

Abu Dhabi Commercial Bank (ADCB)

Strong growth in both core and non-core income, along with healthy asset quality supported profitability

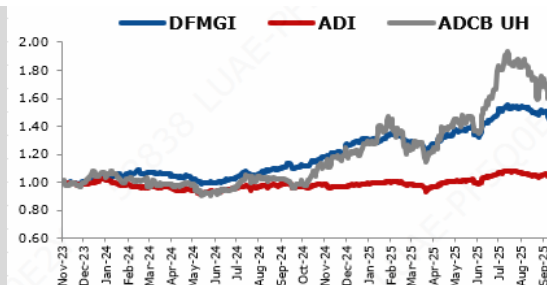
Current Price
AED 15.02

Target Price
AED 18.00

Upside/Downside (%)
+20%

Rating
BUY

- ADCB's net advances grew 16.7% YOY and 6.0% QOQ to AED 401.4 Bn in 3Q25.
- Revised its 2025 loan guidance from low to mid-teens to high teens.
- Reported NPL declined from 2.0% in 2Q25 to 1.9% in 3Q25, while reported provision coverage grew from 173.1% in 2Q25 to 187.3% in 3Q25.
- Capitalization stood strong with a CET 1 ratio of 12.7% and CAR of 16.0% in 3Q25.
- ADCB also delivered strong shareholder returns, with a calculated Return on Average Equity (ROAE) of 14.8% and Return on Average Assets (ROAA) of 1.5% in 3Q25.



Stock Information

Market Cap (AED, Mn)	109,945.60
Paid Up Capital (Mn)	7,319.95
52 Week High	16.60
52 Week Low	8.73
3M Avg. daily value(AED)	73,415,250

3Q25 Result Review (AED, Mn)

Total Assets	744,273
Total Liabilities	644,764
Total Equity	79,509
Total Deposits	482,440
Net Profit	3,090

Financial Ratios

Dividend Yield (12m)	3.93
Dividend Pay-out (%)	49.44
Price-Earnings Ratio(x)	10.85
Price-to-Book Ratio (x)	1.55
Book Value (AED)	9.67
Return-on Equity (%)	14.79

Stock Performance

5 Days	-4.33%
1 Months	5.03%
3 Months	-8.53%
6 Months	26.22%
1 Year	68.20%
Month to Date (MTD%)	3.02%
Quarter to Date (QTD%)	3.02%
Year to Date (YTD%)	44.15%

3Q25 Net Profit higher than our estimate

Abu Dhabi Commercial Bank's ("ADCB", "The Bank") net profit rose 29.2% YOY to AED 3,090 Mn in 3Q25, beating our estimate of AED 2,710 Mn. The strong growth in net profit is primarily driven by a rise in net funded and non-funded income, coupled with lower tax charges, partially offset by higher operating expenses and impairment charges.

P&L Highlights

ADCB's funded income, including interest income and income from Islamic financing, grew 8.1% YOY to AED 9,159 Mn in 3Q25, primarily due to a solid growth in loans and advances and other interest-earning assets, partially offset by lower asset yield. The Bank's funded expenses increased 0.4% YOY to AED 5,352 Mn in 3Q25, mainly attributable to lower cost of funds. ADCB's reported cost of funds declined 68 bps YOY but increased 5 bps QOQ to 3.6% in 3Q25. As a result, the net funded income grew 21.1% YOY to AED 3,806 Mn in 3Q25. ADCB's calculated NIMs increased by 7 bps YOY and remained unchanged on QOQ basis at 2.3% in 3Q25. Fee and commission income grew 12.1% YOY to AED 971 Mn in 3Q25 due to a rise in loan processing fees, asset management services, trade finance commission, and accounts related fees. Furthermore, the other operating income surged 56.2% YOY to AED 1,097 Mn in 3Q25, owing to gains from the sale of loans on hedging derivatives. Resultantly, the non-funded income experienced a healthy growth of 31.8% YOY to AED 2,068 Mn in 3Q25. Total operating income rose 24.7% YOY to AED 5,875 Mn in 3Q25. Operating expenses grew 7.2% YOY to AED 1,624 Mn in 3Q25, with an improvement in cost-to-income ratio from 32.2% in 3Q24 to 27.6% in 3Q25, higher operating income combined with sustained cost discipline and digital-driven operating efficiency. Impairments grew significantly from AED 525 Mn in 3Q24 to

AED 1,087 Mn in 3Q25, mainly driven by higher charges from legacy corporate accounts. Furthermore, tax expense fell significantly from AED 288 Mn in 3Q24 to AED 76 Mn in 3Q25, due to the reversal of the excess tax provision recognized in 1H25, which was calculated at the Domestic Minimum Top-up Tax (DMTT) rate of 15%. In addition, ADCB applied a statutory tax rate of 9% for 3Q25, as it expects to meet the Initial Phase of International Activity Exclusion (IAE) criteria, which would reduce the statutory tax rate from 15% to 9%.

Balance Sheet Highlights

ADCB's total assets grew 16.5% YOY and 3.6% QOQ to AED 744.3 Bn in 3Q25, primarily due to an increase in cash and bank balance with the central bank, due from banks, net advances, and investment securities portfolio. Net advances grew 16.7% YOY and 6.0% QOQ to AED 401.4 Bn in 3Q25, mainly due to strong growth across diverse sectors, including government-related entities (GREs), energy, trading, transport and communication, real estate investment, and financial institutions. Customer deposits grew 18.6% YOY and 4.1% QOQ to AED 482.4 Bn in 3Q25, with the CASA deposits growing 27% YOY and accounting for 45% of total deposits in 3Q25. In addition, ADCB's total equity increased 7.9% YOY and 4.3% QOQ to AED 79.5 Bn in 3Q25.

Target Price and Rating

We revise our rating on Abu Dhabi Commercial Bank (ADCB) from HOLD to BUY with a revised target price of AED 18.00. ADCB reported substantial profitability growth in 3Q25 on the back of solid growth across both core and non-core income along with lower tax expenses. ADCB's calculated NIMs improved 7 bps YOY and remained unchanged on QOQ basis at 2.3% in 3Q25. The Bank maintained solid margins amid declining interest rates. Net advances increased significantly 16.7% YOY to AED 401.4 Bn in 3Q25, driven by lending growth across diverse sectors. Consequently, the Bank revised its 2025 loan guidance from low to mid-teens to high teens. Deposit growth surged 18.6% YOY and 4.1% QOQ to 482.4 Bn in 3Q25, with CASA deposits increasing 27% YOY, accounting for 45% of total deposits. ADCB is planning to adopt a new 5-year strategy focused on sustained, diversified top-line growth through disciplined credit expansion and higher fee income. The bank will also undertake an AI-led transformation, unlocking AED 4 Bn in value over the next few years through higher revenue, cost efficiencies, and enhanced risk management. The AI Transformation Program is set to play a pivotal role in its strategy to double profits to AED 20 Bn within five years. Cost of risk is guided between 63-68 bps for the full year 2025, with medium-term guidance to be below 60 bps. The Bank's asset quality improved as reported NPLs fell to a record low level of 1.9% in 3Q25, down from 2.0% in the previous quarter. Moreover, the coverage ratio remained strong at 187.3% in 3Q25, up from 173.1% in 2Q25. ADCB's capitalization stood strong with a CET1 ratio of 12.7% and a CAR of 16.0% in 3Q25. Additionally, ADCB is committed to maintaining a minimum CET1 capital ratio of more than 12%, ensuring a strong capital position. The Bank is planning to distribute AED 25 Bn in dividends over the next five years, following a progressive dividend policy. Thus, based on our analysis, we assign a BUY rating on the stock.

ADCB - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	31.16	21.70	17.58	14.07	12.59	10.52
PB	2.17	2.06	1.98	1.76	1.65	1.37
BVPS	6.912	7.290	7.571	8.537	9.127	10.963
EPS	0.482	0.692	0.854	1.067	1.193	1.428
DPS	0.257	0.352	0.171	0.560	0.590	0.703
Dividend Yield	1.7%	2.3%	1.1%	3.7%	3.9%	4.7%

FABS Estimates & Co Data

ADCB – P&L

AED Mn	3Q24	2Q25	3Q25	3Q25F	Var.	YOY Ch	QOQ Ch	2024	2025F	Change
Funded income	8,476	8,637	9,159	8,814	3.9%	8.1%	6.0%	33,734	35,720	5.9%
Funded expense	-5,332	-4,983	-5,352	-5,166	3.6%	0.4%	7.4%	-20,508	-20,618	0.5%
Net funded income	3,144	3,654	3,806	3,648	4.4%	21.1%	4.2%	13,226	15,102	14.2%
Fees & commissions	867	929	971	1,031	-5.8%	12.1%	4.6%	3,101	3,705	19.5%
Other operating income	702	1,145	1,097	854	28.6%	56.2%	-4.2%	3,153	3,922	24.4%
Non funded income	1,569	2,074	2,068	1,885	9.8%	31.8%	-0.3%	6,254	7,627	22.0%
Operating income	4,713	5,728	5,875	5,532	6.2%	24.7%	2.6%	19,480	22,729	16.7%
Operating expenses	-1,515	-1,511	-1,624	-1,521	6.8%	7.2%	7.5%	-6,031	-6,250	3.6%
Pre-provision profit	3,197	4,218	4,251	4,011	6.0%	33.0%	0.8%	13,448	16,478	22.5%
Impairments	-525	-1,186	-1,087	-823	32.1%	107.0%	-8.3%	-2,874	-3,634	26.5%
Operating profit	2,672	3,032	3,164	3,188	-0.8%	18.4%	4.4%	10,574	12,844	21.5%
Share of profit of assoc.	6	3	3	0	NM	-57.7%	-22.0%	11	11	NM
Profit before tax	2,678	3,035	3,166	3,188	-0.7%	18.2%	4.3%	10,585	12,855	21.4%
Tax expense	-288	-467	-76	-478	-84.2%	-73.7%	-83.8%	-1,166	-1,568	34.5%
Non- Controlling interest	1	0	0	0	NM	NM	NM	1	-6	NM
Profit for the period	2,391	2,568	3,090	2,710	14.0%	29.2%	20.3%	9,421	11,281	19.7%

FABS estimate & Co Data
ADCB – KPI

	3Q24	2Q25	3Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	66.7%	63.8%	64.8%	-191	100	67.9%	66.4%	-145
NIM (Calculated)	2.2%	2.3%	2.3%	7	0	2.4%	2.4%	-2
NIS	1.7%	1.9%	1.9%	16	-1	1.9%	2.0%	10
Fees & comms/OI	18.4%	16.2%	16.5%	-186	32	15.9%	16.3%	38
Other non-funded/OI	14.9%	20.0%	18.7%	377	-131	16.2%	17.3%	107
Cost to income	32.2%	26.4%	27.6%	-451	127	31.0%	27.5%	-346
Impairment/PPP	16.4%	28.1%	25.6%	915	-254	21.4%	22.1%	68
Tax/PBT	10.7%	15.4%	2.4%	-835	-1,301	11.0%	12.2%	118
NP/OI	50.7%	44.8%	52.6%	186	777	48.4%	49.6%	127
Cost of risk (reported)	0.4%	0.9%	0.8%	40	-6	0.6%	0.6%	0
Loan-to-deposit (calculated)	86.2%	83.4%	85.1%	-110	169	84.9%	84.0%	-85
NPL (calculated)	3.7%	3.0%	2.8%	-97	-27	3.3%	2.7%	-63
Coverage (Calculated)	96.4%	115.6%	127.7%	3,132	1,209	103.4%	120.0%	1,660
CET 1	13.1%	12.2%	12.7%	-40	49	12.6%	13.5%	97
Capital adequacy	16.8%	15.5%	16.0%	-82	46	16.1%	16.8%	68
ROAE	14.0%	14.4%	14.8%	74	40	14.6%	15.3%	77
ROAA	1.6%	1.5%	1.5%	-4	4	1.5%	1.6%	5

FABS estimate & Co Data
ADCB – Key B/S items

AED Mn	3Q24	4Q24	1Q25	2Q25	3Q25	YOY Ch
Net advances	344,014	350,638	359,489	378,465	401,356	16.7%
QOQ change	3.6%	1.9%	2.5%	5.3%	6.0%	
Total assets	638,754	652,814	679,716	718,502	744,273	16.5%
QOQ change	4.3%	2.2%	4.1%	5.7%	3.6%	
Customer deposits	406,742	421,060	441,691	463,442	482,440	18.6%
QOQ change	4.3%	3.5%	4.9%	4.9%	4.1%	
Total equity	73,692	75,567	73,872	76,249	79,509	7.9%
QOQ change	4.2%	2.5%	-2.2%	3.2%	4.3%	

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	20.20	70.0%	14.14
Relative Valuation (RV)	12.87	30.0%	3.86
Weighted Average Valuation (AED)			18.00
Current market price (AED)			15.02
Upside/Downside (%)			+20%

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 4.8%, beta of 1.0 and equity risk premium of 4.4%. 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)	21,300
Terminal value (AED, Mn)	62,277
Book Value of Equity (as of Sep 2025)	76,258
FV to Common shareholders (AED, Mn)	159,835
No. of shares (Mn)	7,320
Current Market Price (AED)	15.02
Fair Value per share (AED)	20.20

Residual Income Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net Profit	10,633	11,593	12,485	13,810	15,310	16,910
(-) Equity Charge	-6,086	-7,311	-7,898	-8,549	-9,281	-10,093
Excess Equity	1,137¹	4,283	4,587	5,262	6,030	6,816
Discounting Factor	0.98	0.90	0.83	0.76	0.69	0.64
Present Value of Excess Equity	1,120	3,866	3,794	3,989	4,190	4,341

Source: FAB Securities, ¹Adjusted for partial year

2) Relative Valuation:

We have used local and regional peers to value ADCB and valued using the P/B multiple. It is valued at a 2026 P/B multiple of 1.2x 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	22,800	12.7	11.9	3.0	2.7	3.9	4.2
Dubai Islamic Bank	18,868	10.1	10.0	1.6	1.5	4.8	4.9
Emirates NBD	46,943	7.2	7.3	1.2	1.1	3.8	4.0
Banque Saudi Fransi	11,967	9.2	9.1	1.1	1.0	6.1	6.1
Riyad Bank	21,792	8.6	8.2	1.3	1.2	3.5	6.3
Average		9.6x	9.3x	1.6x	1.5x	4.4%	5.1%
Median		9.2x	9.1x	1.3x	1.2x	3.9%	4.9%
Max		10.1x	10.0x	1.6x	1.5x	4.8%	6.1%
Min		8.6x	8.2x	1.2x	1.1x	3.8%	4.2%

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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