

Abu Dhabi Commercial Bank (ADCB)

Balance Sheet Expansion and Broad-Based Income Growth Support Strong Performance

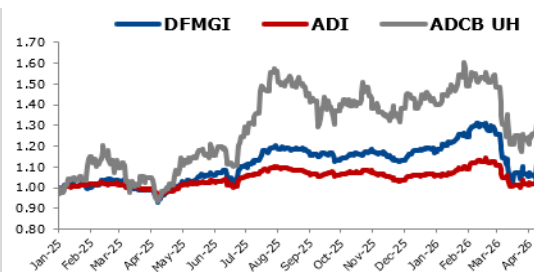
Current Price
AED 13.30

Target Price
AED 18.00

Upside/Downside (%)
+35%

Rating
BUY

- ADCB's Net loans increased 18.4% YOY to AED 425.7 Bn, driven by solid credit demand across the UAE and key international corridors.
- The bank also strengthened its capital markets franchise, notably acting as joint lead manager on the Republic of Turkiye's USD 3.5 Bn dual-tranche bond issuance, highlighting its growing capabilities in international debt markets.
- ADCB has reaffirmed its 2026 and medium-term guidance, underpinned by diversified earnings streams and ongoing efficiency gains.
- ADCB approved to distribute AED 4.98 Bn amounting to AED 0.63 per share in 2025.



1Q26 Net Profit higher than our estimate

Abu Dhabi Commercial Bank's ("ADCB", "The Bank") net profit rose 37.4% YOY to AED 3,361 Mn in 1Q26, higher than our estimate of AED 2,943 Mn. The strong growth in net profit is primarily driven by higher net funded and non-funded income growth along with lower impairments and tax charges, partially offset by higher operating expenses.

P&L Highlights

ADCB's funded income, including interest income and income from Islamic financing, grew 3.5% YOY to AED 8,546 Mn in 1Q26, primarily due to higher volumes and increase in interest earning assets, partially offset by decline in asset yields. The Bank's funded expenses declined 1.1% YOY to AED 4,808 Mn in 1Q26, mainly due to lower cost of funds, indicating disciplined cost management. As a result, net funded income grew 10.2% YOY to AED 3,738 Mn in 1Q26. ADCB's calculated NIMs declined 14 bps on a YOY and QOQ basis to 2.1% in 1Q26 due to lower interest rate environment. Fee and commission income grew 14.4% YOY to AED 938 Mn in 1Q26 driven by higher loan related fees, trade finance commissions along with increase in investment services and asset management fees. Meanwhile, other operating income increased 57.4% YOY to AED 1,258 Mn in 1Q26, mainly supported by stronger trading income, through higher gains from derivatives and financial assets at FVTPL. Resultantly, the non-funded income grew 35.6% YOY to AED 2,196 Mn in 1Q26. Total operating income rose 18.4% YOY to AED 5,934 Mn in 1Q26. Operating expenses increased 3.7% YOY to AED 1,519 Mn in 1Q26, mainly due to continued investments in talent and technology to support growth initiatives. Thus, the reported cost-to-income ratio improved 363 bps YOY and 397 bps QOQ to 25.6% in 1Q26, driven

Stock Information

Market Cap (AED, Mn)	108,396.81
Paid Up Capital (Mn)	7,912.18
52 Week High	16.54
52 Week Low	10.86
3M Avg. daily value(AED)	133,890,200

1Q26 Result Review (AED, Mn)

Total Assets	808,857
Total Liabilities	723,083
Total Equity	85,774
Total Deposits	523,095
Net Profit	3,361

Financial Ratios

Dividend Yield (12m)	4.60
Dividend Pay-out (%)	46.14
Price-Earnings Ratio(x)	8.97
Price-to-Book Ratio (x)	1.41
Book Value (AED)	9.74
Return-on Equity (%)	16.52

Stock Performance

5 Days	6.20%
1 Months	8.39%
3 Months	-14.38%
6 Months	-9.42%
1 Year	26.16%
Month to Date (MTD%)	10.84%
Quarter to Date (QTD%)	10.84%
Year to Date (YTD%)	-4.20%

by higher operating income and significant efficiency gains. Impairments declined 1.2% YOY but increased significantly QOQ to AED 638 Mn in 1Q26, due to provision overlays amid geopolitical risks. Furthermore, tax expense declined 8.7% YOY to AED 420 Mn in 1Q26. Profit attributable to NCI stood nil in 1Q26 compared to AED 1 Mn in 1Q25.

Balance Sheet Highlights

ADCB's total assets grew 19.0% YOY and 4.6% QOQ to AED 808.9 Bn in 1Q26, supported by growth in net loans and advances to customers, while investment securities declined sequentially during the quarter. Net advances grew 18.4% YOY and 4.9% QOQ to AED 425.7 Bn in 1Q26, supported by resilient credit demand and high-quality lending, particularly to government-related entities along with geographic diversification. Customer deposits grew 18.4% YOY and 4.7% QOQ to AED 523.1 Bn in 1Q26, driven by continued customer support from franchises and CASA deposits representing 46.9% of total deposits in 1Q26. In addition, ADCB's total equity increased 16.1% YOY, while declining 3.3% QOQ, to AED 85.8 Bn in 1Q26.

Target Price and Rating

We maintain our BUY rating on Abu Dhabi Commercial Bank (ADCB) with a target price of AED 18.00. ADCB delivered a strong performance in 1Q26, with profitability supported by robust growth in non-funded income, disciplined cost management, and continued balance sheet expansion. Net loans increased 18.4% YOY to AED 425.7 Bn, driven by solid credit demand across the UAE and key international corridors. Customer deposits grew at a similar pace, rising 18.4% YOY and 4.7% QOQ to AED 523.1 Bn, supported by sustained franchise strength. The funding mix improved, with CASA deposits contributing 46.9% of total deposits increasing from 44.7% in 1Q25, reflecting strong inflows across corporate, retail, and private banking segments. NIM moderated to 2.1% in 1Q26 compared to 2.3% in 4Q25 amid a lower interest rate environment; however, margins remained relatively resilient despite three benchmark rate cuts since September 2025, supported by an optimized cost of funds and higher CASA contribution. Loan growth was primarily driven by the corporate segment, with strong expansion across GREs, financial institutions, trading, and manufacturing, while momentum has shifted towards the domestic market, with c. 70% of lending led by UAE-based, GRE-linked infrastructure financing. ADCB continues to benefit from a well-diversified loan book, with 48% exposure to Abu Dhabi, 19% to Dubai, 5% to other Emirates, and 28% internationally, supporting a balanced domestic and cross-border growth strategy. The bank also strengthened its capital markets franchise, notably acting as joint lead manager on the Republic of Turkiye's USD 3.5 Bn dual-tranche bond issuance, highlighting its growing capabilities in international debt markets. Across business segments, ADCB continues to demonstrate strong execution. Private banking and wealth management recorded solid growth, with client base and AUM both increasing by 7% QOQ, supported by continued onboarding and momentum in investment and advisory services. The retail franchise also saw healthy traction, with over 57,000 new customers added in 1Q26, alongside strong growth in digital loan origination and card issuance, reflecting continued investment in digital capabilities and customer experience. ADCB has reaffirmed its 2026 and medium-term guidance, underpinned by diversified earnings streams and ongoing efficiency gains. Management remains confident in navigating the current environment, supported by strong capital and liquidity buffers and disciplined risk management, although any deterioration in geopolitical conditions could prompt a reassessment of guidance post 2Q26. Moreover, business momentum has carried into 2Q26, with no significant changes observed across core operating metrics, including NII, fee income, loan growth, and asset quality. The operating environment remains competitive across both corporate and retail segments; however, ADCB continues to gain market share, supported by its comprehensive product offering spanning trade finance, cash management, treasury solutions, and advisory services. The bank prudently booked AED 596 Mn in management overlays to reflect elevated geopolitical risks and account for potential model limitations in an atypical macroeconomic environment. Overall, ADCB's strong balance sheet, diversified revenue base, improving funding mix, and robust growth pipeline support its ability to sustain earnings momentum, while maintaining resilience amid evolving macroeconomic and geopolitical conditions. Additionally, ADCB approved to distribute AED 4.98 Bn amounting to AED 0.63 per share in 2025. Thus, based on our analysis, we maintain our BUY rating on the stock.

ADCB - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	19.76	16.01	12.82	11.72	9.49	8.57
PB	1.88	1.81	1.60	1.50	1.35	1.24
BVPS	7.290	7.571	8.537	9.127	10.109	11.075
EPS	0.692	0.854	1.067	1.167	1.442	1.597
DPS	0.352	0.171	0.560	0.590	0.630	0.702
Dividend Yield	2.6%	1.3%	4.2%	4.4%	4.7%	5.3%

FABS Estimates & Co Data
ADCB - P&L

AED Mn	1Q25	4Q25	1Q26	1Q26F	Var	YOY ch	QOQ ch	2025	2026F	Change
Funded income	8,256	9,071	8,546	9,378	-8.9%	3.5%	-5.8%	35,123	35,031	-0.3%
Funded expense	-4,863	-5,237	-4,808	-5,387	-10.7%	-1.1%	-8.2%	-20,435	-19,120	-6.4%
Net funded income	3,393	3,834	3,738	3,991	-6.3%	10.2%	-2.5%	14,688	15,911	8.3%
Fees & commissions	820	887	938	932	0.7%	14.4%	5.7%	3,607	3,968	10.0%
Other operating income	799	846	1,258	827	52.0%	57.4%	48.6%	3,888	4,455	14.6%
Non funded income	1,619	1,734	2,196	1,759	24.8%	35.6%	26.7%	7,495	8,422	12.4%
Operating income	5,012	5,568	5,934	5,750	3.2%	18.4%	6.6%	22,183	24,333	9.7%
Operating expenses	-1,465	-1,646	-1,519	-1,639	-7.3%	3.7%	-7.7%	-6,246	-6,692	7.1%
Pre-provision profit	3,547	3,922	4,415	4,111	7.4%	24.5%	12.6%	15,937	17,642	10.7%
Impairments	-646	-184	-638	-876	-27.2%	-1.2%	247.2%	-3,103	-3,173	2.3%
Operating profit	2,901	3,738	3,777	3,235	16.7%	30.2%	1.0%	12,834	14,469	12.7%
Share of profit of assoc.	5	-2	4	0	NM	-20.0%	NM	9	0	NM
Profit before tax	2,906	3,736	3,781	3,235	16.9%	30.1%	1.2%	12,843	14,469	12.7%
Tax expense	-460	-395	-420	-291	44.2%	-8.7%	6.3%	-1,398	-1,302	-6.9%
Non- Controlling interest	1	0	0	-1	-100.0%	NM	NM	1	-7	NM
Profit for the period	2,447	3,341	3,361	2,943	14.2%	37.4%	0.6%	11,446	13,160	15.0%

FABS estimate & Co Data
ADCB - KPI

	1Q25	4Q25	1Q26	YOY Ch	QOQ Ch	2025	2026F	Change
Net FI/OI	67.7%	68.9%	63.0%	-470	-587	66.2%	65.4%	-83
NIM (Calculated)	2.3%	2.3%	2.1%	-14	-14	2.3%	2.2%	-9
NIS	1.8%	1.8%	1.8%	-5	-7	1.9%	1.9%	-1
Fees & comms/OI	16.4%	15.9%	15.8%	-55	-13	16.3%	16.3%	5
Other non-funded/OI	15.9%	15.2%	21.2%	526	600	17.5%	18.3%	78
Cost to income	29.2%	29.6%	25.6%	-363	-397	28.2%	27.5%	-66
Impairment/PPP	18.2%	4.7%	14.5%	-376	976	19.5%	18.0%	-148
Tax/PBT	15.8%	10.6%	11.1%	-472	54	10.9%	9.0%	-189
NP/OI	48.8%	60.0%	56.6%	782	-336	51.6%	54.1%	248
Cost of risk (reported)	0.5%	0.2%	0.4%	-8	25	0.6%	0.6%	0
Loan-to-deposit (calculated)	83.0%	82.2%	82.4%	-56	19	82.2%	84.0%	177
NPL (reported)	2.2%	1.8%	1.8%	-48	-7	3.3%	3.3%	0
Coverage (Calculated)	103.4%	107.4%	96.4%	-692	-1,093	107.4%	109.4%	200
CET 1	12.6%	13.8%	13.8%	122	2	13.8%	14.2%	46
Capital adequacy	16.1%	17.0%	16.9%	87	-6	17.0%	17.2%	24
ROAE	14.5%	14.7%	16.5%	202	180	14.7%	15.1%	35
ROAA	1.5%	1.6%	1.7%	13	6	1.6%	1.6%	3

FABS estimate & Co Data
ADCB - Key B/S items

AED Mn	1Q25	2Q25	3Q25	4Q25	1Q26	YOY Ch
Net advances	359,489	378,465	401,356	405,967	425,720	18.4%
QOQ change	2.5%	5.3%	6.0%	1.1%	4.9%	
Total assets	679,716	718,502	744,273	773,654	808,857	19.0%
QOQ change	4.1%	5.7%	3.6%	3.9%	4.6%	
Customer deposits	441,691	463,442	482,440	499,775	523,095	18.4%
QOQ change	4.9%	4.9%	4.1%	3.6%	4.7%	
Total equity	73,872	76,249	79,509	88,741	85,774	16.1%
QOQ change	-2.2%	3.2%	4.3%	11.6%	-3.3%	

FABS estimate & Co Data

Valuation:

We use the Residual Income and Relative Valuation (RV) method to value ADCB. We have assigned 70% weight to Residual Income, and 30% to RV method.

Valuation Method	Target	Weight	Weighted Value
Residual Income	19.87	70.0%	13.91
Relative Valuation (RV)	13.62	30.0%	4.09
Weighted Average Valuation (AED)			18.00
Current market price (AED)			13.30
Upside/Downside (%)			+35%

1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 9.2%. Cost of equity is calculated by using 10-year government bond yield of 4.3%, beta of 1.0 and equity risk premium of 4.3%. Government bond yield is calculated after adding Abu Dhabi 10-year CDS spread over 10-year US risk-free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	24,842
Terminal value (AED, Mn)	55,346
Book Value of Equity (as of Dec 2025)	77,028
FV to Common shareholders (AED, Mn)	157,216
No. of shares (Mn)	7,912
Current Market Price (AED)	13.30
Fair Value per share (AED)	19.87

Residual Income Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net Profit	12,632	16,059	17,434	18,768	17,449
(-) Equity Charge	-8,071	-9,038	-9,904	-10,830	-11,572
Excess Equity	4,561	7,021	7,530	7,939	5,877
Discounting Factor	0.94	0.86	0.79	0.72	0.66
Present Value of Excess Equity	3,220	6,052	5,943	5,737	3,889

Source: FAB Securities

2) Relative Valuation:

We have used local and regional peers to value ADCB and valued using the P/B multiple. It is valued at a 2026 P/B multiple of 1.2x in line with peers.

Company	Market (USD Mn)	P/E (x)		P/B (x)		Dividend Yield (%)	
		2026F	2027F	2026F	2027F	2026F	2027F
Abu Dhabi Islamic Bank	22,346	12.0	10.8	2.8	2.5	4.4%	4.8%
Dubai Islamic Bank	14,500	8.1	7.7	1.1	1.1	5.2%	5.7%
Emirates NBD	51,450	8.0	7.4	1.2	1.1	3.5%	3.9%
Banque Saudi Fransi	13,371	9.8	9.2	1.1	1.1	5.5%	5.8%
Riyad Bank	23,457	8.7	8.1	1.3	1.2	4.8%	5.6%
Average		9.3x	8.7x	1.5x	1.4x	4.7%	5.2%
Median		8.7x	8.1x	1.2x	1.1x	4.8%	5.6%
Max		9.8x	9.2x	1.3x	1.2x	5.2%	5.7%
Min		8.1x	7.7x	1.1x	1.1x	4.4%	4.8%

Source: FAB Securities

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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