

MANAGEMENT DISCUSSION & ANALYSIS FOR THE QUARTER ENDED 31 MARCH 2020

Abu Dhabi Islamic Bank reports Q1 2020 net profit of AED 269.7 million

Abu Dhabi, UAE - 07 May 2020: Abu Dhabi Islamic Bank (ADIB), a leading Islamic bank in the region, reported a net profit of AED 269.7 million for Q1 2020. Profits decline was predominantly driven by an increase in provisioning due to the challenging operating environment, as well as the result of lower revenues, given unprecedented market conditions. Despite this challenging operating environment, ADIB was able to sustain robust levels of capital, with a capital adequacy ratio of 18.08% that remains well above regulatory thresholds, as well as a strong liquidity and funding profile with an advances to deposit ratio of 80.3%. This has enabled the bank to support customers and the community throughout this challenging period. ADIB have been fully supportive of the UAE Government and the UAE Central Bank's swift actions in implementing a number of measures to mitigate the impact of the virus outbreak on individuals, businesses and the economy at large.

Key Financial Highlights

- Group net profit for Q1 2020 decreased to AED 269.7 million vs. AED 600.3 million in Q1 2019.
- Group net revenue for Q1 2020 decreased to AED 1,292.3 million from AED 1,436.6 million in Q1 2019.
- Credit provisions and impairments for Q1 2020 increased to AED 387.1 million from AED 186.4 million in Q1 2019.
- Net customer financing increased by 1.6% to AED 79.4 billion from AED 78.1 billion at the end of Q1 2019, led by growth in corporate banking financing.
- Despite the low rate environment, ADIB was able to maintain one of the highest net profit margin in the market of 3.8% in Q1 2020. This was helped by the positive impact of a low cost of funds that is supported by higher CASA balances.
- CASA deposits increased by 1.3% year on year to AED 70.7 billion, comprising 71.6% of the AED 98.9 billion total customer deposits compared to 69.4% a year earlier.
- Operating expenses at AED 634.9 million, lower by 2.3% vs. Q1 2019, reflecting cost discipline initiatives. This was achieved despite investments in key strategic and digital initiatives designed to support business growth, enhance customer experience and create future efficiencies.
- Total assets as of 31 March 2020 were AED 122.7 billion, representing a decrease of 2.6% from AED 125.9 billion at the end of 31 December 2019.
- Advances to stable funds ratio was 85.1% at 31 March 2020, compared to 82.4% at 31 March 2019 (84.1% at 31 December 2019), while the Advances to deposit ratio of 80.3% reflects a healthy liquidity position.
- The bank's common equity tier 1 ratio of 12.30% and capital adequacy ratio of 18.08% remain well above regulatory requirements.

Management comment

On behalf of the Board of Directors and the management team, Mr. Mazin Manna, ADIB Group CEO, said: “Our profits in the first quarter of 2020 have been impacted by the challenging macro-economic environment caused by the Covid-19 pandemic and lower revenue due to rate cuts. Given the uncertain economic outlook we increased our impairment allowances and our provisioning in anticipation of a potential deterioration in credit quality.

“Despite market challenges, we have been able to maintain a robust capital and liquidity position, with a capital adequacy ratio of 18.08% and advances to deposit ratio of 80.3%. This has enabled us to support our customers during the current period of disruption. The relief programs and support measures that we are offering to our personal and business customers have had strong take-up, and we remain responsive to their changing needs. We are also working closely with UAE government and Central Bank to ensure that our clients have the liquidity they require to continue operating in exceptional circumstances.

“We have maintained uninterrupted banking services for customers and have implemented heightened safety procedures within our distribution network to protect customers and employees. With the movement restrictions, the value of our digital transformation journey is now more apparent than ever. Our retail customers used our state-of-the-art digital banking platform to conduct their daily banking activities from applying for a finance or covered card, to paying bills and remittances, all from the safety and convenience of their own home. We have seen a 17% increase in average daily downloads of our app and a 20% increase in daily transaction as customers adjusted their behavior to these new circumstances.

“On the corporate side, we have seen around 30% growth in customers’ onboarding to our digital platform “ADIB Direct”, a platform service that provides business solutions such as completely contactless processing and real time tracking of trade finance transactions.”

“We have maintained a rigorous discipline in managing costs by successfully implementing a number of optimization initiatives to reduce day-to-day expenses which led to a 4.9% improvement in costs compared to Q4 2019. This was slightly offset by the continued investments in new digital and strategic initiatives that can help to attract new customers and support ADIB’s long-term growth.

“I am proud of the way our teams have adapted to the new operating environment and their commitment and dedication to prioritizing our customers. Their efforts have ensured that all critical functions operate without interruption.”

Group Financial Review - Year on Year performance

As at 31 March

All figures are in AED millions

Balance sheet	Q1 2019	Q1 2020	Change %
Total assets	124,632	122,712	-1.5%
Gross customer financing	81,166	82,677	1.9%
Customer deposits	100,617	98,852	-1.8%
Total equity	17,229	18,173	5.5%
Customer financing to deposit ratio	77.7%	80.3%	

Income statement	Q1 2019	Q1 2020	Change %
Net revenue	1,436.6	1,292.3	-10.0%
Operating profit (margin)	786.7	657.4	-16.4%
Credit provisions and impairment charge	186.4	387.1	107.7%
Net profit after zakat & tax	600.3	269.7	-55.1%

Risk Management

Given the unprecedented impact of the Covid -19 and the economic scenario prevailing currently, we have taken significant increases in provisions as required by IFRS-9 especially as well as additional provisions to factor for Macroeconomic scenario impacts. As a result, Credit provisions and impairments for Q1 2020 increased to AED 387.1 million from AED 186.4 million in Q1 2019.

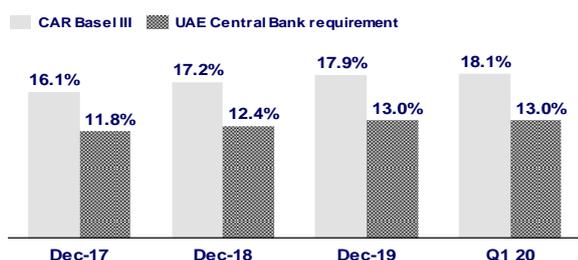
Asset and Liability Management

ADIB recorded a healthy customer financing-to-deposits ratio of 80.3% as at 31 March 2020. The bank maintained its position as one of the most liquid financial institutions in the UAE. Customer financing assets increased 1.6% year on year on the back of the growth in wholesale banking asset which increased by 5.6% mainly driven by growth from GREs.

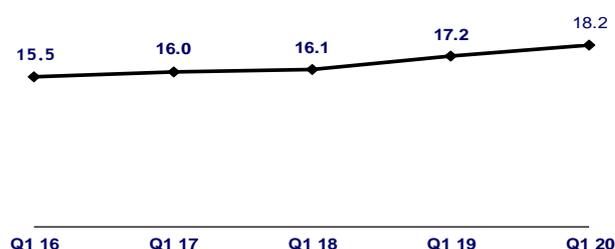
Capital strength

Total equity (including Tier 1 capital instruments) was AED 18.2 billion at 31 March 2020. This represents an increase of 5.5% year-on-year.

ADIB's capital adequacy ratio under Basel III as at 31 March 2020 was 18.08%, while its Tier 1 capital ratio was at 17.00% and its common equity Tier 1 ratio stood at 12.30%. All capital ratios under Basel III principles are well above the minimum regulatory thresholds advised by Central Bank of the UAE.



Capital Adequacy Ratio - %



Total Equity - AED billion

Q1 2020- Key Business Highlights

- The bank progressed its digitisation agenda with ongoing enhancements of its digital capabilities to cater to the increased online activities and transactions.
- ADIB continued to upgrade its digital transaction banking and trade finance platforms with the launch of “ADIB Direct eFX”, which enables corporate clients to access foreign exchanges services to support their imports and exports with just a few clicks.
- ADIB has become the first Islamic bank to successfully execute trade finance distribution transactions using Blockchain technology.

Supporting customers and community during Covid-19

- ADIB has implemented a variety of measures across the organization to ensure the safety and wellbeing of its employees including implementing technology-based work from home platforms for staff, implementing strict sterilisation protocols at all our premises and creating awareness on the health and safety.
- ADIB was among the first UAE financial institutions to launch relief measures for customers, including the postponement of monthly payment installments and the reduction of certain fees or charges across a range of products, in line with the Central Bank of the UAE’s Targeted Economic Support Scheme in response to Covid-19.
- In addition to supporting customers, ADIB has also offered extensive support to the community during the Covid-19 outbreak. Initiatives include donating AED 25 million to Ma’an’s ‘Together We Are Good’ programme, designed to encourage financial and in-kind contributions from individuals and companies to support the community.
- ADIB collaborated with the Abu Dhabi Department of Finance to be part of the SME Credit Guarantee Scheme, which aims to bolster the resilience of SMEs by increasing access to finances .

ADIB Group financial summary - Three months summary

Financials	Q1 2019	Q1 2020	Chg Q1 2020 vs. Q1 2019
	AED Mn	AED Mn	%
Net Revenue from Funding	955.7	868.0	-9.2%
Fees & Commissions	213.7	211.3	-1.1%
Investment income	185.3	152.3	-17.8%
FX	78.4	56.5	-28.0%
Other income	3.5	4.2	22.8%
Total Revenues	1,436.6	1,292.3	-10.0%
Total Expenses	649.8	634.9	-2.3%
Operating profit (margin)	786.7	657.4	-16.4%
Credit Provisions and Impairment	186.4	387.1	107.7%
Net Profit after Zakat & Tax	600.3	269.7	-55.1%
Total Assets (in AED Billion)	124.6	122.7	-1.5%
Customer Financing (in AED Billion)	78.1	79.4	1.6%
Customer Deposits (in AED Billion)	100.6	98.9	-1.8%

-Ends-

About ADIB:

ADIB is a leading bank in the UAE with more than AED 122 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.

For media information, please visit www.adib.ae or contact:

Lamia Hariz

Head of Corporate Communications

Tel: +971 56 1623535

Email: lamia.hariz@adib.com