

# Investor Presentation 31 March 2019 results

Abu Dhabi: May 2019

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# ADIB at a glance

## Overview

- Incorporated in **1997** to serve as first Islamic Bank in the Emirate of Abu Dhabi.
- Majority owned by members of the ruling family of Abu Dhabi and sovereign wealth fund.
- Listed on Abu Dhabi Securities Exchange (ADX).

## Ratings



	Long term rating	Short term rating	Outlook
FitchRatings	A+	F1	Stable
MOODY'S INVESTORS SERVICE	A2	P1	Stable
RAM RATINGS	AAA	P1	Stable

Stock Info  
(Price and Ratio  
as of 31 March  
2019)

Market Cap (Price @ AED 4.38)	AED 15.9 bn (US\$ 4.3 bn)
Diluted EPS / share (AED)-Annualised	0.641
PE Ratio	7 times
Price / Book Ratio	1.28
Shares Issued (@ AED 1)	3.6 Bn

## Presence

- Domestic - 81 Branches and 683 ATMs. In addition, 5 Express Branches also.
- Overseas - Presence in UK, Saudi Arabia, Qatar, Iraq, Sudan & Egypt.

## ADIB - Timeline and milestones

Early History  
(1997 - 2000)

- Established by the Govt. of Abu Dhabi in **1997**.
- Licensed in 1998 as an Islamic bank by the Central bank and commenced operations.
- Listed on Abu Dhabi securities Exchange in 2000.

Intermediary  
years  
(2001 - 2007)

- Established Abu Dhabi Islamic Securities Company (ADIBS) and Burooj Properties in **2005**.
- New strategic shareholder (EIIC) introduced in **2007**.
- **2007** - Acquired 49% of National Bank for Development in Egypt.

Growth  
(2008 - Present)

- **2008** - Arrival of new management and adoption of new strategic vision and mission.
- **2012** - Issued world's first Shari'a-compliant hybrid perpetual Tier 1 sukuk amounting to USD 1 billion.
- **2013** - Fully repaid AED 2.2 billion Tier 2 Wakala Capital.
- **2013** - Total assets crossed AED 100 bn for the first time.
- **2014** - Established Abu Dhabi Islamic Merchant Acquiring company LLC (ADIMAC) in Aug 2014.
- **2014** - Acquired Retail banking business of Barclays Bank UAE.
- **2015** - Raised capital AED 504 Mn by issuing right shares.
- **2015** - Fully repaid 2<sup>nd</sup> tranche, issued under \$5 Bn EMTN programme, of USD 750 Mn at maturity in 2015 .
- **2016** - Fully repaid 3<sup>rd</sup> tranche, issued under \$ 5 Bn EMTN programme, of USD 500 Mn at maturity in 2016.
- **2017** - Total Deposits reached AED 100 Bn in 1<sup>st</sup> Quarter.
- **2017** - Achieved AED 2 Bn net profit for the year for the 1<sup>st</sup> time.
- **2018** - Welcomed 1,000,000<sup>th</sup> customer.
- **2018** - Issued Shari'a-compliant hybrid perpetual Tier 1 sukuk amounting to USD 750 million.
- **2018** - Redeemed USD 1 Bn Tier 1 sukuk successfully.
- **2018** - Raised capital AED 1 Bn by issuing right shares.

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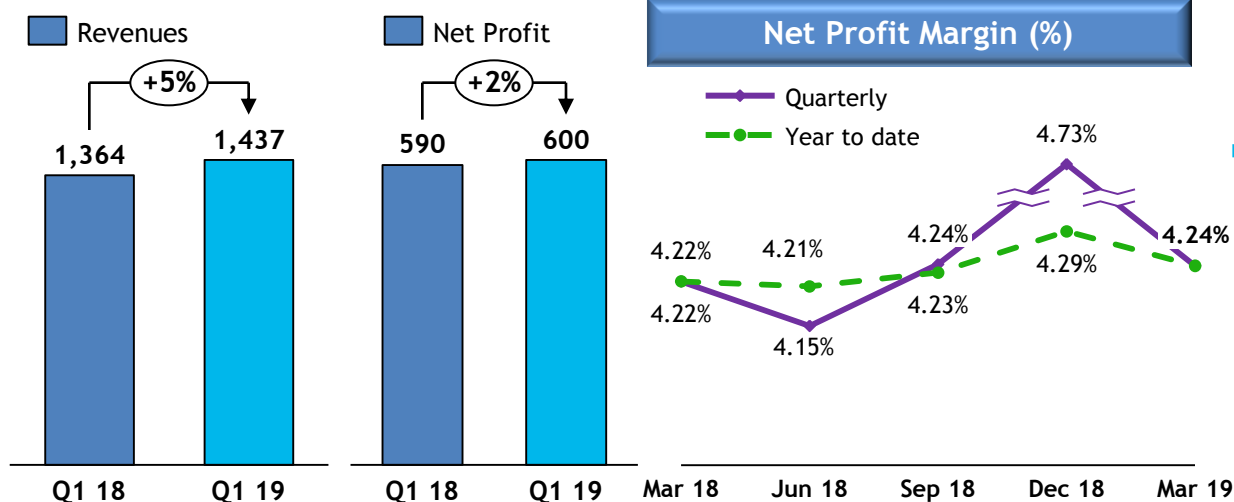
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# Q1 2019 – Key financial highlights – Income statement

AED Mn	Q1 18	Q1 19	Change %
Net Revenue from funds	948.4	<b>955.7</b>	0.8%
Fees, commission and others	415.5	<b>480.9</b>	15.7%
<b>Operating income</b>	<b>1,363.9</b>	<b>1,436.6</b>	5.3%
Expenses	623.4	<b>649.8</b>	4.2%
<b>Operating profit</b>	<b>740.5</b>	<b>786.7</b>	6.2%
Provision for impairment	149.9	<b>186.4</b>	24.4%
Zakat & tax	0.2	-	-100.0%
<b>Net profit</b>	<b>590.4</b>	<b>600.3</b>	1.7%

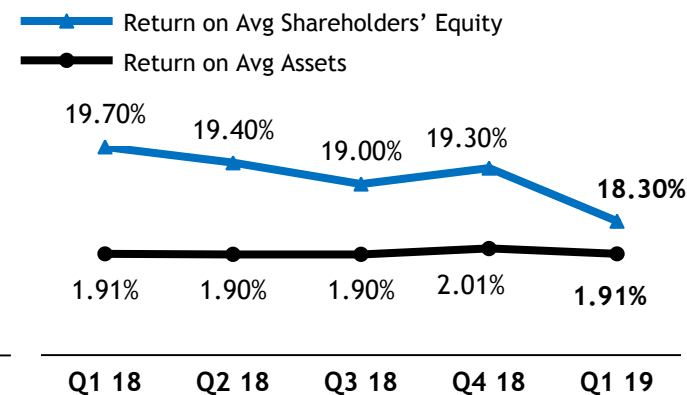
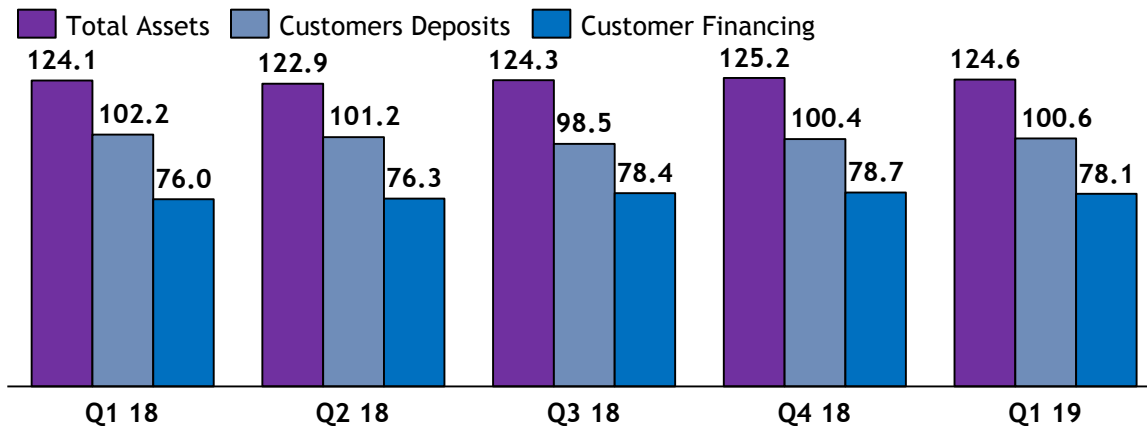
- **Net revenue from Funds (NRFF)** increased 0.8%, driven by growth in customer financing of 2.8% which is partially offset by higher cost of funds.
- **Non-profit income** increased by 15.7% mainly due to higher investment income and foreign exchange income.
- **Expenses** increased by 4.2% mainly due to continuous investment in digital capabilities across all businesses and processes.
- **Provision for impairment bank** maintained a conservative approach to risk as total credit provisions reached AED 186.4 million up by 24.4% .
- **Net profit** up by 1.7% mainly due to revenue growth of 5.3% driven by higher investment income and foreign exchange income. This increase is despite growth in expenses and impairment.



# 31 Mar 2019 - Key financial highlights - Balance sheet

AED Bn	Mar 18	Mar 19	Change %	Dec 18	Change %
Total assets	124.1	124.6	0.4%	125.2	-0.4%
Net customer financing	76.0	78.1	2.8%	78.7	-0.7%
Investments	14.5	14.9	2.9%	14.7	1.6%
Customers' deposits	102.2	100.6	-1.6%	100.4	0.2%
Total equity	16.1	17.2	6.8%	17.7	-2.9%

- **Total assets** increased by 0.4% over Q1 2018 to reach AED 124.6 Bn primarily growth in financing and sukuk investments.
- **Customer financing** increased by 2.8% from Q1 2018 to reach AED 78.1 Bn, primarily growth in Retail banking 2.7% and Wholesale banking 2.2%.
- **Customer deposits** decreased by 1.6% over Q1 2018, however, Financing to Deposit ratio remains healthy at 77.7% and Advances to Stable Funds Ratio at 82.4%.
- **Capital adequacy ratio - Basel III** at 31 Mar 2019 Total CAR was 17.53%, Tier 1 ratio was 16.44% and CET 1 ratio was 11.70% .



# Key ratios

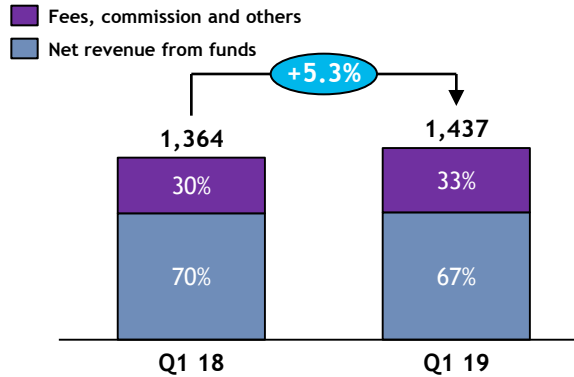
Ratios		Mar 2018	Dec 2018	Mar 2019
Efficiency	Diluted Earnings per share (EPS in AED)	0.176	0.637	0.138
	Return on Average Shareholders' Equity (excluding - Tier 1 capital)	19.7% <sup>1</sup>	19.3%	18.3% <sup>1</sup>
	Net profit margin (%)	4.22% <sup>1</sup>	4.29%	4.24% <sup>1</sup>
	Cost of funds (%)	0.55% <sup>1</sup>	0.70%	0.86% <sup>1</sup>
	Cost / income ratio	45.7%	45.8%	45.2%
Liquidity	Percentage lent (Financing / Total Assets)	61.2%	62.8%	62.7%
	Financing to Deposits ratio	74.4%	78.4%	77.7%
	Advances to Stable funds ratio	80.4%	82.9%	82.4%
	Liquid Assets to Total Assets ratio	20.9%	19.6%	19.0%
Solvency	Capital Adequacy - Basel III	16.0%	17.2%	17.5%
	Tier -1 ratio - Basel III	14.9%	16.1%	16.4%
	Common Equity Tier -1 ratio (CET 1) - Basel III	9.7%	11.3%	11.7%
	Leverage ratio (Assets / Equity)	770%	706%	723%

# Operating Performance - Net profit income

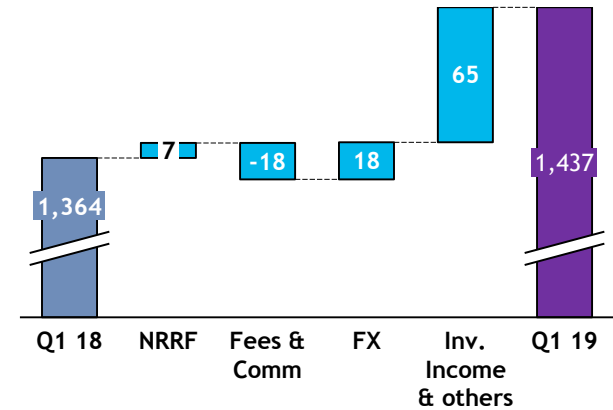
## Highlights (Q1 2019 vs. Q1 2018)

- Net revenue from Funds (NRFF) 0.8% higher, driven by growth in customer financing volumes by 2.8%. Year-on-Year Net profit margin shows an increase from 4.22% to 4.24%.
- Cost of funds remains one of the best among the peer banks, despite an increase of 31 bps vs. Q1 2018 due to higher benchmark rates. However, cost of funds remained flat vs. Q4 18.
- Bank continues to diversify the revenue base and as a result NRFF revenue to total revenue is now 67% vs. 70% in Q1 18.

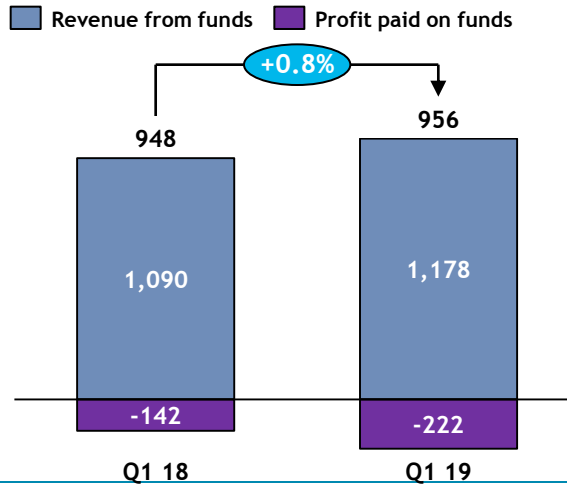
## Revenues (AED Mn)



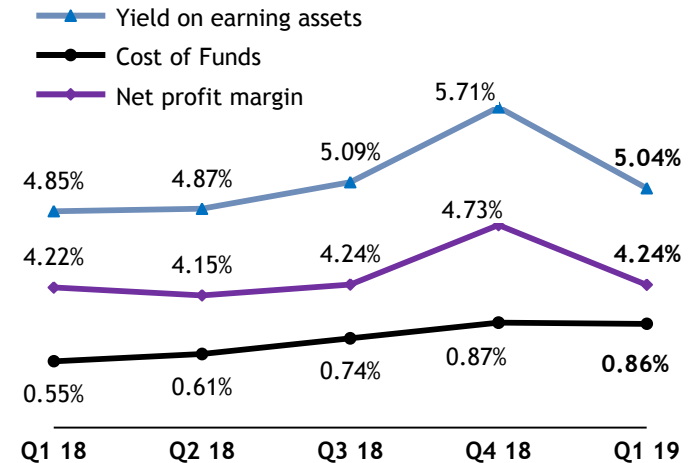
## Key movements in Revenues (AED Mn)



## Net Revenue from Funds (AED Mn)



## Evolution of Yields (%) \*



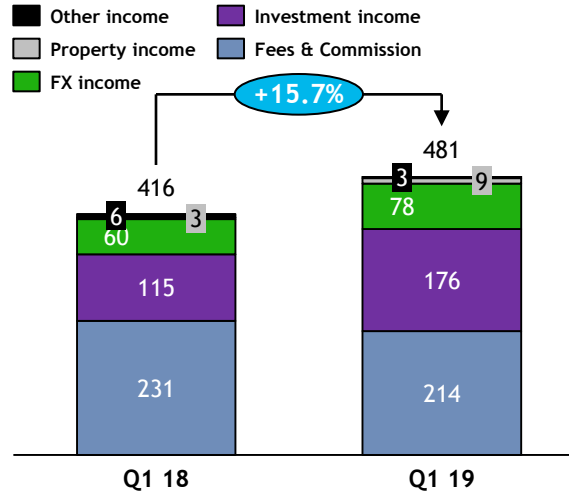


# Operating Performance - Non-profit income

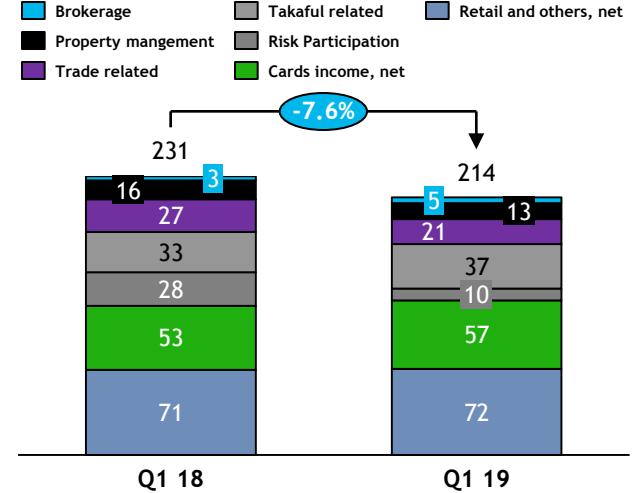
## Highlights (Q1 2019 vs. Q1 2018)

- Non-profit income higher by 15.7% at AED 480.9 Mn, now comprised 33% of total revenue compared to 30% in Q1 18.
- Increase of 15.7% mainly driven by higher investment income and foreign exchange income.
- Investment income higher by 52.8% primarily due to higher trading sukuk gains & increase in sukuk profit income resulting from increase in sukuk portfolio.

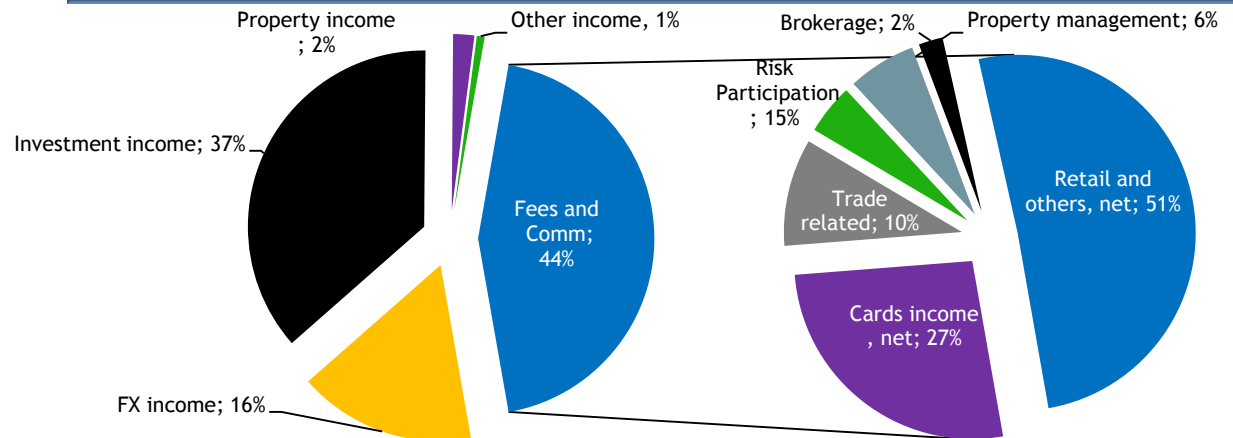
## Non-profit income (AED Mn)



## Composition of Fees & commission (AED Mn)



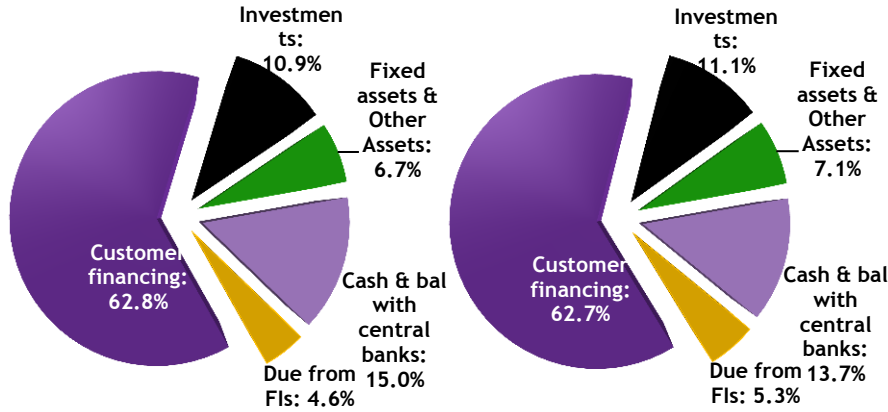
## Non-profit income Revenue breakdown



# Balance Sheet Strength and Customer Financing

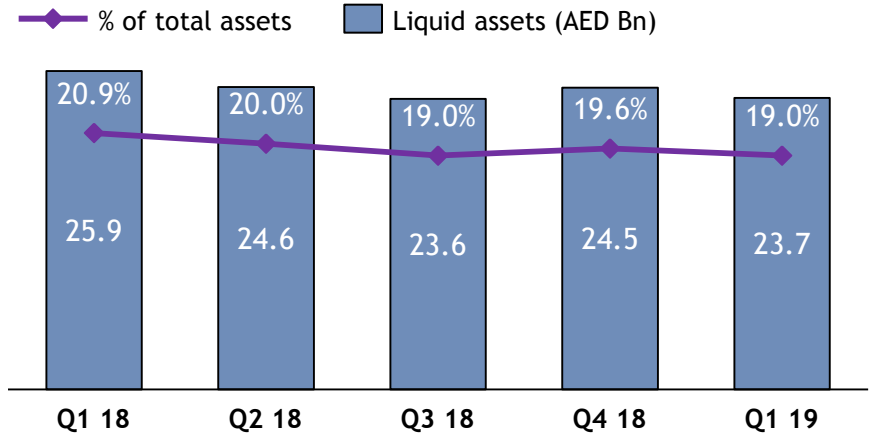
Gross customer portfolio increased 2.4% vs. Mar 18, mainly due to Retail banking which grew by 2.7% and WBG assets by 2.2%.

### Composition of Total Assets - AED Bn

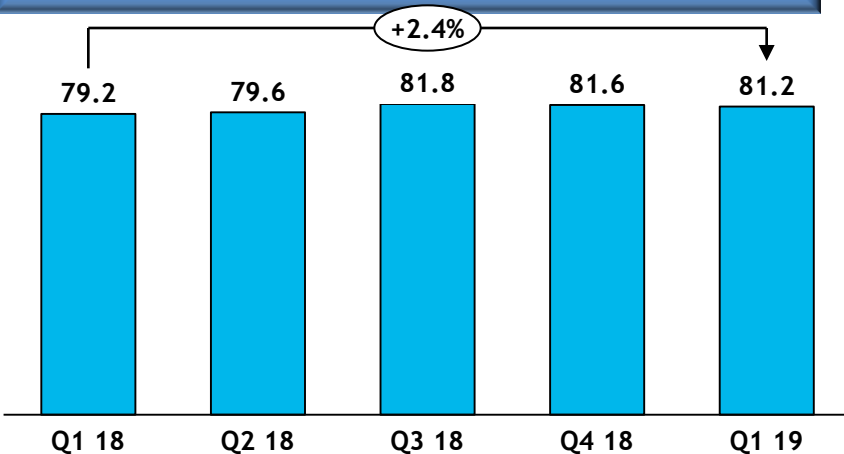


31 Dec 2018 - AED 125.2 Bn      31 Mar 2019 - AED 124.6 Bn

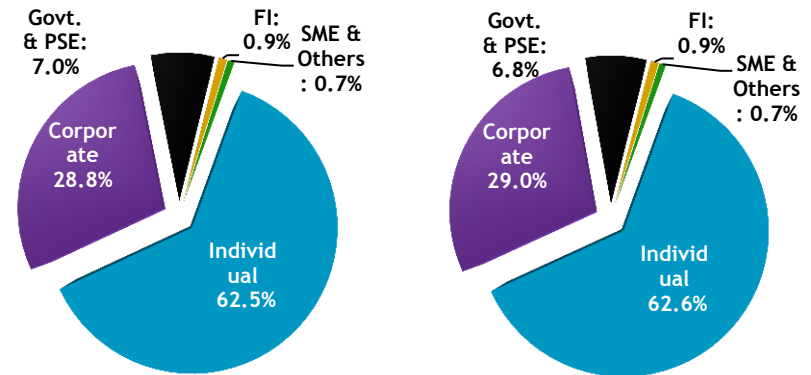
### Liquidity ratio\* (%)



### Gross Customer Financing



### Gross Customer Financing by Customer Segment

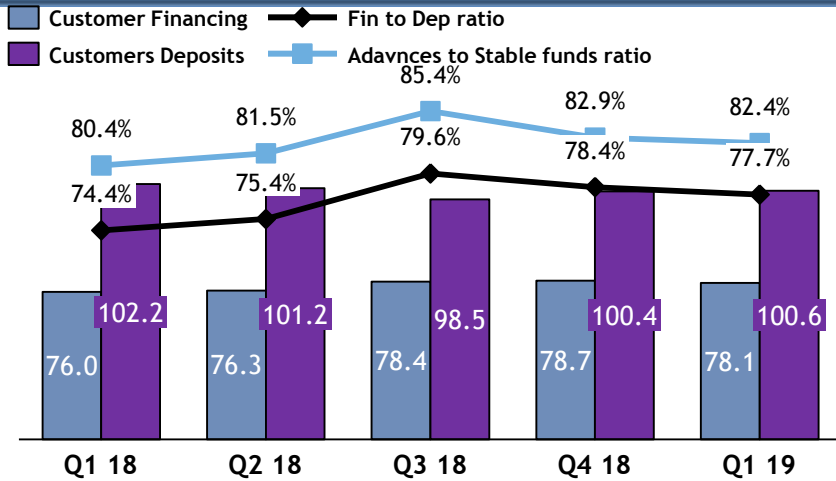


31 Dec 2018 - AED 81.6 Bn      31 Mar 2019 - AED 81.2 Bn

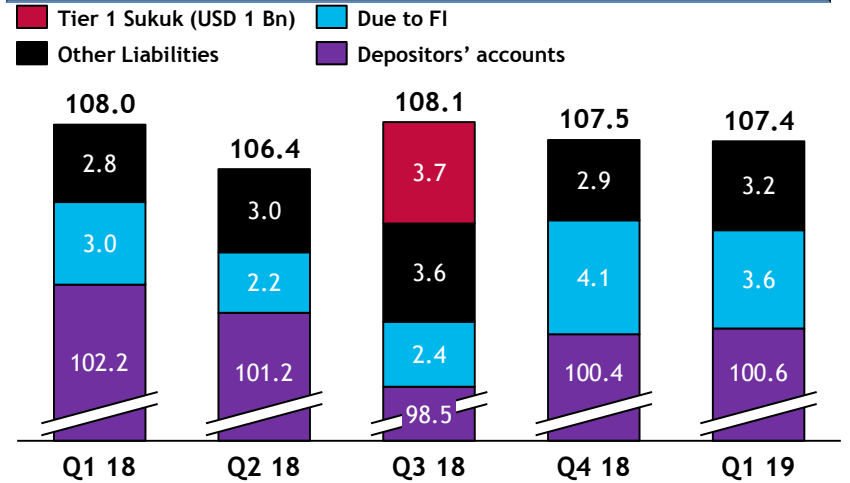
# Funding Profile

Healthy Financing to Deposit ratio of 77.7%.

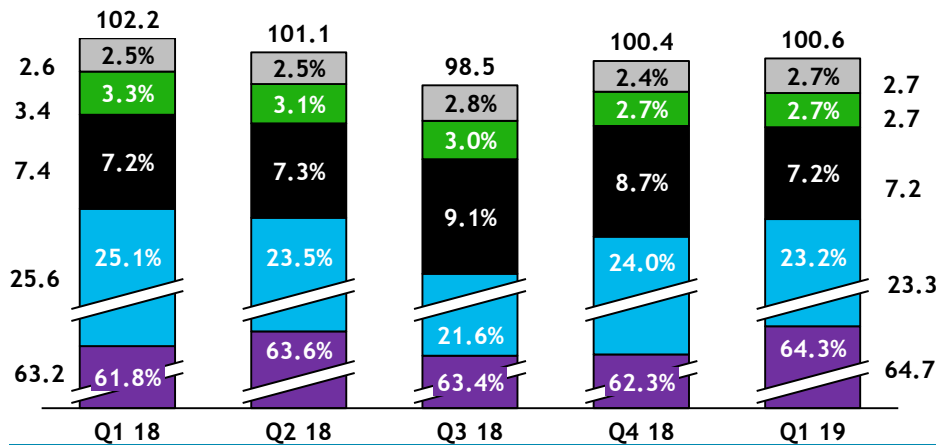
### Net Customer Financing & Customers' Deposits (AED Bn)



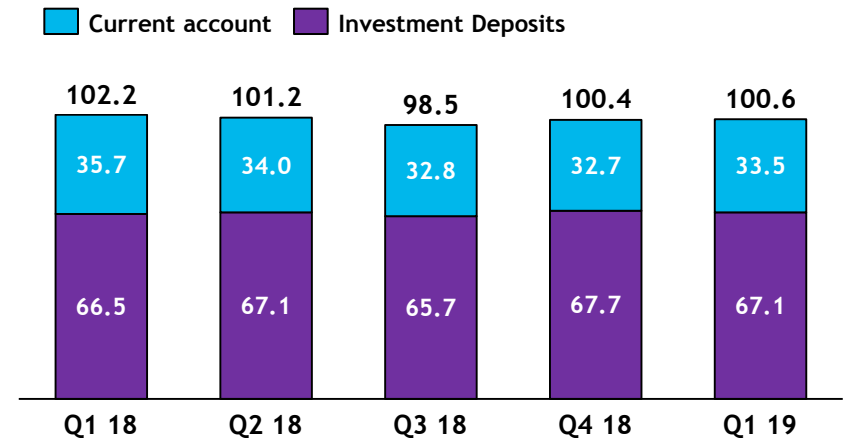
### Composition of Liabilities (AED Bn)



### Customers' Deposits by Segment (AED Bn)



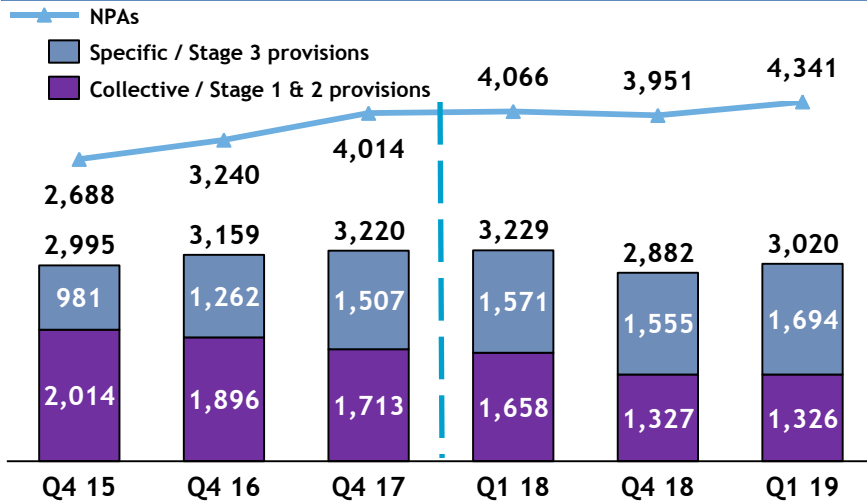
### Customers' Deposits by Type (AED Bn)



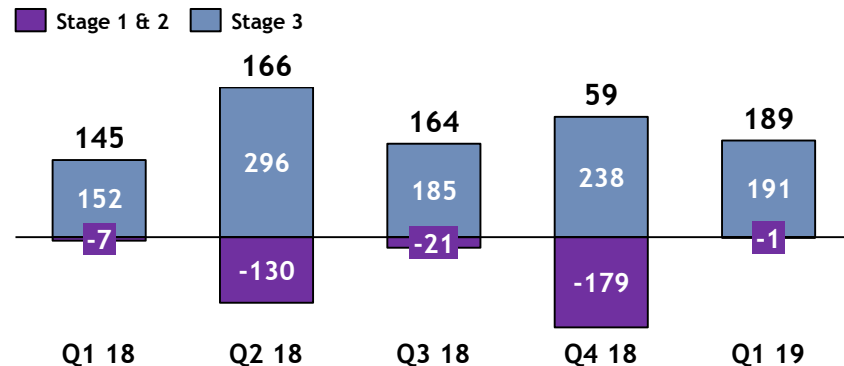
# Asset quality - Customer financing only

Provisioning now calculated in accordance with IFRS 9. Cost of risk trending down.

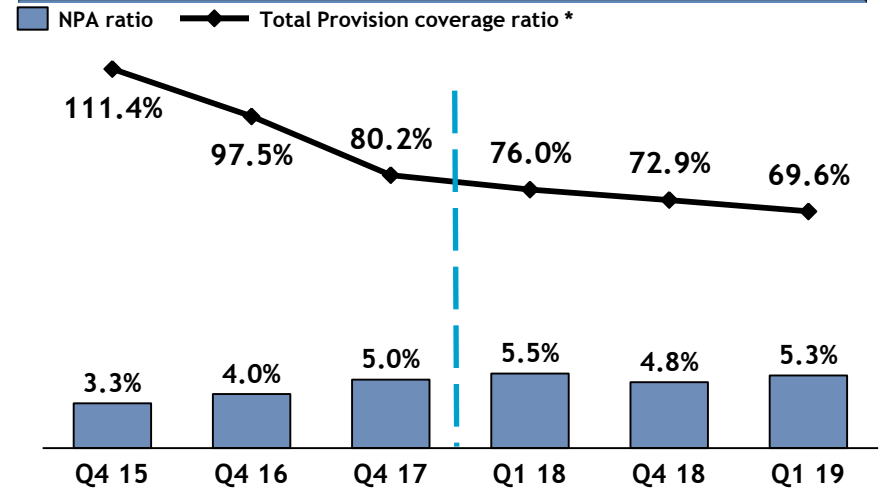
## Provisions and NPAs - Customer financing (AED Mn)



## Impairment charge - Customer financing (AED Mn)



## NPA ratio and Provision Coverage ratio



## Key points

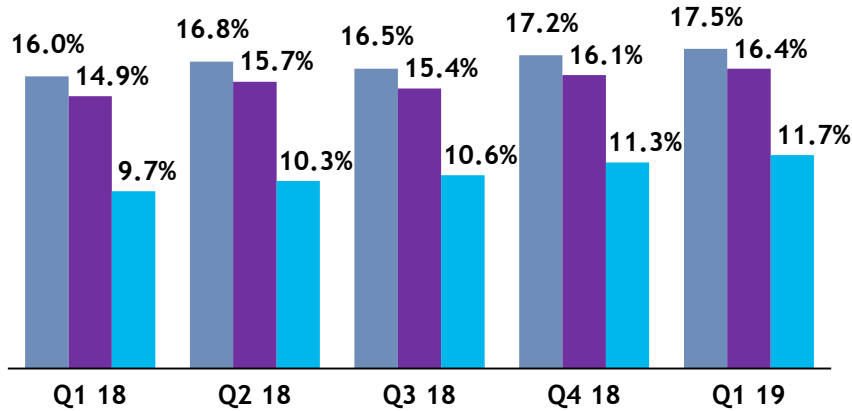
- Total NPAs increased by AED 390 Mn during Q1 19 to reach AED 4,341 Mn (31 Dec 18: AED 3,951 Mn).
- NPAs ratio at 5.3% as at 31 Mar 2019 (4.8% at 31 Dec 2018) with coverage of 69.6% (31 Dec 2018: 72.9%).
- Collective / Stage 1 & 2 provisions now stand AED 1,326 Mn at end of Mar 2019 represents 1.52% of total Credit RWAs (31 Dec 2018: 1.52%).
- Specific / Stage 3 provisions of AED 1,694 Mn at 39.0% of impaired NPAs at end of Mar 2019 (31 Dec 2018: 39.3%). Including stage 3 post haircut collateral value (50%), this ratio improves to 79.4%.

# Capital Adequacy Ratio (CAR)

## Well above the Regulatory thresholds

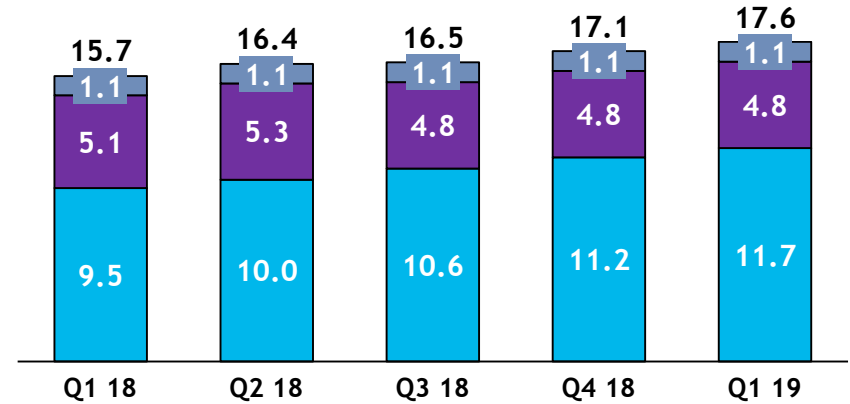
Capital Adequacy Ratio (%)

CAR Basel III Tier 1 CET 1

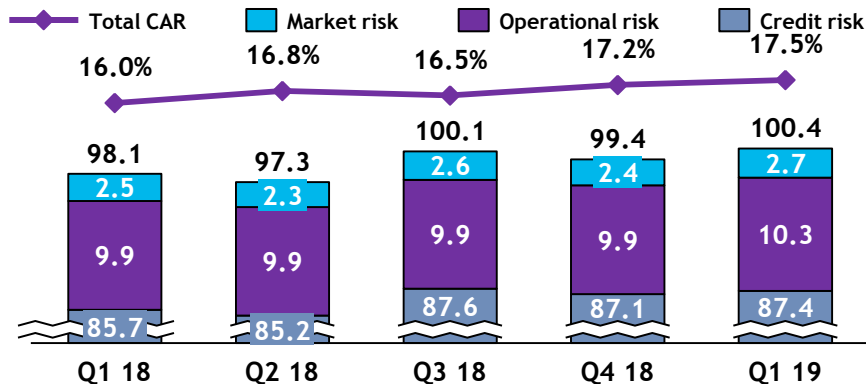


Capital base - CET 1, Tier 1 and Tier 2 - AED Bn

Tier 2 Tier 1 CET 1



Total Capital Adequacy Ratio and RWA



Highlights

- Basel III Total Capital Adequacy ratio at end of Mar 2019 at 17.53% well above the regulatory requirement of 13.0%. (31 Dec 18: 17.18%).
- Basel III Tier I ratio at 16.44% at the end of Mar 19 well above the regulatory requirement of 11.0%. (31 Dec 18: 16.09%).
- Basel III CET1 ratio at 11.70% at the end of Mar 2019 above the regulatory requirement of 9.5%. (31 Dec 18: 11.31%).

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# ADIB Strategy

The Bank's overall Strategy has three pillars:

## Build market leadership within the UAE

- Build on our strength as a leading retail bank. Retail segment has grown from strength to strength and customers now exceed 1 million. To continue this growth, ADIB has embarked on a digital transformation strategy with primary focus on enhancing customer experience.
- In the wholesale bank, ADIB has continued to consolidate and improve its position in commercial real estate, corporate finance and advisory and in transaction banking. ADIB has developed and implemented new CRM and Cash management platforms and will be launching a new Trade Finance platform. These initiatives enable ADIB to offer a full menu of products on digital platforms thereby offering superior services to its corporate customers.

## Create an integrated financial services group

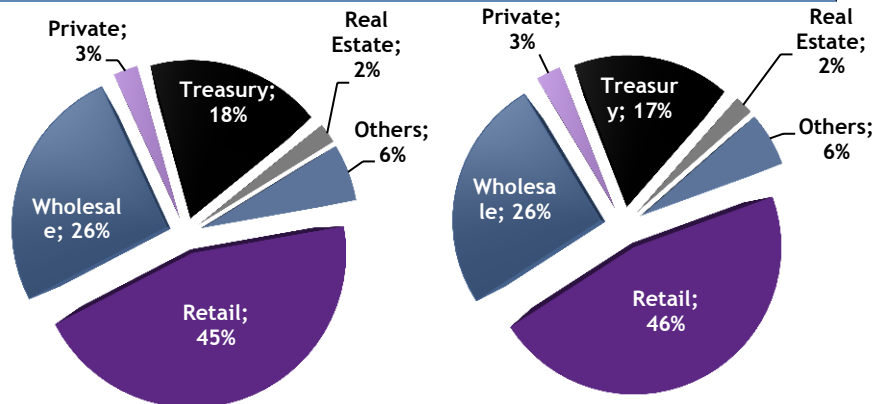
- ADIB continues to create a diversified Islamic financial services model.
- In addition to banking products and services, ADIB provides property management, advisory and valuation services (through MPM), Takaful insurance (through Abu Dhabi National Takaful Company) and securities brokerage (through ADIB Securities) and merchant acquiring business through ADIMAC.

## Strengthen our International presence and business

- ADIB international expansion began with a joint venture in Egypt (ADIB Egypt) followed by the establishment of branches in Iraq, Qatar and Sudan, a subsidiary in the UK and a joint venture finance company in Saudi Arabia.
- ADIB's is now poised to expand its international business by allowing multinational corporate customers access to financial services in its overseas locations via its Global Transaction Services platform.
- Another recent addition is the expansion of international Financial Institutions business focused on trade finance activities.

# Business unit contribution

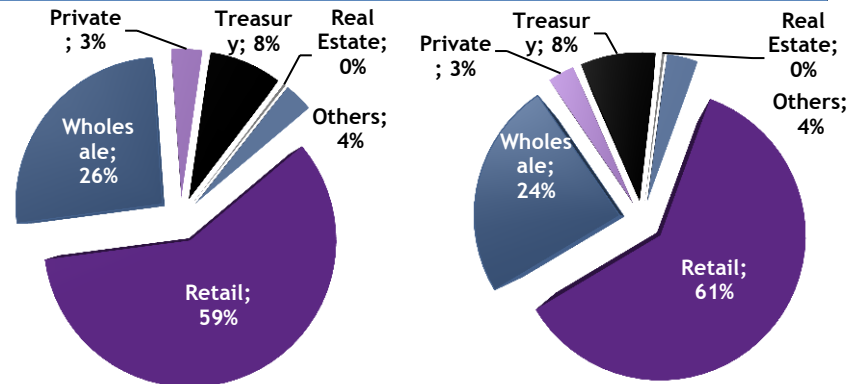
## Composition of Total Assets - AED Bn



31 Mar 2018 - AED 124.1 Bn

31 Mar 2019 - AED 124.6 Bn

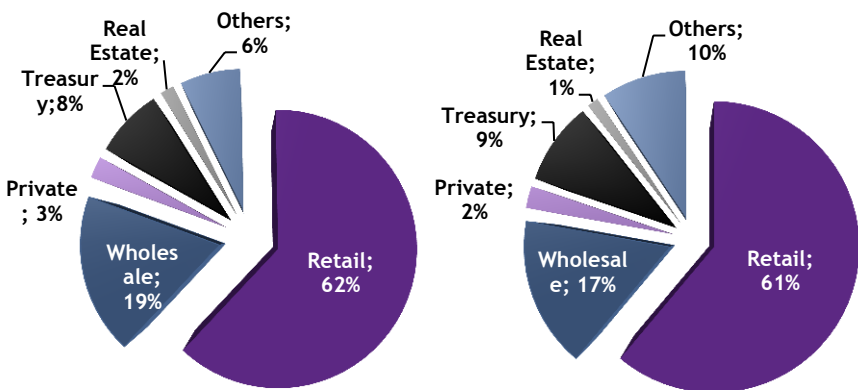
## Composition of Total Liabilities - AED Bn



31 Mar 2018 - AED 108.0 Bn

31 Mar 2019 - AED 107.4 Bn

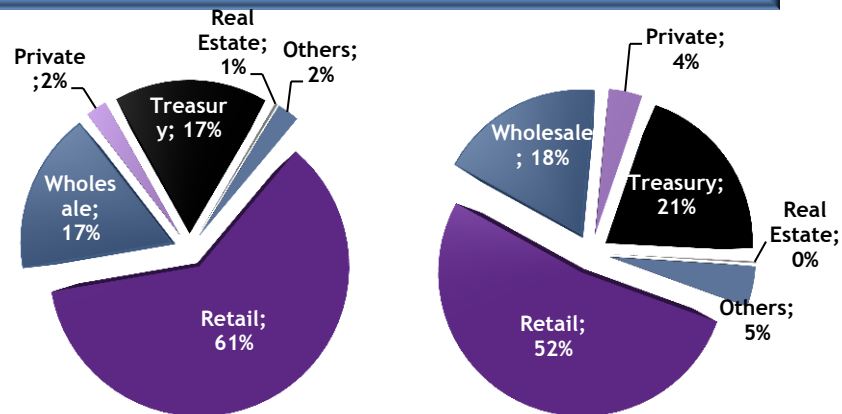
## Composition of Revenues - AED Mn



Q1 2018 - AED 1,363.9 Mn

Q1 2019 - AED 1,436.6 Mn

## Composition of Net profit - AED Mn



Q1 2018 - AED 590.4 Mn

Q1 2019 - AED 600.3 Mn



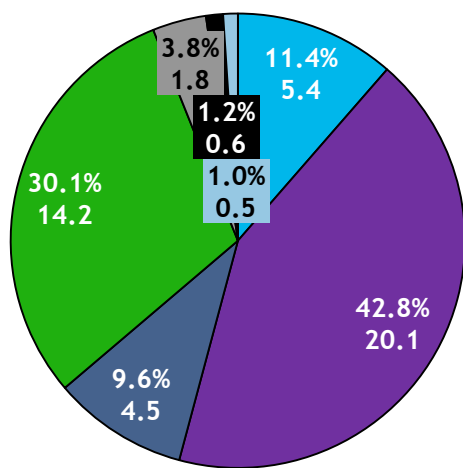
# Global Retail Banking overview

Global Retail Banking contributes 61% of Net Revenues:

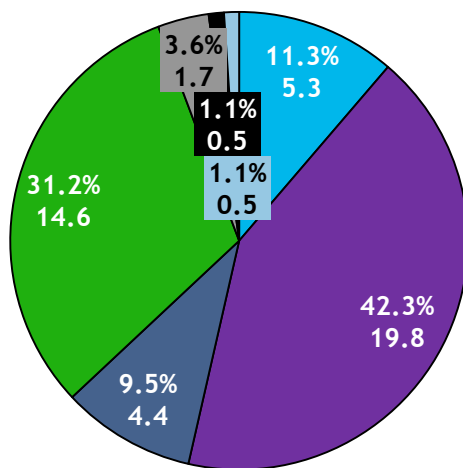
- Personal Banking Division provides services for individuals clients, while the Business Banking Division services the needs of SMEs.
- These services include a variety of Shari'a compliant financing.

## Gross Retail Financing Portfolio

■ Car Finance    ■ Mortgage    ■ Covered Cards    ■ SME  
■ Personal Finance    ■ Home Finance    ■ Others

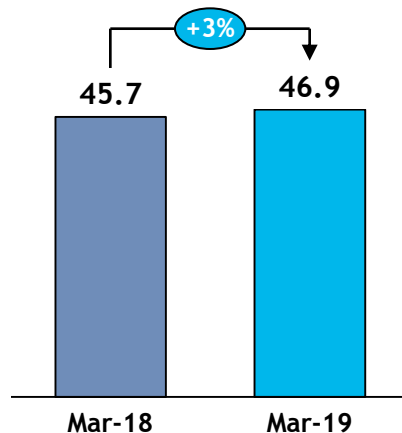


31 Dec 2018 - AED 47.1 Bn

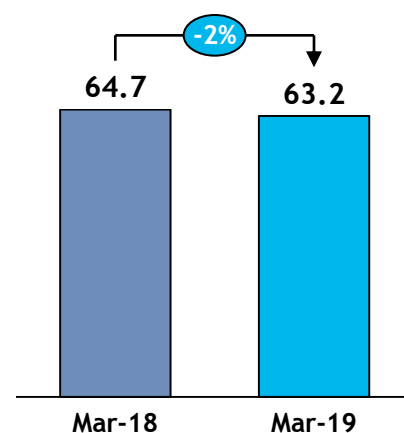


31 Mar 2019 - AED 46.9 Bn

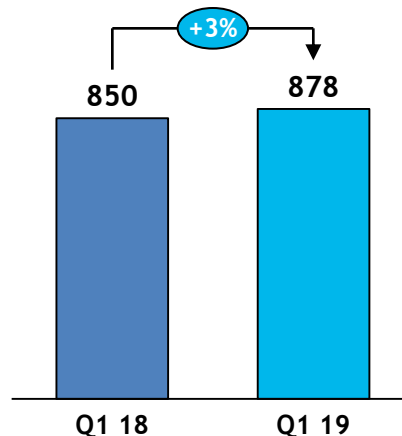
## Financing Assets (AED Bn)



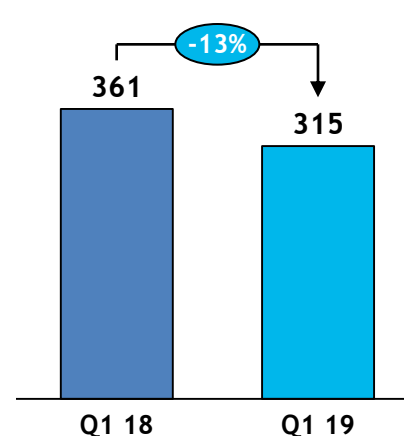
## Deposits (AED Bn)



## Revenues (AED Mn)



## Net Profit (AED Mn)



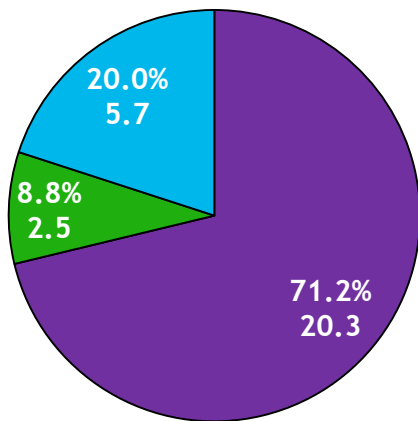
# Global Wholesale Banking overview

Global Wholesale Banking contributes 17% of Net Revenues:

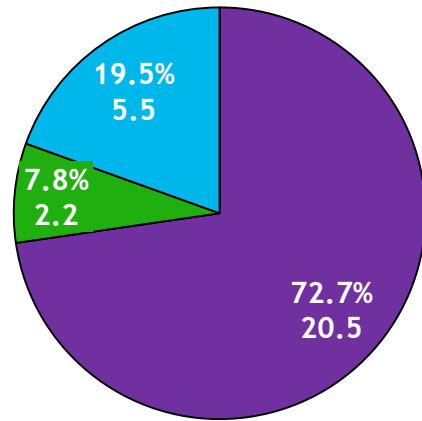
- Global Wholesale Banking encompasses the large corporates, emerging corporates and financial institutions divisions of the Bank. The array of services includes Transaction Banking and Corporate Finance and Investment Banking.

## Gross Wholesale Financing Portfolio

- Corporates
- Government and Public sector
- FI & IBG

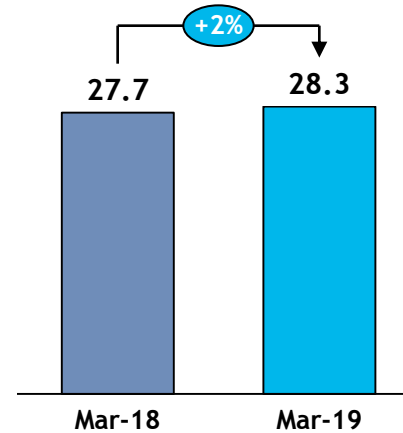


31 Dec 2018 - AED 28.5 Bn

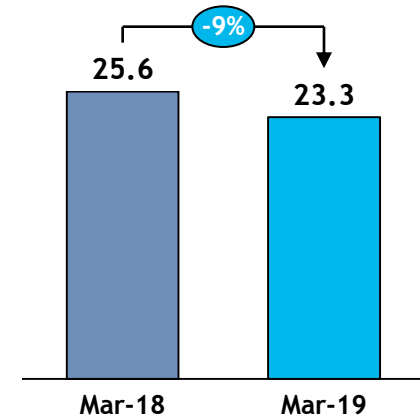


31 Mar 2019 - AED 28.3 Bn

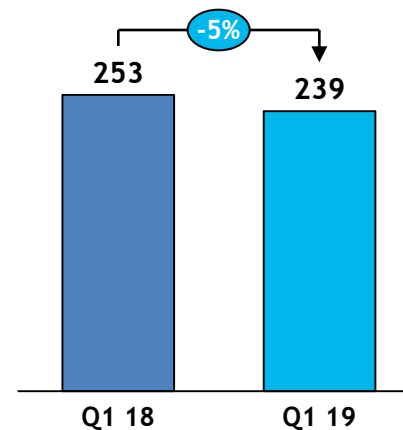
## Financing Assets (AED Bn)



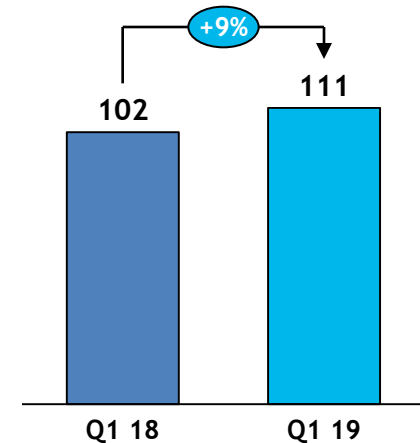
## Deposits (AED Bn)



## Revenues (AED Mn)



## Net Profit (AED Mn)



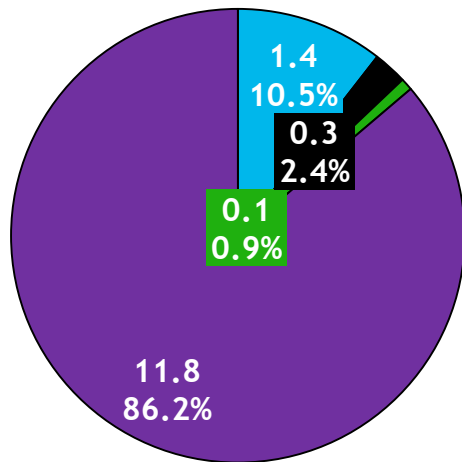
# Treasury overview

## Treasury contributes 9% of Net Revenues

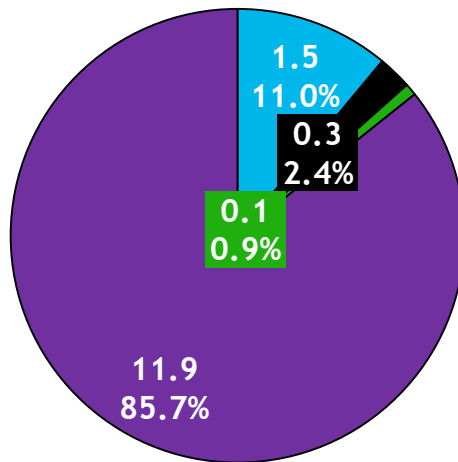
- Treasury principally handles money market brokerage, trading and treasury services, as well as the management of the Bank's funding operations by use of investment deposits.

### Investments

- Fair value through P&L
- Amortised cost
- Fair value through OCI - Sukuk
- Fair value through OCI - Equities

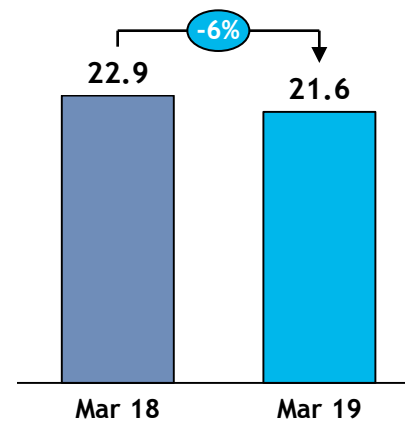


31 Dec 2018 - AED 13.7 Bn

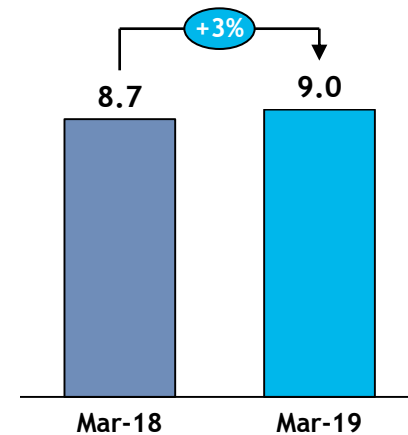


31 Mar 2019 - AED 13.9 Bn

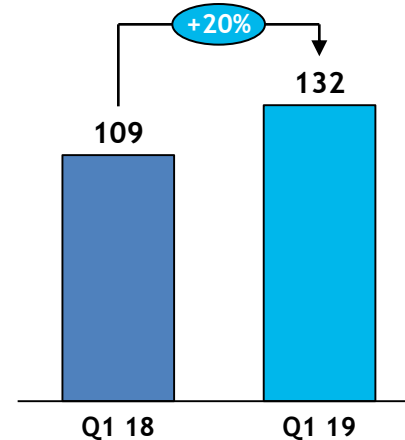
### Assets (AED Bn)



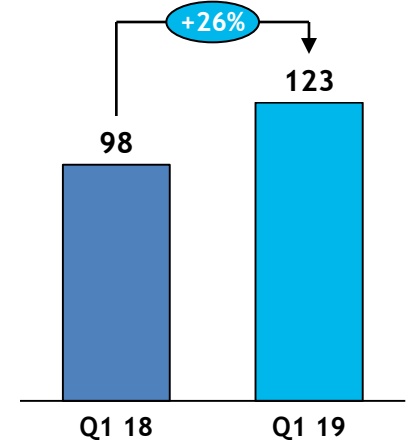
### Liabilities (AED Bn)



### Revenues (AED Mn)



### Net Profit (AED Mn)



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# Consolidated Statement of Income

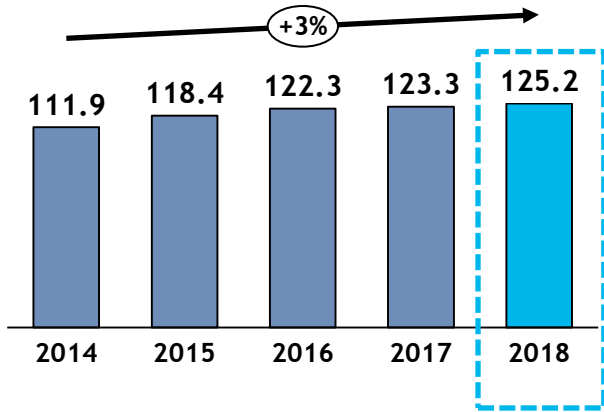
AED Mn	Q1 18	Q4 18	Q1 19	% chg Q1 19 vs Q1 18	% chg Q1 19 vs Q4 18
<b>Revenues</b>	<b>1,363.9</b>	<b>1,615.3</b>	<b>1,436.6</b>	<b>5.3%</b>	<b>-11.1%</b>
Net Revenue from Funds	948.4	1,078.1	955.7	0.8%	-11.4%
Fees & commission	231.3	314.5	213.7	-7.6%	-32.0%
Investment income	117.7	161.2	185.3	57.5%	14.9%
Foreign Exchange	60.5	59.1	78.4	29.6%	32.7%
Other income	6.1	2.4	3.5	-42.9%	42.6%
<b>Expenses</b>	<b>623.4</b>	<b>733.0</b>	<b>623.4</b>	<b>4.2%</b>	<b>-11.3%</b>
Employee cost	358.5	388.3	366.9	2.3%	-5.5%
Premises	72.2	68.3	43.1	-40.3%	-36.9%
Depreciation	64.5	70.6	87.6	35.8%	24.2%
Other Operating expenses	128.2	205.8	152.3	18.8%	-26.0%
<b>Operating Profit - Margin</b>	<b>740.5</b>	<b>882.3</b>	<b>786.7</b>	<b>6.2%</b>	<b>-10.8%</b>
<b>Provision for impairment</b>	<b>149.9</b>	<b>133.1</b>	<b>186.4</b>	<b>24.4%</b>	<b>40.0%</b>
<b>Net profit before zakat &amp; tax</b>	<b>590.6</b>	<b>749.2</b>	<b>600.3</b>	<b>1.6%</b>	<b>-19.9%</b>
<b>Zakat &amp; Tax</b>	<b>0.3</b>	<b>0.9</b>	<b>-</b>	<b>-100.0%</b>	<b>-100.0%</b>
<b>Net Profit after zakat &amp; tax</b>	<b>590.4</b>	<b>748.3</b>	<b>600.3</b>	<b>1.7%</b>	<b>-19.8%</b>

# Consolidated Balance Sheet

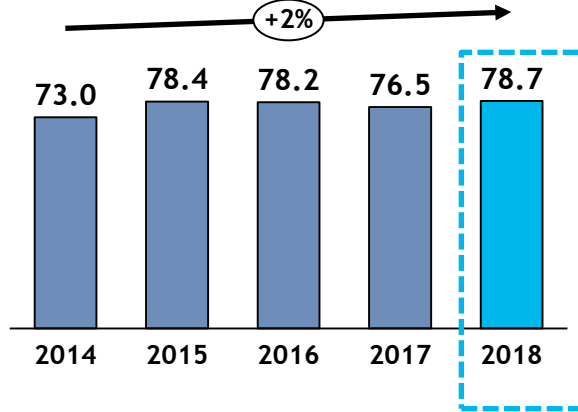
AED Mn	31 Mar 2018	31 Dec 2018	31 Mar 2019	% chg 31 Mar 2019 vs 31 Mar 2018	% chg 31 Mar 2019 vs 31 Dec 2018
<b>Cash and balances with Central Banks</b>	22,142	18,731	<b>17,045</b>	-23.0%	-9.0%
<b>Due from financial institutions</b>	3,760	5,812	<b>6,666</b>	77.3%	14.7%
<b>Net Customer financing</b>	75,999	78,677	<b>78,146</b>	2.8%	-0.7%
<b>Investments</b>	13,487	13,667	<b>13,874</b>	2.9%	1.5%
<b>Investment in associates</b>	1,004	1,014	<b>1,041</b>	3.6%	2.6%
<b>Investment and development properties</b>	1,929	2,233	<b>2,229</b>	15.5%	-0.2%
<b>Other assets / fixed assets / intangibles</b>	5,807	5,059	<b>5,631</b>	-3.0%	11.3%
<b>TOTAL ASSETS</b>	<b>124,129</b>	<b>125,194</b>	<b>124,632</b>	<b>0.4%</b>	<b>-0.4%</b>
<b>Due to financial institutions</b>	2,997	4,138	<b>3,565</b>	19.0%	-13.8%
<b>Customers' deposits</b>	102,208	100,404	<b>100,617</b>	-1.6%	0.2%
<b>Other liabilities</b>	2,799	2,915	<b>3,221</b>	15.1%	10.5%
<b>TOTAL LIABILITIES</b>	<b>108,004</b>	<b>107,457</b>	<b>107,403</b>	<b>-0.6%</b>	<b>-0.1%</b>
<b>Share capital</b>	3,168	3,632	<b>3,632</b>	14.6%	-
<b>Tier 1 sukuk</b>	5,673	4,754	<b>4,754</b>	-16.2%	-
<b>Proposed dividend</b>	-	994	-	-	-100%
<b>Reserves</b>	7,285	8,356	<b>8,843</b>	21.4%	5.8%
<b>TOTAL EQUITY</b>	<b>16,125</b>	<b>17,737</b>	<b>17,229</b>	<b>6.8%</b>	<b>-2.9%</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>124,129</b>	<b>125,194</b>	<b>124,632</b>	<b>0.4%</b>	<b>-0.4%</b>

# Financial Snapshot (1/2)

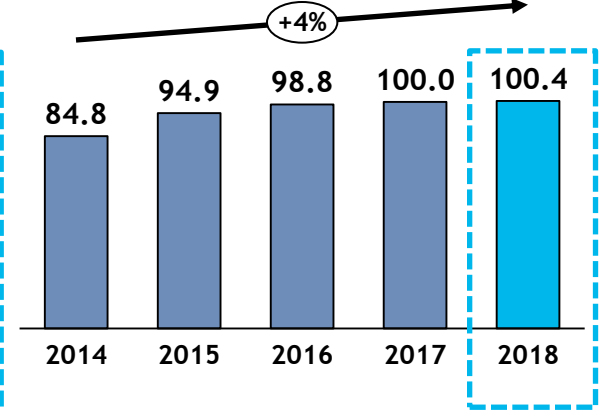
Total Assets (AED Bn)



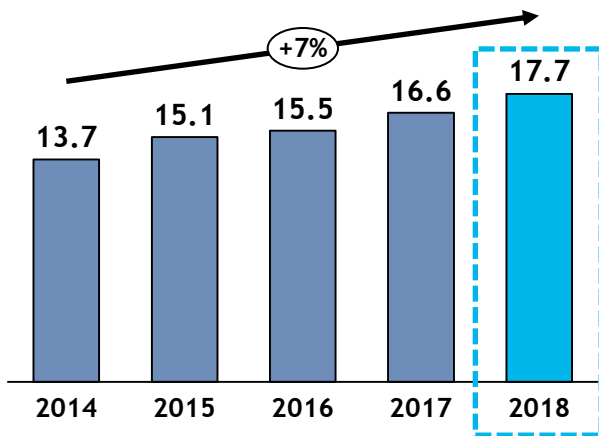
Net Customer Financing (AED Bn)



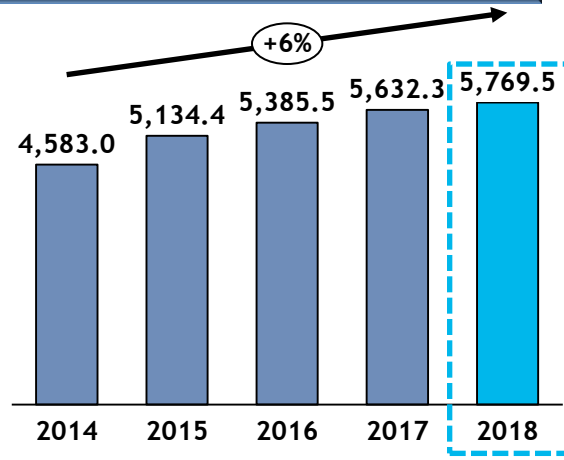
Customer Deposits (AED Bn)



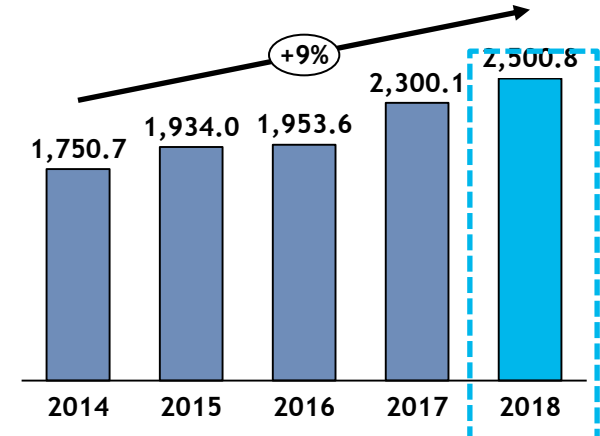
Equity (AED Bn)



Revenues (AED Mn)

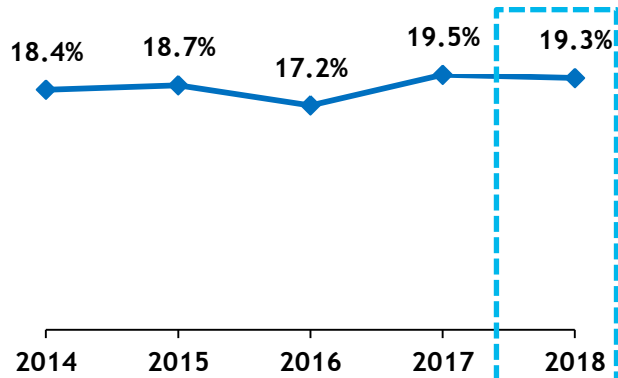


Net Profit (AED Mn)

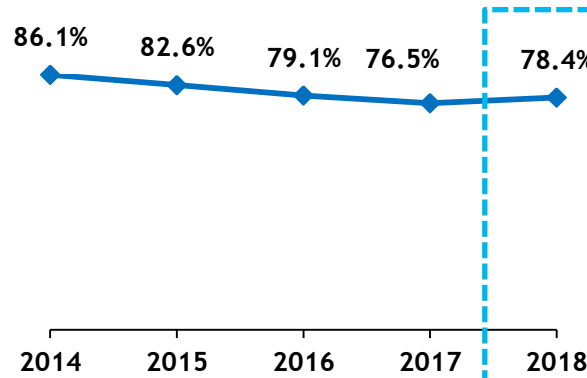


# Financial Snapshot (2/2)

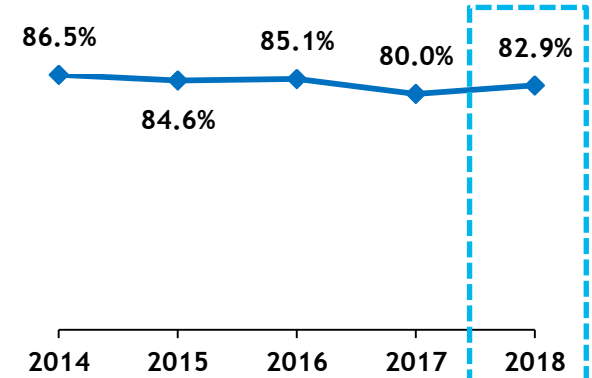
Return on Avg Shareholders' Equity (%)



Financing to Deposits Ratio (%)

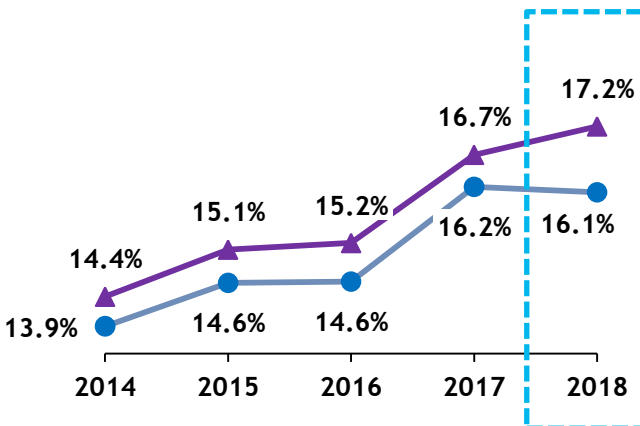


Advances to Stable Funds Ratio (%)



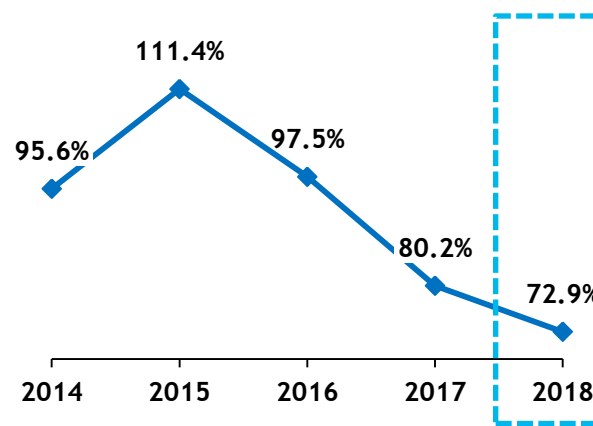
CAR (%) [Note 1]

▲ Total CAR ● Tier 1



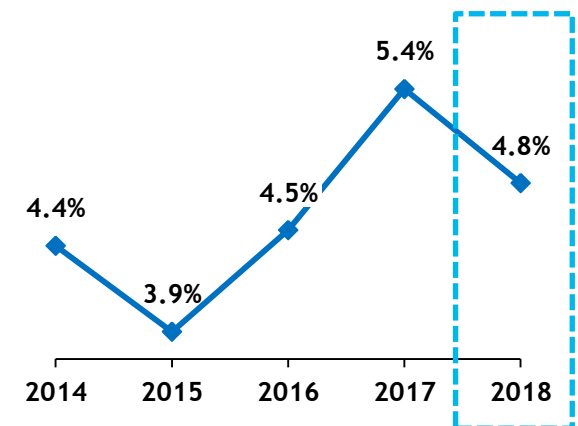
Provision Coverage (%)

◆ Total Provision coverage ratio \*



Non - Performing Ratio (%)

◆ Total Non performing ratio



\* Total Provision coverage ratio is defined as "total provision / NPAs".

• Return on Average shareholders' equity calculation excludes Tier 1 payments from net income and non-controlling interest & Tier 1 sukuk from equity balance.

Note 1 : 2014 to 2017 as per Basel 2 and 2018 as per Basel 3



# Dividend Distribution History - AED

## A consistent dividend distribution record

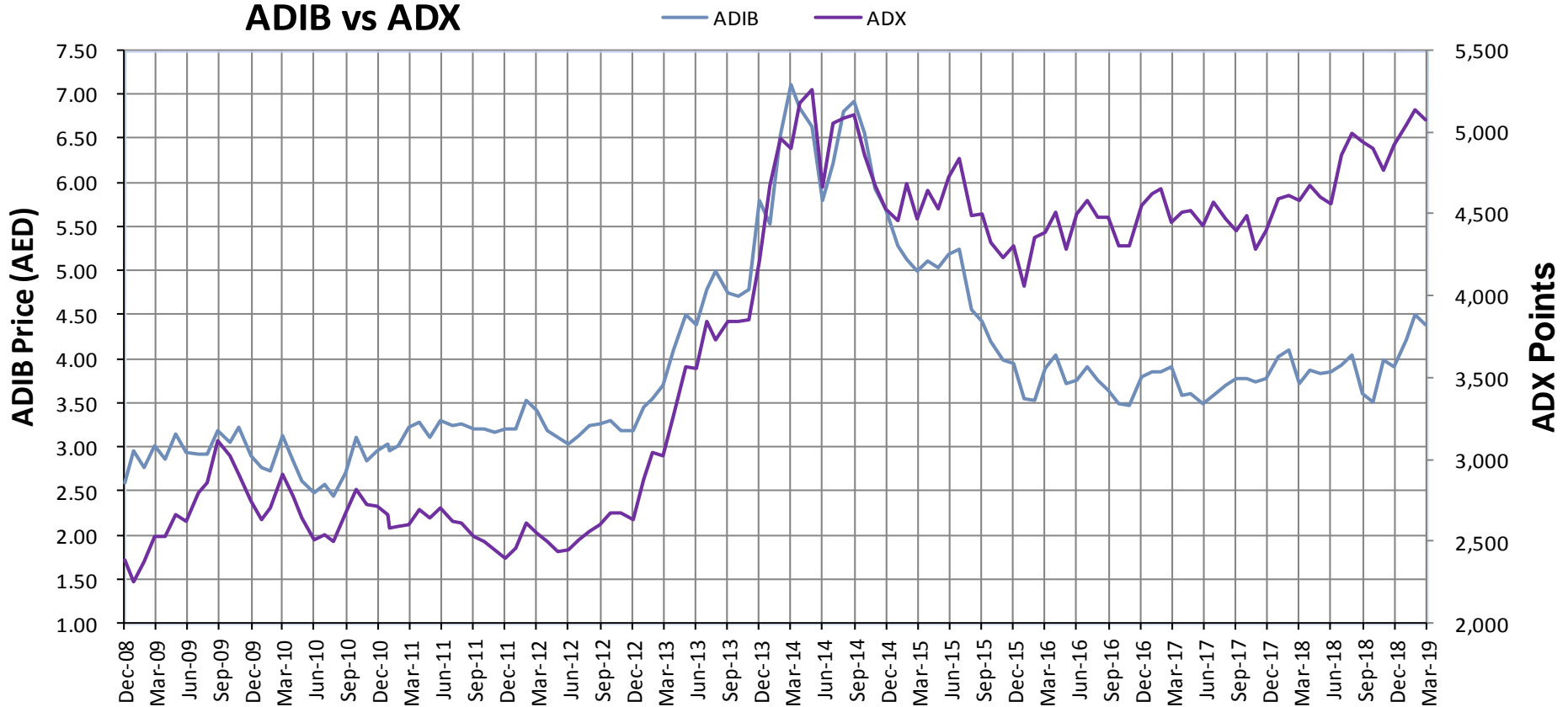
AED	2011	2012	2013	2014	2015	2016	2017	2018
Net Profit (Mn)	1,155.1	1,201.2	1,450.2	1,750.7	1,934.0	1,953.6	2,300.1	2,500.8
Cash Dividend Payout Ratio (% of Net Profit)	50.0%	50.0%	50.0%	40.0%	39.8%	39.8%	39.8%	39.8%
Cash Dividend (% of Share Capital)	24.4%	25.4%	30.7%	23.3%	24.3%	24.5%	28.9%	27.4%
Cash Dividends (Mn)	577.5	600.6	725.1	700.2	769.0	776.8	914.5	994.3
Total Dividend Yield	7.7%	8.0%	9.9%	4.1%	6.2%	6.5%	7.6%	7.0%
Bonus shares (Mn)	-	-	635.3	-	-	-	-	-
Bonus Shares (% of Share Capital)	-	-	26.9%	-	-	-	-	-

Source: Derived from published financial statements

# Shareholders' Return

- 31 March 2019 share price was AED 4.38 per share (31 Dec 2018: AED 3.90 per share).
- Cash dividend of 39.8% of net profit, 27.38% of share capital (2017: 28.87% of share capital).
- Total dividend yield of ADIB share of 7.0%. (2017: 7.6%).

## ADIB vs ADX



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