

Abu Dhabi Islamic Bank (ADIB)

An increase in customer base and growth in business activity drove profitability

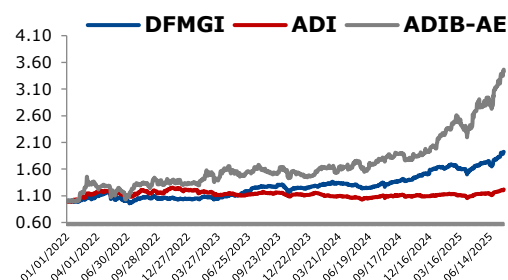
Current Price
AED 23.80

Target Price
AED 25.00

Upside/Downside (%)
+5%

Rating
HOLD

- Net profit increased 12.3% YOY to AED 1,676 Mn in 2Q25, driven by a rise in core business volumes, continued customer acquisition, and growth in fees and commission income.
- The Bank added 145,000 new customers in 1H25, leading its total customer base to 2 Mn.
- CASA deposits accounted for 66% of the total deposits, demonstrating the bank's solid low-cost funding base.
- ADIB's net advances recorded a strong growth of 23.2% YOY and 8.4% QOQ to AED 162.8 Bn in 2Q25, 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 3.5% in 2Q25, marking its lowest level since 4Q16.



2Q25 Net Profit higher than our estimate

Abu Dhabi Islamic Bank's (ADIB/ the Bank) net profit rose 12.3% YOY to AED 1,676 Mn in 2Q25, higher than our estimate of AED 1,572 Mn. The increase in net profit is primarily attributed to growth in net funded and non-funded income, coupled with a decline in impairment, partially offset by an increase in operating and tax expenses.

P&L Highlights

ADIB's Islamic financing income grew 20.9% YOY to AED 2,635 Mn in 2Q25. Income from financial institutions increased 3.2% YOY to AED 527 Mn. Thus, total funded income boosted 17.6% YOY to AED 3,161 Mn in 2Q25, 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 lower rate environment. Funded expenses rose 23.5% YOY to AED 1,305 Mn in 2Q25, mainly due to the significant rise in interest-bearing liabilities. Thus, net funded income grew 13.8% YOY to AED 1,856 Mn in 2Q25. However, calculated NIMs fell 27 bps YOY and 4 bps QOQ to 3.1% in 2Q25. Fees and commission income rose 25.1% YOY to AED 547 Mn in 2Q25, driven by higher customer activity and effective cross-selling across both retail and corporate product lines. However, other non-funded income declined 13.6% YOY to AED 660 Mn in 2Q25, due to a substantial decline in other income partially offset by growth in income from sukuk, investments, share of results from associate and JV, and foreign exchange income. Thus, total non-funded income rose marginally 0.5% YOY to AED 1,206 Mn in 2Q25. As a result, total operating income increased 8.1% YOY to AED 3,062 Mn in 2Q25. Furthermore, operating expenses rose 10.3% YOY to AED 842 Mn in 2Q25 owing to an increase in G&A expenses and employee costs, reflecting continued investments in talent, digital initiatives, and technological upgrades, as well as broader strategic initiatives. Thus,

Stock Information

Market Cap (AED, Mn)	85,352.00
Paid Up Capital (Mn)	3,632.00
52 Week High	24.26
52 Week Low	11.60
3M Avg. daily value (AED)	3,866,906

2Q25 Result Review (AED, Mn)

Total Assets	260,352
Total Liabilities	231,645
Total Equity	22,759
Total Deposits	212,831
Net Profit	1,676

Financial Ratios

Dividend Yield (12m)	3.5
Dividend Pay-out (%)	55.87
Price-Earnings Ratio(x)	9.25
Price-to-Book Ratio (x)	2.22
Book Value (AED)	6.22
Return-on Equity (%)	25.25

Stock Performance

5 Days	0.95%
1 Months	15.08%
3 Months	30.27%
6 Months	50.64%
1 Year	92.31%
Month to Date (MTD%)	9.30%
Quarter to Date (QTD%)	9.30%
Year to Date (YTD%)	70.04%

cost-to-income increased 55 bps YOY to 27.5% in 2Q25. ADIB's impairments fell from AED 293 Mn in 2Q24 to AED 199 Mn in 2Q25. Additionally, zakat and NCI expenses increased 21.5% YOY to AED 344 Mn in 2Q25.

Balance Sheet Highlights

ADIB's total assets grew 22.0% YOY and 6.9% QOQ to AED 260.4 Bn in 2Q25, mainly driven by growth in net financing, coupled with an increase in the investment portfolio. ADIB's net advances recorded a significant growth of 23.2% YOY and 8.4% QOQ to AED 162.8 Bn in 2Q25, attributable to strong growth in retail banking, GRE, and closure of some landmark deals in corporate banking. ADIB's customer deposits grew 23.6% YOY and 6.4% QOQ to AED 212.8 Bn in 2Q25, due to a strong funding mix, along with growth in CASA deposits, accounting for 66.1% of total deposits in 2Q25. Investment securities grew 27.4% YOY and 7.8% QOQ to AED 35.7 Bn in 2Q25. Furthermore, ADIB's reported Tier 1 ratio stood at 12.69% in 2Q25 compared to 12.24% in 1Q25, driven by robust earnings and continued capital optimization efforts.

Target Price and Rating

We maintain our HOLD rating on Abu Dhabi Islamic Bank with a revised target price of AED 22.50 per share. The share price has increased to 16.3% since our last rating. ADIB recorded a strong rise in profit by 12.3% YOY and 3.7% QOQ to AED 1,676 Mn in 2Q25 due to revenue growth fueled by expansion in core business volumes, continued customer acquisition, and a rise in non-funded income. Non-funded income contributed 39.4% of total income in 2Q25, driven by strong growth in fees and commissions, supported by increased customer activity and effective cross-selling across both retail and corporate segments. Furthermore, ADIB targeted non-funded income to comprise c. 41% of total revenue over the next 12–18 months, and cautiously rising to 45% in the long-term, while maintaining a balance to avoid earnings volatility and preserve funded income stability. ADIB's recorded a robust growth in net advances, rising 23.2% YOY and 8.4% QOQ to AED 162.8 Bn in 2Q25, supported by strong growth in retail banking, GRE, and closure of key landmark deals in corporate banking. Similarly, customer deposits grew 23.6% YOY and 6.4% QOQ to AED 212.8 Bn in 2Q25, maintaining a healthy funding mix, driven by growth in CASA deposits. CASA deposits constitute 66% of the total deposits, highlighting the bank's strong low-cost funding base and solid retail franchise. Thus, the loan-to-deposit ratio increased from 75.0% in 1Q25 to 76.5% in 2Q25. The Bank's NPL ratio stood at 3.5% in 2Q25, 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 at a healthy level due to better asset quality and effective risk management supported by a continuous build-up of provision. ADIB maintained a strong capital position, with a CET 1 ratio of 12.7% and a total CAR of 16.6% in 2Q25, reflecting prudent balance sheet management and a solid buffer above regulatory requirement. Additionally, the advances to stable funding ratio stood at 80.3%, while the eligible liquid asset ratio reached 17.7% in 2Q25, thus indicating a well-balanced and resilient liquidity and funding profile within regulatory norms. Furthermore, the Bank's cost-to-income ratio declined from 28.9% in 1Q25 to 27.5% in 2Q25, supported by continued efforts toward cost efficiency and prudent resource management. ADIB added 145,000 new customers in 1H25, bringing its total customer base to 2 Mn, with 75% of the new acquisitions driven by digital channels. Additionally, ADIB focused on capital-efficient growth, prioritizing low RWA assets like home finance, with RWA utilization improving to 67.6% in 2Q25, down from 69.4% in 1Q25. Thus, ADIB is doing more business without proportionately increasing risk exposure. 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 revised its loan growth guidance for 2025 from 12%-14% to 18%-20%, mainly due to solid growth achieved in 1H25. Despite strong fundamentals and healthy growth prospects, the current share price appears to have already priced in all the positive factors, leaving limited upside potential from current levels. Thus, we assign a HOLD rating on ADIB.

ADIB - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	65.05	41.42	25.87	18.43	15.84	13.77
PB	5.97	5.44	4.85	4.22	3.80	3.30
EPS	0.364	0.571	0.915	1.284	1.493	1.718
BVPS	3.964	4.348	4.881	5.610	6.220	7.175
DPS (AED)	0.206	0.311	0.490	0.715	0.834	0.850
Dividend yield	0.9%	1.3%	2.1%	3.0%	3.5%	3.6%

FABS Estimates & Co Data
ADIB - P&L

AED Mn	2Q24	1Q25	2Q25	2Q25F	Var.	YOY Ch	QOQ Ch	2024	2025F	Change
Funded income	2,689	2,997	3,161	2,927	8.0%	17.6%	5.5%	11,107	12,521	12.7%
Funded expense	-1,057	-1,245	-1,305	-1,228	6.3%	23.5%	4.8%	-4,541	-5,248	15.6%
Net funded income	1,631	1,752	1,856	1,699	9.2%	13.8%	6.0%	6,566	7,273	10.8%
Fees and commission	437	544	547	549	-0.5%	25.1%	0.5%	1,807	2,205	22.0%
Other non-funded income	764	576	660	599	10.2%	-13.6%	14.6%	2,259	2,575	14.0%
Non-Funded Income	1,201	1,120	1,206	1,148	5.0%	0.5%	7.7%	4,066	4,780	17.6%
Operating income	2,832	2,871	3,062	2,847	7.6%	8.1%	6.6%	10,632	12,053	13.4%
Operating expenses	-763	-830	-842	-826	2.0%	10.3%	1.5%	-3,145	-3,344	6.3%
Pre-provision inc.	2,069	2,042	2,220	2,022	9.8%	7.3%	8.7%	7,487	8,709	16.3%
Financing impairment	-293	-106	-199	-153	30.7%	-31.8%	88.9%	-620	-782	26.2%
Profit before NCI	1,777	1,936	2,021	1,869	8.1%	13.8%	4.4%	6,868	7,927	15.4%
NIC. & zakat	-283	-320	-344	-297	16.0%	21.5%	7.6%	-1,091	-1,335	22.4%
Net Profit	1,493	1,616	1,676	1,572	6.6%	12.3%	3.7%	5,777	6,592	14.1%

FABS estimate & Co Data
ADIB - KPI

	2Q24	1Q25	2Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	57.6%	61.0%	60.6%	301	-39	61.8%	60.3%	-141
NIM	3.4%	3.1%	3.1%	-27	-4	3.3%	3.1%	-23
NIS	3.1%	2.8%	2.8%	-25	-1	3.0%	2.8%	-19
Fees & comms/OI	15.4%	18.9%	17.8%	242	-110	17.0%	18.3%	129
Other non-funded/OI	27.0%	20.1%	21.5%	-543	149	21.2%	21.4%	12
Cost to income ratio	26.9%	28.9%	27.5%	55	-140	29.6%	27.7%	-183
Provisions/PPP	14.1%	5.2%	9.0%	-516	381	8.3%	9.0%	70
NP/OI	52.7%	56.3%	54.7%	202	-153	54.3%	54.7%	36
Cost of risk	0.86%	0.27%	0.48%	-38	20	0.42%	0.50%	8
Loan-to-deposit	76.7%	75.0%	76.5%	-20	144	78.1%	76.8%	-128
NPL	4.7%	3.7%	3.5%	-125	-27	4.0%	3.6%	-46
Coverage excluding collateral (reported)	76.9%	82.8%	85.3%	840	250	81.5%	78.3%	-319
CET1	12.9%	12.2%	12.7%	-17	45	12.1%	12.2%	8
Capital adequacy	17.2%	16.2%	16.6%	-61	33	16.2%	15.8%	-39
ROAE	28.0%	28.7%	27.6%	-48	-116	25.2%	25.7%	41
ROAA	2.8%	2.8%	2.6%	-22	-13	2.8%	2.7%	-10

FABS estimate & Co Data

ADIB - Key B/S items

AED Mn	2Q24	3Q24	4Q24	1Q25	2Q25	YOY Ch
Net advances	132,066	135,132	142,611	150,133	162,751	23.2%
QOQ ch	12.9%	2.3%	5.5%	5.3%	8.4%	
Total assets	213,403	222,567	225,910	243,528	260,352	22.0%
QOQ ch	9.6%	4.3%	1.5%	7.8%	6.9%	
Customer deposits	172,244	179,744	182,675	200,095	212,831	23.6%
QOQ ch	7.5%	4.4%	1.6%	9.5%	6.4%	
Total equity (excluding Tier 1 & NCI)	19,855	21,378	22,591	21,102	22,759	14.6%
QOQ ch	7.6%	7.7%	5.7%	-6.6%	7.9%	

FABS estimate & Co Data

Valuation:

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

Valuation Method	Target	Weight	Weighted Value
Residual Income	27.14	70.0%	19.00
Relative Valuation (RV)	20.03	30.0%	6.00
Weighted Average Valuation (AED)			25.00
Current market price (AED)			23.80
Upside/Downside (%)			+5%

1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 8.7%. Cost of equity is calculated by using 10-year government bond yield of 5.2%, beta of 0.90 and equity risk premium of 3.9%. 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)	17,573
Terminal value (AED, Mn)	58,235
Book Value of Equity (as of Jun 2025)	22,759
FV to Common shareholders (AED, Mn)	98,567
No. of share (Mn)	3,632
Current Market Price (AED)	23.80
Fair Value per share (AED)	27.14

Residual Income Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Net Profit	6,240	7,131	7,899	8,731	9,583
(-) Equity Charge	-2,267	-2,648	-3,063	-3,529	-4,045
Excess Equity	3,973	4,482	4,836	5,203	5,538
Discounting Factor	0.96	0.89	0.82	0.75	0.69
Present Value of Excess Equity	1,916¹	3,977	3,947	3,907	3,826

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 2025 PB multiple of 2.8x compared to a 1.7x multiple of its peers. The premium in valuation stems for a 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	7,851	1.6	1.7	9.6	10.5	5.7%	4.1%
Abu Dhabi Commercial Bank	32,277	1.5	1.7	11.9	11.2	3.9%	4.2%
Dubai Islamic Bank (DIB)	19,342	1.8	1.7	10.7	10.8	4.6%	4.6%
Alinma	17,206	3.5	1.8	10.8	10.1	4.4%	4.7%
Al Rajhi Bank	101,613	2.2	3.4	16.9	15.0	3.3%	3.7%
Bank Albilad	10,388	1.6	2.1	13.2	12.8	2.2%	2.1%
Average		2.1x	1.9x	12.2x	11.7x	4.0%	3.9%
Median		1.7x	1.6x	11.3x	11.0x	4.2%	4.2%
Max		3.4x	3.1x	16.9x	15.0x	5.7%	4.7%
Min		1.7x	1.5x	9.6x	10.1x	2.2%	2.1%

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%

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

This report has been prepared by FAB Securities (FABS), which is authorised by the UAE Securities and Commodities Authority, licensing registration number 604002, and is a member of the Abu Dhabi Securities Exchange and Dubai Financial Market. The information, opinions and materials contained in this report are provided for information purposes only and are not to be used, construed, or considered as an offer or the solicitation of an offer or recommendation to sell or to buy or to subscribe for any investment security or other financial instrument. The information, opinions and material in this report have been obtained and derived from publicly available information and other sources considered reliable without being independently verified for their accuracy or completeness. FABS gives no representation or warranty, express or implied, as to the accuracy and completeness of information and opinions expressed in this report. Opinions expressed are current as of the original publication date appearing on the report only and the information, including the opinions contained herein, are subject to change without notice. FABS is under no obligation to update this report. The investments referred to in this report might not be suitable for all recipients. Recipients should not base their investment decisions on this report and should make their own investigations, and obtain independent advice, as appropriate. Any loss or other consequences arising from the uses of material contained in this report shall be the sole and exclusive responsibility of the recipient and FABS accepts no liability for any such loss or consequence. The value of any investment could fall as well as rise and the investor may receive less than the original amount invested. Some investments mentioned in this report might not be liquid investments, which could be difficult to realise in cash. Some investments discussed in this report could be characterised by high level of volatility, which might result in loss. FABS owns the intellectual property rights and any other material contained in this report. No part of this report may be reproduced, utilised or modified in any form either in whole or in part or by any electronic, mechanical or other means, now known or hereafter invented, including photocopying and recording, or stored in any retrieval system without the prior consent of FABS in writing. While utmost care has been taken to ensure that the information provided is accurate and correct, neither FABS, nor its employees shall, in any way, be responsible for the contents. By accepting this document, the recipient agrees he/she has read the above disclaimer and to be bound by the foregoing limitations/restrictions.