

MANAGEMENT DISCUSSION & ANALYSIS

2023 Full Year Financial Results

ADIB Full year 2023 net profit rises 45% YoY to a new historical record of AED 5.25 billion

Fourth quarter earnings reached a new high of AED 1.5 billion up 29%

***Proposed dividend⁽¹⁾ increased to 71 fils per share equivalent to 49% of net profit.**

(1) Proposed dividend is subject to shareholders approval at the annual general meeting

ADIB exceeds the AED 5 billion milestone in net profit driven by strong underlying performance



+36%

AED 9.3bn

Revenues



-2.0 pts

32.9%

Cost to income ratio



+45%

AED 5.25bn

Net Profit



+40%

AED 1.284

Earnings Per Share



+14%

AED 193bn

Total Assets



+6%

AED 120bn

Gross Customer Financing



+14%

AED 157bn

Deposits



+5.7 pts

27.1%

ROE



+94 bps

4.50%

Net profit margin



206,000

New customers joined ADIB



6.1%

NPA ratio

Abu Dhabi Islamic Bank reported a **growth in Net Profit of 45%** for 2023 to **AED 5.25 billion** from AED 3.62 billion in 2022, reflecting a consistent trend of strong growth. **Net profit for Q4 2023** reached **AED 1.5 billion** with **29% growth** versus Q4 2022.

Revenue for 2023 **improved by 36% to AED 9.3 billion** compared to AED 6.8 billion last year due to excellent income diversification mix and strong growth across all business segments and products. **Funded income grew by 47%** to **AED 6.1 billion** vs AED 4.2 billion last year, driven by higher volumes and better margins. **Non-funded income grew by 18%** to reach **AED 3.2 billion** in 2023 versus AED 2.7 billion last year driven by **18% growth in fees and commissions**.

Cost to income ratio was managed down with an improvement of 2.0 percentage points to **32.9%** versus 34.9% in the corresponding year. This was predominantly driven by growth in Income and enhanced productivity.

Impairments decreased 1% to **AED 760 million** for 2023. **Non-Performing asset ratio improved to 6.1%** lowest since Q4 2019 due to active management of legacy portfolio coupled with strong underwriting standards whilst **the Coverage ratio (including collaterals) improved by 11.6 percentage points to 139.5%**.

Total assets increased 14% to reach AED 193 billion, driven by **6% growth YoY in gross financing** and **26% growth in investments**.

Customer deposits rose 14% to reach AED 157 billion versus AED 138 billion in 2022 driven mainly by **9% growth in Current and Savings Accounts (CASA)** despite the high-rate environment with **CASA now comprising 65% of total deposits**.

ADIB maintained a robust capital position with a **Common Equity Tier 1 ratio** of **12.2%** and a **total Capital Adequacy Ratio** of **16.8%**. The bank's liquidity position was healthy and comfortably within regulatory requirements, with the **advances to stable funding ratio** at **76.0%** and the **eligible liquid asset ratio** at **21.0%**.

“ADIB produced outstanding results in 2023 exceeding the **AED 5 billion milestone** in net profit. The substantial increase in profitability and the strength of our capital position has allowed us to recommend an increase in our dividend payout to 71 fils per share.”

H.E Jawaan Awaidah Al Khaili

Chairman



71 fils

Per share
recommended
dividend payout



27%

Return on
shareholders' equity



“ADIB produced outstanding results in 2023 **exceeding the AED 5 billion milestone** in net profit, the highest ever achieved by ADIB.

The **record return on equity of 27%** for the full year reflect the healthy and resilient local economy coupled with our focus on delivering transformational initiatives.

The substantial increase in our profitability and the strength of our capital position has allowed the Board to recommend an increase in our **dividend payout to 71 fils per share** compared to 49 fils per share in 2022.

Equally pleasing is that this sound financial performance is underpinned by a clear commitment to excellence, and it is a matter of great pride that ADIB has been recognized as an industry leader by many local and international organizations. We were recognized as the sole winner of the Diamond category of the Sheikh Khalifa Excellence Awards. We were also named the Best Bank in the UAE for 2023 by Global Finance Magazine and maintained our notable ranking from last year as the Safest Islamic Bank Globally.

ADIB is fully aligned with the UAE's ambition of sustainable economy including supporting our customers, ensuring a sustainable economic growth and a commitment to sustainable financial practices.

Amid global economic uncertainty, the UAE economy continues to grow, benefiting from strong domestic activity and from foreign Inflows of capital. ADIB will continue to work towards creating value for all our stakeholders as we aim to become the world's most innovative Islamic bank.”

“ADIB posted a very strong set of financial results as evidenced by our record underlying revenues and profits led by an efficient funding base and higher volumes. Net profit up 45% to a historical new high of AED 5.25 billion.”

Nasser Abdulla Al Awadhi

Group Chief Executive Officer (GCEO)



5.25bn

Net profit
45%



1.271mn

Total number of
customers



“ADIB posted a very strong set of financial results in 2023 with **net profit up 45% to a historical new high of AED 5.25 billion**. This was on the back of **36% growth in revenues to AED 9.3 billion** due to an increase in transaction volumes and improved margins led by an efficient funding base and higher yields.

This has translated to a substantial improvement in our **return on equity that reaches 27%** with solid capital accretion reaching a **CET1 of 12.2%**.

ADIB's strong market position and digital drive has allowed us to grow our market share **by attracting approximately 206,000 new customers** to ADIB in 2023 bringing the total number of customers to **1.271 million**.

This was due to the combination of healthy balance sheet growth and margin growth, with **funded income rising to reach AED 6.1 billion** supported by higher volumes and rising rates coupled with strength in fee-based businesses and higher FX income.

We were able to grow **customers' financing by AED 7 billion in 2023** well within our guidance as we continue to gain market share in key segments. This was efficiently funded by **adding AED 19 billion of new deposits** including growing our low-cost Current and Savings accounts by AED 9 billion.

On digital, we were able to execute new projects and capitalize on large-scale technology transformations this includes adding new features and capabilities to our mobile application. Our enhanced digital capabilities have led to an increase **to 80% in actively digital customers**.

From an ESG perspective, ADIB adopted a ESG strategy with clear KPIs and targets and in parallel approved a proper governance structure to ensure the implementation of our sustainable banking agenda for the next three years.

Looking ahead for 2024 and while the global economic outlook remains uncertain, we are confident that our strong financial position, strong capital and liquidity ratios will enable us to capture business opportunities and identify new growth areas and continue to see broad-based income momentum across the Group.”

“2023 has been an exceptional year for ADIB as we delivered record-breaking performance across all matrices continuing with the robust operational performance that ADIB has delivered throughout 2023.”

Mohamed Abdelbary

Group Chief Financial Officer (GCFO)



32.9%

Cost to Income ratio



“2023 has been an exceptional year for ADIB with a **net profit of AED 5.25 billion**. We delivered a **record-breaking performance across all matrices** continuing with the robust operational performance that ADIB has delivered throughout 2023.

We have seen improvements across all business lines as a result of strong business volumes driven by new products and new campaigns, underpinned by tailwinds from higher rates, and continued focus **on enhancing cross-sell ratio**.

The **Cost-to-Income ratio at 32.9%** have significantly improved year-on-year well within our guidance reflecting our ability to drive higher income while maintaining cost discipline amid continued investments to drive digitization, further efficiencies and future growth.

Margins widened by 94 bps in 2023 driven by customers financing growth and rate rises which impacted our finance portfolio, offsetting the slight increase in funding costs.

Despite high rates, asset quality remained strong with an Improvement in our **Non-Performing asset ratio to 6.1%** which is the lowest since Q4 2019 due to active management of legacy portfolio coupled with strong underwriting standards.

Our 2023 achievements demonstrate steady progress against our approved strategy and with our robust fundamentals, strong financial position and assets surpassing **AED 193 billion**, we believe that ADIB is well positioned to start the new year with solid results, paving the way to further enhance shareholders' return.”

GROUP FINANCIAL REVIEW

> Income statement

AED (Mn)	Q4 2023	Q4 2022	Δ%	FYR 2023	FYR 2022	Δ%
Gross revenue from funds	2,566	1,922	+33%	9,221	5,042	+83%
Distribution to depositors	(950)	(573)	+66%	(3,099)	(891)	+248%
Net revenue from funds	1,616	1,349	+20%	6,122	4,151	+47%
Investment income	275	869	-68%	975	1,471	-34%
Fees, commissions income, net	577	529	+9%	1,615	1,368	+18%
Foreign exchange income, net	131	(435)	+130%	456	(168)	+372%
Other income	0.1	7	-99%	125	12	+942%
Non-funded income	984	970	+1%	3,172	2,684	+18%
Total operating income	2,599	2,319	+12%	9,294	6,835	+36%
Total operating expenses before impairment charge	(876)	(688)	+27%	(3,061)	(2,387)	+28%
Provision for impairment	(189)	(416)	-55%	(760)	(769)	-1%
Profit before zakat and tax	1,534	1,215	+26%	5,472	3,680	+49%
Zakat and tax	(33)	(48)	-30%	(221)	(60)	+265%
Profit after zakat and tax	1,501	1,167	+29%	5,251	3,619	+45%
EPS (AED) – YTD				1.284	0.915	+40%
Net profit margin – YTD				4.50%	3.56%	+94bps
Cost to income ratio - YTD				32.9%	34.9%	-2.0ppts
Cost of risk – YTD				0.49%	0.58%	-9bps
ROAE – YTD				27.1%	21.4%	+5.7ppts
ROAA – YTD				2.91%	2.37%	+54bps

- ▶ **Group net profit grew 45%** in 2023 to **AED 5.25 billion** compared to AED 3.62 billion in 2022 implying earnings per share of AED 1.284.
- ▶ **Revenues increased by 36%** in 2023 to **AED 9.3 billion** versus AED 6.8 billion in 2022 on strong business volumes and Improved margins coupled with strength in fee-based businesses and higher FX income.
- ▶ **Funded income rose 47%** to reach **AED 6.1 billion** supported by higher volumes and rising rates with 19% growth in average earning assets thereby increasing the **net profit margin to 4.50%** as compared to 3.56% in 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 increased by 18%** to **AED 3.2 billion** for 2023 driven by a 18% increase in fees and commissions income. Non-funded income represents 34% of total income, underlining the strategic focus on revenue diversification.
- ▶ **Fees and commissions income was up 18%** year-on-year driven by card related fees and income from trade finance.
- ▶ Overall revenues were supported by growth in **new customers** of approximately **206,000** during 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 28% in operating expenses to AED 3.1 billion versus 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 2.0 percentage points to 32.9%**.
- ▶ **The net impairment charge** for the year **decreased** by **1%** to **AED 760 million**. The **cost of risk** saw a slight **decrease** of 9 basis points to **0.49%**. The provision coverage of non-performing financing (including collaterals) improved by 11.6 percentage points to **139.5%**.

> Balance Sheet

AED (Mn)	31 Dec 2023	31 Dec 2022	Δ%
Cash and balances with central banks	31,498	24,229	+30%
Due from financial institutions	11,304	7,441	+52%
Customer financing, net	115,002	107,717	+7%
Investments	24,483	19,432	+26%
Investment in associates	834	776	+8%
Investment and development properties	1,986	1,992	-0.3%
Other assets	7,719	6,930	+11%
Total assets	192,827	168,517	+14%
Due to financial institutions	2,555	2,834	-10%
Depositors' accounts	157,067	138,137	+14%
Other liabilities	5,127	4,086	+25%
Sukuk financing instrument	1,836	-	+100%
Total liabilities	166,585	145,056	+15%
Share capital	3,632	3,632	-
Retained earnings	11,358	8,642	+31%
Other reserves	5,384	5,452	-1%
Equity attributable to shareholders of the bank	20,374	17,726	+15%
Tier 1 sukuk	4,754	4,754	-
Non - controlling interest	1,114	980	+14%
Equity attributable to equity holders of the bank	26,242	23,461	+12%
Customer financing, gross	120,169	113,367	+6%
Non-performing financing	7,292	8,705	-16%
NPA ratio	6.1%	7.7%	-1.6ppts
NPA coverage ratio	74.3%	71.8%	+2.5ppts
NPA coverage ratio with collaterals	139.5%	127.9%	+11.6ppts
Risk weighted assets	138,211	119,857	+15%
Common Equity Tier 1 Ratio	12.23%	12.08%	+15bps
Tier 1 Ratio	15.67%	16.05%	-38bps
Capital Adequacy Ratio	16.80%	17.17%	-37bps
Financing to deposit ratio	73.2%	78.0%	-4.8ppts
Advances to stable fund ratio (ASFR)	76.0%	82.1%	-6.1ppts
Eligible Liquid Asset Ratio (ELAR)	21.0%	18.9%	+2.1ppts

- ▷ **Total assets reached AED 192.8 billion** as of 31 December 2023, an **increase of 14%** from 31 December 2022, driven mainly by a growth in net financing, growth in cash and balances with central bank, and growth of the investment portfolio. This was funded by sizeable deposit inflows.
- ▷ **Gross customer financing increased 6%** to **AED 120.2 billion** from growth in wholesale financing across government and public sector enterprises and corporates and retail financing portfolios reflecting our ability to gain market share across different segments.
- ▷ The bank's **investment portfolio increased 26%** on 31 December 2023 to **AED 24.5 billion**.
- ▷ **Customer deposits** amounted to **AED 157 billion** as of 31 December 2023, **up 14%** from 31 December 2022 as CASA deposits increased by 9% to AED 103 billion comprising 65% of total customer deposits.
- ▷ **Non-performing financing totaled AED 7.3 billion** as of 31 December 2023 compared to AED 8.7 billion as of 31 December 2022.
- ▷ Non-performing financing ratio **improved to 6.1%** versus 7.7% as of 31 December 2022.
- ▷ ADIB continued to maintain a **healthy liquidity position** with an **advance to stable funding ratio** at **76.0%** compared with 82.1% on 31 December 2022, while the **eligible liquid asset ratio** was **21.0%** as of 31 December 2023 versus 18.9% at 31 December 2022.
- ▷ The bank **further strengthens its capital position** with the **Common Equity Tier 1 ratio** at **12.23%**, as compared to 12.08% as of 31 December 2022 on the back of strong earnings and ongoing optimization initiatives. **Capital adequacy ratio** of **16.80%** as of 31 December 2023, exceeding regulatory requirements prescribed by the UAE Central Bank.

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:

- ▷ **Istiqrar:** ADIB launched UAE's first long-term, fixed-rate home finance. This unique product offers customers a consistent, fixed monthly instalment throughout the chosen tenor rate, eliminating any variations or fluctuations.
- ▷ **Cashback Card:** ADIB launched its new Cashback Visa Covered Card signifying an expanded role for cards in the bank's retail strategy. The new card is considered one of the industry's best cashback cards and offers customers the opportunity to earn 4% cash rewards when they use the card across a wide range of daily spending categories.
- ▷ **Digital SME Instant Account Opening:** ADIB became the first bank in the UAE to provide small and medium-sized enterprises (SMEs) with convenient remote account opening services through a mobile app by deploying Emirates Face Recognition (EFR) technology. This new feature allows businesses to apply for a business account without the need to visit a branch or submit physical documents or signatures. Through this technology, ADIB can perform highly secure identity verification before opening a new account for businesses in less than 24 business hours.
- ▷ **Salary cash cashback:** ADIB launched a unique campaign that rewards customers for consolidating their banking with ADIB. The first-of-its-kind campaign rewards customers with a one-time bonus of 100% of their monthly salary when they transfer their finance (personal or home finance) and salary to ADIB and obtain one of the ADIB Covered Cards, such as Emirates Skywards, Etihad Guest, Etisalat Gold, Platinum & Signature, or Cashback cards.
- ▷ **Darb services:** ADIB launched a top-up service of Darb accounts through the direct payment feature via the mobile application or online banking services of the Abu Dhabi Islamic Bank. the recharging the Darb card account through the application as a valued addition.
- ▷ **Exceed loyalty program:** ADIB launched "EXCEED", a new digital reward program that rewards customers for their loyalty to the bank. Customers will receive Exceed Rewards into their mobile bank application, which can be instantly redeemed via the Mobile App for utility payments, e-com vouchers, retail vouchers, flight purchases and more.
- ▷ **Business Souq:** ADIB Business Souq, an innovative digital marketplace designed to provide comprehensive support to Small and Medium-sized Enterprises (SMEs). This all-in-one digital platform aims to significantly reduce the cost of doing business by offering a wide range of exclusive offers and discounts.

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.

- ▷ ADIB launched propositions that support Emirati customers across all financial stages in their lives and **welcomed 206,000 customers.**
- ▷ ADIB continued to underpin its market leadership in the Emirati retail segment growing **its market share to 15%.**
- ▷ ADIB continued to grow its wholesale banking portfolio.
- ▷ ADIB expanded beyond UAE with banking services for selected top-tier names in GCC markets.

Digital excellence

Digital remains at the heart of ADIB's 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 80% customers are digitally active.**

Key highlights of ADIB's progress on digitalization and innovation include the following:

- ▷ ADIB's mobile app is top ranked on the UAE App store.
- ▷ 50 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.

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.
- ▷ ADIB continued to play a crucial role in helping to deliver the region's sustainable finance agenda facilitating new sustainable projects.
- ▷ ADIB has achieved an upgrade to its environmental, social, and governance (ESG) risk score by Sustainalytics, one of the world's leading ESG rating agencies. ADIB's overall Sustainalytics ESG risk score has improved from 34.25 in 2022 to **29.6 in 2023.**
- ▷ ADIB leads the way in Emiratization by significantly investing in upskilling, reskilling, and developing Emiratis through international training and development programs.
- ▷ ADIB launches its Electric Vehicle Finance program "VOLT", with a highly competitive financing rate of 1.79%, the lowest in the industry for new cars (EVs).

Outlook

The outlook for the UAE 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 4.0% in 2024.

2023 Awards List

Awards	Categories
Sheikh Khalifa Excellence Awards	Diamond Category
MEED MENA Banking Excellence Awards 2023	MENA Islamic Finance Bank of the Year
Bonds & Sukuk Middle East Awards 2023	Islamic Syndication of the Year
Bonds & Sukuk Middle East Awards 2023	Global Sovereign Sukuk Deal of the Year
Bonds & Sukuk Middle East Awards 2023	Real Estate Finance Deal of the Year
Global finance	Best Bank in the UAE
Global Finance	Safest Islamic Bank Globally
Global Finance	Best Islamic bank in the UAE and Egypt
Digital Banker	Best Islamic Retail Bank
Global Finance	Best Payment Solutions
Global Finance	Best Islamic bank for ESG
Banker FT	Best Private Bank service in UAE

About ADIB

ADIB is a leading bank in the UAE with AED 193 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 a strong 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.

ADIB Investor relations Mobile application

Please download the ADIB Investor relations dedicated mobile app available on both Apple and Google play stores. The application will keep you up to date with the latest developments - from latest share prices and press releases to investor days, financial results, and our document library. You can view stock exchange announcements, presentations, annual and quarterly reports, and interact with key data onscreen.





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