

Abu Dhabi Commercial Bank (ADCB)

Current Price	Target Price	Upside/Downside (%)	Rating
AED 15.02	AED 18.00	+20%	BUY

3Q25 Net Profit higher than our estimate

- Net funded income grew 21.1% YOY to AED 3.8 Bn in 3Q25, driven by a solid growth in interest-earning assets and lower cost of funds, partially offset by a decline in asset yield.
- Reported NIMs increased from 2.41% in 3Q24 to 2.45% in 3Q25, mainly due to a decline in cost of funds.
- Non-funded income rose 31.8% YOY to AED 2.1 Bn in 3Q25, owing to an increase in fee and commission income and solid growth in other operating income, mainly due to higher gains on sale of loans on hedging derivatives
- Operating expenses increased 7.2% YOY to AED 1.6 Bn in 3Q25, attributed to a rise in staff expenses and G&A expenses coupled with higher depreciation and amortization charges.
- Cost-to-income declined 451 bps YOY in 3Q25, driven by higher operating income combined with sustained cost discipline and digital-driven operating efficiency.
- Impairments grew significantly from AED 525 Mn in 3Q24 to AED 1,087 Mn in 3Q25, mainly driven by higher charges from legacy corporate accounts.
- Net profit after tax increased 29.2% YOY to AED 3.1 Bn in 3Q25, driven by a growth in net funded and non-funded income, coupled with lower tax charges, partially offset by higher operating expenses and impairment charges.
- Total assets grew 16.5% YOY and 3.6% QOQ to AED 744.3 Bn in 3Q25, primarily due to an increase in cash and bank balance with the central bank, due from banks, net advances, and investment securities portfolio.
- The Bank's loan book grew 16.7% YOY and 6.0% QOQ to AED 401.4 Bn in 3Q25, mainly due to strong growth across diverse sectors such as government-related entities (GREs), energy, trading, transport and communication, real estate investment, and financial institutions.
- Reported NPL ratio continued to decline from 2.02% in 2Q25 to a record low of 1.86% in 3Q25, while NPL, including purchased or originated credit-impaired financial assets (POCI), fell from 2.17% in 2Q25 to 2.01% in 3Q25.
- Deposits grew 18.6% YOY and 4.1% QOQ to AED 482.4 Bn in 3Q25, with the CASA deposits growing 27.0% YOY and accounting for 45.0% of total deposits in 3Q25.
- Provision Coverage Ratio including collateral grew significantly from 156% in 3Q24 to 289% in 3Q25, providing a great cushion against any potential bad loans in the coming period.

Earnings Call Summary

- ADCB applied a statutory tax rate of 9% for 3Q25, as it expects to meet the Initial Phase of International Activity Exclusion (IAE) criteria, which would reduce the statutory tax rate from 15% to 9%. In addition, ADCB recorded a reversal of the excess tax provision recognized in 1H25, which was calculated at the Domestic Minimum Top-up Tax (DMTT) rate of 15%.
- ADCB is planning to adopt a new 5-year strategy, which will be focused on a sustained, diversified top-line growth through disciplined credit expansion and higher fee income.
- Rights issue will be completed in 4Q25. It entitles the existing shareholders to subscribe for one share for every 12.36 shares held. The issue will strengthen the capital base by AED 6.1 Bn to support long-term growth and meet evolving regulatory requirements.
- Other income rose significantly in 3Q25 due to a one-time gain on the sale of loans & advances, which is not expected to repeat in the coming quarters.

- Operating expenses were mainly up due to higher G&A expenses owing to investment in talent and technology.
- NPL ratio reached an all-time low of 1.86%, along with a provision coverage ratio of 187.3% and 289% including collateral.
- Cost of risk is guided between 63-68 bps for the full year 2025, with medium-term guidance to be below 60 bps, implying 4Q25 to normalize around 1Q25 level, which is approximately 49 bps or lower.
- Investment securities mainly comprise investment in bonds of 99.6% of total investment, including a mix of 52% investment at amortized cost and remaining at FVOCI.
- Solid pace of credit growth, with AED 104 Bn of new credit extended in 9M25, reflecting sustained demand across key economic sectors.
- ADCB's AI Transformation Program is set to play a pivotal role in its strategy to double profits to AED 20 Bn within five years. The initiative aims to integrate AI across all processes, targeting AED 4 Bn in value creation through enhanced revenue, improved efficiency, and better risk management. The split is roughly expected from 50% revenue uplift and 50% cost/risk efficiency gains. Key focus areas include elevating customer experience, strengthening compliance, detecting fraud, bolstering cybersecurity, and ensuring operational resilience.
- Elevated provisioning in 2Q25 and 3Q25 was linked to a few legacy corporate accounts, not to the broader loan portfolio. The underlying cost of risk, excluding these legacy cases, is below 40 bps in 3Q25.
- Loan growth guidance for the full year 2025 is revised from low to mid-teens growth to high-teens.
- Retail portfolio quality is particularly strong, showing a 30-day delinquency ratio of 0.9%, compared to 2% for the UAE banking sector.
- The Bank is planning to distribute AED 25 Bn in dividends over the next five years, following a progressive dividend policy where dividends per share will increase YOY, but the payout ratio will decline.
- The bank is committed to maintaining a minimum CET1 capital ratio of more than 12%, ensuring a strong capital position. In addition to this baseline, an extra capital buffer will be maintained to provide further financial resilience and support the bank's strategic growth objectives.
- Fee growth was broad-based across loan processing, asset management, and credit finance, while card-related fees remained stable due to higher costs paid to Mastercard and Visa (an industry-wide trend). Therefore, steady double-digit growth is expected from fees and trading, while one-off income will remain lumpy across quarters.
- Loans outside the UAE rose 35% YTD and comprise 25% of gross loans. ADCB client base comprises major UAE and regional clients further deepening their presence across the GCC region.
- In recognition of the Bank's rapid growth and stature among the UAE's largest financial institutions, higher capital buffers have been introduced for ADCB as a Domestic Systemically Important Bank (D-SIB) effective from June 2026.
- In its Green Bond Report released in September 2025, ADCB highlighted a 19% YOY growth in its Eligible Green Loan Portfolio as of 30 June 2025. The bond proceeds have been allocated across a range of sectors, including renewable energy, eco-friendly real estate, and water resource management.

ADCB – P&L

AED Mn	3Q24	2Q25	3Q25A	3Q25F	Var.	YOY Ch	QOQ Ch
Net funded income	3,144	3,654	3,806	3,648	4.4%	21.1%	4.2%
Non-funded income	1,569	2,074	2,068	1,885	9.8%	31.8%	-0.3%
Operating income	4,713	5,728	5,875	5,532	6.2%	24.7%	2.6%
Operating expenses	-1,515	-1,511	-1,624	-1,521	6.8%	7.2%	7.5%
Impairments	-525	-1,186	-1,087	-823	32.1%	107.0%	-8.3%
Profit before tax	2,678	3,035	3,166	3,188	-0.7%	18.2%	4.3%
Overseas tax expense	-288	-467	-76	-478	-84.2%	-73.7%	-83.8%
Profit for the period	2,391	2,568	3,090	2,710	14.0%	29.2%	20.3%

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%

FAB Securities Contacts:

Research Analyst

Ahmad Banihani +971-2-6161629 ahmad.banihani@Bankfab.com

Sales & Execution

Abu Dhabi Head Office

Trading Desk +971-2-6161700/1 Online Trading Link
 +971-2-6161777

Institutional Desk +971-4-4245765

DISCLAIMER

This report has been prepared by FAB Securities (FABS), which is authorised by the UAE Securities and Commodities Authority, licensing registration number 604002, and is a member of the Abu Dhabi Securities Exchange and Dubai Financial Market. The information, opinions and materials contained in this report are provided for information purposes only and are not to be used, construed, or considered as an offer or the solicitation of an offer or recommendation to sell or to buy or to subscribe for any investment security or other financial instrument. The information, opinions and material in this report have been obtained and derived from publicly available information and other sources considered reliable without being independently verified for their accuracy or completeness. FABS gives no representation or warranty, express or implied, as to the accuracy and completeness of information and opinions expressed in this report. Opinions expressed are current as of the original publication date appearing on the report only and the information, including the opinions contained herein, are subject to change without notice. FABS is under no obligation to update this report. The investments referred to in this report might not be suitable for all recipients. Recipients should not base their investment decisions on this report and should make their own investigations, and obtain independent advice, as appropriate. Any loss or other consequences arising from the uses of material contained in this report shall be the sole and exclusive responsibility of the recipient and FABS accepts no liability for any such loss or consequence. The value of any investment could fall as well as rise and the investor may receive less than the original amount invested. Some investments mentioned in this report might not be liquid investments, which could be difficult to realise in cash. Some investments discussed in this report could be characterised by high level of volatility, which might result in loss. FABS owns the intellectual property rights and any other material contained in this report. No part of this report may be reproduced, utilised or modified in any form either in whole or in part or by any electronic, mechanical or other means, now known or hereafter invented, including photocopying and recording, or stored in any retrieval system without the prior consent of FABS in writing. While utmost care has been taken to ensure that the information provided is accurate and correct, neither FABS, nor its employees shall, in any way, be responsible for the contents. By accepting this document, the recipient agrees he/she has read the above disclaimer and to be bound by the foregoing limitations/restrictions.