

Abu Dhabi Commercial Bank (ADCB)

Current Price	Target Price	Upside/Downside (%)	Rating
AED 15.52	AED 18.00	+16%	BUY

4Q25 Net Profit marginally lower than our estimate

- Net funded income grew 9.4% YOY to AED 3.8 Bn in 4Q25, driven by a solid growth in interest-earning assets and higher volumes, partially offset by a decline in asset yield.
- Calculated NIMs declined marginally from 2.4% in 4Q24 to 2.3% in 4Q25, primarily due to declining interest rates.
- Non-funded income declined 11.6% YOY to AED 1.7 Bn in 4Q25, mainly due to lower other operating income following a high base in 4Q24 which included one-off gains from corporate loan extinguishments.
- Operating expenses increased 5.2% YOY to AED 1.6 Bn in 4Q25, mainly due to continued investments in talent and technology to support growth.
- Cost-to-income increased 96 bps YOY and 193 bps QOQ to 29.6% in 4Q25, driven by higher operating expenses.
- Impairments declined significantly from AED 1,020 Mn in 4Q24 to AED 183 Mn in 4Q25, driven by higher recoveries and provision write-backs.
- Net profit after tax increased 29.9% YOY to AED 3.3 Bn in 4Q25, owing to higher net funded income and lower impairments, partially offset by higher operating expenses, tax charges and a decline in non-funded income.
- Total assets grew 18.5% YOY and 3.9% QOQ to AED 773.7 Bn in 4Q25, primarily due to an increase in cash and bank balance with the central bank, due from banks, net advances, investment securities portfolio and other assets.
- The Bank's loan book grew 15.8% YOY and 1.1% QOQ to AED 406.0 Bn in 4Q25, mainly due to strong growth across energy, trading, transport and communication and financial institutions.
- Reported NPL ratio continued to decline by 121 bps YOY and 3 bps QOQ to 1.8% in 4Q25, reflecting strong recoveries.
- Deposits grew 18.7% YOY and 3.6% QOQ to AED 499.8 Bn in 4Q25, with the CASA deposits representing 46% of total deposit in 4Q25.

Earnings Call Summary

- ADCB applied 9% tax rate for both full year and 4Q25 instead of 15% domestic minimum top-up tax, as the Bank qualifies for the initial phase of the international activity exclusion under the evolving regulatory framework.
- ADCB's net loans grew 15.8% YoY to AED 406.0 Bn in 4Q25, marking the third consecutive year of loan growth, supported by strong demand across UAE and international corridors.
- The Bank's loan growth in Saudi Arabia remains strong mainly in energy and GRE-related sectors and is expected to continue without slowdown, supported by multi-bank facilities.
- In 2025, retail loans remained mostly flat, but strong CASA deposit growth supported the Bank, and retail lending, including both secured and unsecured. However, the Bank expect the retail loans to pick up again in 2026.
- ADCB's investment securities grew 16.2% YoY to AED 166.1 Bn in 4Q25, with the portfolio largely invested in high-quality sovereign and investment-grade bonds.
- The Bank's cost of risk declined 69 bps YOY and 66 bps QOQ to 0.16% in 4Q25, below both full-year guidance and the bank's five-year target, reflecting improving portfolio quality and strong recoveries.

- The Bank reaffirmed ROE guidance above 15% and loan growth above 16% for 2026, noting that the rights issue strengthens lending capacity.
- Reported risk adjusted NIMs increased from 1.89% in 4Q24 to 2.24% in 4Q25. However, ADCB anticipates the risk-adjusted NIMs to improve in 2026, as provisioning normalises despite two late-year rate cuts.
- Around more than 50% of the bank's securities and derivatives gains were driven by client flow business, and the Bank expects this mix to remain at a level they find satisfactory over time.
- The Bank successfully completed an AED 6.1 Bn rights issue in December 2025, strengthening its capital base to support organic growth while staying ahead of evolving regulatory capital requirements.
- The Bank board also proposed a cash dividend of AED 0.63 per share, translating into a 44% payout ratio and total payout of AED 4.99 Bn for 2025. Additionally, ADCB reaffirmed its commitment to deliver AED 25 Bn in shareholder distributions over five years as part of its strategic plan.
- The Bank's AI transformation program, launched in October, is gaining strong momentum with high-impact use cases deployed across the Bank, enhancing operational speed and quality, improving efficiency and risk management, and strengthening scalable, technology-led competitive advantage.
- ADCB targets CET1 ratio of greater than 12% over both the 5-year period and for 2026. Additionally, the Bank aims to maintain a cost of risk below 60 bps both in 2026 and over the next five years. The Bank plans to double its net profit to AED 20 Bn within five years with an annual targeted growth rate of 20%.

ADCB – P&L

AED Mn	4Q24	3Q25	4Q25A	4Q25F	Var.	YOY Ch	QOQ Ch
Net funded income	3,505	3,806	3,834	4,095	-6.4%	9.4%	0.7%
Non-funded income	1,962	2,068	1,734	1,971	-12.0%	-11.6%	-16.2%
Operating income	5,467	5,875	5,567	6,065	-8.2%	1.8%	-5.2%
Operating expenses	-1,565	-1,624	-1,647	-1,638	0.5%	5.2%	1.4%
Impairments	-1,020	-1,087	-183	-769	-76.2%	-82.0%	-83.1%
Profit before tax	2,884	3,166	3,735	3,659	2.1%	29.5%	18.0%
Overseas tax expense	-311	-76	-394	-145	NM	26.9%	NM
Profit for the period	2,573	3,090	3,341	3,507	-4.7%	29.9%	8.1%

FABS estimate & Co Data

Management Guidance:

	5-year guidance	2025 full-year guidance	2025 actuals	2026 full-year guidance
CET1 ratio	>12%	>12%	13.79% ✓	>12%
Cost of risk⁽¹⁾	<60 bps	63-68 bps	59 bps ✓	<60 bps
ROE	>15%	c.15%	15.3% ✓	c.15%
Profitability	Double net profit to AED 20 bn within five years; c.20% annual growth rate	Unchanged	AED 11.445 bn ✓ +22% YoY	Double net profit to AED 20 bn within five years; c.20% annual growth rate
Dividend payout⁽²⁾	Progressive year on year increase in paid-out dividends, with targeted total dividend payout of c. AED 25 bn over five-year period	Unchanged	AED 0.63 per share ✓ +7% YoY	Progressive year on year increase in paid-out dividends, with targeted total dividend payout of c. AED 25 bn over five-year period

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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