

## Abu Dhabi Commercial Bank (ADCB)

Strong non-core income and healthy asset quality supported profitability

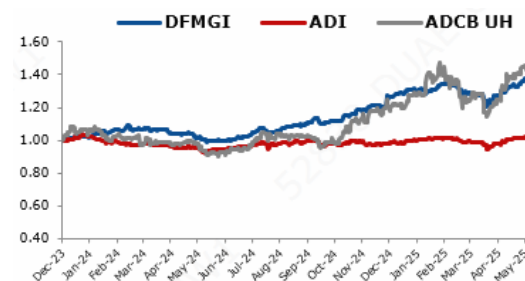
**Current Price**  
AED 15.26

**Target Price**  
AED 17.00

**Upside/Downside (%)**  
+11%

**Rating**  
**ACCUMULATE**

- ADCB's net advances grew 13.9% YOY and 5.3% QOQ to AED 378.5 Bn in 2Q25.
- The Bank's loan book remained well-diversified, and it is targeting low to mid-teen growth in 2025.
- Reported NPL declined from 3.6% in 2Q24 to 2.0% in 2Q25, while reported provision coverage grew from 150.1% in 1Q25 to 173.1% in 2Q25.
- Capitalization stood strong with a CET 1 ratio of 12.2% and CAR of 15.5% in 2Q25.
- ADCB also delivered strong shareholder returns, with a calculated Return on Average Equity (ROAE) of 14.4% and Return on Average Assets (ROAA) of 1.5% in 2Q25.



### Stock Information

Market Cap (AED, Mn)	113,751.98
Paid Up Capital (Mn)	7,319.95
52 Week High	15.72
52 Week Low	8.06
3M Avg. daily value(AED)	66,473,900

### 2Q25 Result Review (AED, Mn)

Total Assets	718,502
Total Liabilities	642,254
Total Equity	76,249
Total Deposits	463,442
Net Profit	2,568

### Financial Ratios

Dividend Yield (12m)	3.80
Dividend Pay-out (%)	49.44
Price-Earnings Ratio(x)	12.13
Price-to-Book Ratio (x)	1.69
Book Value (AED)	9.22
Return-on Equity (%)	14.39

### Stock Performance

5 Days	11.00%
1 Months	33.28%
3 Months	49.42%
6 Months	42.31%
1 Year	88.82%
Month to Date (MTD%)	15.28%
Quarter to Date (QTD%)	15.28%
Year to Date (YTD%)	49.14%

### 2Q25 Net Profit higher than our estimate

Abu Dhabi Commercial Bank's ("ADCB", "The Bank") net profit rose 10.8% YOY to AED 2,568 Mn in 2Q25, beating our estimate of AED 2,461 Mn. The strong growth in net profit is primarily driven by a rise in net funded and non-funded income, coupled with lower operating expenses, partially offset by higher impairments and tax charges.

### P&L Highlights

ADCB's funded income, consisting of interest income and income from Islamic financing, grew 3.7% YOY to AED 8,637 Mn in 2Q25, primarily due to growth in loans and advances and other interest-earning assets. The Bank's funded expenses declined from AED 5,049 Mn in 2Q24 to AED 4,983 Mn in 2Q25, owing to lower cost of funds. ADCB's cost of funds declined 64 bps YOY and 7 bps QOQ to 3.6% in 2Q25. As a result, the net funded income grew 11.5% YOY to AED 3,654 Mn in 2Q25. ADCB's calculated NIMs declined 11 bps YOY and rose 7 bps QOQ to 2.3% in 2Q25. Fee and commission income grew 14.8% YOY to AED 929 Mn in 2Q25 due to a rise in accounts-related fees, asset management, investment services and trade finance commission and fees associated with accounts, whereas the card-related fees stayed relatively unchanged. Furthermore, the other operating income surged 82.1% YOY to AED 1,145 Mn in 2Q25, owing to gains from non-trading securities and the sale of loans. Resultantly, the non-funded income experienced a healthy growth of 44.2% YOY to AED 2,074 Mn in 2Q25. Thus, total operating income rose 21.5% YOY to AED 5,728 Mn in 2Q25. Operating expenses declined 1.5% YOY to AED 1,511 Mn in 2Q25. Thus, the cost-to-income ratio improved from 32.6% in 2Q24 to 26.4% in 2Q25, reaching its lowest level mainly due to higher operating income and cost efficiencies.

The Bank's impairments increased significantly from AED 588 Mn in 2Q24 to AED 1,186 Mn in 2Q25, mainly driven by legacy corporate accounts. Furthermore, corporate tax expense rose significantly from AED 276 Mn in 2Q24 to AED 467 Mn in 2Q25 as the Bank's tax rate rose to 15% due to the introduction of the domestic minimum top-up tax by the UAE. However, the Bank is currently assessing its eligibility for the Safe Harbour exemption, which if granted could reduce the applicable UAE tax rate to 9% for a period of five years.

### Balance Sheet Highlights

ADCB's total assets witnessed a solid growth of 17.4% YOY and 5.7% QOQ to AED 718.5 Bn in 2Q25, primarily due to an increase in cash and bank balance with the central bank, net advances, and investment securities portfolio. Net advances rose 13.9% YOY and 5.3% QOQ to AED 378.5 Bn in 2Q25. The Bank's investment securities rose 15.8% YOY and 2.7% QOQ to AED 153.6 Bn in 2Q25. Customer deposits rose 18.8% YOY and 4.9% QOQ to AED 463.4 Bn in 2Q25. CASA deposits grew 20.5% YOY and 4.7% QOQ to AED 207.1 Bn in 2Q25, driven by growth in Retail, Corporate and Investment Banking businesses and accounted for 45.0% of total deposits in 2Q25. In addition, ADCB's total equity increased 7.8% YOY and 3.2% on a QOQ to AED 76.2 Bn in 2Q25.

### Target Price and Rating

We revise our rating from BUY to ACCUMULATE rating on Abu Dhabi Commercial Bank (ADCB) with a revised target price of AED 17.00. ADCB's share price has grown 20.5% since our last rating (June 2025). ADCB reported strong profitability growth in 2Q25, supported by higher net interest and non-interest income, partially offset by an increase in impairment charges. The sharp increase in impairments during 2Q25 was primarily driven by specific developments related to legacy corporate exposure. However, ADCB confirmed that this was a one-off charge, and the full-year cost of risk guidance remains unchanged at below 60 bps. ADCB's net advances expanded 13.9% YOY and 5.3% QOQ to AED 378.5 Bn in 2Q25 due to increased credit growth in the energy, trading, financial institutions, transport and communication sectors. ADCB maintained a well-diversified loan portfolio, with Government-Related Entities (GREs) accounting for 24% of gross loans and real estate investments comprising 13%. ADCB further expects the pipeline for GRE and sovereign deals to remain strong, with drawdowns scheduled in the coming quarters. The Bank also expects loan growth momentum to continue through the remainder of the year, supported by a strong pipeline of committed facilities, and is targeting low to mid-teen growth for 2025. ADCB onboarded over 68,000 new customers in 2Q25, with 62% acquired through digital channels, reinforcing its leadership in digital card acquisition. The Bank's customer deposits grew 18.8% YOY and 4.9% QOQ to AED 463.4 Bn in 2Q25, owing to strong growth in CASA deposits. The Bank expects deposit growth to remain strong, particularly in CASA balances, which will support its performance during a period of declining interest rates. ADCB's reported NIMs declined from 2.6% in 2Q24 to 2.5% in 2Q25. In addition, the Bank's reported risk-adjusted NIMs decreased from 2.2% in 2Q24 to 1.7% in 2Q25, mainly due to higher impairment charges related to legacy corporate accounts. The Bank's cost-to-income ratio improved 618 bps YOY to 26.4% in 2Q25, to its lowest level, driven by ongoing cost discipline and digital-driven efficiency gains. Furthermore, the Bank's asset quality improved, with the reported NPL ratio continuing to decline from 2.2% in 1Q25 to 2.0% in 2Q25, while NPL including Purchased or originated credit-impaired financial assets (POCI), fell from 2.5% in 1Q25 to 2.2% in 2Q25. The Bank's reported provision coverage increased from 150.1% in 1Q25 to 173.1% in 2Q25, providing a strong buffer against potential bad loans going forward. ADCB's capitalization stood strong with a CET 1 ratio of 12.2% and CAR of 15.5% in 2Q25. ADCB also delivered strong shareholder returns, with a calculated Return on Average Equity (ROAE) of 14.4% and Return on Average Assets (ROAA) of 1.5% in 2Q25. The Bank also remained committed for the next five years, during which it expects its net profit to double to AED 20 Bn, growing at an annual rate of 20%. ADCB is also targeting a total dividend of AED 25 Bn over the next five years. Thus, based on our analysis, we assign our ACCUMULATE rating on the stock.

**ADCB - Relative valuation**

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	31.65	22.04	17.86	14.30	12.79	10.39
PB	2.21	2.09	2.02	1.79	1.67	1.61
BVPS (AED)	6.912	7.290	7.571	8.537	9.127	9.500
EPS (AED)	0.482	0.692	0.854	1.067	1.193	1.469
DPS (AED)	0.257	0.352	0.171	0.560	0.590	0.727
Dividend Yield	1.7%	2.3%	1.1%	3.7%	3.9%	4.8%

*FABS Estimates & Co Data*
**ADCB – P&L**

AED Mn	2Q24	1Q25	2Q25A	2Q25F	VAR	YOY Ch	QOQ Ch	2024	2025F	Change
Funded income	8,326	8,256	8,637	8,339	3.6%	3.7%	4.6%	33,734	35,265	4.5%
Funded expense	-5,049	-4,863	-4,983	-4,926	1.2%	-1.3%	2.5%	-20,508	-19,919	-2.9%
<b>Net funded income</b>	<b>3,276</b>	<b>3,394</b>	<b>3,654</b>	<b>3,413</b>	<b>7.1%</b>	<b>11.5%</b>	<b>7.7%</b>	<b>13,226</b>	<b>15,346</b>	<b>16.0%</b>
Fees & commissions	809	820	929	861	7.9%	14.8%	13.3%	3,101	3,907	26.0%
Other operating income	629	799	1,145	817	40.2%	82.1%	43.3%	3,153	3,997	26.8%
<b>Non funded income</b>	<b>1,438</b>	<b>1,619</b>	<b>2,074</b>	<b>1,678</b>	<b>23.6%</b>	<b>44.2%</b>	<b>28.1%</b>	<b>6,254</b>	<b>7,904</b>	<b>26.4%</b>
<b>Operating income</b>	<b>4,714</b>	<b>5,013</b>	<b>5,728</b>	<b>5,091</b>	<b>12.5%</b>	<b>21.5%</b>	<b>14.3%</b>	<b>19,480</b>	<b>23,250</b>	<b>19.4%</b>
Operating expenses	-1,534	-1,465	-1,511	-1,527	-1.1%	-1.5%	3.1%	-6,031	-6,626	9.9%
<b>Pre-provision profit</b>	<b>3,180</b>	<b>3,548</b>	<b>4,218</b>	<b>3,563</b>	<b>18.4%</b>	<b>32.6%</b>	<b>18.9%</b>	<b>13,448</b>	<b>16,624</b>	<b>23.6%</b>
Impairments	-588	-646	-1,186	-667	77.9%	101.6%	83.4%	-2,874	-3,201	11.4%
<b>Operating profit</b>	<b>2,591</b>	<b>2,901</b>	<b>3,032</b>	<b>2,897</b>	<b>4.6%</b>	<b>17.0%</b>	<b>4.5%</b>	<b>10,574</b>	<b>13,423</b>	<b>26.9%</b>
Share of profit of assoc.	1	5	3	0	NM	NM	-36.6%	11	9	NM
<b>Profit before tax</b>	<b>2,593</b>	<b>2,907</b>	<b>3,035</b>	<b>2,897</b>	<b>4.8%</b>	<b>17.1%</b>	<b>4.4%</b>	<b>10,585</b>	<b>13,432</b>	<b>26.9%</b>
Tax expense	-276	-461	-467	-435	7.5%	69.6%	1.5%	-1,166	-2,015	72.8%
Non- Controlling interest	0	0	0	-1	NM	-9.4%	-12.7%	1	-6	NM
<b>Profit for the period</b>	<b>2,318</b>	<b>2,447</b>	<b>2,568</b>	<b>2,461</b>	<b>4.3%</b>	<b>10.8%</b>	<b>5.0%</b>	<b>9,421</b>	<b>11,411</b>	<b>21.1%</b>

*FABS estimate & Co Data*

**ADCB - KPI**

	2Q24	1Q25	2Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	69.5%	67.7%	63.8%	-570	-391	67.9%	66.0%	-189
NIM (calculated)	2.4%	2.3%	2.3%	-11	7	2.4%	2.4%	5
NIS	1.9%	1.8%	1.9%	-4	8	1.9%	2.0%	14
Fees & comms/OI	17.2%	16.4%	16.2%	-95	-14	15.9%	16.8%	89
Other non-funded/OI	13.3%	15.9%	20.0%	665	405	16.2%	17.2%	101
Cost to income	32.6%	29.2%	26.4%	-618	-285	31.0%	28.5%	-246
Impairment/PPP	18.5%	18.2%	28.1%	962	990	21.4%	19.3%	-212
Tax/PBT	10.6%	15.8%	15.4%	477	-45	11.0%	15.0%	398
NP/OI	49.2%	48.8%	44.8%	-433	-398	48.4%	49.1%	72
Cost of risk (reported)	0.5%	0.5%	0.9%	40	39	0.6%	0.6%	0
Loan-to-deposit (calculated)	87.0%	83.0%	83.4%	-359	38	84.9%	84.5%	-35
NPL (calculated)	3.9%	3.3%	3.0%	-88	-29	3.3%	3.0%	-35
Coverage (calculated)	95.0%	103.4%	115.6%	2,063	1,228	103.4%	120.0%	1,660
CET 1	13.2%	12.6%	12.2%	-96	-38	12.6%	12.0%	-58
Capital adequacy	16.4%	16.1%	15.5%	-90	-55	16.1%	15.4%	-71
ROAE	13.8%	14.5%	14.4%	55	-11	14.6%	16.7%	217
ROAA	1.6%	1.5%	1.5%	-6	-3	1.5%	1.6%	9

FABS estimate & Co Data

**ADCB - Key B/S items**

AED Mn	2Q24	3Q24	4Q24	1Q25	2Q25	YOY Ch
Net advances	332,158	344,014	350,638	359,489	378,465	13.9%
QOQ change	4.4%	3.6%	1.9%	2.5%	5.3%	
Total assets	612,242	638,754	652,814	679,716	718,502	17.4%
QOQ change	3.0%	4.3%	2.2%	4.1%	5.7%	
Customer deposits	389,961	406,742	421,060	441,691	463,442	18.8%
QOQ change	1.6%	4.3%	3.5%	4.9%	4.9%	
Total equity	70,707	73,692	75,567	73,872	76,249	7.8%
QOQ change	3.0%	4.2%	2.5%	-2.2%	3.2%	

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	18.94	70.0%	13.26
Relative Valuation (RV)	12.46	30.0%	3.74
<b>Weighted Average Valuation (AED)</b>			<b>17.00</b>
Current market price (AED)			15.26
Upside/Downside (%)			+11%

### 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 5.1%, beta of 1.0 and equity risk premium of 4.0%. 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)	18,019
Terminal value (AED, Mn)	53,154
Book Value of Equity (as of June 2025)	67,490
<b>FV to Common shareholders (AED, Mn)</b>	<b>138,662</b>
No. of shares (Mn)	7,320
Current Market Price (AED)	15.26
<b>Fair Value per share (AED)</b>	<b>18.94</b>

### Residual Income Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Net Profit	10,763	12,003	12,594	13,483	14,526
(-) Equity Charge	-6,325	-6,987	-7,643	-8,351	-9,113
<b>Excess Equity</b>	<b>2,219<sup>1</sup></b>	<b>5,016</b>	<b>4,951</b>	<b>5,133</b>	<b>5,414</b>
Discounting Factor	0.96	0.88	0.81	0.74	0.68
<b>Present Value of Excess Equity</b>	<b>2,132</b>	<b>4,418</b>	<b>3,997</b>	<b>3,798</b>	<b>3,672</b>

Source: FAB Securities, <sup>1</sup>Adjusted 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 2025 PB multiple of 1.3x in line with peers.

Company	Market (USD Mn)	P/E (x)		P/B (x)		Dividend Yield (%)	
		2025F	2026F	2025F	2026F	2025F	2026F
Abu Dhabi Islamic Bank	21,773	13.8	12.8	3.2	2.8	3.8	4.2
Dubai Islamic Bank	18,082	10.0	10.1	1.5	1.4	4.9	5.0
Emirates NBD	41,615	7.1	7.4	1.2	1.0	4.3	4.5
Banque Saudi Fransi	11,700	9.2	8.8	1.1	1.0	6.0	6.2
Riyad Bank	22,392	8.6	8.3	1.3	1.2	6.2	6.3
<b>Average</b>		<b>9.7x</b>	<b>9.5x</b>	<b>1.6x</b>	<b>1.5x</b>	<b>5.0%</b>	<b>5.2%</b>
<b>Median</b>		<b>9.2x</b>	<b>8.8x</b>	<b>1.3x</b>	<b>1.2x</b>	<b>4.9%</b>	<b>5.0%</b>
<b>Max</b>		<b>10.0x</b>	<b>10.1x</b>	<b>1.5x</b>	<b>1.4x</b>	<b>6.0%</b>	<b>6.2%</b>
<b>Min</b>		<b>8.6x</b>	<b>8.3x</b>	<b>1.2x</b>	<b>1.0x</b>	<b>4.3%</b>	<b>4.5%</b>

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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