

Management Discussion & Analysis

First 9 months of 2022 Financial Results

Abu Dhabi, UAE – 25 October 2022

ADIB reports highest quarterly net profit for Q3 2022, with 105% net profit growth to cross AED 1 billion mark.

Net profit growth of 53% for the first 9 months of 2022 to AED 2.45 billion

ADIB recorded its best ever quarter driven by improved revenues and strong asset growth

First 9 months of 2022 compared to the first 9 months of 2021

<p>4.5bn Revenues +10% </p>	<p>1.7bn Expenses -2% </p>	<p>352mn Impairments -53% </p>	<p>2.45bn Net Income +53% </p>
<p>147bn Total Assets +10% </p>	<p>103bn Gross Customer Financing +16% </p>	<p>119bn Deposits +11% </p>	<p>19.6% ROE +6.6 ppts </p>

- ▶ ADIB Q3 2022 net profit crosses the AED 1 billion mark registering a 105% growth versus the same period last year where it was AED 493 million in Q3 2021
- ▶ 53% y-o-y increase in Net Profit to AED 2.45 billion for the first 9 months of 2022 versus AED 1.60 billion in the same period last year
- ▶ ROE improving 6.6 percentage points to reach 19.6% versus 13.0% in the same period last year
- ▶ Revenue for the first 9 months up 10% y-o-y to AED 4.5 billion versus AED 4.09 billion same period last year
- ▶ Funded income for the first 9 months grew by 10% to AED 2.8 billion versus AED 2.5 billion last year driven by higher volumes
- ▶ Fees and commissions for the first 9 months grew by 22% to reach AED 839 million versus AED 689 million in the same period last year
- ▶ Cost to income ratio improved 4.6 percentage points to 37.6% versus 42.2% driven by revenue growth and effective cost control strategy
- ▶ Improved economic outlook drives 53% impairment decline, despite improved coverage on non-performing financing
- ▶ Steady balance sheet growth to AED 147 billion with 16% customer financing growth to reach AED 103 billion versus AED 89 billion in Q3 2021
- ▶ Deposits grew 11% y-o-y to reach AED 119 billion versus AED 107 billion last year
- ▶ Robust capital position with a common equity tier 1 ratio of 12.8%

Abu Dhabi Islamic Bank reported the **highest quarterly net profit with AED 1 billion** in Q3 2022 where it was AED 493 million in Q3 2021 marking a **105% growth** versus the same period last year. The bank registered a year-on-year growth in **Net Profit** of **53% for the first 9 months** of 2022 to **AED 2.45 billion from AED 1.6 billion** in the corresponding period of 2021, reflecting strong top-line growth across all key businesses. **Revenue** for first 9 months of 2022 **improved 10%** to AED 4,516 million compared to AED 4,093 million last year. This was driven by 22% increase in fees and commissions and 10% growth in funded income to AED 2,802 million, achieved from the growth in customer financing and higher rates.

Cost to income ratio was managed down to cross the 40% mark for the first 9 months with an improvement of 4.6 percentage points **to 37.6%**. This was helped by higher revenues and cost initiatives driven by the ongoing investment in digital initiatives that brought expenses down by 2% year-on-year to AED 1,699 million

Impairments declined 53% year-on-year to AED 352 million for the first 9 months of 2022, reflecting an overall improvement in economic conditions. This reduction was achieved while improving the provision coverage of non-performing financing (including collaterals) by 4.1 percentage points to 122.4%.

Total assets increased 10% year-on-year to reach AED 147 billion, driven by 16% growth in gross **financing** and 42% in investments. Customer **deposits** rose 11% year-on-year to AED 119 billion from strong Current and Savings Accounts (CASA). ADIB maintained a robust **capital** position with a Common Equity Tier 1 ratio of 12.8% and a total Capital Adequacy Ratio of 17.9%. The bank's liquidity position was healthy and comfortably within regulatory requirements, with the advances to stable funding ratio at 86.1% and the eligible liquid asset ratio at 15.9%.



H.E. JAWAAN AWAIDAH AL KHAILI

CHAIRMAN

“ADIB is pleased to report its best quarterly results ever. We were able to cross the AED 1 billion mark in net profit for a quarter underpinned by strong business momentum. Our initiatives to diversify our income, expand into new segments while managing asset quality and improving our costs served us well to deliver a record ROE of 19.6%.

“We were particularly pleased this quarter to be recognised as the safest Islamic bank globally, a testament to our solid fundamentals and financial strengths. Our capital ratios and liquidity metrics are robust and we operate in a healthy economic environment backed by a strong and supportive government.

“These strong results, along with our positive outlook for the local economy, will enable us to accelerate our investments supporting our next stage of growth. As we look ahead we will continue to work towards creating value for all our stakeholders as we aim to become the world’s most innovative Islamic bank. We are confident in the economic outlook for the UAE and the region, and will look to accelerate our progress for both customers and shareholders alike.”



NASSER AL AWADHI

GROUP CHIEF EXECUTIVE OFFICER

“The record results for the quarter once again attest to the strength of our business and the meaningful progress we are making in transforming our business and capturing new opportunities. Our transformed business, nimble execution of our strategic priorities and balance sheet strengths have put us in good stead to deliver one of the highest return on equity in the market of 19.6%. We had broad-based customer finance growth of 16% in the first 9 months of this year, growing both retail and corporate book, driving funded income growth of 10%. This demonstrates our leading origination capabilities and our continued focus to grow our market share through specialized offerings and innovative solutions. The positive drivers we saw in business over the last few quarters converted into a solid fee income growth of 22%. We remained disciplined on costs with our cost to income ratio improving 4.6 percentage points to 37.6% crossing the 40% mark over 9 months for the first time in our history.”

“Looking ahead and while the global economic outlook remains uncertain marked by inflationary pressures, we are confident that our strong balance sheet, capital levels and liquidity combined with our innovative and agile spirit will position us well to capture new opportunities and continue to support our customers, businesses and the UAE economy to thrive. We will continue to identify new growth areas and invest our resources to deliver sustainable shareholder returns and pursue our growth and transformation plans.”



MOHAMED ABDELBARY

GROUP CHIEF FINANCIAL OFFICER

“ADIB’s net profit for Q3 2022 more than doubled, increasing 105% compared to the same period last year. It was the bank’s best ever quarter where the quarterly earnings crossed the AED 1 billion mark. This was due to a strong business momentum with a record performance in customer finance, deposits and fee income.

“This performance was driven by a 10% increase in revenues, led by a strong performance in our retail and corporate business. This was helped by strong volumes, early benefits from raising rates and from customers choosing to access more products and services from ADIB. Our continued investment in digital customer transformation is paying off as our cost-to-income ratio further improved by 4.6 percentage points to 37.6%, and this means the strength we have today will allow us to continue to invest in being at the forefront of innovation.

“Our excellent performance this 9 month period is a reflection of our balanced approach to portfolio diversification and operational efficiency and our resultant high asset quality and credit administration practices. Our net profit margin improved and we maintained a strong liquidity, funding and capital positions. As we look towards the future, we can expect to maintain our growth trajectory and build upon our previous success.”

= Group Financial Review

► Income statement

AED (mn)	Q3 2022	Q3 2021	Δ%	YTD 2022	YTD 2021	Δ%
Gross revenue from funds	1,279	1,034	+24%	3,120	2,792	+12%
Distribution to depositors	(147)	(76)	+93%	(318)	(248)	+29%
Net revenue from funds	1,132	957	+18%	2,802	2,545	+10%
Investment income	181	195	-7%	602	667	-10%
Fees, commissions income, net	260	228	+14%	839	689	+22%
Foreign exchange income, net	103	67	+55%	268	183	+46%
Other income	2	2	-1%	5	8	-36%
Non-funded income	546	491	+11%	1,715	1,548	+11%
Total operating income	1,678	1,448	+16%	4,516	4,093	+10%
Total operating expenses before impairment charge	(539)	(567)	-5%	(1,699)	(1,729)	-2%
Provision for impairment	(125)	(384)	-67%	(352)	(751)	-53%
Profit before zakat and income tax	1,014	497	+104%	2,465	1,613	+53%
Zakat and tax	(4)	(4)	+0.5%	(13)	(11)	+20%
Profit after zakat and tax	1,010	493	+105%	2,452	1,602	+53%
Non-controllable interest	(0.5)	(0.3)	+58%	(1.3)	(0.7)	+92%
Profit attributable to equity holders of the bank	1,010	493	+105%	2,450	1,601	+53%
EPS	0.25	0.11	+131%	0.61	0.38	+62%
Net profit margin – YTD				3.35%	3.12%	+23bps
Cost to income ratio	32.1%	39.2%	-7.0ppts	37.6%	42.2%	-4.6ppts
Cost of risk – YTD				0.38%	1.10%	-72bps
ROAE – YTD				19.6%	13.0%	+6.6ppts
ROAA – YTD				2.33%	1.64%	+69bps

- **Group net profit** grew 53% in the first 9 months of 2022 to AED 2.45 billion compared to AED 1.6 billion in the corresponding period in 2021. This was driven by solid growth in revenues, improved operating efficiency and lower overall impairments compared to the previous year.
- **Revenues:** The rebound in the UAE economic activity and an improvement in business momentum lifted **revenues** by 10% in the first 9 months of 2022 to AED 4,516 million versus AED 4,093 million in the corresponding period of 2021.
- **Funded income** rose 10% year-on-year to reach AED 2,802 million with 6% growth in average earning assets thereby increasing the net profit margin to 3.35% as compared to 3.12% in the comparative period of 2021, even though there was an increase in the cost of funding of 6 basis points year-on-year. ADIB preserves one of the highest margins in the market, supported by one of the lowest costs of funds in the market.
- **Non-funded income** increased by 11% year-on-year to AED 1,715 million for the first 9 months of 2022, resulting from 22% growth in fees and commission income, and a 46% improvement in foreign exchange income.

- Overall revenues were supported by growth in **new customers** of approximately 93,000 during the first 9 months of 2022, evidencing ADIB's emphasis on long-term customer relationships and the delivery of superior customer service.
- Successful implementation of **cost initiatives** and the efficacy of the digital strategy resulted in a 1.7% improvement in **operating expenses** to AED 1,699 million compared to first 9 months of 2021, leading to an improvement in the **cost-to-income ratio** of 4.6 percentage points year-on-year to 37.6%.
- The **net impairment charge** for the year decreased by 53% year-on-year to AED 352 million, lowering the **cost of risk** by 72 basis points year-on-year to 0.38%. This reflected improvements in the micro-and macro-economic environment and was achieved while improving the **provision coverage** of non-performing financing (including collaterals) by 4.1 percentage points to 122.4%.

► Balance Sheet

AED (mn)	Q3 2022	Q3 2021	Δ%
Cash and balances with central banks	18,233	21,110	-14%
Due from financial institutions	2,170	4,687	-54%
Customer financing, net	98,240	84,419	+16%
Investments	19,072	13,420	+42%
Investment in associates	1,722	1,424	+21%
Investment and development properties	1,992	2,006	-1%
Other assets	5,780	6,315	-8%
Total assets	147,209	133,382	+10%
Due to financial institutions	3,198	2,920	+10%
Depositors' accounts	118,823	107,005	+11%
Other liabilities	4,014	3,529	+14%
Total liabilities	126,036	113,454	+11%
Share capital	3,632	3,632	-
Retained earnings	7,594	6,233	+22%
Other reserves	5,181	5,298	-2%
Equity attributable to shareholders of the bank	16,407	15,163	+6%
Tier 1 sukuk	4,754	4,754	-
Non - controllable interest	12	11	+6%
Equity attributable to equity holders of the bank	21,173	19,928	+6%
Customer financing, gross	103,202	89,124	+16%
Non-performing financing	8,597	8,025	+7%
NPA ratio	8.3%	9.0%	-67bps
NPA coverage ratio	67.8%	65.7%	+2.2ppts
NPA coverage ratio with collaterals	122.4%	118.2%	+4.1ppts
Risk weighted assets	119,432	102,951	+16%
Core Equity Tier 1 Ratio	12.81%	13.77%	-96bps
Tier 1 Ratio	16.79%	18.38%	-1.6ppts

Capital Adequacy Ratio	17.90%	19.47%	-1.6ppts
Financing to deposit ratio	82.7%	78.9%	+3.8ppts
Advances to stable fund ratio (AFR)	86.1%	82.4%	+3.8ppts
Eligible Liquid Asset Ratio (ELAR)	15.9%	19.9%	-4.0ppts

- **Total assets** reached AED 147.2 billion as at 30 September 2022, an increase of 10% from 30 September 2021, driven by a growth in net financing and growth of the investment portfolio.
- Gross customer **financing** increased 16% year-on-year to AED 103.2 billion from 30% growth in wholesale financing across Government and public sector enterprises, corporates and financial institutions while retail financing portfolios grew by 10%.
- The bank's **investment** portfolio increased 42% at 30 September 2022 to AED 19.1 billion
- Customer **deposits** amounted to AED 119 billion as of 30 September 2022, up 11% from 30 September 2021 as CASA deposits increased by 8% to AED 89 billion comprising 74.0% of total customer deposits.
- **Non-performing financing** totaled AED 8.6 billion as of 30th September 2022 compared to AED 8.0 billion as of 30th September 2021 while the non-performing financing ratio improved to 8.3% versus 9.0% as at 30 September 2021.
- ADIB continued to maintain a healthy liquidity position with an advances to stable funding ratio at 86.1% compared with 82.4% at 30 September 2021, while the eligible liquid asset ratio was 15.9% as at 30 September 2022 versus 19.9% at 30 September 2021.
- The bank further maintained a robust **capital position** with the common equity tier 1 ratio at 12.8%, a tier 1 ratio of 16.8% and capital adequacy ratio of 17.9% as at 30 September 2022, comfortably exceeding regulatory requirements prescribed by the UAE Central Bank.

= Segmental Performance Review

▶ Retail Banking Group

Income statement

AED (mn)	YTD 2022	YTD 2021	Δ%
Funded income	2,126	1,862	+14%
Non-funded income	427	423	+1%
Total operating income	2,553	2,285	+12%
Operating expenses excluding impairments	(1,355)	(1,365)	-1%
Impairment charge	(65)	(34)	+90%
Profit before tax and zakat	1,133	886	+28%
Tax and Zakat	-	-	-
Profit after tax and zakat	1,133	886	+28%
Cost income ratio	53.1%	59.7%	-6.7ppts
Cost of risk	0.16%	0.09%	+7bps

Balance Sheet

AED (mn)	Q3 2022	Q3 2021	Δ%
Financing, gross	52,721	48,071	+10%
Depositors' accounts	81,178	74,337	+9%

- ADIB's Retail Banking Group ('Retail Banking'), is the leading bank for UAE nationals and a critical growth engine for ADIB. Retail Banking delivered a strong performance, generating AED 1,133 million of **net profit** in the first 9 months of 2022, a 28% increase over the same period last year. In addition, Retail Banking continued strengthening their customer propositions and improving channel productivity, resulting in improved sales momentum for cards and 10% year-on-year growth in gross **financing** to AED 52.7 billion as of 30 September 2022.
- Based on encouraging financing growth, **revenue** for Retail Banking increased 12% year-on-year to AED 2,553 million, on the back of higher fees and commissions on cards and wealth management products
- Operating expenses** in the first 9 months of 2022 declined 1% year-on-year, reflecting cost optimisation initiatives, and continued focus on process simplification and automation to improve efficiency and deliver better customer experiences.
- The strategic focus on delivering an excellent customer experience enabled Retail Banking to expand its customer base by approximately 93,000 customers in the first 9 months of 2022.
- Deposits** also grew by 9% year-on-year, outperforming the market on deposit growth. This is a testament to the Bank's strong UAE national and Emirati-focused strategy, which is at the core of the Retail Banking business. This was driven by CASA growth of 8%.
- Consumer financing grew 10% to AED 52.7 billion led by growth in personal finance and home finance**
- New to bank cards acquisition grew 60% from Q3 2021 driven by improved sales process while card spends grew 23%
- On **digital**, the bank continued to introduce industry-leading digital capabilities, redesign the client experience, and enabled its customers to bank anytime, anywhere, on their preferred channels. The provision of the new

digital remote sales platform allowed customers to interact remotely, driving significant sales across consumer finance products. Over 45% of account opening are done through digital channels.

- ADIB was a leader among UAE banks in facilitating participation for our customers in the IPOs of DEWA, Borouge, and Salik.

► Wholesale Banking Group

Income statement

AED (mn)	YTD 2022	YTD 2021	Δ%
Funded income	534	446	+20%
Non-funded income	245	184	+33%
Total operating income	779	630	+24%
Operating expenses excluding impairments	(205)	(206)	-0.5%
Impairment charge	(153)	(500)	-69%
Profit before tax and zakat	421	(76)	+651%
Tax and Zakat	(9)	(7)	+19%
Profit after tax and zakat	412	(84)	+593%
Cost income ratio	26.3%	32.7%	-6.4ppts
Cost of risk	0.5%	2.0%	-1.5ppts

Balance Sheet

AED (mn)	Q3 2022	Q3 2021	Δ%
Financing, gross	43,775	33,559	+30%
Depositors' accounts	24,296	20,855	+17%

- The Wholesale Banking Group ('WBG') saw an increase in **net profit** of 593% driven by higher volume and the benefit of rising rates.
- Total operating income grew 24% year- on year reflecting an economic rebound and improvements in non funded income.
- Gross customer **financing** grew by 30% year-on-year to AED 43.8 billion, as a result of a rebound in economic activity and market sentiment, as well as strong momentum in deal execution. This was driven by demand from existing large corporates as well as new to bank clients.
- The Global Transaction Banking (GTB) team continued to make progress on its transformation journey, offering digitally enabled and innovative solutions to clients.
- **Revenues** for WBG for the first 9 months of 2022 increased 24% year-on-year to AED 779 million.
- WBG's **impairment charge** for the period amounted to AED 153 million, a 69% decrease relative to the corresponding period of 2021.

► Treasury

Income statement

AED (mn)	YTD 2022	YTD 2021	Δ%
Funded income	(193)	(96)	+100%
Non-funded income	649	694	-7%
Total operating income	456	598	-24%
Operating expenses excluding impairments	(30)	(30)	-0.1%
Impairment charge	(20)	(0.2)	+12,949%
Profit before tax and zakat	406	567	-29%
Tax and Zakat	-	-	-
Profit after tax and zakat	406	567	-29%
Cost income ratio	6.6%	5.1%	+1.6ppts
Investment Yield	2.5%	5.0%	-2.5ppts

Balance Sheet

AED (mn)	Q3 2022	Q3 2021	Δ%
Investments	19,072	13,420	+42%
Depositors' accounts	4,441	3,106	+43%

ADIB's Treasury department saw a decline of 29% in **net profit** to AED 406 million year-on-year due to a reduction in the revenue for the period by 24% year-on-year to AED 456 million. This was primarily due to adverse market conditions in 2022, partially offset by fee income generation from customers' activities.

= Strategy and Outlook

► Strategy

The global banking industry is currently experiencing an unprecedented era of transformation and opportunity. The global drive towards digitalization and Fintech disintermediation is well underway, leading to both increased regulatory liberalization and pressures. At the same time, the Covid pandemic has accelerated the adoption of digital products and services and structurally altered working patterns and economic fundamentals, leading to a lower rate and growth environment. Finally, sustainability has become a central theme for consumers, communities, employees and Governments globally and matters of diversity, climate change, staff wellbeing and governance, amongst others, are now critical success factors for corporations and their stakeholders.

Against this backdrop, ADIB conducted its 5-year strategic review in 2021, which defined the bank's renewed purpose of becoming a lifelong partner for our clients, community and colleagues. Furthermore, ADIB's vision revamped to be the world's most innovative Islamic bank.

The bank's 2025 strategy is built upon 4 strategic pillars:

Continuous Innovation of new Sharia-compliant banking products that will allow the bank to support customers across the retail, SME and corporate landscape remains a key tenant of the Bank's strategy. This will be supported by the training and development of Islamic banking experts. Additionally, the bank will re-engineer the delivery of products and services and plans to launch innovative digital ventures and new business models. In line with this strategy, the bank launched various products that enabled a growth in market share such as yusr for salary advance, new finance plan to support SME, and easy instalment plan.

ADIB's strategy is **Segment Focused**, building on its existing strength in the Emirati retail segment while attracting and developing new business segments where the bank can grow profitably. In this respect, a core focus area includes developing an ecosystem to support Emirati customers across all financial stages in their lives and expanding customer propositions and product offerings across large, medium and small corporations. The bank was able to deliver a double-digit growth in customer financing with all core businesses showing improvements.

Digital Excellence remains at the heart of the 2025 strategy and the bank strives to become a digital-first financial institution. ADIB aims to elevate customer convenience through its digital platforms and become a data-driven organization by leveraging advanced analytics and artificial intelligence. At the same time, ADIB will build a modern technology foundation and new digital tools and capabilities for staff to enable seamless, digital processing and front-line delivery, while creating a future-proof workforce.

Finally, ADIB is planning to embed sustainability and ESG frameworks into the existing Islamic banking DNA to ensure a **Sustainable Future** for the bank, its employees, and the customers and wider community it serves. Under this pillar, ADIB will create a more comprehensive ESG risk framework and policies, develop a Group sustainability strategy and roadmap, and foster existing talents in the organization.

The central objective underpinning the revamped strategy is a commitment to driving value for our stakeholders and the bank's 2025 strategic targets include reaching a return on equity of 20%, doubling net profit, achieving a cost-to-income ratio below 36%, being ranked first in customer experience measured with the Net Promotor Scores (NPS) and driving digitalization to more than 85% Straight-Through-Processing (STP).

► Digital and Innovation

ADIB's focus on continuous innovation and digital excellence are core tenets of the revamped 2025 strategy. The number of digitally active customers has increased steadily over the past year. Currently, the bank has 65% of its customers digitally active.

In addition, ADIB continued to strengthen its digital banking capabilities over the period, with a host of new initiatives driving improved adoption and usage rates of its digital services. The bank announced the launch of a new Wealth

Management digital platform. ADIB also continues to provide customers with convenient remote account opening services through a government-linked facial recognition system.

Additional highlights of ADIB’s progress on digitalization and innovation include the following:

- ADIB’s mobile app was top-ranked in the UAE App store.
- ADIB had 70% digital usage
- 48% of new to bank customers open their account using the app
- Digital finance applications increased with 37% of personal finance applications taking place digitally
- ADIB received and processed 99.5% of payment fund transfer digitally
- ADIB opened a total 8,000 accounts through its new digital product Amwali, the world’s first Islamic digital proposition for youth
- New features were added to Mobile app to help increase customer usage and adoption – these include IPO subscription, push notification, Consumer Protection Rights and additional security features for transfers. These enhancements helped maintain overall Consumer Bank NPS (net promoter score) at 60%

As a result of our digital investment and our efforts to keep customers safe and secure, in Q3 2022 ADIB was awarded the status of the ‘safest Islamic Bank globally’ by *Global Finance*.

► Outlook

Following a year of rebound in 2021 which saw a 2.3% increase in economic activity, the local economic environment steadily improved in Q3 2022. Consumer sentiment and spending has recovered and GDP growth is expected to rebound to a positive 5.1% in 2022. This expectation is underpinned by a sharp increase in oil prices which are expected to remain above USD 90 per barrel and sustained government expenditure with moderate inflation rate.

ADIB reported a solid financial performance in the first nine months against the backdrop of a positive economic outlook. Our renewed strategic vision and drive provide a solid foundation for sustained value creation into the medium term ahead, as we continue to execute our 5-year growth strategy.

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About ADIB:

ADIB is a leading bank in the UAE with more than AED 147 billion in assets. The bank also offers world-class online, mobile and phone banking services, providing clients with seamless digital access to their accounts 24 hours a day. ADIB provides retail, corporate, business, private banking and wealth management solutions. The bank was established in 1997 and its shares are traded on the Abu Dhabi Securities Exchange (ADX).

ADIB has presence in six strategic markets: Egypt, where it has 70 branches, the Kingdom of Saudi Arabia, the United Kingdom, Sudan and Iraq.

Named World’s Best Islamic Bank by The Financial Times’ The Banker publication, ADIB has a rich track record of innovation, including introducing the award-winning Ghina savings account, award-winning co-branded cards with Emirates airlines, Etihad and Etisalat and a wide range of financing products.

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