

Abu Dhabi Islamic Bank (ADIB)

Growth in business activity and active customers drove operating income

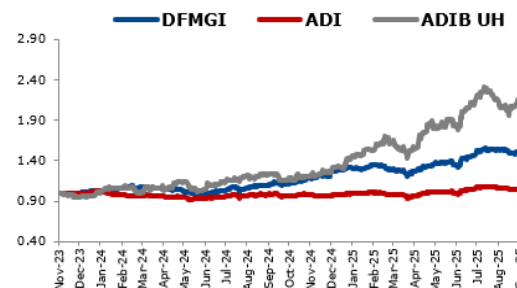
Current Price
AED 22.10

Target Price
AED 26.00

Upside/Downside (%)
+18%

Rating
BUY

- Net profit increased 12.1% YOY in 3Q25, driven by a rise in core business volumes, increased customer acquisition, and growth in funded and non-funded income.
- The Bank added 225,000 new customers in 9M25, with 75.0% of the new acquisitions driven by digital channels.
- CASA deposits accounted for 65.3% of the total deposits, demonstrating the Bank's solid low-cost funding base.
- ADIB's net advances recorded a strong growth of 26.4% YOY and 4.9% QOQ to AED 170.8 Bn in 3Q25, driven by solid performance in retail banking, increased lending to GREs, and the closure of key landmark deals in corporate banking.
- The Bank's NPL ratio declined to 3.3% in 3Q25, marking its lowest level since 4Q16.



3Q25 Net Profit in line with our estimate

Abu Dhabi Islamic Bank's (ADIB/ the Bank) net profit rose 12.1% YOY to AED 1,724 Mn in 3Q25, in line with our estimate of AED 1,686 Mn. The increase in net profit is primarily attributed to growth in net funded and non-funded income, partially offset by an increase in operating and tax expenses, along with higher impairment provisions.

P&L Highlights

ADIB's Islamic financing income grew 23.1% YOY to AED 2,846 Mn in 3Q25. Income from financial institutions increased 5.9% YOY to AED 583 Mn in 3Q25. Thus, total funded income boosted 19.8% YOY to AED 3,429 Mn in 3Q25, driven by growth in interest-earning assets, due to robust business volumes, an increase in new customers, coupled with the Bank's ability to generate sustainable returns despite the rate cut impact. Funded expenses rose 17.6% YOY to AED 1,506 Mn in 3Q25, mainly due to the significant rise in the interest-bearing liabilities. Thus, net funded income grew 21.6% YOY to AED 1,922 Mn in 3Q25. However, calculated NIMs remained stable on a YOY basis and fell 5 bps on QOQ basis to 3.0% in 3Q25. Fees and commission income rose 2.1% YOY to AED 541 Mn in 3Q25. Other non-funded income increased 40.7% YOY to AED 751 Mn in 3Q25, due to increase in income from sukuk, an increase in share of results of joint ventures as well as rise in income from foreign exchange and other income. Thus, total non-funded income rose 21.4% YOY to AED 1,292 Mn in 3Q25. As a result, total operating income increased 21.5% YOY to AED 3,215 Mn in 3Q25. Furthermore, operating expenses rose 14.8% YOY to AED 914 Mn in 3Q25 owing to an increase in G&A expenses and employee costs, reflecting continued investments in talent, digital initiatives, and technological upgrades. As a result, Cost-to-income improved 165 bps YOY to 28.4% in 3Q25, driven by increased revenue and improved operational efficiencies. ADIB's impairments rose from AED 46 Mn in 3Q24 to AED 206 Mn in 3Q25. Additionally, zakat and NCI expenses increased 39.6% YOY to AED 370 Mn in 3Q25.

Stock Information

Market Cap (AED, Mn)	80,412.48
Paid Up Capital (Mn)	3,632.00
52 Week High	24.72
52 Week Low	12.14
3M Avg. daily value (AED)	69,045,850

3Q25 Result Review (AED, Mn)

Total Assets	269,734
Total Liabilities	239,191
Total Equity	30,543
Total Deposits	221,668
Net Profit	1,724

Financial Ratios

Dividend Yield (12m)	3.77
Dividend Pay-out (%)	55.87
Price-Earnings Ratio(x)	13.28
Price-to-Book Ratio (x)	3.29
Book Value (AED)	6.73
Return-on Equity (%)	26.45

Stock Performance

5 Days	-1.25%
1 Months	-0.72%
3 Months	-5.79%
6 Months	22.73%
1 Year	82.07%
Month to Date (MTD%)	1.65%
Quarter to Date (QTD%)	1.65%
Year to Date (YTD%)	60.20%

Balance Sheet Highlights

ADIB's total assets grew 21.2% YOY and 3.6% QOQ to AED 269.7 Bn in 3Q25, mainly driven by growth in net financing, coupled with an increase in the investment portfolio. ADIB's net advances recorded a significant growth of 26.4% YOY and 4.9% QOQ to AED 170.8 Bn in 3Q25, attributable to strong growth in retail banking, GRE, and closure of some landmark deals in corporate banking. ADIB's customer deposits grew 23.3% YOY and 4.2% QOQ to AED 221.7 Bn in 3Q25, due to a strong funding mix, along with growth in CASA deposits, accounting for 65.3% of total deposits in 3Q25. Investment securities grew 20.3% YOY and 0.1% QOQ to AED 35.7 Bn in 3Q25. Furthermore, ADIB's reported CET 1 ratio stood at 13.0% in 3Q25 compared to 12.7% in 2Q25, driven by robust earnings and continued capital optimization efforts.

Target Price and Rating

We revise our rating from ACCUMULATE to BUY rating on Abu Dhabi Islamic Bank (ADIB) with a revised target price of AED 26.00 per share. ADIB recorded a strong rise in net profit by 12.1% YOY and 2.9% QOQ to AED 1,724 Mn in 3Q25 due to healthy revenue growth fueled by expansion in core business volumes, increased customer acquisition, and a rise in non-funded income. Non-funded income contributed 40.2% of total income in 3Q25, driven by growth in fees and commissions and effective cross-selling across both retail and corporate segments, supported by increased customer activity. ADIB recorded robust growth in net advances, rising 26.4% YOY and 4.9% QOQ to AED 170.8 Bn in 3Q25, supported by strong growth in retail and wholesale banking, GRE, and the closure of key landmark deals in corporate banking. Similarly, customer deposits grew 23.3% YOY and 4.2% QOQ to AED 221.7 Bn in 3Q25, maintaining a healthy funding mix, driven by growth in CASA deposits. CASA deposits constitute 65.3% of the total deposits in 3Q25, highlighting the bank's strong low-cost funding base. Thus, the loan-to-deposit ratio increased from 76.5% in 2Q25 to 77.1% in 3Q25. The Bank's NPA ratio stood at 3.3% in 3Q25, the lowest level since 4Q16, supported by proactive remediation of the legacy portfolio and robust underwriting standards, indicating improved asset quality and effective risk management. As a result, the cost of risk is expected to remain between 0.40% to 0.60% in FY2025 at a healthy level due to better asset quality and effective risk management supported by a continuous build-up of provisioning. ADIB maintained a strong capital position, with a CET 1 ratio of 13.0% and a total CAR of 16.7% in 3Q25, reflecting prudent balance sheet management and a solid buffer above regulatory requirement. Additionally, the advances to stable funding ratio stood at 81.6%, while the eligible liquid asset ratio reached 16.8% in 3Q25, thus indicating a well-balanced and resilient liquidity and funding profile within regulatory norms. Furthermore, the Bank's cost-to-income ratio improved from 30.1% in 3Q24 to 28.4% in 3Q25, supported by strong revenue growth, AI and technology investments. ADIB added 225,000 new customers in 9M25, with 75% of the new acquisitions driven by digital channels. ADIB continues to leverage its digital strategy as a core growth driver, demonstrating strong momentum in digital customer acquisition. These strategic investments are not only enhancing the overall customer experience but also reinforcing ADIB's position as a leading, future-ready financial institution in the industry. ADIB's Vision 2035 aims to become the world's most innovative Islamic bank by building the bank of the future through AI and digital transformation, enhancing customer experience and advancing sustainability to drive long-term, diversified growth. ADIB has reaffirmed its 2025 guidance, targeting a NIM of 4.00–4.25%, a CoR of 40–60 bps, and a cost-to-income ratio below 30%. However, the Bank has revised its 2025 financing growth guidance from 18–20% to above 20%, as this threshold was already achieved during 9M25. The upward revision is underpinned by strong customer financing momentum across both retail and corporate segments, which is expected to remain robust given the resilient economic environment. Thus, we assign a BUY rating on ADIB.

ADIB - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
P/E	60.77	38.69	24.16	17.21	14.80	12.60
P/B	5.58	5.08	4.53	3.94	3.55	3.08
BVPS	3.964	4.348	4.881	5.610	6.220	7.180
EPS	0.364	0.571	0.915	1.284	1.493	1.754
DPS	0.206	0.311	0.490	0.715	0.834	0.850
Dividend yield	0.9%	1.4%	2.2%	3.2%	3.8%	3.8%

FABS Estimates & Co Data
ADIB - P&L

AED Mn	3Q24	2Q25	3Q25	3Q25F	Var.	YOY Ch	QOQ Ch	2024	2025F	Change
Funded income	2,862	3,161	3,429	3,231	6.1%	19.8%	8.5%	11,107	13,011	17.1%
Funded expense	-1,281	-1,305	-1,506	-1,353	11.3%	17.6%	15.4%	-4,541	-5,566	22.6%
Net funded income	1,581	1,856	1,922	1,878	2.4%	21.6%	3.6%	6,566	7,446	13.4%
Fees and commission	530	547	541	574	-5.7%	2.1%	-1.0%	1,807	2,187	21.0%
Other non-funded income	534	660	751	663	13.3%	40.7%	13.8%	2,259	2,733	21.0%
Non-Funded Income	1,064	1,206	1,292	1,237	4.5%	21.4%	7.1%	4,066	4,920	21.0%
Operating income	2,645	3,062	3,215	3,114	3.2%	21.5%	5.0%	10,632	12,365	16.3%
Operating expenses	-796	-842	-914	-857	6.6%	14.8%	8.5%	-3,145	-3,511	11.6%
Pre-provision inc.	1,850	2,220	2,301	2,258	1.9%	24.4%	3.6%	7,487	8,855	18.3%
Financing impairment	-46	-199	-206	-247	-16.6%	NM	3.3%	-620	-777	25.4%
Profit before NCI	1,804	2,021	2,095	2,011	4.2%	16.2%	3.7%	6,868	8,077	17.6%
NIC. & zakat	-265	-344	-370	-324	14.2%	39.6%	7.5%	-1,091	-1,367	25.3%
Net Profit	1,538	1,676	1,724	1,686	2.3%	12.1%	2.9%	5,777	6,710	16.2%

FABS estimate & Co Data
ADIB - KPI

	3Q24	2Q25	3Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	59.8%	60.6%	59.8%	3	-81	61.8%	60.2%	-154
NIM	3.0%	3.1%	3.0%	-1	-5	3.3%	3.1%	-18
NIS	2.7%	2.8%	2.7%	3	-8	3.0%	2.8%	-16
Fees & comms/OI	20.0%	17.8%	16.8%	-321	-101	17.0%	17.7%	69
Other non-funded/OI	20.2%	21.5%	23.4%	318	182	21.2%	22.1%	86
Cost to income ratio	30.1%	27.5%	28.4%	-165	93	29.6%	28.4%	-119
Provisions/PPP	2.5%	9.0%	9.0%	645	-3	8.3%	8.8%	50
NP/OI	58.1%	54.7%	53.6%	-450	-110	54.3%	54.3%	-7
Cost of risk	0.13%	0.48%	0.47%	34	-1	0.42%	0.49%	7
Loan-to-deposit	75.2%	76.5%	77.1%	187	58	78.1%	76.9%	-118
NPA	4.4%	3.5%	3.3%	-115	-20	4.0%	3.5%	-53
Coverage excluding collateral (reported)	78.0%	85.3%	89.3%	NM	400	81.5%	76.3%	-522
CET1	13.4%	12.7%	13.0%	-38	31	12.1%	11.9%	-18
Capital adequacy	17.6%	16.6%	16.7%	-92	9	16.2%	15.4%	-79
ROAE	27.1%	27.6%	26.4%	-62	-112	25.2%	26.2%	94
ROAA	2.9%	2.6%	2.6%	-25	-2	2.8%	2.7%	-8

FABS estimate & Co Data

ADIB - Key B/S items

AED mn	3Q24	4Q24	1Q25	2Q25	3Q25	YOY Ch
Net advances	135,132	142,611	150,133	162,751	170,801	26.4%
QOQ ch	2.3%	5.5%	5.3%	8.4%	4.9%	
Total assets	2,22,567	2,25,910	2,43,528	260,352	2,69,734	21.2%
QOQ ch	4.3%	1.5%	7.8%	6.9%	3.6%	
Customer deposits	1,79,744	1,82,675	2,00,095	212,831	2,21,668	23.3%
QOQ ch	4.4%	1.6%	9.5%	6.4%	4.2%	
Total equity (excluding Tier 1 & NCI)	21,378	22,591	21,102	22,759	24,453	14.4%
QOQ ch	7.7%	5.7%	-6.6%	7.9%	7.4%	

FABS estimate & Co Data

Valuation:

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

Valuation Method	Target	Weight	Weighted Value
Residual Income	27.86	70.0%	19.50
Relative Valuation (RV)	21.64	30.0%	6.50
Weighted Average Valuation (AED)			26.00
Current market price (AED)			22.10
Upside/Downside (%)			+18%

1) Residual Income

Method:

We have discounted the economic profit/excess equity using the cost of equity of 8.5%. Cost of equity is calculated by using 10-year government bond yield of 4.8%, beta of 0.9 and equity risk premium of 4.2%. 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)	21,557
Terminal value (AED, Mn)	55,192
Book Value of Equity (as of Sept 2025)	24,453
FV to Common shareholders (AED, Mn)	101,201
No. of share (Mn)	3,632
Current Market Price (AED)	22.10
Fair Value per share (AED)	27.86

Residual Income Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net Profit	6,372	7,243	7,816	8,321	8,752	9,208
(-) Equity Charge	-1,928	-2,226	-2,580	-2,953	-3,347	-3,756
Excess Equity	4,444	5,018	5,235	5,368	5,405	5,452
Discounting Factor	0.98	0.91	0.84	0.77	0.71	0.65
Present Value of Excess Equity	1,094¹	4,552	4,376	4,134	3,836	3,565

Source: FAB Securities, ¹Adjusted for partial year

2) Relative Valuation:

We have used local and international peers to value ADIB, and it is valued using the PB multiple. We have applied a premium as ADIB trades at a premium to its peers and is valued at a 2026 PB multiple of 2.6x. The premium in valuation stems for high composition of retail loan book and it generates superior return on assets as compared to its peers.

Company	Market (USD Mn)	P/B (x)		P/E (x)		Dividend Yield (x)	
		2025F	2026F	2025F	2026F	2025F	2026F
Commercial Bank of Dubai	7,801	1.6	1.6	8.4	10.3	5.7%	4.2%
Abu Dhabi Commercial Bank	31,277	1.5	1.4	11.0	10.0	4.1%	4.4%
Dubai Islamic Bank (DIB)	18,868	1.6	1.5	10.1	10.0	4.8%	4.9%
Alinma	17,664	2.4	2.0	14.8	13.8	4.3%	4.3%
Al Rajhi Bank	114,758	3.8	3.5	18.8	16.6	2.7%	3.3%
Bank Albilad	11,734	2.2	2.0	13.8	13.3	2.5%	2.3%
Average		2.2x	2.0x	12.8x	12.3x	3.9%	18.0%
Median		1.9x	1.8x	12.4x	11.8x	4.2%	17.0%
Max		2.3x	2.0x	14.5x	13.7x	4.4%	20.1%
Min		1.6x	1.5x	10.3x	10.1x	3.6%	16.4%

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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