mortgage book If I think of the customer segmentation, fair to assume, again, that

a majority of this customer origination is… the originations coming from, UAE citizen retail, or would there be a fair mix of expat, borrowers also?

Mohamed Abdelbary | Group CEO, ADIB: Yeah, so on your first point, 65% correct, yeah, this is on the new origination, because the stock today is at 60%. In terms of the mix of clients, it's slightly balanced in terms of numbers, but in terms of size, it's more tilted towards UAE Nationals. So the ticket size itself is bigger in UAE nationals. The number of transactions could be more equal, because there's also a big component of coming from Dubai as well.

Naresh Bilandani | Jefferies: Understood. Thank you very much.

Operator: Our next question comes from Rahul Bajaj of Citi.

Rahul Bajaj | Citi: Hi, this is Rahul from Citi. Thanks, thanks for taking my question. I have two, mainly. The first one is on margin, the second one is on cost of risk. So, if I focus on, slide 12, of the presentation, the top right-hand side chart, and, how I read this chart is the main drivers for margin compression over the last 9 months, the top right-hand side chart on slide 12, Slide 12, is, cost of funding, which I understand, and retail financing. So, I'm… slightly surprised to see this chart, because I was… I was thinking that the GRE growth, is the main driver… is part of the driver for NIM compression, year till date, but that doesn't seem to be the case. So, retail is the major driver. I'm just trying… I'm just trying to understand what is driving retail margins lower. Is it… is it because the product mix have maybe slightly changed, the customer mix has maybe be slightly changed. I mean, what has driven retail finance… retail margins lower in this environment more than wholesale financing or GRE, GRE-based financing? So, that's my first question. My second question is on slide 15, on the cost of risk, if I look at the bottom left-hand side chart there. And if I compare the first half situation versus the 9-month.

On slide 15, the wholesale credit cost has gone up. Retail is pretty flat, but overall credit cost has actually come down, what is driving this decline? I mean, if wholesale has gone up from a negative 9 basis points in the first half to 18 basis points in the 9 month. I would have assumed the overall rate cost would have gone up. Is it related to Egypt, maybe? Or is it partly to do with reversing back some of the overlays that you might have taken at the start of the conflict? How should I read this chart? Thank you.

Mohamed Abdelbary | Group CEO, ADIB: Okay, thank you, Rahul. On your first question, regarding retail financing margin, the reason why you see this, 16 basis points reduction year on year is because, we are… Coming from, from a point of, some of the personal finances booked at higher rate, coming to maturity, and then rebooked at new rates, right? Because the average life of that book can anywhere between 2 or 3 years, right? And don't forget, only a couple of years or 3 years ago, we were at the highest point, when it came to rates before they came down again, and then now they're going up again. So it's just a matter of changing the specific tickets within your book of 2 or 3 years originated, personal finance at higher rates, and particularly related to personal finance, and then rebooked again with the new rates. So, again, I would say the 16 basis points, actually, not a bad outcome, given that, personal finance is usually very high yielding, but now where the rates are reversing, I think this will also be taken care of in the next few quarters.

That is for the, retail financing. Now, your question on impairments, I think you answered it exactly right. These are the recoveries we have, and we always like to show recoveries, separately because How we deal with the recoveries is that you have your Retail book, and you have your wholesale book, where you see the affected ECLs, whether it's stage 1 and 2, and… and usually when you have a transaction moving, moving into Stage 3, it's moved also outside the business to a GSAM, unit, who takes care of the recoveries, and this was one of the recoveries we had, and we've spoken about it also in half one. So that's not something, just very… Recent, but it's accumulation of the last 9 months of different recoveries we had.

Rahul Bajaj | Citi: Understood. It's all clear. Thank you.

Operator: Our next question comes from Shabbir Malik of Morgan Stanley.

Shabbir Malik | Morgan Stanley: Hi, thank you very much for this presentation. I have a question. I just want to go back to the NIM outlook. So you kind of suggested that you're expecting some further NIM compression going into the fourth quarter. I just wanted to understand, considering that, this quarter, in third quarter, deposit growth was relatively strong compared to Financing growth. We've seen a rate hike already, coming through, and potentially one more, in the fourth quarter. And I'm assuming, I think you indicated that there is going to be some effort in terms of repricing loans as well. So I just wanted to kind of get a sense of how you see the NIM evolving into the fourth quarter, and maybe also kind of shed some light on how the potential rights issue in the fourth quarter, what's likely to be the immediate use of those funds? Are those going to be used to repay, let's say, the more expensive

time deposits, which could benefit your margins, maybe not so much in fourth quarter, but maybe into… into the first quarter of 2027. So if you can help, you know, if you can shed some light on that, it would be very helpful. Thank you.

Mohamed Abdelbary | Group CEO, ADIB: Yeah, sure, thank you. So, on your, on your point regarding, the rights issue funds, yes, absolutely, this is cash very welcomed into the bank, so it helps capital, but at the end of the day, it's cash, right? So you're getting AED1.75 billion into the bank. Which you will deploy. The deployment will be, definitely for, I think, as step number one, supporting the financing growth in Q4 as well. Now, clearly, if the financing growth, is not going to need all that money, then there will be a recalibration of pricing yourself out, of some of the more expensive institutional deposits we have. And this will not be a problem because I can tell you the demand on deposits in that market is actually one of the reasons why it's driving the cost so high, it will be picked up in no time. So we will not also rush into that, because liquidity is precious these days, but yes, definitely the 1.75 will be a very good source of liquidity, which will help us in funding new assets, and to your point, I agree with you, Shabbir, it will also help us margin, right? Because you're almost getting… consider it as a CASA coming into, right? If we have grown for five and a half, six billion in CASA and retail year on year, that's another AED2 billion. Consider it as CASA-like money coming to you, you're not paying anything on it.

So yes, this is going to definitely help our margins as well. What was your follow-up question, sorry, the other one?

Shabbir Malik | Morgan Stanley: So, I also kind of, if you, if you think about, excluding the rights issue, this quarter, your deposit growth was already higher than, I think, financing growth, and your loan-to-deposit ratio was a bit lower, and you've seen rate hikes One already, and you've kind of indicated that you have a favorable sensitivity to higher rates. So I just want to kind of understand the outlook for a further NIM compression. Is it going to be more moderate NIM compression, relative to what we saw in the third quarter? And maybe another question, you saw mark-to-market losses, this quarter.

And I just want to kind of understand how… how that portfolio has held up in the third quarter, so is there scope for potential reversal of those unrealized mark-to-market losses in the fourth quarter? Thank you.

Mohamed Abdelbary | Group CEO, ADIB: Yeah, very good. So, yeah, I think the short answer to the first one is yes. We do expect, given that we have this inflow, that the pace of probably putting pressure on your margins in Q4 will be less or slow than what you've seen in Q3. Q3 is almost like, I wouldn't say call it a perfect storm, but this is where, after a few months of some of the situation we've seen, building up cost of liquidity, seeing the India-related outflows. And everything almost hit you at the perfect storm in Q3. So Q4 will definitely be expected to be much more modulated in terms of the pressure points we have seen.

Shabbir Malik | Morgan Stanley: And just on the, point about mark-to-market losses on the investment portfolio.

Mohamed Abdelbary | Group CEO, ADIB: Absolutely right, yeah. So, we have, as part of our investment book, Shabbir, we have a trading book as well. Now, with the rates in the long term, going up, significantly, I think crossing 5%? Almost 5%. Yeah, 5.5%. Our mark-to-market loss, also, which we have disclosed in the financial statements, year-on-year impact, I can tell you, is almost 70 million, right? So, if rates would have just held. Of where we expected them to be, your… our net profit will have been higher by AED70 million. Now, I'm reconfirming these are mark-to-market losses, these are not realized losses.

The intention is that rates will eventually moderate, we will reposition the portfolio accordingly, so I see it actually more as an opportunity than a loss. Yes, it hit us in Q3, but we expect it to eventually reverse and give us back some of these losses in due course.

Shabbir Malik | Morgan Stanley: If I can maybe ask just one last question. So, in third quarter, given the liquidity dynamic. Were you… do you think that you were able to grow uninhibited in terms of financing growth, or were you kind of held back because liquidity was a bit tight, and maybe you were thinking about the upcoming rights issue? And maybe if you can shed some light on 2027's loan growth outlook as well.

Mohamed Abdelbary | Group CEO, ADIB: Sure. So, no, I think, Shabbir, I can tell you that any deal, we wanted to deal with it, right? So, liquidity, I say liquidity always, like, capital enablers, enablers are always available. We did not hold back on any deal we wanted to do just because of liquidity, which was good. So, as I said, ADIB has the benefit of having access to liquidity when it needed. Our Treasury is very active, our wholesale bank and retail team can access liquidity. For us, it was a matter of cost.

It was the goal, which is… okay, if you choose between having liquidity or paying a bit more for it, I would say I would rather have liquidity and pay more for it to support my underlying goals, because if you are putting yourself outside the market because of some of these cost implications, it becomes very difficult to restart the engine again. And ADIB's strategy is we work, we go through the cycle, we underwrite what we need to underwrite, and we make the capital and liquidity available, even if it means that we take

some short-term pain, but eventually, when things normalize and the cloud settles, or the mist settles, I think we emerge with a much different picture, even in 2027.

Shabbir Malik | Morgan Stanley: Alright, thank you.

Operator: Our next question comes from Aaron Armstrong of Ashmore.

Aaron Armstrong | Ashmore: Hi there. Thanks very much for taking the question, congratulations on a good set of numbers. Just a couple of questions from me. One would be on the net interest margin side, please. So, in the slide deck, you break out 9-month versus first half. Could you give us the numbers, please, for Q3 NIM specifically versus the Q2 NIM? So, the quarter-on-quarter change, and if you could break that, as you've done in the deck, for 9 months, in terms of what you report as gross margin versus cost of funds, if you could just give us some Q3 versus Q2 numbers there, that'd be very helpful, please. That's question one.

Question two, if you could just give a little bit more on the repricing of the loan book. You mentioned, kind of, confidence there that this is going to support NIMS over the next few quarters and into next year. Just in terms of average duration, in terms of, say, how long that repricing takes, is it contractually repricing over 3 months or over 6 months? Does it differ for retail versus corporate, wholesale, and so on? Anything there? And then, just finally on the loan-to-deposit ratio, that's obviously been ticking up a little bit in recent quarters, I think it's in the mid-80s now. Is there a comfort level or a ceiling level there?

And does that become a constraint at any point?

Mohamed Abdelbary | Group CEO, ADIB: Sure, so I'll take the few points. If I miss any point, please do let me know. So, in terms of repricing profile, let's take them by business. The entire wholesale bank book reprices around… within 3 months. Right? We don't go beyond 3 months, so whatever we have reported as a wholesale bank portfolio, and that's why we also mentioned that by the year end, we would have captured at least the first and second hike, and as we go into next year, we will capture it as well, and the size of the wholesale bank book is almost equal to the size of our contractual paying deposits as well. In terms of the retail bank, it's slightly different.

I can tell you average behavioral life, because our retail book, which has crossed the 100 billion mark, the home finance book is probably 6 to 7 years repricing. The personal finance book, I would say, anywhere between 2 and 3 years, despite contractually it can go to five. But we've seen the velocity of this book churning between 2 and 3 years. Auto finance applies the same. So you have a good mix there between giving you some hedge in terms of interest rate of movement in the market, but also Ability to capture that uplift, when rates go up.

And that's why I said it's unfortunate that this year, the funding cost actually just moved much faster, unusually, than what we expected. I think we have seen a lot of media coverage on this, where it's becoming actually been called out as a phenomenon, which is very unusual in terms of that situation. So that's on the repricing side. What was the loan? Loan-to-deposit ratio. A loan-to-deposit ratio? No, I think we're still comfortable, right? So we… I think we're one of the banks who… the FD ratio is on the lower side, hovering between 80% and 85%. We've seen institutions going to 100, 100+.

There's no cap for that, but we internally, we are comfortable with that level. At certain times, can we go a bit higher? Yes, we can. Probably we'll see us then dropping back to the 80s again. That's our comfort level. Let's call it comfort level. Is it a regulation? Is it something we do? No, but we have a philosophy of We fund before we finance. Even if you pay up for it, but we first fund, and then we finance. That's why you see us anywhere between the 80% and 85%.

In terms of your question on net profit margin evolution, we will send it to you separately. I don't think we have the numbers ready yet, but I'm looking at Ahsan and Lamia separately. We should be sharing with you quarter on quarter, so you can see how this evolution has progressed over the year.

Aaron Armstrong | Ashmore: Thanks, maybe just at a very high level on that Q3 NIM number, you've kind of put the cost of funds and the average yields to one side, just the headline NIM, is it down roughly 30 bips quarter on quarter, if we break it out Q3 versus Q2? Is that a fair estimate?

Mohamed Abdelbary | Group CEO, ADIB: No, no, no, definitely not 30 bps, much lower than that. My guess, and please don't quote me on this number, maybe 10, 12 bips max. Right? This is the number which has dropped, but let us send it to you so you have exact numbers for your modeling as well, but I don't think it was more than 10 bps

Aaron Armstrong | Ashmore: That's great, thank you, and maybe just finally for me to confirm the comments you previously made on the Q4 side of things, would you expect the Q4 versus Q3 NIM trend? to be a smaller decline compared to the Q3 versus Q2. So maybe it was 10 to 12 NIMS, quarter-on-quarter decline in Q3. If we look in Q4, it could be narrower than, say, 10 bips. Would that be fair?

Mohamed Abdelbary | Group CEO, ADIB: Yeah, that's the expectation. It will definitely be lower than Q3. By how much, we'll have to find out, because there are many moving parts, and as Shabbir was mentioning, the rights issue is a huge source of liquidity coming into the bank as well, but yes, it will be lower than Q3.

Aaron Armstrong | Ashmore: That'd be great, thank you. And then, I suppose then, Q1, we're back to positive quarter-on-quarter NIM trend.

Mohamed Abdelbary | Group CEO, ADIB: I think by, what we're guiding now is that when I spoke about normalization, I think there was a question earlier, I said Q2. By Q2 of 27, let's pencil it in. If we're surprised on the upside, happy to take it anytime, but our modeling today tells us probably by Q2 of next year, where the normal level of NIMS corridor will be established. And as I said, rising rates is beautiful for banks, right? So I want to see that beautiful happening more… faster than not, but we just have to go through the motions this year.

Aaron Armstrong | Ashmore: That's great, thanks very much.

Operator: Our final question comes from Rahul Rajan of Bank of America.

Rahul Rajan | Bank of America: Hi, good evening, this is Rahul Rahul from Bank of America. A couple of quick questions from my side, please. Firstly, on the deposit growth year-to-date, it's mostly come from non-individuals, because I see individuals' deposit growth has only been around 1.52% odd year-to-date. So, how or what are the efforts that are being taken to sort of, you know, increase these deposits from individuals? Because we are seeing, you know, continued credit growth from individuals, but not really deposit growth. So that's number one. And secondly, is just to follow up to the earlier question on LDR. So when you say that 80s is the comfortable level for LDR, 80% to 85%, so does this mean that we are going to see, or does this mean that what you see in 2027 is deposit growth sort of matching that of, credit growth? Is that something that you see in 27, please? Thank you.

Mohamed Abdelbary | Group CEO, ADIB: Yeah, so, just to re-emphasize again, when we say 80 to 85 is our comfort level, it doesn't mean it's a ceiling. So, obviously, if you have to go a bit up or down, we'll do that, but the expectation is that when… I want us to look at slightly beyond below the headline numbers of deposits. And I want us to look at retail and the corporate separately. Retail, in fact, as I mentioned, has grown 5 to 6 billion in an environment where the entire market is paying AED6 and 6.5 on CASA accounts.

That's now the norm. And you still have protected your client base and grown by 5 to 6 billion, which I think shows the resilience of that institution, but you cannot hold back also clients when they see some of these, numbers in the market. For us to support financing those, we were able to tap into institutional money, GRE, and other avenues, which, obviously, they will cost you a bit more, and hence we have seen that pressure on the funding cost, next year, I… we have a lot of initiatives happening as well, and we have always the benefit of the salary transfers. This is one of the strengths of ADIB. We have natural salary transfers coming to us every month, particularly from UAE government entities, and these are one of the strongest stories of our CASA and client-based stories. They will continue, they have not stopped, and they will continue next year as well.

And as I expect, and I hope, that when the situation starts to become slightly more normal, and I'm saying slightly because we're already adapting to a new situation, that the funding in terms of CASA will pick up at its usual normal pace. Having said that, if it doesn't pick up, we'll make sure that we still are able to write accretive assets, which will be funded efficiently as well. But we will not stop business. It's a franchise which has grown to 3X over the past 4 years, from 100 billion balance sheet to today's 317, and I think when looking at return on assets, it also means that ADIB is really punching above its weight big time in terms of its size and the profitability it generates.

Rahul Rajan | Bank of America: Sure, thank you.

Operator: And at this time, we turn the call back over to Mehmet for closing remarks.

Mehmet Sevim | J.P. Morgan: Thank you, Jerry, and thank you, everyone, for the questions, and thank you, management, for your time today. We've now come to the end of our allocated time, so please send any remaining questions to the IR team, and I'll now hand back over to management for any closing remarks. Thank you.

Lamia Hariz | Head of Corporate Communications, Marketing, ESG & Investor Relations: Thank you, Mehmet, and as you said, we're happy to receive any questions on calls or by email. Thank you, everyone. Thank you very much for your time. Appreciate it. Thank you.

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