

Abu Dhabi Islamic Bank (ADIB)

Current Price
AED 22.10

Target Price
AED 26.00

Upside/Downside (%)
+18%

Rating
BUY

3Q25 Net Profit in line with our estimate

- Net funded income grew 21.6% YOY to AED 1.9 Bn in 3Q25, primarily driven by strong growth in average earning assets supported by expansion of asset yield, partially offset by an increase in funded expense.
- ADIB continued to expand its customer base, with 225,000 new customers joining in 9M25.
- Calculated NIMs remained stable with a marginal decline of 1 bps YOY and 5 bps QOQ basis to 3.0% in 3Q25, as expansion in asset yield was offset by higher cost of funds.
- Non-funded income rose 21.4% YOY to AED 1.3 Bn in 3Q25, primarily driven by higher fee and commission income, and benefited from diversified revenue sources.
- Cost-to-income ratio declined 165 bps YOY to 28.4% during 3Q25, supported by continued investments in operational efficiency, disciplined cost management, and productivity gains from digital transformation efforts.
- Impairments increased from AED 46 Mn in 3Q24 to AED 206 Mn in 3Q25, with calculated cost of risk at 0.47% in 3Q25 compared to 0.13% during 3Q24.
- Net profit increased 12.1% YOY to AED 1.7 Bn in 3Q25, driven by strong net funded and non-funded income partially offset by rise in employee costs and higher provisions.
- Asset quality continues to improve, with an NPA ratio of 3.3% in 3Q25, the lowest since 4Q16, accompanied by a coverage ratio of 89.3%.
- Net advances grew 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.
- Deposits grew 23.3% YOY and 4.2% QOQ to AED 221.7 Bn in 3Q25, due to a strong funding mix with CASA deposits accounting for 65.3% of total deposits.

Earnings Call Summary

- ADIB witnessed strong revenue growth in 3Q25, supported by expansion in core business volumes and continued customer acquisition. Revenue growth outpaced expense growth, maintaining strong operating leverage.
- ADIB anticipates its effective tax rate to be c. 12.0% for the medium term.
- Interest rate sensitivity remains unchanged, with a 50-basis point movement in interest rates expected to result in AED 120 Mn change in net income.
- Funding cost rose modestly during 3Q25 as the Bank tapped into higher-rate institutional deposits to fund rapid loan growth.
- Despite mild compression, management expects ADIB's margins to decline more slowly than peers due to the balance sheet structure.
- Cost-to-income ratio improved 81 bps YOY to 28.3% in 9M25, reflecting disciplined cost control and efficiency gains from digital transformation.
- Management highlighted maintaining positive jaws, with revenue growth outpacing cost increases.
- Cost of risk remained stable at 46 bps during 9M25, within the 40–60 bps guidance range, with management seeing no credit stress across portfolios and indicating potential for CoR to trend toward the lower end of the range for 2025.
- Employee costs grew 12.0% YOY during 9M25, largely incentive-driven, reflecting a performance-linked pay structure. Ongoing investments in digital transformation continue to drive productivity gains.
- Retail deposits accounted for nearly 90% of the retail funding base, with CASA balances rising AED 17 Bn YOY to reach c. AED 100 Bn in 3Q25, representing a healthy CASA ratio of 65.3%.

- ADIB continues to deliver an above-market ROE, supported by efficient funding structure, capital-light balance sheet growth, and disciplined cost management.
- Retail financing grew 44% YOY in 3Q25, driven by strong momentum in home and personal finance, now accounting for c. 57% of the total book, while GRE contributed c. 23% and corporate financing stood at 15.5% in 3Q25.
- Deposit growth was primarily driven by core retail and wholesale segments, supported by the Bank's strong ability to attract CASA balances in a lower-rate environment, reflecting its focus on product innovation and expanding salary account relationships.
- Having already met its earlier loan growth target of 18-20% during 9M25, ADIB has revised its full-year 2025 guidance upward to above 20%.

ADIB – P&L

AED Mn	3Q24	2Q25	3Q25	3Q25F	Var.	YOY Ch	QOQ Ch
Net funded income	1,581	1,856	1,922	1,878	2.4%	21.6%	3.6%
Non-Funded Inc	1,064	1,206	1,292	1,237	4.5%	21.4%	7.1%
Operating income	2,645	3,062	3,215	3,114	3.2%	21.5%	5.0%
Operating expenses	-796	-842	-914	-857	6.6%	14.8%	8.5%
Pre-provision inc.	1,850	2,220	2,301	2,258	1.9%	24.4%	3.6%
Financing impairment	-46	-199	-206	-247	-16.6%	345.1%	3.3%
Profit before NCI	1,804	2,021	2,095	2,011	4.2%	16.2%	3.7%
NIC. & zakat	-265	-344	-370	-324	14.2%	39.6%	7.5%
Net Profit	1,538	1,676	1,724	1,686	2.3%	12.1%	2.9%

FABS estimate & Co Data

ADIB Guidance:

Management Guidance	9M 2025 Actual	FY 2025 Guidance
Gross Financing Growth Customer financing momentum in both retail and corporate expected to remain robust, supported by a resilient economic backdrop	26% YoY 20% YTD	> 20% (Updated guidance)
Net Profit Margin NPM to stabilise in 4% to 4.25% range for FY 2025	4.17%	4% to 4.25%
Cost of Risk CoR to remain at healthy level due to better asset quality and effective risk management supported by continuous build-up of provisioning	0.46%	0.40% to 0.60%
Cost to Income Ratio Opex growth to support business expansion moderated by disciplined management and digital efficiencies with overall positive "jaws"	28.3%	< 30%
Return on Equity Solid expected profit growth and focus on capital-efficient income growth expected to drive continued superior returns	29.8%	> 25%

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

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