

Abu Dhabi Commercial Bank (ADCB)

Double-digit loan growth and lower impairments drive performance

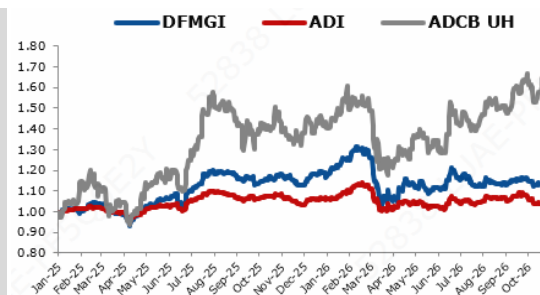
Current Price
AED 16.90

Target Price
AED 20.00

Upside/Downside (%)
+18.35%

Rating
BUY

- ADCB's net advances grew 16.9% YOY and 5.5% QOQ to AED 469.0 Bn in 3Q26, driven by broad-based lending growth across key segments.
- Customer deposits grew 15.7% YOY and 6.0% QOQ to AED 558.2 Bn in 3Q26, while the CASA ratio stood at 45.0% in 3Q26, compared to 45.7% in 2Q26.
- Asset quality remained strong, with the reported NPL ratio declining to 1.60% in 3Q26 from 1.71% in 2Q26
- The Bank expects loan growth to remain in double digits in 2027, supported by a healthy pipeline and a favourable macroeconomic backdrop



Stock Information

Market Cap (AED, Mn)	133,715.77
Paid Up Capital (Mn)	7,912.18
52 Week High	17.04
52 Week Low	11.58
3M Avg. daily value(AED)	69,508,640

3Q26 Net Profit higher than our estimate

Abu Dhabi Commercial Bank's ("ADCB", "The Bank") net profit rose 15.2% YOY to AED 3,560 Mn in 3Q26, higher than our estimate of AED 3,385 Mn. The growth in net profit is primarily driven by higher net funded and non-funded income, along with lower impairment charges, partially offset by higher operating expenses and tax charges.

P&L Highlights

ADCB's funded income, including interest income and income from Islamic financing, grew 6.4% YOY to AED 9,743 Mn in 3Q26, mainly due to higher net advances and growth in asset yields. Funded expenses increased 9.7% YOY to AED 5,872 Mn in 3Q26, owing to an increase in interest bearing liabilities. As a result, net funded income grew 1.7% YOY to AED 3,871 Mn in 3Q26. ADCB's reported NIMs declined by 29 bps YOY to 2.16% in 3Q26. Fee and commission income increased 28.3% YOY to AED 1,246 Mn in 3Q26, primarily driven by higher loan processing fees and trade finance commissions. Meanwhile, net trading and other operating income increased 10.1% YOY to AED 1,208 Mn in 3Q26, driven by higher gains on FVTPL financial instruments and derivatives, partly offset by lower other operating income following the absence of one-off gains from loan sales and hedging derivatives recorded in 3Q25. Consequently, non-funded income increased 18.6% YOY to AED 2,454 Mn in 3Q26. Total operating income grew 7.7% YOY to AED 6,325 Mn during 3Q26. Operating expenses increased 10.6% YOY to AED 1,796 Mn, with the calculated cost-to-income ratio rising by 75 bps YOY and 43 bps QOQ to 28.4% in 3Q26. 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. Meanwhile,

3Q26 Result Review (AED, Mn)

Total Assets	889,991
Total Liabilities	798,914
Total Equity	91,077
Total Deposits	558,155
Net Profit	3,560

Financial Ratios

Dividend Yield (12m)	3.84
Dividend Pay-out (%)	46.14
Price-Earnings Ratio(x)	9.93
Price-to-Book Ratio (x)	1.58
Book Value (AED)	10.40
Return-on Equity (%)	17.04

Stock Performance

5 Days	0.84%
1 Months	1.44%
3 Months	13.88%
6 Months	21.58%
1 Year	15.01%
Month to Date (MTD%)	-2.15%
Quarter to Date (QTD%)	0.84%
Year to Date (YTD%)	14.69%

tax expenses increased from AED 76 Mn in 3Q25 to AED 504 Mn in 3Q26. The loss attributable from NCI holders stood at AED 1 Mn in 3Q26, compared to AED 0.03 Mn in 3Q25.

Balance Sheet Highlights

ADCB's total assets grew 19.6% YOY and 6.8% QOQ to AED 890.0 Bn in 3Q26, supported by strong growth in net advances, cash and bank balance and investment portfolio. Net advances increased 16.9% YOY and 5.5% QOQ to AED 469.0 Bn in 3Q26, supported by broad-based lending growth across corporate, retail and private banking, including financing to government-related entities. 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. In addition, ADCB's total equity increased 14.5% YOY and 2.0% QOQ to AED 91.1 Bn in 3Q26.

Target Price and Rating

We revise our rating from ACCUMULATE to BUY on Abu Dhabi Commercial Bank (ADCB) with a revised target price of AED 20.00. ADCB reported a 15.2% YOY increase in net profit during 3Q26, primarily driven by healthy growth in net funded and non-funded income, coupled with lower impairment charges and continued balance sheet expansion. ADCB's net advances increased 16.9% YOY and 5.5% QOQ to AED 469.0 Bn in 3Q26, driven by broad-based lending growth across corporate, retail and private banking, including financing to government-related entities. Seasonal FCNR lending was also a significant contributor to 3Q26 asset growth and revenue, while the Bank expects other opportunities in its pipeline to offset the normalisation of FCNR-related activity in the following quarter. The Bank expects loan growth to remain in double digits in 2027, supported by a healthy pipeline and a favourable macroeconomic backdrop. Customer deposits grew 15.7% YOY and 6.0% QOQ to AED 558.2 Bn in 3Q26, reflecting sustained deposit mobilisation across business segments. The funding mix remained favourable, with CASA deposits accounting for 45.0% of total customer deposits in 3Q26, compared to 45.7% in 2Q26. The Bank's reported NIMs moderated to 2.16% in 3Q26 from 2.20% in 2Q26, while risk-adjusted NIMs remained stable QOQ at 1.87%, supported by lower credit costs. ADCB expects NIMs to remain broadly stable to slightly softer through the remainder of 2026, followed by modest compression in 2027, while risk-adjusted NIMs is expected to remain resilient. However, the Bank expects non-interest income to support profitability, targeting a contribution of around 40% of operating income, compared to 38% in 9M26. ADCB's calculated cost-to-income ratio increased to 28.4% in 3Q26 from 28.0% in 2Q26, reflecting higher operating expenses relative to operating income. The Bank further expects costs to increase due to continued investments in technology, AI and employees, although ADCB remains focused on maintaining positive operating leverage. Reported cost of risk improved to 31 bps in 3Q26 from 36 bps in 2Q26, supported by better loan quality and lower expected credit losses. As a result, ADCB also reduced its cost-of-risk guidance to below 50 bps from below 60 bps for full-year 2026 and under its five-year strategy. Asset quality remained strong, with the reported NPL ratio declining to 1.60% in 3Q26 from 1.71% in 2Q26, while the reported provision coverage ratio decreased to 156.0% from 159.4% in the same period. Capital remained strong, with CET1 and total capital adequacy ratios at 13.79% and 16.54%, respectively. Management expects organic capital generation to continue supporting loan growth, although the CET1 ratio is likely to decline in 4Q26 following dividend deductions. Overall, ADCB's diversified revenue base, continued lending growth, improving asset quality, and ongoing investment in digital capabilities support sustained earnings momentum. While elevated funding costs and modest NIMs compression remain near-term headwinds, continued balance sheet growth, a more diversified revenue mix and resilient asset quality underpin our BUY rating.

ADCB - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	24.41	19.78	15.83	14.48	11.72	10.12
PB	2.32	2.23	1.98	1.85	1.67	1.56
BVPS	7.290	7.571	8.537	9.127	10.109	10.823
EPS	0.692	0.854	1.067	1.167	1.442	1.670
DPS	0.352	0.171	0.560	0.590	0.630	0.724
Dividend Yield	2.1%	1.0%	3.3%	3.5%	3.7%	4.3%

FABS Estimates & Co Data
ADCB - P&L

	3Q25	2Q26	3Q26	3Q26F	Var	YOY Ch	QOQ Ch	2025	2026F	Change
AED Mn										
Funded income	9,159	8,956	9,743	9,030	7.9%	6.4%	8.8%	35,123	36,907	5.1%
Funded expense	-5,352	-5,223	-5,872	-5,313	10.5%	9.7%	12.4%	-20,435	-21,546	5.4%
Net funded income	3,806	3,733	3,871	3,717	4.1%	1.7%	3.7%	14,688	15,362	4.6%
Fees & commissions	971	1,186	1,246	1,245	0.1%	28.3%	5.1%	3,607	4,509	25.0%
Other operating income	1,097	1,128	1,208	1,172	3.1%	10.1%	7.1%	3,888	4,862	25.0%
Non funded income	2,068	2,314	2,454	2,417	1.5%	18.6%	6.1%	7,495	9,370	25.0%
Operating income	5,875	6,047	6,325	6,134	3.1%	7.7%	4.6%	22,183	24,732	11.5%
Operating expenses	-1,624	-1,691	-1,796	-1,656	8.4%	10.6%	6.2%	-6,246	-6,826	9.3%
Pre-provision profit	4,251	4,356	4,529	4,478	1.1%	6.5%	4.0%	15,937	17,906	12.4%
Impairments	-1,087	-536	-472	-677	-30.3%	NM	-11.9%	-3,103	-2,483	-20.0%
Operating profit	3,164	3,820	4,057	3,800	6.8%	28.2%	6.2%	12,834	15,423	20.2%
Share of profit of assoc.	3	6	6	5	20.0%	NM	NM	9	22	NM
Profit before tax	3,166	3,826	4,063	3,805	6.8%	28.3%	6.2%	12,843	15,445	20.3%
Tax expense	-76	-450	-504	-419	20.4%	NM	12.0%	-1,398	-1,699	21.5%
Non- Controlling interest	0	0	-1	-2	-40.9%	NM	NM	1	-3	NM
Profit for the period	3,090	3,376	3,560	3,385	5.2%	15.2%	5.5%	11,446	13,743	20.1%

FABS estimate & Co Data
ADCB - KPI

	3Q25	2Q26	3Q26	YOY Ch	QOQ Ch	2025	2026F	Change
Net FI/OI	64.8%	61.7%	61.2%	-359	-53	66.2%	62.1%	-410
NIM (Calculated)	2.3%	2.0%	2.0%	-28	-1	2.3%	2.1%	-24
NIS	1.9%	1.7%	1.7%	-21	-3	1.9%	1.7%	-16
Fees & comms/OI	16.5%	19.6%	19.7%	317	9	16.3%	18.2%	197
Other non-funded/OI	18.7%	18.7%	19.1%	42	44	17.5%	19.7%	213
Cost to income	27.6%	28.0%	28.4%	75	43	28.2%	27.6%	-56
Impairment/PPP	25.6%	12.3%	10.4%	NM	-188	19.5%	13.9%	-560
Tax/PBT	2.4%	11.8%	12.4%	NM	64	10.9%	11.0%	11
NP/OI	52.6%	55.8%	56.3%	368	46	51.6%	55.6%	397
Cost of risk (calculated)	0.8%	0.4%	0.3%	-49	-6	0.6%	0.4%	-18
Loan-to-deposit (calculated)	85.1%	86.1%	85.6%	53	-49	82.2%	85.5%	327
NPL (Calculated)	2.0%	1.8%	1.7%	-33	-13	2.0%	1.7%	-30
Coverage (Calculated)	174.5%	133.0%	136.3%	NM	330	126.5%	136.8%	1,034
CET 1	12.7%	13.7%	13.8%	109	13	13.8%	12.9%	-87
Capital adequacy	16.0%	16.5%	16.5%	55	4	17.0%	15.6%	-142
ROAE	14.8%	17.0%	17.5%	271	55	14.7%	16.0%	124
ROAA	1.5%	1.7%	1.7%	12	-3	1.6%	1.6%	3

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

	3Q25	4Q25	1Q26	2Q26F	3Q26F	YOY Ch
AED Mn						
Net advances	4,01,356	4,03,031	4,25,720	4,44,596	4,68,987	16.9%
QOQ change	6.0%	0.4%	5.6%	4.4%	5.5%	
Total assets	7,44,273	7,73,654	8,08,857	8,33,184	8,89,991	19.6%
QOQ change	3.6%	3.9%	4.6%	3.0%	6.8%	
Customer deposits	4,82,440	4,99,775	5,23,095	5,26,638	5,58,155	15.7%
QOQ change	4.1%	3.6%	4.7%	0.7%	6.0%	
Total equity	79,509	88,741	85,774	89,254	91,077	14.5%
QOQ change	4.3%	11.6%	-3.3%	4.1%	2.0%	

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	23.32	70.0%	16.32
Relative Valuation (RV)	12.26	30.0%	3.68
Weighted Average Valuation (AED)			20.00
Current market price (AED)			16.90
Upside/Downside (%)			+18.3%

1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 9.1%. Cost of equity is calculated by using 10-year government bond yield of 5.4%, beta of 1.0 and equity risk premium of 3.7%. 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)	28,341
Terminal value (AED, Mn)	73,849
Book Value of Equity (as of Sept 2026)	82,319
FV to Common shareholders (AED, Mn)	184,508
No. of shares (Mn)	7,912
Current Market Price (AED)	16.90
Fair Value per share (AED)	23.32

Residual Income Method

(All Figures in SAR Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E
Net Profit	13,216	14,153	15,225	16,247	17,469	18,855
(-) Equity Charge	-7,248	-7,760	-8,524	-9,262	-10,044	-10,891
Excess Equity	5,968	6,393	6,701	6,985	7,425	7,963
Discounting Factor	0.98	0.90	0.83	0.76	0.70	0.64
Present Value of Excess Equity	1,469¹	5,772	5,548	5,302	5,168	5,082

FABS estimate & Co Data, ¹Adjusted for partial year

2) Relative Valuation:

We have used local and regional peers to value ADCB and valued using the PB multiple. It is valued at a 2027 PB multiple of 1.0x 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	21,854	12.2x	11.0x	2.8x	2.4x	4.4%	4.8%
Dubai Islamic Bank	13,958	7.9x	8.1x	1.1x	1.0x	4.9%	5.0%
Emirates NBD	52,764	8.1x	7.4x	1.3x	1.1x	3.3%	3.7%
Banque Saudi Fransi	12,710	8.9x	8.3x	1.1x	1.0x	5.9%	6.4%
Riyad Bank	20,272	7.7x	7.4x	1.1x	1.0x	6.0%	6.4%
Average		9.0x	8.4x	1.5x	1.3x	4.9%	5.2%
Median		8.1x	8.1x	1.1x	1.0x	4.9%	5.0%
Max		8.9x	8.3x	1.3x	1.1x	5.9%	6.4%
Min		7.9x	7.4x	1.1x	1.0x	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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