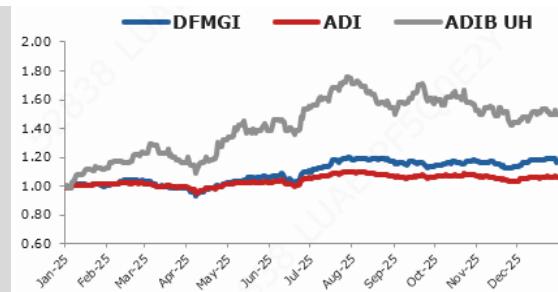


Abu Dhabi Islamic Bank (ADIB)

Strong balance sheet growth supported income in a falling rate environment

Current Price AED 22.50	Target Price AED 26.00	Upside/Downside (%) +16%	Rating BUY
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- The Bank added 283,000 new customers in 2025, underscoring the Bank's long-term commitment to deepening customer relationships
- CASA deposits accounted for 64.5% of the total deposits, reflecting ADIB's strong, low-cost and stable funding profile in 2025.
- ADIB's net advances recorded a strong growth of 27.2% YOY and 6.2% QOQ to AED 181.4 Bn in 4Q25, driven by growth in retail and wholesale financing, primarily to public sector enterprises and government.
- Asset quality improved, with the NPL ratio declining to 2.8% and a healthy coverage ratio of 92.0% in 4Q25.
- The Bank proposed a cash dividend of 97 fils per share, representing a total payout of AED 3.5 Bn and equivalent to c. 50% of 2025 net profit in 2025.



4Q25 Net Profit in line with our estimate

Abu Dhabi Islamic Bank's (ADIB/ the Bank) net profit attributable to equity shareholders rose 19.3% YOY to AED 1,657 Mn in 4Q25, in line with our estimate of AED 1,709 Mn. The increase in net profit is primarily attributed to growth in net funded & non-funded income and lower financing impairment charges, partially offset by increased funded expenses coupled with an increase in operating and tax expenses.

P&L Highlights

ADIB's Islamic financing income grew 24.0% YOY to AED 2,935 Mn in 4Q25. Income from financial institutions increased 21.3% YOY to AED 635 Mn in 4Q25. Thus, total funded income boosted 23.5% YOY to AED 3,570 Mn in 4Q25, driven by strong expansion in interest-earning assets, supported by healthy business volumes and sustained new customer acquisition. Funded expenses rose 26.0% YOY to AED 1,546 Mn in 4Q25, mainly due to the significant rise in the interest-bearing liabilities. Thus, net funded income grew 21.6% YOY to AED 2,023 Mn in 4Q25. However, calculated NIMs marginally fell by five bps YOY but increased 3 bps QOQ to 3.1% in 4Q25. Fees and commission income rose 11.1% YOY to AED 469 Mn in 4Q25. Other non-funded income increased 20.3% YOY to AED 664 Mn in 4Q25, supported by higher sukuk income, increased returns from investment properties, and improved foreign exchange income. Thus, total non-funded income rose 16.3% YOY to AED 1,133 Mn in 4Q25, reflecting revenue diversification efforts. As a result, total operating income increased 19.7% YOY to AED 3,156 Mn in 4Q25. Furthermore, operating expenses rose 14.5% YOY to AED 940 Mn in 4Q25, attributable to higher employee costs and G&A expenses, reflecting continued investments in talent and strategic initiatives to support long-term growth. However, cost-to-income improved 134 bps YOY to 29.8% in 4Q25 as operating income growth outpaced the rise in expenses,

Stock Information	
Market Cap (AED, Mn)	82,591.68
Paid Up Capital (Mn)	3,632.00
52 Week High	24.72
52 Week Low	14.50
3M Avg. daily value (AED)	67,516,100

4Q25 Result Review (AED, Mn)	
Total Assets	280,753
Total Liabilities	248,384
Total Equity	32,370
Total Deposits	229,096
Net Profit	1,657

Financial Ratios	
Dividend Yield (12m)	3.67
Dividend Pay-out (%)	55.60
Price-Earnings Ratio(x)	13.04
Price-to-Book Ratio (x)	3.17
Book Value (AED)	7.18
Return-on Equity (%)	26.06

Stock Performance	
5 Days	0.62%
1 Months	9.75%
3 Months	4.22%
6 Months	-4.45%
1 Year	45.77%
Month to Date (MTD%)	9.54%
Quarter to Date (QTD%)	9.54%
Year to Date (YTD%)	9.54%

demonstrating positive operating leverage. ADIB's impairments decreased from AED 172 Mn in 4Q24 to AED 167 Mn in 4Q25. Additionally, zakat and profit attributable to non-controlling interest holders increased significantly from AED 256 Mn in 4Q24 to AED 392 Mn in 4Q25.

Balance Sheet Highlights

ADIB's total assets grew 24.3% YOY and 4.1% QOQ to AED 280.8 Bn in 4Q25, largely driven by financing growth across retail and corporate banking as well as expansion of the investment portfolio. ADIB's net advances recorded a significant growth of 27.2% YOY and 6.2% QOQ to AED 181.4 Bn in 4Q25, driven by growth in retail financing and wholesale financing, primarily to public sector enterprises and government. ADIB's customer deposits grew 25.4% YOY and 3.4% QOQ to AED 229.1 Bn in 4Q25, led by a strong customer franchise, which continued to drive deposits, along with growth in CASA deposits, accounting for 64.5% of total deposits in 4Q25. Investment securities grew 8.1% YOY but declined 8.7% QOQ to AED 32.6 Bn in 4Q25. Furthermore, ADIB's reported CET 1 ratio stood at 12.0% in 4Q25 compared to 13.0% in 3Q25 due to a decline in capital amid steady risk-weighted assets.

Target Price and Rating

We maintain our BUY rating on Abu Dhabi Islamic Bank (ADIB) with a target price of AED 26.00 per share. ADIB's investment portfolio grew 8.0% YOY, driven by a deliberate shift toward fixed-rate assets in 2025, reflecting a disciplined deployment of excess liquidity. The Bank remains focused on high-quality, low-risk instruments to enhance risk-adjusted returns and income stability while retaining flexibility amid the evolving rate environment. The Bank's NPL ratio stood at 2.8% in 4Q25, driven by a disciplined approach to risk management, reflecting improved recoveries and proactive risk management across the bank. As a result, the cost of risk remained stable at 0.41% in 2025 within the guidance range. In 2026, the Bank expects to maintain the cost of risk of c. 40-60 bps. ADIB recorded robust growth in net advances, rising 27.2% YOY and 6.2% QOQ to AED 181.4 Bn in 4Q25, driven by growth in retail financing and wholesale financing, primarily to public sector enterprises and government. It expects gross financing growth of 12-14% in 2026 based on the traction in 1Q26 and anticipates it to be revised later, underpinned by resilient demand in both the UAE and international markets. Fixed-rate loan origination continued at pre 2024 pricing levels, preserving asset yields despite multiple rate cuts. This has sustained a strong gross yield and generated robust NIMs. ADIB guided NPM of 3.8% to 4.0% in 2026, with expected moderation driven by repricing in the corporate book rather than fixed-rate assets. Similarly, customer deposits grew 25.4% YOY and 3.4% QOQ to AED 229.1 Bn in 2025, maintaining a healthy funding mix, driven by growth in CASA and time deposits. CASA deposits constitute 64.5% of the total deposits in 2025, contributing to an improved cost of funds and enhancing margin resilience. RWA efficiency remains a key strength, positioning ADIB among the UAE's most capital-efficient banks, supported by capital-accrue retail growth and a higher share of government exposures. Despite 24.3% asset growth, RWAs rose only 14.75%, reflecting effective capital optimization. ADIB added c. 283,000 new customers in 2025, showcasing the Bank's long-term commitment to customers and continuous efforts to deliver superior customer service. With the completion of ADIB's five-year strategy and achievement of all stated targets, ADIB enters a new growth phase under the 2035 Vision framework. By 2030, the bank targets total assets to grow c. 1.7-1.9x, cost-to-income to improve to 26-28%, cost of risk to remain c. 40-60bps, and ROE c. 25%. The strategy focuses on fully digitized end to end customer journeys and maintaining the industry's #1 NPS ranking. 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. ADIB reaffirmed continued tech and strategic investments while maintaining positive operating leverage, with revenue growth outpacing costs and medium-term efficiency gains from digital initiatives. Additionally, ADIB highlighted strong positioning in Islamic financing, rising demand from affluent customers, digital leadership, and government support under the UAE's Islamic finance agenda. The Bank also proposed a cash dividend of 97 fils per share, representing a total payout of AED 3.5 Bn and equivalent to c. 50% of 2025 net profit. Thus, we assign an BUY rating on ADIB.

ADIB - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	40.61	25.36	18.07	15.54	13.29	11.74
PB	5.34	4.75	4.14	3.73	3.23	2.84
BVPS	4.348	4.881	5.610	6.220	7.177	8.183
EPS	0.571	0.915	1.284	1.493	1.746	1.977
DPS	0.311	0.490	0.715	0.834	0.971	1.092
Dividend yield	1.3%	2.1%	3.1%	3.6%	4.2%	4.7%

FABS Estimates & Co Data

ADIB - P&L

AED Mn	4Q24	3Q25	4Q25	4Q25F	Var.	YOY Ch	QOQ Ch	2024	2025	Change
Funded income	2,890	3,429	3,570	3,496	2.1%	23.5%	4.1%	11,107	13,156	18.5%
Funded expense	-1,227	-1,506	-1,546	-1,562	-1.0%	26.0%	2.7%	-4,541	-5,603	23.4%
Net funded income	1,663	1,922	2,023	1,935	4.6%	21.6%	5.2%	6,566	7,553	15.0%
Fees and commission	422	541	469	555	-15.6%	11.1%	-13.4%	1,807	2,100	16.2%
Other non-funded income	552	751	664	746	-11.0%	20.3%	-11.6%	2,259	2,650	17.3%
Non-Funded Income	974	1,292	1,133	1,301	-13.0%	16.3%	-12.4%	4,066	4,751	16.8%
Operating income	2,637	3,215	3,156	3,236	-2.5%	19.7%	-1.8%	10,632	12,304	15.7%
Operating expenses	-821	-914	-940	-925	1.5%	14.5%	2.9%	-3,145	-3,525	12.1%
Pre-provision inc.	1,817	2,301	2,216	2,311	-4.1%	22.0%	-3.7%	7,487	8,779	17.3%
Financing impairment	-172	-206	-167	-266	-37.4%	-2.9%	-19.1%	-620	-678	9.4%
Profit before NCI	1,645	2,095	2,049	2,045	0.2%	24.6%	-2.2%	6,868	8,101	18.0%
NIC. & zakat	-256	-370	-392	-335	17.0%	53.2%	5.9%	-1,091	-1,428	30.9%
Net Profit	1,389	1,724	1,657	1,709	-3.1%	19.3%	-3.9%	5,777	6,674	15.5%

FABS estimate & Co Data

ADIB - KPI

	4Q24	3Q25	4Q25	YOY Ch	QOQ Ch	2024	2025	Change
Net FI/OI	63.1%	59.8%	64.1%	104	431	61.8%	61.4%	-37
NIM	3.1%	3.0%	3.1%	-5	3	3.3%	3.1%	-18
NIS	2.8%	2.7%	2.8%	-3	3	3.0%	2.8%	-16
Fees & comms/OI	16.0%	16.8%	14.9%	-115	-198	17.0%	17.1%	7
Other non-funded/OI	20.9%	23.4%	21.0%	11	-233	21.2%	21.5%	30
Cost to income ratio	31.1%	28.4%	29.8%	-134	136	29.6%	28.6%	-93
Provisions/PPP	9.5%	9.0%	7.5%	-193	-143	8.3%	7.7%	-56
NP/OI	52.7%	53.6%	52.5%	-16	-114	54.3%	54.2%	-9
Cost of risk	0.47%	0.47%	0.36%	-11	-11	0.46%	0.41%	-6
Loan-to-deposit	78.1%	77.1%	79.2%	110	212	78.1%	79.2%	110
NPL	4.0%	3.3%	2.8%	-117	-42	4.0%	2.8%	-120
Coverage excluding collateral (reported)	81.5%	89.3%	92.0%	1,050	270	81.5%	92.0%	1,050
CET1	12.1%	13.0%	12.0%	-6	-98	12.1%	12.0%	-6
Capital adequacy	16.2%	16.7%	15.7%	-50	-94	16.2%	15.7%	-50
ROAE	25.2%	26.4%	26.1%	81	-39	25.2%	26.1%	81
ROAA	2.8%	2.6%	2.6%	-12	3	2.8%	2.6%	-12

FABS estimate & Co Data

ADIB - Key B/S items

AED mn	4Q24	1Q25	2Q25	3Q25	4Q25	YOY Ch
Net advances	142,611	150,133	162,751	170,801	181,376	27.2%
QOQ ch	5.5%	5.3%	8.4%	4.9%	6.2%	
Total assets	225,910	243,528	260,352	269,734	280,753	24.3%
QOQ ch	1.5%	7.8%	6.9%	3.6%	4.1%	
Customer deposits	182,675	200,095	212,831	221,668	229,096	25.4%
QOQ ch	1.6%	9.5%	6.4%	4.2%	3.4%	
Total equity (excluding Tier 1 & NCI)	22,591	21,102	22,759	24,453	26,067	15.4%
QOQ ch	5.7%	-6.6%	7.9%	7.4%	6.6%	

FABS estimate & Co Data

Valuation:

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

Valuation Method	Target	Weight	Weighted Value
Residual Income	28.12	70.0%	19.68
Relative Valuation (RV)	21.04	30.0%	6.31
Weighted Average Valuation (AED)			26.00
Current market price (AED)			22.5
Upside/Downside (%)			+16%

1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 9.0%. Cost of equity is calculated by using the 10-year government bond yield of 4.2%, beta of 0.9 and equity risk premium of 4.7%. 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)	20,737
Terminal value (AED, Mn)	55,328
Book Value of Equity (as of Dec 2025)	26,067
FV to Common shareholders (AED, Mn)	102,133
No. of shares (Mn)	3,632
Current Market Price (AED)	22.50
Fair Value per share (AED)	28.12

Residual Income Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net Profit	7,180	7,695	8,311	9,092	9,604
(-) Equity Charge	-2,340	-2,668	-3,002	-3,368	-3,775
Excess Equity	4,840	5,027	5,309	5,724	5,829
Discounting Factor	0.92	0.85	0.78	0.71	0.65
Present Value of Excess Equity	4,465	4,255	4,124	4,080	3,813

Source: FAB Securities

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 2026 PB multiple of 2.6x. The premium in valuation stems from the high composition of the retail loan book, and it generates superior return on assets as compared to its peers.

Company	Market	P/B (x)		P/E (x)		Dividend Yield (x)	
	(USD Mn)	2026F	2027F	2026F	2027F	2026F	2027F
Commercial Bank of Dubai	7,761	1.5	1.4	10.1	9.5	NA	NA
Abu Dhabi Commercial Bank	30,362	1.4	1.3	9.9	8.8	4.5%	4.8%
Dubai Islamic Bank (DIB)	19,183	1.5	1.4	10.0	9.6	4.9%	5.0%
Alinma	17,800	1.7	1.5	10.7	10.0	4.1%	4.5%
Al Rajhi Bank	1,09,547	3.2	2.9	15.6	13.9	3.3%	3.8%
Bank AlBilad	9,880	1.8	1.5	11.6	10.8	2.7%	3.2%
Average		1.8x	1.7x	11.3x	10.4x	3.2%	3.6%
Median		1.6x	1.5x	10.4x	9.8x	3.7%	4.2%
Max		1.7x	1.5x	11.4x	10.6x	4.4%	4.7%
Min		1.5x	1.4x	10.0x	9.5x	2.9%	3.4%

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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