

Abu Dhabi Commercial Bank (ADCB)

Current Price	Target Price	Upside/Downside (%)	Rating
AED 16.90	AED 20.00	+18%	BUY

3Q26 Net Profit higher than our estimate

- ADCB's net profit attributable to equity shareholders increased 15.2% YOY to AED 3.6 Bn in 3Q26, exceeding our estimate of AED 3.4 Bn. The growth was primarily driven by higher net funded and non-funded income coupled with lower impairment charges, partially offset by increased operating expenses and tax charges.
- Net funded income increased 1.7% YOY to AED 3.9 Bn in 3Q26, supported by higher funded income, including interest income and income from Islamic financing, partially offset by an increase in funded expense.
- ADCB's reported NIMs declined by 29 bps YOY to 2.16% in 3Q26, compared to 2.45% in 3Q25.
- Non-funded income increased 18.6% YOY to AED 2.5 Bn in 3Q26, supported by strong growth in fees and commissions and other operating income.
- Operating expenses increased 10.6% YOY to AED 1.8 Bn in 3Q26, reflecting higher staff and administrative expenses alongside continued investment in technology, talent and AI.
- Cost-to-income ratio increased 75 bps YOY and 43 bps QOQ to 28.4% in 3Q26, as operating expenses grew faster than operating income.
- Impairment charges declined from AED 1,087 Mn in 3Q25 to AED 472 Mn in 3Q26, mainly reflecting elevated provisions on a small number of legacy corporate accounts in 3Q25.
- Total assets grew 19.6% YOY and 6.8% QOQ to AED 890.0 Bn in 3Q26, primarily driven by continued growth in net advances, cash and bank balance and investment portfolio.
- The Bank's net loan book expanded 16.9% YOY and 5.5% QOQ to AED 469.0 Bn in 3Q26, supported by sustained lending demand across key economic sectors.
- Customer deposits grew 15.7% YOY and 6.0% QOQ to AED 558.2 Bn in 3Q26, with CASA deposits accounting for 45.0% of total deposits, compared to 45.7% in 2Q26.
- Reported NPL ratio declined to 1.60% in 3Q26 from 1.71% in 2Q26, reflecting continued improvement in asset quality.

Earnings Call Summary

- ADCB expects loan growth to remain in double digits in 2027, supported by a healthy pipeline and a favourable macroeconomic backdrop.
- Seasonal FCNR lending significantly boosted loan growth and revenue in 3Q26, while this seasonal contribution is expected to normalise in 4Q26, ADCB expects other pipeline opportunities to offset the impact.
- Deposit pricing is likely to remain competitive in the near term, although ADCB has observed some early easing in funding prices.
- Funding costs are expected to remain elevated in the near term due to strong lending demand, but gradually ease as regional conditions stabilise.
- The Bank expects NIMs to remain broadly stable to slightly softer through the remainder of 2026, followed by modest compression in 2027, while risk-adjusted NIM is expected to remain resilient.
- Non-interest income is expected to support profitability, with management targeting a contribution of around 40% of operating income, compared to 38% in 9M26.
- ADCB reaffirmed that 60-65% of trading income is repeatable and expects trading performance to remain consistent, supported by continued investment in trading capabilities.

- Operating expenses are expected to increase as ADCB continues investing in people, technology, digitalisation and AI, while management remains focused on maintaining positive operating leverage.
- Credit costs are expected to remain contained, with management tracking in the 30 bps range and seeing no material pipeline of elevated credit risk.
- The sharp YOY decline in impairment charges mainly reflects elevated provisions recorded against a limited number of legacy corporate exposures in 2Q25 and 3Q25.
- ADCB expects further improvement in asset yields in the coming quarters, supported by retail lending growth and the impact of the late-September interest rate hike.
- ADCB said the rise in overdue credit card payments was mainly due to the removal of FIRP relief measures, with no major concerns about customers ability to repay.
- The Bank intends to continue benefiting from tax exemptions in 2027 and beyond, subject to annual eligibility requirements, with any changes to be communicated alongside year-end results.
- The Bank expects internally generated capital to support loan growth in 2027, although dividend deductions are likely to reduce the CET1 ratio in 4Q26.

ADCB – P&L

AED Mn	3Q25	2Q26	3Q26	3Q26F	Var	YOY Ch	QOQ Ch
Funded income	9,159	8,956	9,743	9,030	7.9%	6.4%	8.8%
Funded expense	-5,352	-5,223	-5,872	-5,313	10.5%	9.7%	12.4%
Net funded income	3,806	3,733	3,871	3,717	4.1%	1.7%	3.7%
Fees & commissions	971	1,186	1,246	1,245	0.1%	28.3%	5.1%
Other operating income	1,097	1,128	1,208	1,172	3.1%	10.1%	7.1%
Non funded income	2,068	2,314	2,454	2,417	1.5%	18.6%	6.1%
Operating income	5,875	6,047	6,325	6,134	3.1%	7.7%	4.6%
Operating expenses	-1,624	-1,691	-1,796	-1,656	8.4%	10.6%	6.2%
Pre-provision profit	4,251	4,356	4,529	4,478	1.1%	6.5%	4.0%
Impairments	-1,087	-536	-472	-677	-30.3%	NM	-11.9%
Operating profit	3,164	3,820	4,057	3,800	6.8%	28.2%	6.2%
Share of profit of assoc.	3	6	6	5	20.0%	NM	NM
Profit before tax	3,166	3,826	4,063	3,805	6.8%	28.3%	6.2%
Overseas tax expense	-76	-450	-504	-419	20.4%	NM	12.0%
Non controlling interest	0	0	-1	-2	-40.9%	NM	NM
Profit for the period	3,090	3,376	3,560	3,385	5.2%	15.2%	5.5%

FABS estimate & Co Data

Management Guidance:

Guidance in five-year strategy launched in Q1 2025		Full-year 2026 guidance	9M'26 actuals
CET1 ratio	>12%	>12%	13.79%
Cost of risk ⁽¹⁾	<50 bps (previously <60 bps)	<50 bps (previously <60 bps)	36 bps
RoE	>15%	>15%	16.2%
Profitability	Double net profit to AED 20 billion within five years; c.20% annual growth rate	c.20% annual growth rate	AED 10.296 billion; +27% YoY
Dividend payout ⁽²⁾	Progressive year-on-year increase in paid-out dividends, with targeted total dividend payout of c. AED 25 billion over 5-year period	Progressive year-on-year increase in paid-out dividends	Final dividend proposed at full year

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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