

Abu Dhabi Islamic Bank (ADIB)

Current Price	Target Price	Upside/Downside (%)	Rating
AED 15.38	AED 15.00	-2.5%	HOLD

4Q24 Net Profit lower than our estimate

- Net funded income grew 2.9% YOY to AED 1.7 Bn in 4Q24, driven strong growth in funded income partially offset by an increase in funded expense.
- As per our calculation, NIMs fell 50 bps YOY to 3.1% in 4Q24, primarily due to decreased asset yield.
- Non-funded income decreased 1.0% YOY to AED 0.9 Bn in 4Q24, mainly due to lower fee and commission income, partially mitigated by an increase in other non-funded income.
- The reported cost-to-income ratio fell 336 bps YOY to 29.6% in 2024, likely driven by strong revenue growth and effective cost management.
- Impairments fell 9.3% YOY to AED 184 Mn in 4Q24, with cost of risk at 0.5% in 4Q24.
- Total assets grew 17.2% YOY and 1.5% QOQ to AED 226 Bn in 4Q24, mainly driven by growth in retail and corporate banking financing and expansion in the investment portfolio.
- NPLs improved from 4.4% in 3Q24 to 4.0% in 4Q24, the lowest level since 1Q17, driven by proactive legacy portfolio management and better underwriting standards.
- Net advances grew by 24.0% YOY and 5.5% QOQ to AED 143 Bn in 4Q24, primarily fueled by expansion in retail and government financing.
- Deposits grew 16.3% YOY and 1.6% QOQ to AED 183 Bn, with CASA deposits accounting for 61.0% of total deposits in 4Q24.

Earnings Call Summary

- ADIB expects the non-funded income to play a crucial role in the Bank's growth in the declining rate scenario.
- ADIB added 2,16,000 net customers in 2024 reflecting its strong ability to attract clients.
- The Bank's NPLs improved significantly from more than 6% in 2023 to 4% in 2024.
- ADIB announced a cash dividend of 83 fils per share for 2024 compared to 71 fils per share in 2023.
- The Company's strategic focus on revenue diversification led to a strong growth in non-core income.
- Interest rate sensitivity remained unchanged at 120 Mn impact on net income from 50 bps change in net interest rates.
- ADIB has the highest market share in retail products like home finance and virtual finances.
- Recorded a healthy CASA ratio of 61% in 2024.
- ADIB's business in Egypt contributed 10% of net revenue in 2024. The Egypt business witnessed strong local currency performance, but FX headwinds limited the profitability.
- ADIB's vision 2035 technology part is classified into three parts, 1) leading with technology advancements, 2) redefining client experience, and 3) ethical and sustainable ESG framework.
- Financing portfolio is expected to grow by mid-teens in 2025 with balanced growth across the retail and corporate segment.
- Higher provisions in the 4Q24 are predominantly driven by the nuclear standards issued by CBUAE.
- NIMs are anticipated to stay stable and shall experience a gradual decline after the interest rate cut, NIMs projected to trend toward 4% but will be managed carefully by the Bank.
- Competitive pressures will lead to some rate cuts in lending, but ADIB expects to offset this through higher volumes and strategic pricing.
- ADIB has fully aligned its loan loss reserves to new standards, with no backlog expected in 2025.

ADIB – P&L

AED mm	4Q23	3Q24	4Q24	4Q24F	Var.	YOY Ch	QOQ Ch
Net funded income	1,616	1,581	1,663	1,606	3.6%	2.9%	5.2%
Non-Funded Inc	984	1,064	974	1,120	-13.0%	-1.0%	-8.5%
Operating income	2,599	2,645	2,637	2,725	-3.2%	1.4%	-0.3%
Operating expenses	-876	-796	-821	-770	6.6%	-6.3%	3.1%
Pre-provision inc.	1,724	1,850	1,817	1,956	-7.1%	5.4%	-1.8%
Financing impairment	-189	-46	-172	-184	-6.8%	-9.3%	270.9%
Profit before NCI	1,534	1,804	1,645	1,772	-7.2%	7.2%	-8.8%
NIC. & zakat	-116	-265	-256	-258	-0.9%	121.4%	-3.5%
Net Profit	1,419	1,538	1,389	1,513	-8.2%	-2.1%	-9.7%

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%

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