FAB أبوظبي الأول للأوراق المالية SECURITIES

Earnings Call Insight | 4Q25

UAE Equity Research | Sector: Banking | Market: ADX

Abu Dhabi Islamic Bank (ADIB)

Current Price	Target Price	Upside/Downside (%)	Rating
AED 22.70	AED 26.00	+15%	BUY

4Q25 Net Profit in line with our estimate

- Net funded income grew 21.6% YOY to AED 2.0 Bn in 4Q25, primarily driven by strong growth in Islamic and institutional financing, other average interest-earning assets coupled with an expansion of asset yield, partially offset by a decrease in yield on Islamic assets, and an increase in funded expense.
- ADIB continued to expand its customer base, with c. 283,000 new customers joining in 2025.
- Calculated NIMs declined 5 bps YOY and increased 3 bps QOQ basis to 3.1% in 4Q25, as expansion in asset yield was offset by higher cost of funds.
- Non-funded income rose 16.3% YOY to AED 1.1 Bn in 4Q25, primarily driven by higher fee & commission income, and other non-funded income.
- Cost-to-income ratio improved 134 bps YOY to 29.8% during 4Q25, as growth in operating income surpassed the rise in operating expenses.
- Impairments decreased from AED 172 Mn in 4Q24 to AED 167 Mn in 4Q25, with calculated cost of risk at 0.36% in 4Q25 compared to 0.47% during 4Q24.
- Net profit attributable to shareholders increased 19.3% YOY to AED 1.7 Bn in 4Q25.
- Asset quality continues to improve, with an NPA ratio of 2.8% in 4Q25, accompanied by a coverage ratio of 92.0%.
- Net advances grew 27.2% YOY and 6.2% QOQ to AED 181.4 Bn in 4Q25, driven by market share gains across key customer segments and the execution of landmark wholesale banking transactions.
- Deposits grew 25.4% YOY and 3.4% QOQ to AED 229.1 Bn in 4Q25, due to a strong funding mix, with CASA deposits accounting for 64.5% of total deposits.

Earnings Call Summary

- ADIB witnessed strong revenue growth in 4Q25, supported by broad-based growth across funded and non-funded income streams.
- ADIB anticipates its effective tax rate to be c. 12.7% for the medium term.
- Net margin trends showed marginal YoY compression due to funding cost pressures, though sequential improvement reflected better asset repricing.
- Customer deposits grew strongly, driven by the continued expansion of the customer franchise and healthy inflows into CASA deposits, which remained a large proportion of total deposits.
- Cost-to-income ratio improved 93 bps YOY to 28.6% in 2025, as revenue growth outpaced expense growth, demonstrating operating leverage. The Bank expects positive leverage in 2026 and afterwards.
- The Bank added c.283,000 new customers in 2025, driven by digital onboarding, enhanced product offerings, and improved customer experience.
- Cost of risk remained stable and within guidance in 2025, with no material deterioration observed across key portfolios.
- Operating expenses increased, reflecting ongoing investments in talent, technology, digital platforms, and strategic initiatives.
- Management attributed the 4Q25 slowdown in non-funded income to seasonal weakness in wealth management amid a temporary risk-off stance by clients, with activity recovering strongly in early 1Q26.
- The Company said the 12–14% FY26 financing growth guidance is conservative, with a strong pipeline and no signs of a slowdown, and could be revised upward as the year progresses.
- Retail deposits accounted for 49.5% of the retail funding base, with CASA balances reaching AED 147.7 Bn in 2025, representing a healthy CASA ratio of 64.5%.

- Retail financing grew 29% YOY in 2025, driven by strong momentum in home and personal finance, now accounting for c. 37.9% of the total book, while GRE contributed c. 24.3% and corporate financing stood at 14.7% in 2025.
- Saudi-related financing formed only AED 4.5 to 5.0 Bn of the AED 40 Bn financing growth, with growth primarily driven by UAE retail and government/GRE segments, limiting exposure to any Saudi slowdown.
- The Company reaffirmed continued tech and strategic investments while maintaining positive operating leverage, with revenue growth outpacing costs and medium-term efficiency gains from digital initiatives.
- Fixed rate loan origination in 2025 were priced at levels comparable to 2024, indicating no meaningful price compression so far.
- ADIB demonstrated robust RWA efficiency in 2025, as the financing growth exceeded RWA growth due to the portfolio mix. Capital efficiency rose from retail home finance and government exposure, with management expecting to maintain this going forward.
- 2026 marks a growth inflection as digital and CRM investments drive higher volumes without expanding branches, setting the benchmark for the next 4–5 years.
- The targeted 70–90% asset growth by 2030 is expected to be entirely organic, implying an annual CAGR of c.11–14%, potentially higher in the near term. Management does not expect revenues to grow fully in line with asset growth.
- The management sees no signs of slowdown in the UAE property market, with strong growth in home financing origination
- Management expects limited pricing pressure from fixed-rate retail exposure, with any FY2026 margin pressure expected mainly from floating-rate wholesale and government portfolios as rates normalize.
- ADIB highlighted strong positioning in Islamic financing, rising demand from affluent customers, digital leadership, and government support under the UAE’s Islamic finance agenda.
- Following the successful completion of its five-year strategy, ADIB has entered a new phase under Vision 2035, focused on building a digitally led, AI-enabled bank, enhancing customer experience, improving operational efficiency, and expanding diversified, sustainable income streams, underpinning confidence in medium-term earnings growth.

ADIB – P&L

AED Mn	**4Q24**	**3Q25**	**4Q25**	**4Q25F**	**Var**	**YOY Ch**	**QOQ Ch**
Net funded income	1,663	1,922	2,023	1,935	4.6%	21.6%	5.2%
Non-Funded Inc	974	1,292	1,133	1,301	-13.0%	16.3%	-12.4%
Operating income	**2,637**	**3,215**	**3,156**	**3,236**	-2.5%	**19.7%**	**-1.8%**
Operating expenses	-821	-914	-940	-925	1.5%	14.5%	2.9%
Pre-provision inc.	**1,817**	**2,301**	**2,216**	**2,311**	-4.1%	**22.0%**	**-3.7%**
Financing impairment	-172	-206	-167	-266	-37.4%	-2.9%	-19.1%
Profit before NCI	**1,645**	**2,095**	**2,049**	**2,045**	0.2%	**24.6%**	**-2.2%**
NIC. & zakat	-256	-370	-392	-335	17.0%	53.2%	5.9%
Net Profit	**1,389**	**1,724**	**1,657**	**1,709**	**-3.1%**	**19.3%**	**-3.9%**

FABS estimate & Co Data

Management Guidance	FY 2025 Actual	FY 2026 Guidance
Gross Financing Growth Customer financing momentum in both retail and corporate expected to remain robust, supported by a resilient economic backdrop	26% YoY ✓	12% to 14%
Net Profit Margin NPM to stabilise around 4% range in 2026	4.11% ✓	3.8% to 4%
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	0.44% ✓	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"	28.6% ✓	< 30%
Return on Equity Solid expected profit growth and focus on capital-efficient income growth expected to drive continued superior returns	28.8% ✓	> 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%

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