

Abu Dhabi Commercial Bank (ADCB)

| Current Price | Target Price | Upside/Downside (%) | Rating |
|---------------|--------------|---------------------|--------|
| AED 13.66 | AED 16.00 | +17% | BUY |

ADCB Launches AED 6.1 Bn Rights Issue to Strengthen Capital and Accelerate Growth

Executive Summary

Abu Dhabi Commercial Bank (ADCB) has launched an AED 6.1 Bn (USD 1.7 Bn) rights issue to raise capital, strengthen its balance sheet, and sustain strong growth momentum. The move is expected to boost capital adequacy (CET1 +120–130 bps), safeguard dividend distribution plans, and support the Bank's strategy to double the annual net profit to AED 20 Bn within five years. While short-term EPS dilution is expected, the issue is strategically important for funding asset growth, meeting higher regulatory buffers, and maintaining shareholder returns.

Rights Issue Details

- **Size:** Up to AED 6.1 Bn (USD 1.7 Bn) to be raised
- **Shares:** c. 592.2 Mn new shares to be issued
- **Capital base:** Share capital to increase from AED 7.32 Bn to AED 7.91 Bn post issue
- **Issue price:** AED 10.3 per share (nominal AED 1.0 per share + premium AED 9.3 per share)
- **Discount:** c. 30% to last closing price of AED 14.76 on 4 Sep 2025
- **Shareholder support:** Mubadala (majority owner) committed to subscribe in full
- **Timeline:** Shareholders' General Assembly on 13 Oct 2025, subject to Central Bank & SCA approvals

Transaction Highlights

- ADCB's Board approved an AED 6.1 Bn rights issue, issuing up to 592.2 Mn shares at AED 10.3 each, raising share capital from AED 7.32 Bn to AED 7.91 Bn.
- Mubadala Investment Company, ADCB's majority shareholder, has confirmed its full support and committed to subscribe in full for its proportional entitlement of the offered shares.
- The rights issue is expected to uplift the Common Equity Tier 1 (CET1) ratio and Capital Adequacy Ratio (CAR) by c. 120 basis points, positioning ADCB comfortably ahead of evolving regulatory requirements.
- ADCB reaffirmed its dividend guidance of c. AED 25 Bn in distributions over the next five years, representing a 50% increase compared to the previous five-year period.
- The Bank has delivered 16 consecutive quarters of profit-before-tax growth and achieved a 77% increase in total assets since 2020, surpassing AED 700 Bn as of June 2025.
- The rights issue will support ADCB's strategic ambition to double net profit to AED 20 Bn within five years, while maintaining a return on equity above 15% annually.

Rationale for the Transaction

- **To strengthen capital adequacy:** Although ADCB's CET1 ratio of 12.2% (as of 1H25) is above the regulatory minimum, it remains below peer levels and has declined from 12.6% in late 2024. At the same time, the Bank faces increasing regulatory pressures, with higher Domestic Systemically Important Bank (D-SIB) requirements and the introduction of a Countercyclical Capital Buffer (CCyB) expected in 2026. The rights issuance effectively raises the capital thresholds that ADCB must maintain, making the current buffer relatively thin. By undertaking a rights issue now, ADCB is projected to pre-emptively increase the CET1 ratio by c. 120 basis points to 13.4%, ensuring it remains comfortably above the new requirements.
- **To fund accelerated growth:** The additional capital will provide ADCB with greater capacity to pursue significant asset growth and support its ambition to double annual net profit to AED 20 Bn within five years.

- **To safeguard dividend capacity:** ADCB has reaffirmed its guidance to distribute c. AED 20 Bn in dividends, underscoring its commitment to delivering consistent shareholder returns. Rapid loan growth, however, exerts pressure on capital, which could have constrained dividend payments. To safeguard this guidance while supporting ambitious growth, the Bank is planning to raise capital through a rights issue.

Expected Impact of Rights Issues

- **Earnings per Share (EPS):** We expect EPS to dilute by c. 5-6% due to the increase in the number of shares outstanding following the rights issue. While net profits are expected to grow, the rise in the number of shares outstanding will result in temporary dilution.
- **Net Profit Growth:** Net profit is projected to increase at a CAGR of 8.8% over five years without the rights issue. Following the equity raise, the five-year CAGR is expected to improve to 9.2%, supported by the Bank's enhanced lending capacity and ability to fund new business opportunities while maintaining capital buffers.

| | 2026E | | 2027E | |
|----------------------|-----------|------------|-----------|------------|
| | Pre-Issue | Post-Issue | Pre-Issue | Post-Issue |
| Net Profit (AED, Mn) | 11,616 | 11,793 | 12,306 | 12,504 |
| EPS | 1.50 | 1.41 | 1.60 | 1.51 |

- **Return on Average Equity (ROAE):** ROAE is expected to adjust from 14.9%-15.3% to 14.0-14.6% for five years, reflecting the enlarged equity base. While earnings rise, the higher capital base spreads return more broadly, leading to a moderate reduction in ROAE, which stabilizes overtime as growth initiatives yield additional profit.
- **Capital Ratios:** CET1 ratio is expected to improve from 12.2% in 1H25 to c. 13.4% post issuance, strengthening regulatory capital adequacy. The rights issue will bolster the Bank's capital position, ensuring resilience against regulatory requirements of D-SIB, supporting dividend sustainability, and enhancing the capacity to absorb potential risks.
- **Target Price:** We expect the target price to adjust from AED 17.0 to AED 16.00 per share, impacted by projected lower EPS and ROE due to the increased share base, partially offset by expected growth in net profits and improvements in capital ratios, supporting sustainable growth and long-term shareholder value.

| | Pre-Issue | Post-Issue |
|---------------------------|-------------|------------|
| Net Profit CAGR (2024-29) | 8.8% | 9.2% |
| ROAE | 14.9%-15.3% | 14.0-14.6% |
| Capital Ratios (CET 1) | 12.2% | 13.4% |
| Target Price (AED) | 17.00 | 16.00 |

ADCB – P&L

| AED Mn | 2024 | 2025E | 2026E | 2027E | 2028E | 2029E | CAGR (2024-29) |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| Net funded income | 13,226 | 14,469 | 15,630 | 16,338 | 17,261 | 18,604 | 7.1% |
| Non-funded income | 6,254 | 7,615 | 8,430 | 9,245 | 10,077 | 10,984 | 11.9% |
| Operating income | 19,480 | 22,084 | 24,060 | 25,583 | 27,338 | 29,588 | 8.7% |
| Operating expenses | -6,031 | -6,073 | -6,544 | -6,895 | -7,307 | -7,879 | 5.5% |
| Impairments | -2,874 | -3,451 | -3,635 | -3,971 | -4,170 | -4,485 | 9.3% |
| Profit before tax | 10,585 | 12,569 | 13,881 | 14,718 | 15,861 | 17,224 | 10.2% |
| Overseas tax expense | -1,166 | -1,885 | -2,082 | -2,208 | -2,379 | -2,584 | 17.2% |
| Profit for the period | 9,421 | 10,678 | 11,793 | 12,504 | 13,475 | 14,633 | 9.2% |

FABS estimate & Co Data

Research Rating Methodology:

| Rating | Upside/Downside potential |
|------------|---------------------------|
| BUY | Higher than +15% |
| ACCUMULATE | Between +10% to +15% |
| HOLD | Lower than +10% to -5% |
| REDUCE | Between -5% to -15% |
| SELL | Lower than -15% |

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