

Abu Dhabi Commercial Bank (ADCB)

Healthy credit expansion and improving asset quality supported net profit growth

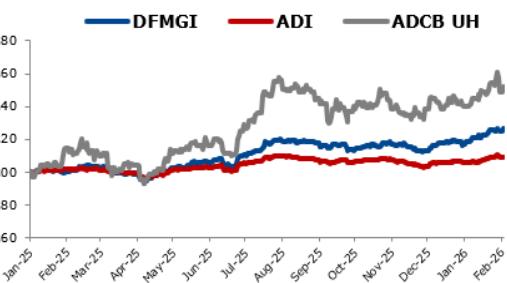
Current Price
AED 15.22

Target Price
AED 18.00

Upside/Downside (%)
+18%

Rating
BUY

- ADCB's net advances grew 15.8% YOY and 1.1% QOQ to AED 406.0 Bn in 4Q25, supported by strong demand across UAE and international corridors.
- The Bank board 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.
- ADCB successfully completed an AED 6.1 Bn rights issue in December 2025, strengthening its capital base to support organic growth.
- Asset quality improved as reported NPLs fell to a record low level of 1.83% in 4Q25, down from 1.86% in 3Q25.



4Q25 Net Profit marginally lower than our estimate

Abu Dhabi Commercial Bank's ("ADCB", "The Bank") net profit rose 29.9% YOY to AED 3,341 Mn in 4Q25, marginally lower than our estimate of AED 3,507 Mn. The strong growth in net profit is primarily driven by higher net funded income and lower impairments, partially offset by higher operating expenses, tax charges and a decline in non-funded income.

P&L Highlights

ADCB's funded income, including interest income and income from Islamic financing, grew 4.0% YOY to AED 9,071 Mn in 4Q25, primarily due to growth in loans and advances and other interest-earning assets, partially offset by lower asset yield. The Bank's funded expenses increased marginally 0.4% YOY to AED 5,237 Mn in 4Q25, mainly due to rise in interest earning liabilities, partially offset by lower cost of funds. As a result, the net funded income grew 9.4% YOY to AED 3,834 Mn in 4Q25. ADCB's calculated NIMs declined 15 bps YOY and 7 bps QOQ to 2.3% in 4Q25. Fee and commission income grew 22.8% YOY to AED 887 Mn in 4Q25. However, other operating income declined 31.7% YOY to AED 846 Mn in 4Q25, due to high base in 4Q24, which included one-off gains from corporate loan extinguishments. Resultantly, the non-funded income declined 11.6% YOY to AED 1,734 Mn in 4Q25. Total operating income rose 1.8% YOY to AED 5,567 Mn in 4Q25. Operating expenses grew 5.2% YOY to AED 1,647 Mn in 4Q25, mainly due to continued investments in talent and technology to support growth. Thus, the calculated cost-to-income ratio increased 96 bps YOY and 193 bps QOQ to 29.6% in 4Q25. Impairments declined significantly from AED 1,020 Mn in 4Q24 to AED 183 Mn in 4Q25, driven by higher recoveries and provision write-backs. Furthermore, tax expense grew 26.9% YOY to 394 Mn in 4Q25.

Stock Information

Market Cap (AED, Mn)	122,638.72
Paid Up Capital (Mn)	7,912.18
52 Week High	16.54
52 Week Low	8.77
3M Avg. daily value(AED)	88,559,910

4Q25 Result Review (AED, Mn)

Total Assets	773,654
Total Liabilities	684,913
Total Equity	88,741
Total Deposits	499,775
Net Profit	3,341

Financial Ratios

Dividend Yield (12m)	3.72
Dividend Pay-out (%)	46.14
Price-Earnings Ratio(x)	10.84
Price-to-Book Ratio (x)	1.53
Book Value (AED)	10.11
Return-on Equity (%)	14.72

Stock Performance

5 Days	-0.64%
1 Months	8.39%
3 Months	9.87%
6 Months	0.79%
1 Year	32.25%
Month to Date (MTD%)	1.84%
Quarter to Date (QTD%)	8.39%
Year to Date (YTD%)	8.39%

ADCB applied a statutory tax rate of 9% for 4Q25 and 2025, as it qualifies for the initial phase of the international activity exclusion under the evolving regulatory framework.

Balance Sheet Highlights

ADCB's 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. Net advances 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 sectors. Customer 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. In addition, ADCB's total equity increased 17.4% YOY and 11.6% QOQ to AED 88.7 Bn in 4Q25.

Target Price and Rating

We maintain our BUY rating on Abu Dhabi Commercial Bank (ADCB) with a target price of AED 18.00. ADCB reported solid profitability growth in 4Q25, driven by robust increase in core income and a sharp decline in impairment charges. Net loans increased by 15.8% YOY to AED 406.0 Bn in 4Q25, extending the Bank's growth trajectory for the third consecutive year, supported by solid credit demand across the UAE and key international corridors. In Saudi Arabia, lending momentum remained strong, primarily driven by energy and GRE-related exposures, with the Bank expecting continued traction supported by multi-bank financing arrangements. While retail lending remained broadly stable in 2025, the Bank anticipates a recovery in both secured and unsecured segments from 2026 onward. Overall, ADCB expects the current loan growth momentum to sustain into 2026, providing further visibility on earnings expansion. Customer deposits increased by 18.7% YOY and 3.6% QOQ to AED 499.8 Bn in 4Q25, supported by a healthy inflow across both retail and corporate segments. Low-cost CASA deposits accounted for 46% of total deposits in 4Q25, up from 45% in 3Q25, providing a favorable funding mix and supporting the Bank's margin profile. ADCB's reported risk adjusted NIMs increased from 1.68% in 3Q25 to 2.24% in 4Q25. ADCB further anticipates the risk-adjusted NIMs to improve in 2026, as provisioning normalizes despite two late-year rate cuts. ADCB'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. The Bank's calculated cost of risk declined 69 bps YOY and 66 bps QOQ to 0.1% in 4Q25, below both full-year guidance and the Bank's five-year target, reflecting improving portfolio quality and strong recoveries. The Bank further expects the cost of risk to be below 60 bps in 2026. Asset quality further improved as reported NPLs fell to a record low level of 1.83% in 4Q25, down from 1.86% in the previous quarter. ADCB also 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. ADCB's capitalization stood strong with a CET1 ratio of 13.8% in 4Q25, driven by retained earnings and the successful rights issue completion and total CAR ratio of 17.0% in 4Q25. Additionally, the Bank targets CET1 ratio of greater than 12% over both the 5-year period and for 2026. The Bank also reaffirmed ROE guidance above 15% and the current loan growth to sustain for 2026, noting that the rights issue strengthens lending capacity. Additionally, the Bank plans to double its net profit to AED 20 Bn within five years with an annual targeted growth rate of 20%. 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. Thus, based on our analysis, we maintain our BUY rating on the stock.

ADCB - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	21.99	17.82	14.26	13.04	10.56	9.99
PB	2.09	2.01	1.78	1.67	1.51	1.38
BVPS	7.290	7.571	8.537	9.127	10.109	11.002
EPS	0.692	0.854	1.067	1.167	1.442	1.523
DPS	0.352	0.171	0.560	0.590	0.630	0.670
Dividend Yield	2.3%	1.1%	3.7%	3.9%	4.1%	4.4%

FABS Estimates & Co Data

ADCB - P&L

AED Mn	4Q24	3Q25	4Q25	4Q25F	Var	YOY Ch	QOQ Ch	2024	2025	Change
Funded income	8,723	9,159	9,071	9,515	-4.7%	4.0%	-1.0%	33,734	35,123	4.1%
Funded expense	-5,218	-5,352	-5,237	-5,420	-3.4%	0.4%	-2.1%	-20,508	-20,435	-0.4%
Net funded income	3,505	3,806	3,834	4,095	-6.4%	9.4%	0.7%	13,226	14,688	11.1%
Fees & commissions	722	971	887	986	-10.0%	22.8%	-8.6%	3,101	3,607	16.3%
Other operating income	1,240	1,097	846	985	-14.1%	-31.7%	-22.9%	3,153	3,888	23.3%
Non funded income	1,962	2,068	1,734	1,971	-12.0%	-11.6%	-16.2%	6,254	7,495	19.8%
Operating income	5,467	5,875	5,567	6,065	-8.2%	1.8%	-5.2%	19,480	22,183	13.9%
Operating expenses	-1,565	-1,624	-1,647	-1,638	0.5%	5.2%	1.4%	-6,031	-6,246	3.6%
Pre-provision profit	3,902	4,251	3,921	4,427	-11.4%	0.5%	-7.8%	13,448	15,937	18.5%
Impairments	-1,020	-1,087	-183	-769	-76.2%	-82.0%	NM	-2,874	-3,103	8.0%
Operating profit	2,882	3,164	3,737	3,659	2.2%	29.7%	18.1%	10,574	12,834	21.4%
Share of profit of assoc.	1	3	-2	0	NM	NM	NM	11	9	NM
Profit before tax	2,884	3,166	3,735	3,659	2.1%	29.5%	18.0%	10,585	12,843	21.3%
Tax expense	-311	-76	-394	-145	NM	26.9%	NM	-1,166	-1,398	19.9%
Non- Controlling interest	0	0	0	-7	NM	NM	NM	2	1	NM
Profit for the period	2,573	3,090	3,341	3,507	-4.7%	29.9%	8.1%	9,421	11,446	21.5%

FABS estimate & Co Data

ADCB - KPI

	4Q24	3Q25	4Q25	YOY Ch	QOQ Ch	2024	2025	Change
Net FI/OI	64.1%	64.8%	68.9%	475	407	67.9%	66.2%	-168
NIM (Calculated)	2.4%	2.3%	2.3%	-15	-7	2.4%	2.3%	-11
NIS	1.9%	1.9%	1.8%	-8	-5	1.9%	1.9%	-2
Fees & comms/OI	13.2%	16.5%	15.9%	273	-59	15.9%	16.3%	34
Other non-funded/OI	22.7%	18.7%	15.2%	-747	-348	16.2%	17.5%	134
Cost to income	28.6%	27.6%	29.6%	96	193	31.0%	28.2%	-281
Impairment/PPP	26.1%	25.6%	4.7%	NM	NM	21.4%	19.5%	-190
Tax/PBT	10.8%	2.4%	10.6%	-22	816	11.0%	10.9%	-13
NP/OI	47.1%	52.6%	60.0%	NM	741	48.4%	51.6%	323
Cost of risk (calculated)	0.8%	0.8%	0.1%	-69	-66	0.6%	0.6%	-4
Loan-to-deposit (calculated)	84.9%	85.1%	82.2%	-262	-283	84.9%	82.2%	-262
NPL (calculated)	3.3%	2.8%	2.7%	-65	-7	3.3%	2.7%	-65
Coverage (Calculated)	103.4%	127.7%	107.4%	NM	NM	103.4%	107.4%	NM
CET 1	12.6%	12.7%	13.8%	124	109	12.6%	13.8%	124
Capital adequacy	16.1%	16.0%	17.0%	88	101	16.1%	17.0%	88
ROAE	13.5%	14.8%	14.7%	121	-7	13.5%	14.7%	121
ROAA	1.5%	1.5%	1.6%	6	6	1.5%	1.6%	6

FABS estimate & Co Data

ADCB - Key B/S items

	4Q24	1Q25	2Q25	3Q25	4Q25	YOY Ch
Net advances	350,638	359,489	378,465	401,356	405,967	15.8%
QOQ change	1.9%	2.5%	5.3%	6.0%	1.1%	
Total assets	652,814	679,716	718,502	744,273	773,654	18.5%
QOQ change	2.2%	4.1%	5.7%	3.6%	3.9%	
Customer deposits	421,060	441,691	463,442	482,440	499,775	18.7%
QOQ change	3.5%	4.9%	4.9%	4.1%	3.6%	
Total equity	75,567	73,872	76,249	79,509	88,741	17.4%
QOQ change	2.5%	-2.2%	3.2%	4.3%	11.6%	

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	19.76	70.0%	13.83
Relative Valuation (RV)	13.90	30.0%	4.17
Weighted Average Valuation (AED)			18.00
Current market price (AED)	15.22		
Upside/Downside (%)	+18%		

1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 9.2%. Cost of equity is calculated by using 10-year government bond yield of 4.9%, beta of 1.0 and equity risk premium of 4.3%. 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)	19,575
Terminal value (AED, Mn)	56,797
Book Value of Equity (as of Dec 2025)	79,982
FV to Common shareholders (AED, Mn)	156,353
No. of shares (Mn)	7,912
Current Market Price (AED)	15.22
Fair Value per share (AED)	19.76

Residual Income Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net Profit	12,054	13,320	14,553	15,788	17,256
(-) Equity Charge	-8,017	-8,691	-9,418	-10,202	-11,064
Excess Equity	4,036	4,629	5,135	5,586	6,191
Discounting Factor	0.92	0.84	0.77	0.71	0.65
Present Value of Excess Equity	3,723	3,910	3,971	3,956	4,015

Source: FAB Securities

2) Relative Valuation:

We have used local and regional peers to value ADCB and valued using the PB multiple. It is valued at a 2026 PB multiple of 1.3x in line with peers.

Company	Market (USD Mn)	P/E (x)		P/B (x)		Dividend Yield (%)	
		2026F	2027F	2026F	2027F	2026F	2027F
Abu Dhabi Islamic Bank	22,664	12.3	10.8	2.9	2.5	4.2%	4.6%
Dubai Islamic Bank	19,184	9.9	9.5	1.5	1.4	4.9%	5.0%
Emirates NBD	52,622	8.2	7.7	1.3	1.1	3.6%	3.9%
Banque Saudi Fransi	11,648	9.1	8.7	1.0	1.0	6.3%	6.5%
Riyad Bank	21,574	8.2	7.7	1.2	1.1	6.3%	6.7%
Average		9.5x	8.9x	1.6x	1.4x	5.1%	5.3%
Median		9.1x	8.7x	1.3x	1.1x	4.9%	5.0%
Max		9.9x	9.5x	1.5x	1.4x	6.3%	6.5%
Min		8.2x	7.7x	1.2x	1.1x	4.2%	4.6%

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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