

Abu Dhabi Commercial Bank (ADCB)

Current Price	Target Price	Upside/Downside (%)	Rating
AED 12.80	AED 18.00	+40.6%	BUY

1Q26 Net Profit higher than our estimate

- ADCB's Net profit attributable to equity shareholders increased 37.4% YOY to AED 3.4 Bn higher than our estimate of AED 2.9 Bn in 1Q26. The increase in net profit was mainly driven by higher net funded and non-funded income along with lower impairments and lower tax expense, partially offset by increase in operating expenses and lower share of profit from associates.
- Net funded income grew 10.2% YOY to AED 3.7 Bn in 1Q26, driven by higher volumes, partially offset by a decline in asset yield.
- Calculated NIMs declined marginally from 2.3% in 1Q25 to 2.1% in 1Q26, primarily due to lower interest rate environment.
- Non-funded income increased 35.6% YOY to AED 2.2 Bn in 1Q26, driven by growth across all income streams, majorly through growth in net trading income supported by higher gains from derivatives and financial assets at fair value.
- Operating expenses increased 3.7% YOY to AED 1.5 Bn in 1Q26, driven by targeted investment in technology and talent to drive growth initiatives.
- Cost-to-income decreased 362 bps YOY and 398 bps QOQ to 25.6% in 1Q26, driven by higher operating income combined with significant efficiency gains.
- Impairments declined 1.2% YOY to AED 638 Mn in 1Q26, driven by higher recoveries and provision write-backs.
- Total assets grew 19.0% YOY and 4.6% QOQ to AED 808.9 Bn in 1Q26, primarily due to an increase in cash and bank balance with the central bank, due from banks, and derivative financial instruments, partially offset by decrease in investment securities and investment properties
- The Bank's loan book grew 18.4% YOY and 4.9% QOQ to AED 425.7 Bn in 1Q26, mainly due to strong growth across geographies and economic sectors
- Reported NPL ratio continued to decline by 48 bps YOY and 7 bps QOQ to 1.8% in 1Q26, reflecting strong recoveries.
- Deposits grew 18.4% YOY and 4.7% QOQ to AED 523.1 Bn in 1Q26, with the CASA deposits representing 58% of total deposit in 4Q25.

Earnings Call Summary

- ADCB continues to scale its AI and digital transformation initiatives, embedding use cases across both customer-facing and back-office functions.
- Business momentum from 1Q26 has carried into 2Q26, with no material deviation observed across NII, fees, loan growth, or asset quality trends.
- The near-term macro-outlook remains stable, with resilient domestic activity offsetting pressure on externally exposed sectors such as trade and tourism.
- Strong capital, liquidity, and disciplined risk management position the bank well to navigate an evolving operating environment.
- Healthy project award activity in 1Q26 is expected to sustain investment-led growth momentum across the economy.
- Potential supply chain disruptions pose a near-term risk, particularly impacting 2Q26 performance.
- Loan growth remains robust, with c.50% of 1Q26 expansion driven by GRE lending, primarily linked to infrastructure projects, and momentum expected to continue.

- Trading income strength reflects both structural enhancements (people, products, infrastructure) and supportive market volatility, with c. 60% now viewed as sustainable.
- Growth momentum has shifted toward the domestic market, with c. 70% contribution from UAE lending, a trend expected to persist.
- Deposit profile remains stable and granular, with flexible maturities and disciplined pricing helping contain funding costs despite competitive pressures.
- Risk-adjusted NIM is expected to remain broadly stable through 2026, assuming no further rate cuts.
- The bank continues to closely monitor vulnerable sectors including trading, real estate, retail, hospitality, transport, and energy.
- A prudent AED 596 Mn overlay was booked in 1Q26 to reflect elevated geopolitical risks, with provisions subject to quarterly reassessment.
- The domestic vs. international loan mix is expected to remain broadly unchanged at c. 70:30.
- Limited account closures were observed post-conflict, with net customer acquisition remaining positive.
- Deposit growth and customer trends underscore continued franchise resilience despite macro uncertainty.
- Fee waivers for retail and SME segments may create modest pressure but are not expected to materially impact overall fee income.
- ADCB reaffirmed its 2026 and medium-term guidance, with any revisions contingent on macro developments post 2Q26.

ADCB – P&L

AED Mn	1Q25	4Q25	1Q26	1Q26F	Var.	YOY Ch	QOQ Ch
Net funded income	3,393	3,834	3,738	3,991	-6.3%	10.2%	-2.5%
Non-funded income	1,619	1,734	2,196	1,759	24.8%	35.6%	26.7%
Operating income	5,012	5,568	5,934	5,750	3.2%	18.4%	6.6%
Operating expenses	-1,465	-1,646	-1,519	-1,639	-7.3%	3.7%	-7.7%
Impairments	-646	-184	-638	-876	-27.2%	-1.2%	NM
Profit before tax	2,906	3,736	3,781	3,235	16.9%	30.1%	1.2%
Overseas tax expense	-460	-395	-420	-291	44.2%	-8.7%	6.3%
Profit for the period	2,447	3,341	3,361	2,943	14.2%	37.4%	0.6%

FABS estimate & Co Data

Management Guidance:

	Guidance in five-year strategy launched in Q1 2025	Full-year 2026 guidance
CET1 ratio	>12%	>12%
Cost of risk ⁽¹⁾	<60 bps	<60 bps
RoE	>15%	>15%
Profitability	Double net profit to AED 20 bn within five years; c.20% annual growth rate	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	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%

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