Abu Dhabi Commercial Bank (ADCB)

Current Price	Target Price	Upside/Downside (%)	Rating
AED 14.40	AED 18.00	+25.0%	BUY

2Q26 Net Profit in line with our estimate

- ADCB's Net profit attributable to equity shareholders increased 31.5% YOY to AED 3.4 Bn in 2Q26, in in line with our estimate of AED 3.3 Bn. The increase in net profit was mainly driven by higher net funded and non-funded income along with significantly lower impairments, partially offset by higher operating expenses.
- Net funded income increased 2.1% YOY to AED 3.7 Bn in 2Q26, as the benefit of higher volumes was more than offset by a decline in asset yield.
- Calculated NIM declined from 2.3% in 2Q25 to 2.0% in 2Q26, primarily due to the lower interest rate environment and a shift in liability mix.
- Non-funded income increased 11.6% YOY to AED 2.3 Bn in 2Q26, driven by growth in fees and commissions, which rose 27.7% YOY to AED 1.2 Bn on higher card-related and loan processing fees, and increase in net trading income, partially offset by decrease in other operating income.
- Operating expenses increased 12.0% YoY to AED 1.7 Bn in 2Q26, driven by continued investment in technology, talent, and AI to support growth initiatives.
- Cost-to-income increased 161 bps YOY and 237 bps QOQ to 28.0% in 2Q26, as operating expense growth outpaced operating income growth during the quarter.
- Impairments declined 54.8% YOY to AED 536 Mn in 2Q26, driven by higher recoveries and portfolio quality, against an elevated prior-year charge related to a few legacy corporate accounts.
- Total assets grew 16.0% YOY and 3.0% QOQ to AED 833.2 Bn in 2Q26, primarily driven by continued growth in net advances.
- The Bank's net loan book grew 17.5% YOY and 4.4% QOQ to AED 444.6 Bn in 2Q26, mainly due to strong growth across geographies and economic sectors, including energy, trading, manufacturing, and government-related entities.
- Reported NPL ratio continued to decline to 1.71% in 2Q26, reflecting strong recoveries and disciplined underwriting.
- Deposits grew 13.6% YOY and 0.7% QOQ to AED 526.6 Bn in 2Q26, with CASA deposits representing 45.7% of total customer deposits.

Earnings Call Summary

- ADCB continues to scale its AI and digital transformation initiatives, embedding use cases across both customer-facing and back-office functions, including the launch of a conversational AI interface on its new mobile banking app.
- Business momentum from 1Q26 has carried into 2Q26, with Bank noting no material deviation across NII, fees, loan growth, or asset quality trends.
- Loan growth remains robust, driven by energy, trading, manufacturing, and GRE lending, with Bank guiding to high-teens growth for full-year 2026.
- Trading income strength reflects both structural enhancements (people, products, infrastructure) and supportive market volatility, with c. 60–65% now viewed as sustainable.
- International lending grew faster than domestic in 2Q26 on the timing of drawdowns, though the domestic vs. international loan mix is expected to remain broadly unchanged at c. 70:30, with committed undrawn lending of over AED 90 Bn expected to draw down in coming quarters.

- Deposit profile remains stable and granular, with flexible maturities and disciplined pricing, though the system liquidity surplus has narrowed from c. AED 240 Bn to c. AED 80 Bn, sustaining funding-cost pressure into 3Q26.
- Risk-adjusted NIM improved to 1.91% in 1H26 and is expected to remain broadly stable through 2026, assuming no further rate cuts.
- ADCB reaffirmed its 2026 and medium-term guidance, with any revisions contingent on macro developments post 2Q26.

ADCB – P&L

AED Mn	2Q25	1Q26	2Q26	2Q26F	Var	YOY Ch	QOQ Ch
Funded income	8,637	8,546	8,956	8,671	3.3%	3.7%	4.8%
Funded expense	-4,982	-4,808	-5,223	-4,858	7.5%	4.8%	8.6%
Net funded income	**3,655**	**3,738**	**3,733**	**3,813**	**-2.1%**	**2.1%**	**-0.1%**
Fees & commissions	929	938	1,186	985	20.4%	27.7%	26.4%
Other operating income	1,145	1,258	1,128	1,272	-11.3%	-1.5%	-10.3%
Non funded income	**2,074**	**2,196**	**2,314**	**2,257**	**2.5%**	**11.6%**	**5.4%**
Operating income	**5,729**	**5,934**	**6,047**	**6,070**	**-0.4%**	**5.6%**	**1.9%**
Operating expenses	-1,510	-1,519	-1,691	-1,560	8.4%	12.0%	11.3%
Pre-provision profit	**4,219**	**4,415**	**4,356**	**4,510**	**-3.4%**	**3.2%**	**-1.3%**
Impairments	-1,187	-638	-536	-749	-28.4%	-54.8%	-16.0%
Operating profit	**3,032**	**3,777**	**3,820**	**3,761**	**1.6%**	**26.0%**	**1.1%**
Share of profit of assoc.	4	4	6	0	#DIV/0!	50.0%	50.0%
Profit before tax	**3,036**	**3,781**	**3,826**	**3,761**	**1.7%**	**26.0%**	**1.2%**
Overseas tax expense	-468	-420	-450	-414	8.8%	-3.8%	7.1%
Non controlling interest	0	0	0	-2	NM	NM	NM
Profit for the period	**2,568**	**3,361**	**3,376**	**3,346**	**0.9%**	**31.5%**	**0.4%**

FABS estimate & Co Data

Management Guidance:

	Guidance in five-year strategy launched in Q1 2025	Full-year 2026 guidance	H1'26 actuals
CET1 ratio	>12%	>12%	13.66%
Cost of risk[1]	<60 bps	<60 bps	38 bps
RoE	>15%	>15%	16.2%
Profitability	Double net profit to AED 20 bn within five years; c.20% annual growth rate	c.20% annual growth rate	AED 6.737 bn
Dividend payout[2]	Progressive year-on-year increase in paid-out dividends, with targeted total payout of c. AED 25 bn over five-year period	Progressive year-on-year increase in paid-out dividends	Final dividend proposed at full year

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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