









Management Discussion & Analysis

Q1 2023 Financial Results

Abu Dhabi, UAE – 26 April 2023

ADIB delivers a strong start to 2023 with y-o-y net profit growth of 54% to AED 1.1 billion in Q1 2023 and a ROE of 23.4%

Q1 2023 compared to Q1 2022

<p>AED 2.0bn Revenues</p> <p>+45% </p>	<p>35.7% Cost to Income Ratio</p> <p>-5.3 pts </p>	<p>AED 172bn Total Assets</p> <p>+24% </p>	<p>AED 1.1bn Net Profit</p> <p>+54% </p>
<p>AED 142bn Deposits</p> <p>+28% </p>	<p>AED 113bn Gross Customer Financing</p> <p>+19% </p>	<p>AED 0.26 Earnings Per Share</p> <p>+56% </p>	<p>23.4% ROE</p> <p>+6.4 pts </p>

Q1 2023 Key Financial Highlights

- ▶ 54% y-o-y increase in Net Profit to AED 1.1 billion for Q1 2023 versus AED 715 million in Q1 2022, reflecting a consistent trend of strong growth
- ▶ ROE improved to reach 23.4% in Q1 2023 versus 17.0% in the corresponding period of last year
- ▶ Revenue up 45% y-o-y to AED 2.0 billion versus AED 1.4 billion in the corresponding period of last year
- ▶ Funded income grew by 81% to AED 1.4 billion vs AED 789 million in the corresponding period of last year, driven by higher volumes and better margins
- ▶ Fees and commissions grew by 4% to reach AED 300 million versus AED 288 million in the corresponding period of last year
- ▶ Cost to income ratio improved 5.3 percentage points to 35.7% versus 40.9% in the corresponding period of last year driven by revenue growth
- ▶ Impairment grew by 29% versus the corresponding period of last year with an improvement in the coverage of non-performing financing
- ▶ 19% growth in customer financing to reach AED 113 billion versus AED 95 billion at the end of Q1 2022
- ▶ Deposits grew 28% y-o-y to reach AED 142 billion vs AED 111 billion in Q1 2022, despite rising rates, CASA balances grew 15% y-o-y
- ▶ Earnings Per Share grew 56% to AED 0.26 in Q1 2023 from AED 0.17 in Q1 2022
- ▶ Approximately 46,000 new customers joined ADIB in the first quarter of 2023 with 57% of them opening an account digitally
- ▶ Strong liquidity and funding profile with advances to stable fund ratio of 80.3%
- ▶ NPA ratio improved to 7.7%
- ▶ Robust capital position with a common equity tier 1 ratio of 12.55%

Abu Dhabi Islamic Bank reported a growth in **Net Profit of 54%** for the first quarter of 2023 to **AED 1.1 billion** from AED 715 million in Q1 2022, underpinned by healthy business growth and higher margins.

Revenue for Q1 2023 **improved by 45% to AED 2.0 billion** compared to AED 1.4 billion in the corresponding period of last year. This was driven by **81% growth in funded income** to AED 1.4 billion, achieved from the growth in customer financing and higher margins.

Cost to income ratio was managed down with an improvement of 5.3 percentage points to **35.7%**. This was predominantly driven by growth in Income and enhanced productivity.

Impairments grew 29% to AED 146 million for the first quarter of 2023. **The provision coverage of non-performing financing** (including collaterals) **improved** by 7.6 percentage points to **128.7%**.

Total assets increased 24% to reach AED 172 billion, driven by **19% growth in gross financing** and 22% growth in investments.

Customer deposits rose 28% to reach AED 142 billion driven mainly by **15% growth in Current and Savings Accounts (CASA)** despite the high rate environment.

ADIB maintained a robust capital position with a **Common Equity Tier 1 ratio of 12.55%** and a **total Capital Adequacy Ratio of 17.54%**. The bank's liquidity position was healthy and comfortably within regulatory requirements, with the **advances to stable funding ratio at 80.3%** and the **eligible liquid asset ratio at 19.6%**.

**H.E. JAWAAN AWAIDAH AL KHALI**

CHAIRMAN

“The UAE economy saw a good start in 2023 supported by higher oil prices and continuation of the diversification strategy. Capitalising on the encouraging economic environment, ADIB has delivered a solid performance in the first quarter of 2023 with Net Profit increasing by 54% to AED 1.1 billion on the back of excellent progress on our growth strategy and transformation initiatives, in line with our long term plan to deliver sustainable value to all our stakeholders. The record return on equity of 23.4% reflects the benefit of higher income as well as significant structural gains from our strategic initiatives.

“We continued to attract new customers to the bank welcoming 46,000 new customers in Q1 2023 and growing our market share. Our efforts have led us to be recognised as the Best Bank in the UAE by *Global Finance*, a testament to our robust financial performance and pioneering approach to innovation in digital banking.

“We are also committed to embedding sustainability and ESG into our strategic plan and we are seeing a true integration of sustainability into our businesses. We look forward to working with the UAE government and our peers to develop innovative solutions as the UAE marked this year as the Sustainability Year and preparing to host Cop 28.

“Looking ahead, we do not believe the global macroeconomics challenges will curtail the strength and resilience of our local economy. We see that the UAE economy will continue to improve. We remain confident that we are well positioned, via our multi-pronged growth strategy, to deliver strong results well into the future.”

**NASSER AL AWADHI**

GROUP CHIEF EXECUTIVE OFFICER

“We had a very successful start into 2023, maintaining our growth momentum by delivering a 54% growth in net income to AED 1.1 billion, a record revenue of AED 2 billion and a ROE of 23.4%. The positive performance underscores our commitment to delivering the very best products and services to our customers and long-term value for our shareholders. Our focus on investment and innovation, vigilant risk and controls framework, and growing balance sheet allowed us to produce these strong returns.

“All of our business lines continued to generate solid growth this quarter. In the retail banking group, consumer spending remained healthy with card sales up 45% and 11% growth in customer financing. In the Wholesale Bank, we were able to grow financing by 15% as a result of strong momentum in deal execution. This growth was driven by demand from existing large corporates as well as new to bank customers.

“From a capital perspective, our capital adequacy ratio of 17.54% is well above the minimum regulatory thresholds, allowing us to sustain our growth benefiting from our strong liquidity and funding position with a 28% growth in customer deposits to AED 142 billion.

“We continued to make necessary investments in our people, processes, and digital infrastructure across our network, to enable future productivity and efficiency gains. Our cost to income ratio improved 5.3 percentage points to 35.7%.

“Internationally, we continued to strengthen our presence in the markets we exist in including Egypt that remains a strategically important market for the Group, as we continued to focus on unlocking opportunities there through specialised offerings and innovative solutions, and by strengthening our footprint.

“Despite operating in the region’s most competitive banking environment, we believe ADIB is well positioned to take advantage of the UAE’s economic development and diversification, ensuring that our financial strength and focus on innovation delivers a compelling offering to customers. We cannot ignore that global economic uncertainties remain, and that there are concerns about the pressures of a rising rate environment on major segments of the UAE economy. We will therefore maintain our conservative approach to balancing the risk and reward of new credit extension while simultaneously building our capital.”



MOHAMED ABDELBARY

GROUP CHIEF FINANCIAL OFFICER

“ADIB produced another solid set of results in the first quarter of 2023 with a net profit of AED 1.1 billion, up 54% from last year, underpinned by 45% growth in revenues. Margins widened by 79 bps to 4.35% in Q1 2023 as base rate rises benefited our finance portfolio, offsetting an increase in funding costs.

“Underlying operating performance was strong as we saw growth across all our business segments particularly with customer financing expanding 19% year-on-year.

“Deposit mix also improved with Current and Savings Accounts (CASA) growing 15% adding AED 12.5 billion to represent 68% of total customer deposits. In an increasing rate environment, this places us in good stead to deliver higher returns for the rest of the year.

“Fee income remained strong and represents 15% of total income demonstrating healthy pipeline execution across the business, in addition to increased client flow activities in cards and wealth management, which helped partially offset softer trading and investment income.

“We also maintained adequate provision buffers with a coverage ratio at 129% with collaterals, while prudently managing risk across the Group. Our balance sheet fundamentals remain solid across liquidity, funding and capital ratios, with Common Equity Tier 1 ratio at 12.55% as of Q1 2023.”

= Group Financial Review

► Income statement

AED (mn)	Q1 2023	Q1 2022	Δ%	Q4 2022	Δ%
Gross revenue from funds	2,014	876	+130%	1,922	+5%
Distribution to depositors	(589)	(87)	+578%	(573)	+3%
Net revenue from funds	1,425	789	+81%	1,349	+6%
Investment income	213	254	-16%	869	-75%
Fees, commissions income, net	300	288	+4%	529	-43%
Foreign exchange income, net	88	76	+17%	(435)	+120%
Other income	10	2	+483%	7	+48%
Non-funded income	611	620	-1%	970	-37%
Total operating income	2,037	1,409	+45%	2,319	-12%
Total operating expenses before impairment charge	(726)	(577)	+26%	(688)	+6%
Provision for impairment	(146)	(113)	+29%	(416)	-65%
Profit before zakat and tax	1,164	719	+62%	1,215	-4%
Zakat and tax	(62)	(4)	+1568%	(48)	+30%
Profit after zakat and tax	1,102	715	+54%	1,167	-6%
Non-controllable interest	(43)	(0.4)	+11431%	(31)	+42%
Profit attributable to equity holders of the bank	1,059	715	+48%	1,137	-7%
EPS – AED	0.26	0.17	+56%	0.30	-12%
Net profit margin – YTD	4.35%	2.92%	+1.4ppts	3.56%	+79bps
Cost to income ratio - YTD	35.7%	40.9%	-5.3ppts	34.9%	+74bps
Cost of risk – YTD	0.29%	0.44%	-15bps	0.58%	-29bps
ROAE – YTD	23.4%	17.0%	+6.4ppts	21.4%	+2.0ppts
ROAA – YTD	2.84%	2.13%	+71bps	2.37%	+47bps

- **Group net profit** grew 54% in Q1 2023 to AED 1.1 billion compared to AED 715 billion in Q1 2022. This was driven mainly by solid growth in revenues compared to the corresponding period of the previous year.
- **Revenues:** Revenues increased by 45% in Q1 2023 to AED 2.0 billion versus AED 1.4 billion in Q1 2022, primarily driven by growth in funded income mainly due to the impact of higher rates and strong finance growth.
- **Funded income** rose 81% to reach AED 1.4 billion with 21% growth in average earning assets thereby increasing the net profit margin to 4.35% as compared to 2.92% in Q1 2022, despite an increase in the cost of funding. ADIB preserves one of the highest margins in the market, supported by one of the lowest cost of funds in the market.
- **Non-funded income** decreased slightly by 1% to AED 611 million for Q1 2023 as a result of 16% decline in investment income.
- **Fees and commissions income** was up 4% YoY driven by card related fees and income from trade finance.

- Overall revenues were supported by growth in **new customers** of approximately 46,000 during the first quarter of 2023, evidencing ADIB's long-term commitment to its customers and continuous efforts to deliver superior customer service.
- **Strategic and transformation investments and volume-related expenses** resulted in the increase of 26% in **operating expenses** to AED 726 million compared to Q1 2022 that was partially offset by the benefit of productivity savings. Despite this, there was an overall improvement in the **cost-to-income ratio** of 5.3 percentage points to 35.7%.
- The **net impairment charge** for the quarter increased by 29% to AED 146 million, however, the **cost of risk** saw a decline of 15 basis points to 0.29%. This reflected overall improvements in the micro and macro-economic environment and was achieved while improving the **provision coverage** of non-performing financing (including collaterals) by 7.6 percentage points to 128.7%.

► Balance Sheet

AED (mn)	Q1 2023	Q1 2022	Δ%
Cash and balances with central banks	26,586	17,432	+53%
Due from financial institutions	7,198	4,457	+62%
Customer financing, net	107,274	90,224	+19%
Investments	20,954	17,139	+22%
Investment in associates	792	1,593	-50%
Investment and development properties	1,988	1,999	-1%
Other assets	7,355	5,740	+28%
Total assets	172,147	138,583	+24%
Due to financial institutions	2,938	3,619	-19%
Depositors' accounts	141,756	110,808	+28%
Other liabilities	5,197	4,271	+22%
Total liabilities	149,891	118,699	+26%
Share capital	3,632	3,632	-
Retained earnings	7,823	6,109	+28%
Other reserves	5,198	5,378	-3%
Equity attributable to shareholders of the bank	16,654	15,119	+10%
Tier 1 sukuk	4,754	4,754	-
Non - controlling interest	847	12	+6996%
Equity attributable to equity holders of the bank	22,255	19,885	+12%
Customer financing, gross	112,886	95,198	+19%
Non-performing financing	8,710	8,355	+4%
NPA ratio	7.7%	8.8%	-1.1ppts
NPA coverage ratio	70.8%	68.7%	+2.1ppts
NPA coverage ratio with collaterals	128.7%	121.1%	+7.6ppts
Risk weighted assets	122,840	110,085	+12%
Common Equity Tier 1 Ratio	12.5%	12.7%	-11bps

Tier 1 Ratio	16.4%	17.0%	-56bps
Capital Adequacy Ratio	17.5%	18.1%	-53bps
Financing to deposit ratio	75.7%	81.4%	-5.7ppts
Advances to stable fund ratio (ASFR)	80.3%	86.6%	-6.3ppts
Eligible Liquid Asset Ratio (ELAR)	19.6%	16.0%	+3.6ppts

- **Total assets** reached AED 172.1 billion as of 31 March 2023, an increase of 24% from 31 March 2022, driven mainly by a growth in net financing, growth in cash and balances with central banks, and growth of the investments portfolio.
- Gross customer **financing** increased 19% to AED 112.9 billion from 15% growth in wholesale financing across government and public sector enterprises, corporates and financial institutions while retail financing portfolios grew by 11%.
- The bank's **investment** portfolio increased 22% on 31 March 2023 to AED 21.0 billion.
- Customer **deposits** amounted to AED 142 billion as of 31 March 2023, up 28% from 31 March 2022 as CASA deposits increased by 15% to AED 97 billion comprising 68% of total customer deposits.
- **Non-performing financing** totaled AED 8.7 billion as of 31 March 2023 compared to AED 8.4 billion as of 31 March 2022 while the non-performing financing ratio improved to 7.7% versus 8.8% as of 31 March 2022.
- ADIB continued to maintain a healthy liquidity position with an advances to stable funding ratio at 80.3% compared with 86.6% on 31 March 2022, while the eligible liquid asset ratio was 19.6% as of 31 March 2023 versus 16.0% at 31 March 2022.
- The bank further maintained a robust **capital position** with the Common Equity Tier 1 ratio at 12.55%, a tier 1 ratio of 16.42% and capital adequacy ratio of 17.54% as of 31 March 2023, exceeding regulatory requirements prescribed by the UAE Central Bank.

= Segmental Performance Review

▶ Retail Banking Group

Income statement

AED (mn)	Q1 2023	Q1 2022	Δ%
Funded income	995	630	+58%
Non-funded income	138	160	-13%
Total operating income	1,134	789	+44%
Operating expenses excluding impairments	(497)	(453)	+10%
Impairment charge	(42)	(6)	+606%
Profit before zakat and tax	595	331	+80%
Tax and Zakat	-	-	-
Profit after zakat and tax	595	331	+80%
Cost to income ratio	43.8%	57.4%	-13.6ppts
Cost of risk	0.29%	0.05%	+25bps

Balance Sheet

AED (mn)	Mar 2023	Mar 2022	Δ%
Financing, gross	55,081	49,814	+11%
Depositors' accounts	86,496	77,385	+12%

- 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 595 million of **net profit** in Q1 2023, an 80% increase over the corresponding period last year.
- In addition, Retail Banking continued strengthening their customer propositions and improving channel productivity, resulting in improved sales momentum for cards and 11% growth in gross **financing** to AED 55.1 billion as of 31 March 2023.
- Based on encouraging financing growth, revenue for Retail Banking increased 44% to AED 1.1 billion, on the back of growth in funded income.
- **Operating expenses** in Q1 2023 grew slightly, reflecting the inflationary trend, while the Bank undertook cost optimisation initiatives, and continued focus on process simplification and automation to improve efficiency and deliver better customer experiences.
- The strategic focus on delivering excellent customer experience enabled Retail Banking to expand its customer base by approximately 46,000 customers in the first quarter of 2023.
- **Deposits** also grew by 12%. 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 15%.
- **Customer financing grew 11% to AED 55.1 billion led by growth in personal finance, home finance and auto finance.**
- 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 57% of new accounts are opened through digital channels.

► Wholesale Banking Group

Income statement

AED (mn)	Q1 2023	Q1 2022	Δ%
Funded income	228	145	+57%
Non-funded income	71	77	-8%
Total operating income	299	222	+35%
Operating expenses excluding impairments	(69)	(68)	+1%
Impairment charge	(60)	(90)	-33%
Profit before zakat and tax	170	64	+164%
Tax and Zakat	(2)	(2)	-19%
Profit after zakat and tax	168	62	+171%
Cost to income ratio	23.0%	30.5%	-7.6ppts
Cost of risk	0.49%	0.95%	-46bps

Balance Sheet

AED (mn)	Mar 2023	Mar 2022	Δ%
Financing, gross	43,624	38,004	+15%
Depositors' accounts	27,261	21,878	+25%

- The Wholesale Banking Group ('WBG') saw an increase in **net profit** of 171% driven by higher volume and the benefit of rising rates.
- Total operating income grew 35% reflecting an economic rebound and improvements in funded income.
- Gross customer **financing** grew by 15% to AED 43.6 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.
- WBG's **impairment charge** for the quarter amounted to AED 60 million, a 33% decrease relative to the first quarter of 2022.

► Treasury

Income statement

AED (mn)	Q1 2023	Q1 2022	Δ%
Funded income	(202)	(49)	-312%
Non-funded income	283	253	+12%
Total operating income	81	204	-60%
Operating expenses excluding impairments	(11)	(10)	+9%
Impairment charge	(33)	(6)	+504%
Profit before zakat and tax	36	188	-81%
Tax and Zakat	-	-	-
Profit after zakat and tax	36	188	-81%
Cost to income ratio	13.6%	4.9%	+8.7ppts
Investment Yield	3.54%	3.75%	-21bps

Balance Sheet

AED (mn)	Mar 2023	Mar 2022	Δ%
Investments	20,954	17,139	+22%
Depositors' accounts	1,783	2,684	-34%

ADIB's Treasury department saw a decline of 81% in **net profit** to AED 36 million during the first quarter of 2023 due to a reduction in the revenue for the period by 60% to AED 81 million. This was primarily due to adverse market conditions, partially offset by fee income generation from customers' activities.

= Strategy and Outlook

► Strategy

ADIB strategy defined the bank's renewed purpose of becoming a lifelong partner for our clients, community, and colleagues. Furthermore, ADIB's vision was revamped to be the world's most innovative Islamic bank.

The bank has delivered the below strategic initiatives under the 4 strategic pillars:

Continuous Innovation

ADIB launched various products that enabled a growth in market share:

- **Yusr for salary advance** allows customers to avail their pay cheque in advance instantly with a Murabaha structure-based fee. The new feature can be accessed through the mobile banking app and branches across the UAE. 'Yusr' is designed to help existing ADIB salary transfer customers, both UAE Nationals and expatriates, to manage their financials and fulfil their short-term funding needs. This product aims to provide convenience and assist customers to access up to 50% of their salaries.
- **New finance plan to support SME:** ADIB unveiled a new offering 'Small Business Finance (SBF)' that is aimed at small and medium-sized businesses (SMEs) in the UAE. The new product offers a complete financial solution for up to AED 1.5 million to support the short and long term goals of SMEs. ADIB's SBF is designed to offer a bespoke financial solution for small and medium businesses in the UAE catering to their business objectives.

Segment Focused

ADIB continued to build 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, ADIB launched propositions that support Emirati customers across all financial stages in their lives.

- 'Amwali' by ADIB registered more than 10,700 accounts opening with 74% of customers being Emiratis, with a ratio of 61% male, 39% female
- ADIB onboarded new to bank customers in the corporate and commercial segment with 15% growth in customer financing in WBG
- ADIB expanded beyond UAE by capitalising on Selected GREs in GCC markets
- ADIB welcomed 46000 customers out of which 15000 UAE nationals

Digital Excellence

Digital remains at the heart of the 2025 strategy and the bank strives to become a digital-first financial institution. The number of digitally active customers has increased steadily over the past year. Currently, the bank has 76% of its customers digitally active.

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 76% digital usage
- 57% of new to bank customers open their account using the app
- Digital finance applications increased with 40% of personal finance applications taking place digitally
- New features were added to the 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%

Sustainable future

- ADIB is a regional sustainability leader (MSCI ESG rating of 'A'), and a constituent of MSCI ESG Leaders index
- ADIB finalized its sustainability and ESG frameworks and will be announcing its Group sustainability strategy and roadmap
- ADIB continued to play a crucial role in helping to deliver the region's sustainable finance agenda facilitating around USD 2 billion worth of sustainable projects

- ADIB leads the way in Emiratisation by significantly investing in upskilling, reskilling, and developing Emiratis through international training and development programs

Outlook

The outlook for the GCC remains positive despite ongoing concerns over a global economic slowdown. Higher oil prices have pushed GCC budgets into surplus with expectation for the UAE GDP to grow by 3% in 2023. Liquidity in the UAE remains strong, with higher oil prices expected in the rest of 2023 which will help in deposit inflows.

Awards list (as of Q1 2023)

	Awards	Categories
Q1 2023	EMEA Finance	Best Islamic Bank in the UAE
	MEED	Best Islamic Bank in the UAE
	Global Finance	Best Islamic Bank in the UAE
	Global Finance	Best Bank for ESG, Global

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About ADIB:

ADIB is a leading bank in the UAE with more than AED 172 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, Qatar 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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