First Look Note | 3Q26

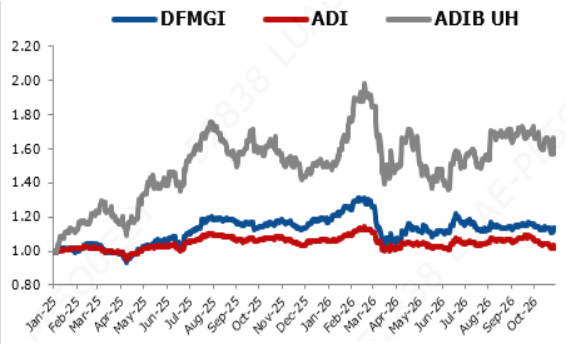
UAE Equity Research | Sector: Banking | Market: ADX

Abu Dhabi Islamic Bank (ADIB)

Strong financing growth continued amid margin pressure

Current Price	Target Price	Upside/Downside (%)	Rating
AED 20.80	AED 26.00	+25%	BUY

- Net advances increased 25.6% YOY and 4.1% QOQ to AED 214.5 Bn in 3Q26, driven by continued financing growth across retail and wholesale banking segments.
- Customer deposits grew 16.7% YOY and 5.3% QOQ to AED 258.7 Bn in 3Q26, with the Bank adding 202K new customers during 9M26.
- Asset quality improved as NPL decreased 123 bps YOY and 12 bps QOQ to 2.0%, reflecting the continued strengthening of the Bank's financing portfolio.
- ADIB raised its FY2026 financing growth guidance to 20–22% from 18–20%, while lowering net profit margin guidance to 3.5–3.6% from 3.7–3.8%. Cost of risk guidance was narrowed to 0.40–0.50%, while cost-to-income and ROAE guidance remained unchanged.



Stock Information	
Market Cap (AED, Mn)	75,096.03
Paid Up Capital (Mn)	3,632.00
52 Week High	27.79
52 Week Low	18.17
3M Avg. daily value (AED)	64,120,270

3Q26 Result Review (AED, Mn)	
Total Assets	317,642
Total Liabilities	283,843
Total Equity	33,798
Total Deposits	258,727
Net Profit	1,729

Financial Ratios	
Dividend Yield (12m)	4.67
Dividend Pay-out (%)	55.60
Price-Earnings Ratio(x)	11.47
Price-to-Book Ratio (x)	2.77
Book Value (AED)	7.47
Return-on Equity (%)	25.47

Stock Performance	
5 Days	-6.73%
1 Months	-11.56%
3 Months	-3.44%
6 Months	-5.11%
1 Year	-3.97%
Month to Date (MTD%)	-11.56%
Quarter to Date (QTD%)	-11.56%
Year to Date (YTD%)	0.19%

3Q26 Net Profit slightly lower than our estimate

Abu Dhabi Islamic Bank's (ADIB/ the Bank) net profit attributable to equity shareholders increased marginally by 0.2% YOY to AED 1,729 Mn in 3Q26, slightly lower than our estimate of AED 1,817 Mn. The increase in net profit was primarily driven by higher net funded income and lower impairment charges, partially offset by lower non-funded income, higher operating expenses and higher profit attributable to non-controlling interests.

P&L Highlights

ADIB's Islamic financing income increased 18.8% YOY to AED 3,381 Mn in 3Q26. Income from financial institutions increased 3.7% YOY to AED 604 Mn in 3Q26. Thus, total funded income rose 16.2% YOY to AED 3,985 Mn in 3Q26, supported by strong financing growth across retail and wholesale banking, higher business volumes and continued customer acquisition. Funded expenses grew by 30.6% YOY to AED 1,968 Mn in 3Q26, driven by rise in the interest-bearing liabilities couple with higher funding cost. Consequently, net funded income increased 4.9% YOY to AED 2,017 Mn in 3Q26. However, calculated NIMs contracted 33 bps YOY to 2.7% in 3Q26. Fees and commission income increased 9.3% YOY to AED 591 Mn in 3Q26. Other non-funded income declined 18.2% YOY to AED 614 Mn in 3Q26, reflecting lower sukuk income, foreign exchange and other income along with higher investment losses, partially offset by higher net fee and commission income and income from investment properties. Thus, total non-funded income declined 6.7% YOY to AED 1,206 Mn in 3Q26. As a result, total operating income increased marginally by 0.3% YOY to AED 3,223 Mn in 3Q26. Furthermore, operating expenses increased 4.0% YOY to AED 950 Mn in 3Q26, primarily due to higher general and administrative expenses and depreciation, partially offset by

lower employee costs and amortisation. ADIB's calculated cost-to-income ratio deteriorated 106 bps YOY to 29.5% in 3Q26. The Bank's financing impairment declined 27.3% YOY to AED 150 Mn in 3Q26. Additionally, zakat and profit attributable to non-controlling interest holders increased 6.4% YOY to AED 394 Mn in 3Q26.

Balance Sheet Highlights

ADIB's total assets increased 17.8% YOY and 4.5% QOQ to AED 317.6 Bn in 3Q26, supported by continued growth in customer financing and core business expansion. ADIB's net advances recorded growth of 25.6% YOY and 4.1% QOQ to AED 214.5 Bn in 3Q26, driven by continued growth across retail and wholesale banking segments. ADIB's customer deposits increased 16.7% YOY and 5.3% QOQ to AED 258.7 Bn in 3Q26. CASA deposits accounted for 60% of total deposits in 3Q26, supporting the Bank's funding profile. The loan-to-deposit ratio stood at 82.9% in 3Q26, compared to 83.9% in 2Q26. Investment securities increased 2.9% YOY and 2.4% QOQ to AED 36.8 Bn in 3Q26. Furthermore, ADIB maintained a strong capital position, with a CET1 ratio of 12.4% and a Capital Adequacy Ratio of 15.6% as of 3Q26.

Target Price and Rating

We revised our rating from ACCUMULATE to BUY on Abu Dhabi Islamic Bank with an unchanged target price of AED 26.00 per share. ADIB reported marginal net profit growth of 0.2% YOY in 3Q26, primarily driven by higher funded income supported by robust financing growth across the retail and wholesale banking segments, alongside lower impairment charges. ADIB's assets grew 17.8% YOY and 4.5% QOQ to AED 317.6 Bn in 3Q26, supported by an increase in net customer financing. The Bank continues to benefit a resilient funding base with a high CASA mix and strong capital generation. ADIB's net advances grew 25.6% YOY and 4.1% QOQ to AED 214.5 Bn in 3Q26, driven by broad-based financing activities, supported by a healthy financing pipeline and sustained customer acquisition. The financing portfolio remains well diversified across different segments, with retail representing 50%, government-related entities at 26%, and large corporates at 14% as of 9M26, supporting resilient and balanced growth. Retail financing grew 5.3% QOQ to AED 109.2 Bn in 3Q26, reflecting strong customer demand, continued market share gains and sustained growth across key retail products. The Banks wholesale financing constituted 39.2% of total gross financing to AED 85.7 Bn in 3Q26, reflecting continued strength across core client segments and participation in landmark transactions across the UAE. ADIB's customer deposits increased 16.7% YOY and 5.3% QOQ to AED 258.7 Bn in 3Q26, driven by continued customer acquisition thereby further strengthening the Bank's funding franchise. The Bank attributed the recent margin compression to higher funding costs amid tighter liquidity conditions and increased competition for deposits, with funding costs rising faster than financing assets could be repriced. It expects margin pressure to moderate in 4Q26, with margins potentially normalising by 2Q27. The Bank's entire wholesale financing portfolio is floating-rate and reprices within three months, allowing it to capture the impact of recent rate hikes. The Bank added 202K new customers in 9M26. CASA deposits stood at 60% of total customer deposits in 3Q26. Retail CASA deposits increased by c. AED 5–6 Bn despite elevated market rates, while institutional and wholesale CASA balances experienced outflows. The Bank expects government salary transfers and other initiatives to continue supporting CASA growth in 2027. The Eligible Liquid Asset Ratio increased from 15.0% in 2Q26 to 15.5% in 3Q26, while the Advances to Stable Fund Ratio increased to 86.9% in 9M26 from 81.6% in 9M25. The loan-to-deposits ratio stood at 82.9% in 3Q26 from 83.9% in 2Q26, while on the front of capitalization, CAR remained stable at 15.6% in 3Q26 compared to 2Q26 and CET1 ratio increased 19 bps QOQ to 12.4% in 3Q26, comfortably above regulatory requirements. The Bank's asset quality improved as NPL decreased 123 bps YOY and 12 bps QOQ to 2.0%, reflecting the continued strengthening of the Bank's financing portfolio and sustained risk discipline across the business. On 6 October 2026, ADIB approved an AED 1.75 Bn rights issue, comprising c. 106.4 Mn shares with a nominal value of AED 1 per share and a premium of AED 15.45 per share. The Bank raised its 2026 financing growth guidance to 20–22% from 18–20% and revised its net profit margin guidance to 3.5%–3.6% from 3.7%–3.8%. Cost of risk guidance was narrowed to 0.40%–0.50% from 0.40%–0.60%. The Bank maintained its cost-to-income ratio guidance below 30% and its ROE guidance above 25%. Management also indicated that every 50-bps increase in rates could generate c. AED 120–130 Mn in additional income once financing repricing normalises. Accordingly, we revise our rating on the Bank to BUY.

ADIB - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	40.23	25.12	17.90	15.39	13.17	12.89
PB	5.28	4.71	4.10	3.69	3.20	2.76
BVPS	4.348	4.881	5.610	6.220	7.177	8.326
EPS	0.571	0.915	1.284	1.493	1.746	1.783
DPS	0.311	0.490	0.715	0.834	0.971	0.976
Dividend yield	1.4%	2.2%	3.3%	3.8%	4.4%	4.5%

FABS Estimates & Co Data

ADIB – P&L

AED Mn	3Q25	2Q26	3Q26	3Q26F	Var	YOY Ch	QOQ Ch	2025	2026F	Change
Funded income	3,429	3,725	3,985	3,895	2.3%	16.2%	7.0%	13,156	15,413	17.2%
Funded expense	-1,506	-1,671	-1,968	-1,783	10.4%	30.6%	17.8%	-5,603	-7,225	28.9%
Net funded income	**1,922**	**2,054**	**2,017**	**2,111**	**-4.5%**	**4.9%**	**-1.8%**	**7,553**	**8,188**	**8.4%**
Fees and commission	541	532	591	569	3.9%	9.3%	11.2%	2,100	2,166	3.1%
Other non-funded income	751	702	614	737	-16.6%	-18.2%	-12.5%	2,650	2,612	-1.5%
Non-Funded Income	**1,292**	**1,234**	**1,206**	**1,306**	**-7.7%**	**-6.7%**	**-2.3%**	**4,751**	**4,778**	**0.6%**
Operating income	**3,215**	**3,288**	**3,223**	**3,418**	**-5.7%**	**0.3%**	**-2.0%**	**12,304**	**12,966**	**5.4%**
Operating expenses	-914	-931	-950	-962	-1.2%	4.0%	2.0%	-3,525	-3,800	7.8%
Pre-provision inc.	**2,301**	**2,356**	**2,273**	**2,456**	**-7.4%**	**-1.2%**	**-3.5%**	**8,779**	**9,165**	**4.4%**
Financing impairment	-206	-143	-150	-260	-42.4%	-27.3%	5.1%	-678	-805	18.7%
Profit before NCI	**2,095**	**2,214**	**2,123**	**2,196**	**-3.3%**	**1.3%**	**-4.1%**	**8,101**	**8,361**	**3.2%**
NCI. & zakat	-370	-400	-394	-379	4.2%	6.4%	-1.5%	-1,428	-1,514	6.1%
Net Profit to shareholders	**1,724**	**1,814**	**1,729**	**1,817**	**-4.9%**	**0.2%**	**-4.7%**	**6,674**	**6,846**	**2.6%**

FABS estimate & Co Data

ADIB - KPI

	3Q25	2Q26	3Q26	YOY Ch	QOQ Ch	2025	2026F	Change
Net FI/OI	59.8%	62.5%	62.6%	279	12	61.4%	63.2%	177
NIM	3.0%	2.9%	2.7%	-33	-19	3.1%	2.8%	-31
NIS	2.7%	2.6%	2.4%	-35	-23	2.8%	2.5%	-27
Fees & comms/OI	16.8%	16.2%	18.3%	151	217	17.1%	16.7%	-37
Other non-funded/OI	23.4%	21.3%	19.1%	-430	-229	21.5%	20.1%	-140
Cost to income ratio	28.4%	28.3%	29.5%	106	115	28.6%	29.3%	66
Provisions/PPP	9.0%	6.0%	6.6%	-237	54	7.7%	8.8%	106
NP/OI	53.6%	55.2%	53.6%	-1	-153	54.2%	52.8%	-144
Cost of risk	0.47%	0.27%	0.27%	-20	0	0.41%	0.40%	-1
Loan-to-deposit	77.1%	83.9%	82.9%	587	-101	79.2%	81.5%	232
NPL	3.3%	2.2%	2.0%	-123	-12	2.8%	2.8%	-2
Coverage excluding collateral	77.7%	86.0%	88.5%	1,076	246	80.1%	85.3%	524
CET1	13.0%	12.2%	12.4%	-64	19	12.0%	12.2%	16
Capital adequacy	16.7%	15.6%	15.6%	-100	5	15.7%	15.3%	-44
ROAE	26.4%	27.1%	25.5%	-98	-163	26.1%	22.8%	-324
ROAA	2.6%	2.4%	2.4%	-25	-9	2.6%	2.3%	-38

FABS estimate & Co Data

ADIB - Key B/S items

AED Mn	3Q25	4Q25	1Q26	2Q26	3Q26	YOY Ch
Net advances	170,801	181,376	193,809	206,189	214,548	25.6%
QOQ ch	4.9%	6.2%	6.9%	6.4%	4.1%	
Total assets	269,734	280,753	287,065	303,916	317,642	17.8%
QOQ ch	3.6%	4.1%	2.2%	5.9%	4.5%	
Customer deposits	221,668	229,096	239,335	245,652	258,727	16.7%
QOQ ch	4.2%	3.4%	4.5%	2.6%	5.3%	
Total equity (excluding Tier 1 & NCI)	24,453	26,067	23,865	25,834	27,280	11.6%
QOQ ch	7.4%	6.6%	-8.5%	8.3%	5.6%	

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	28.05	70.0%	19.64
Relative Valuation (RV)	21.22	30.0%	6.37
Weighted Average Valuation (AED)			**26.00**
Current market price (AED)			20.80
Upside/Downside (%)			+25%

1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 9.3%. Cost of equity is calculated by using the 10-year government bond yield of 5.5%, beta of 0.9 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)	20,626
Terminal value (AED, Mn)	55,211
Book Value of Equity (as of September 2026)	29,030
FV to Common shareholders (AED, Mn)	**104,866**
No. of shares (Mn)	3,738
Current Market Price (AED)	20.80
Fair Value per share (AED)	**28.05**

Residual Income Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E
Net Profit	6,524	7,115	7,900	8,886	9,876	10,796
(-) Equity Charge	-2,434	-2,907	-3,230	-3,600	-4,024	-4,492
Excess Equity	**4,090**	**4,209**	**4,670**	**5,286**	**5,852**	**6,304**
Discounting Factor	0.98	0.90	0.82	0.75	0.69	0.63
Present Value of Excess Equity	**1,007[1]**	**3,789**	**3,846**	**3,981**	**4,031**	**3,972**

Source: FAB Securities, [1] Adjusted 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 2027 PB multiple of 1.4x. The premium in valuation stems from the high composition of the retail loan book, and it generates superior return on assets as compared to its peers.

Company	Market	P/B (x)		P/E (x)		Dividend Yield (x)	
	(USD Mn)	2026F	2027F	2026F	2027F	2026F	2027F
Commercial Bank of Dubai	7,884	1.6	NA	8.8	NA	5.9%	NA
Abu Dhabi Commercial Bank	33,951	1.5	1.3	10.1	9.1	4.3%	4.7%
Dubai Islamic Bank (DIB)	13,958	1.1	1.0	7.9	8.1	4.9%	5.0%
Alinma	18,507	1.8	1.6	11.3	10.4	3.4%	3.6%
Al Rajhi Bank	96,214	2.8	2.5	13.7	12.8	3.8%	4.0%
Bank Albilad	8,586	1.4	1.4	10.3	10.2	4.8%	5.0%
Average		**1.7x**	**1.6x**	**10.3x**	**10.1x**	**4.5%**	**4.5%**
Median		**1.5x**	**1.4x**	**10.2x**	**10.2x**	**4.5%**	**4.7%**
Max		**1.7x**	**1.6x**	**11.1x**	**10.4x**	**4.9%**	**5.0%**
Min		**1.4x**	**1.3x**	**9.1x**	**9.1x**	**3.9%**	**4.0%**

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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