FAB SECURITIES أبوظبي الأول للأوراق المالية

Earnings Call Insight | 1Q25

UAE Equity Research | Sector: Banking | Market: ADX

Abu Dhabi Commercial Bank (ADCB)

Current Price	Target Price	Upside/Downside (%)	Rating
AED 11.64	AED 13.75	+18%	BUY

1Q25 Net Profit higher than our estimate

- Net funded income grew 2.8% YOY to AED 3.4 Bn in 1Q25, driven by a rise in interest-bearing assets and lower cost of funds, partially offset by a lower asset yield.
- Reported NIMs declined 22 bps YOY and 10 bps QOQ to 2.5% in 1Q25, primarily due to the declining interest rate environment. However, the reported risk-adjusted NIM marginally reduced from 2.1% in 1Q24 to 2.0% in 1Q25.
- Non-funded income rose 26.0% YOY to AED 1.6 Bn in 1Q25, owing to solid growth in fee and commission income, other operating income and net trading income due to higher gains on derivatives and foreign exchange.
- Non-funded income declined 17.5% QOQ in 1Q25, primarily due to the reduction in other operating income, as high gains were realised on the extinguishment of corporate loans in 4Q24.
- Operating expenses grew 3.4% YOY to AED 1.5 Bn in 1Q25, attributed to the rise in staff cost and amortization expenses, partially offset by a decline in G&A expense and depreciation charges.
- Impairments shrank from AED 741 Mn in 1Q24 to AED 646 Mn in 1Q25.
- Net profit after tax increased 14.3% YOY to AED 2.45 Bn in 1Q25, driven by a growth in net funded and non-funded income coupled with lower impairments, partially offset by an increase in operating expenses, and tax charges.
- Total assets grew 14.4% YOY and 4.1% QOQ to AED 679.7 Bn in 1Q25, driven by an increase in cash and bank balance with the central bank, net advances, derivative financial instruments, and investment securities portfolio.
- Reported NPL ratio declined from 3.0% in 4Q24 to 2.2% in 1Q25, while NPL, including Purchased or originated credit-impaired financial assets (POCI) declined from 3.3% in 4Q24 to 2.5% in 1Q25.
- Deposits grew 15.1% YOY and 4.9% QOQ to AED 441.2 Bn in 1Q25, while the CASA deposits grew 9.9% YOY and accounted for 44.8% of total deposits in 1Q25.

Earnings Call Summary

- The Bank's tax rate rose to 15% due to the introduction of the domestic minimum top-up tax by the UAE.
- The Bank launched a five-year plan in January 2025, which aims to expand the net profit to AED 20 Bn by 2030, coupled with stable growth in dividend and ROE.
- The Bank's credit rating was upgraded to A+ by S&P Global Ratings in March 2025.
- ADCB's net interest income grew 2.8% YOY to AED 3.4 Bn in 1Q25, driven by higher volumes. However, it declined 3.2% QOQ in 1Q25 due to three interest rate cuts implemented since September 2024.
- The Bank's risk-adjusted NIMs decreased from 2.1% in 1Q24 to 2.0% in 1Q25, mainly driven by a shift in the loan portfolio towards higher-quality, lower-risk exposures over the past year.
- The Bank's other operating income rose YOY and declined QOQ in 1Q25, primarily due to fluctuations in gains from the extinguishment or sale of corporate loans.
- ADCB extended a new credit of AED 37 Bn and received AED 28 Bn in repayments during 1Q25.
- The Bank's corporate loan growth in 1Q25 was primarily driven by the financial institutions, energy and transport, and communication sectors.
- ADCB's corporate loan portfolio remains well-diversified, with government-related entities (GREs) accounting for 27% of gross loans, real estate investment 13%, and financial institutions 11%.
- The Bank's exposure outside of the UAE accounted for 22% of gross loans.

- ADCB continues to allocate 99% of its investment securities portfolio to bonds, with 60% classified at amortized cost and the remaining 40% at fair value through other comprehensive income (FVTOCI).
- ADCB Egypt delivered strong financial performance in 1Q25, with net profit surging 74% YOY to EGP 1.3 Bn.
- ADCB Egypt's net loans increased 48% YOY to EGP 61 Bn, while deposits increased 33% YOY to EGP 124 Bn in 1Q25.
- The Bank’s retail banking group added 89,000 new customers in 1Q25, with 71% being acquired through digital channels.
- The Bank guidance for 2025 remained unchanged, the loan book is expected to grow in low double-digit, while Return on Equity (ROE) is expected to be above 15%.
- The Bank has rebalanced its loan book towards GRE and the government sector, which naturally carries a lower yield but also lower risk.
- ADCB’s five-year guidance also applies to 2025.
- The decline in NPL is primarily driven by the sale of assets in 1Q25, healthy recoveries, and reclassifications between Stage 2 and Stage 3 loans.
- ADCB has sufficient capacity to generate internal capital to support its five-year strategic plan and maintain dividend guidance.
- The Bank’s RWA capacity has lowered in recent years due to the more lending exposure towards GRE and sovereigns.
- ADCB expects the retail growth to pick up in the upcoming quarters, even though the mortgage loans and auto loans have witnessed margin compressions.
- The Bank remains focused on risk-adjusted NIMs, which are expected to be broadly stable going forward.
- ADCB continues to grow the liability base, especially through CASA, which is expected to support overall NIMs resilience.
- The Bank recorded a significant one-off of USD 729 Mn in 4Q24 related to gains on the extinguishment and sale of corporate loans. In addition, the Bank recorded similar gains of only USD 138 Mn in 1Q25.
- ADCB’s loan processing fee acted as a significant factor for the growth of fees and commission income.
- ADCB is actively expanding its trading and product offering, moving beyond FX into more diverse areas like derivatives and capital markets.
- The Bank occasionally records gains from securities or investment sales. However, these are not a core or consistent driver of its net income.
- Most of the repricing following last year’s rate cuts is now reflected in the Bank’s loan book.
- The Bank’s loan book pipeline is strong and anticipates the momentum to be maintained, with the GRE sector to be the major contributor for growth.
- International lending was strong in 1Q25 and is expected to stay within a 20–25% share of the loan book in the medium term.
- The bank has reduced its overall interest rate risk sensitivity, while a 25-bps decline in interest rates across the curve would result in an estimated impact of AED 112 Bn.
- The Bank funds loans in Saudi Arabia using liquidity from the UAE, as operations haven’t fully commenced yet. Once the Bank’s Saudi branch is set up, it aims to secure funding locally, especially from corporate entities.
- ADCB anticipates the ROE to grow for the upcoming quarters, alongside growth in loans and non-interest income.
- The Bank is actively investing in areas like AI technology and new product development while focusing on cost-effective measures.
- The Loan processing fees saw a slight decline in 1Q25, but are anticipated to grow alongside loan growth.

ADCB – P&L

AED Mn	1Q24	4Q24	1Q25	1Q25F	Var.	YOY Ch	QOQ Ch
Funded income	8,210	8,723	8,256	8,840	-6.6%	0.6%	-5.3%
Funded expense	-4,908	-5,218	-4,863	-5,285	-8.0%	-0.9%	-6.8%
Net funded income	**3,301**	**3,505**	**3,394**	**3,555**	**-4.5%**	**2.8%**	**-3.2%**
Fees & commissions	703	722	820	780	5.1%	16.6%	13.5%
Other operating income	582	1,240	799	578	38.2%	37.2%	-35.5%
Non-funded income	**1,285**	**1,962**	**1,619**	**1,358**	**19.2%**	**26.0%**	**-17.5%**
Operating income	**4,586**	**5,467**	**5,013**	**4,913**	**2.0%**	**9.3%**	**-8.3%**
Operating expenses	-1,417	-1,565	-1,465	-1,621	-9.7%	3.4%	-6.4%
Pre-provision profit	**3,169**	**3,902**	**3,548**	**3,292**	**7.8%**	**11.9%**	**-9.1%**
Impairments	-741	-1,020	-646	-696	-7.1%	-12.7%	-36.6%
Operating profit	**2,429**	**2,882**	**2,901**	**2,596**	**11.8%**	**19.5%**	**0.7%**
Share of profit of assoc.	2	1	5	0	NM	NM	NM
Profit before tax	**2,431**	**2,884**	**2,907**	**2,596**	**12.0%**	**19.6%**	**0.8%**
Overseas tax expense	-292	-311	-461	-286	61.3%	57.7%	48.2%
Non-controlling interest	1	-1	0	-1	-142.8%	NM	NM
Profit for the period	**2,140**	**2,572**	**2,447**	**2,309**	**5.9%**	**14.3%**	**-4.9%**

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