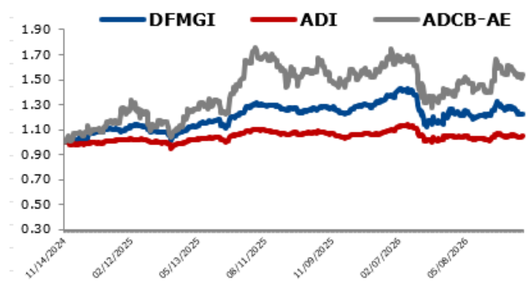
Abu Dhabi Commercial Bank (ADCB)

Non-funded income strength and lower cost of risk drive profit growth

Current Price	Target Price	Upside/Downside (%)	Rating
AED 14.42	AED 18.00	+24.8%	BUY

- ADCB's net loans increased 17.5% YOY to AED 444.6 Bn, driven by solid credit demand across the UAE and key international corridors, with the Bank guiding to high-teens net loan growth for full-year 2026.
- Funding mix remained favorable, with CASA at 45.7% of total deposits, up from 44.7% a year earlier.
- ADCB reaffirmed its 2026 and medium-term guidance, underpinned by diversified earnings streams and ongoing efficiency gains.
- ADCB distributed AED 4.98 Bn, amounting to AED 0.63 per share, in respect of 2025.



Stock Information	
Market Cap (AED, Mn)	114,278.19
Paid Up Capital (Mn)	7,895.00
52 Week High	16.54
52 Week Low	11.58
3M Avg. daily value(AED)	6,873,884

2Q26 Result Review (AED, Mn)	
Total Assets	833,184
Total Liabilities	743,930
Total Equity	89,254
Total Deposits	526,638
Net Profit	3,376

Financial Ratios	
Dividend Yield (12m)	4.90
Dividend Pay-out (%)	43.44
Price-Earnings Ratio(x)	9.86
Price-to-Book Ratio (x)	1.41
Book Value (AED)	10.13
Return-on Equity (%)	14.72

Stock Performance	
5 Days	-0.28%
1 Months	-5.01%
3 Months	12.50%
6 Months	-8.63%
1 Year	-3.80%
Month to Date (MTD%)	-0.41%
Quarter to Date (QTD%)	-0.41%
Year to Date (YTD%)	0.70%

2Q26 Net Profit in line with our estimate

Abu Dhabi Commercial Bank's ("ADCB", "The Bank") net profit rose 31.5% YOY to AED 3,376 Mn in 2Q26, in line with our estimate of AED 3,346 Mn. The strong growth in net profit is primarily driven by higher net funded and non-funded income growth along with lower impairments and tax charges, partially offset by higher operating expenses.

P&L Highlights

ADCB's funded income, including interest income and income from Islamic financing, grew 3.7% YOY to AED 8,956 Mn in 2Q26, primarily due to increase in interest earning assets, partially offset by a decline in asset yields. The Bank's funded expenses increased 4.8% YOY to AED 5,223 Mn in 2Q26, mainly due to increase in interest bearing liabilities, partially offset by decrease in cost of funds. As a result, net funded income grew 2.1% YOY to AED 3,733 Mn in 2Q26. ADCB's calculated NIM declined 28 bps YOY and 8 bps QOQ to 2.0% in 2Q26. Fee and commission income grew 27.7% YOY to AED 1,186 Mn in 2Q26, driven by higher card-related and loan processing fees, along with trade finance commissions and asset management income. Meanwhile, other operating income declined 1.5% YOY to AED 1,128 Mn in 2Q26. Resultantly, non-funded income grew 11.6% YOY to AED 2,314 Mn in 2Q26. Total operating income rose 5.6% YOY to AED 6,047 Mn in 2Q26. Operating expenses increased 12.0% YOY to AED 1,691 Mn in 2Q26, mainly due to continued investment in talent, technology, and AI to support growth initiatives. Thus, the calculated cost-to-income ratio deteriorated 161 bps YOY and 237 bps QOQ to 28.0% in 2Q26, as operating expense growth outpaced operating income growth. Impairments declined 54.8% YOY and 16.0% QOQ 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. Furthermore, tax expense declined 3.8% YOY to AED 450 Mn in 2Q26.

Balance Sheet Highlights

ADCB's total assets grew 16.0% YOY and 3.0% QOQ to AED 833.2 Bn in 2Q26, supported by continued growth in net loans and advances to customers and higher investment securities. Net advances grew 17.5% YOY and 4.4% QOQ to AED 444.6 Bn in 2Q26, supported by resilient credit demand and high-quality lending across diverse economic sectors, including energy, trading, manufacturing, and government-related entities, along with geographic diversification. Customer deposits grew 13.6% YOY and 0.7% QOQ to AED 526.6 Bn in 2Q26, with CASA deposits c. 45.7% of total deposits in 2Q26. In addition, ADCB's total equity increased 17.1% YOY and 4.1% QOQ to AED 89.3 Bn in 2Q26.

Target Price and Rating

We maintain our BUY rating on Abu Dhabi Commercial Bank (ADCB) with a target price of AED 18.00. ADCB delivered a strong performance in 2Q26, with profitability supported by robust non-funded income growth, lower impairment charges, and continued balance sheet expansion, partially offset by higher operating expenses. Net loans increased 17.5% YOY to AED 444.6 Bn on solid credit demand across the UAE and key international corridors, while customer deposits grew 13.6% YOY and 0.7% QOQ to AED 526.6 Bn. The funding mix remained favorable, with CASA at 45.7% of total deposits, up from 44.7% a year earlier though moderating from 46.9% in 1Q26 as term deposits grew faster during the quarter. NIM moderated to 2.0% in 2Q26 from 2.1% in 1Q26, reflecting three benchmark rate cuts since September 2025 and a higher cost of funds; risk-adjusted NIM, however, improved to 1.91% in 1H26 and is expected to remain broadly stable through 2026 assuming no further cuts, though the system-wide liquidity surplus has narrowed from c. AED 240 Bn to c. AED 80 Bn, sustaining funding-cost pressure into 3Q26. Loan growth was led by the corporate segment across GREs, financial institutions, trading, and manufacturing; international lending grew faster than domestic in 2Q26 on drawdown timing, though the domestic-to-international mix is expected to hold at c. 70:30, with over AED 90 Bn of committed undrawn lending to draw down in coming quarters, and the Bank guided to high-teens net loan growth for full-year 2026. The loan book remains well diversified, with 46% exposure to Abu Dhabi, 19% to Dubai, 5% to other Emirates, and 30% internationally. ADCB also strengthened its capital markets franchise, acting as bookrunner on Emirates NBD's USD 750 Mn AT1 issuance, joint lead manager and joint bookrunner on Kazakhstan Temir Zholy's USD 1 Bn dual-tranche bond, and joint bookrunner on UzNIF's USD 692 Mn listing. Trading income strength reflects both structural enhancements across people, products, and infrastructure and supportive market volatility, with c. 60–65% now viewed as sustainable. Private Banking and Wealth Management client base rose 26.0% YOY and AUM 27.0% YOY, while the retail franchise added over 56,000 new customers and more than 47,000 new credit cards during 2Q26, supported by continued digital investment including the launch of a conversational AI interface on its new mobile banking app. ADCB reaffirmed its 2026 and medium-term guidance, with any revisions contingent on macro developments, and remains confident in navigating the current environment on the back of strong capital and liquidity buffers and disciplined risk management. Overall, its strong balance sheet, diversified revenue base, favourable funding mix, and robust growth pipeline support sustained earnings momentum amid evolving macroeconomic and geopolitical conditions. Additionally, ADCB distributed AED 4.98 Bn, amounting to AED 0.63 per share, in respect of 2025. Thus, based on our analysis, we maintain our BUY rating on the stock.

FAB أبوظبي الأول للأوراق المالية SECURITIES

ADCB - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	20.71	16.79	13.43	12.29	9.95	8.88
PB	1.97	1.89	1.68	1.57	1.42	1.30
BVPS	7.290	7.571	8.537	9.127	10.109	11.046
EPS	0.692	0.854	1.067	1.167	1.442	1.616
DPS	0.352	0.171	0.560	0.590	0.630	0.700
Dividend Yield	2.4%	1.2%	3.9%	4.1%	4.4%	4.9%

FABS Estimates & Co Data

ADCB – P&L

AED Mn	2Q25	1Q26	2Q26	2Q26F	Var	YOY Ch	QOQ Ch	2025	2026F	Change
Funded income	8,637	8,546	8,956	8,671	3.3%	3.7%	4.8%	35,123	35,222	0.3%
Funded expense	-4,982	-4,808	-5,223	-4,858	7.5%	4.8%	8.6%	-20,435	-20,020	-2.0%
Net funded income	**3,655**	**3,738**	**3,733**	**3,813**	**-2.1%**	**2.1%**	**-0.1%**	**14,688**	**15,202**	**3.5%**
Fees & commissions	929	938	1,186	985	20.4%	27.7%	26.4%	3,607	4,292	19.0%
Other operating income	1,145	1,258	1,128	1,272	-11.3%	-1.5%	-10.3%	3,888	5,019	29.1%
Non funded income	**2,074**	**2,196**	**2,314**	**2,257**	**2.5%**	**11.6%**	**5.4%**	**7,495**	**9,311**	**24.2%**
Operating income	**5,729**	**5,934**	**6,047**	**6,070**	**-0.4%**	**5.6%**	**1.9%**	**22,183**	**24,513**	**10.5%**
Operating expenses	-1,510	-1,519	-1,691	-1,560	8.4%	12.0%	11.3%	-6,246	-6,741	7.9%
Pre-provision profit	**4,219**	**4,415**	**4,356**	**4,510**	**-3.4%**	**3.2%**	**-1.3%**	**15,937**	**17,772**	**11.5%**
Impairments	-1,187	-638	-536	-749	-28.4%	-54.8%	-16.0%	-3,103	-2,808	-9.5%
Operating profit	**3,032**	**3,777**	**3,820**	**3,761**	**1.6%**	**26.0%**	**1.1%**	**12,834**	**14,964**	**16.6%**
Share of profit of assoc.	4	4	6	0	NM	50.0%	50.0%	9	0	NM
Profit before tax	**3,036**	**3,781**	**3,826**	**3,761**	**1.7%**	**26.0%**	**1.2%**	**12,843**	**14,964**	**16.5%**
Tax expense	-468	-420	-450	-414	8.8%	-3.8%	7.1%	-1,398	-1,646	17.7%
Non- Controlling interest	0	0	0	-2	NM	NM	NM	1	-7	NM
Profit for the period	**2,568**	**3,361**	**3,376**	**3,346**	**0.9%**	**31.5%**	**0.4%**	**11,446**	**13,311**	**16.3%**

FABS estimate & Co Data

ADCB - KPI

	2Q25	1Q26	2Q26	YOY Ch	QOQ Ch	2025	2026F	Change
Net FI/OI	63.8%	63.0%	61.7%	-207	-126	66.2%	62.0%	-420
NIM (Calculated)	2.3%	2.1%	2.0%	-28	-8	2.3%	2.1%	-19
NIS	1.9%	1.8%	1.7%	-19	-7	1.9%	1.8%	-7
Fees & comms/OI	16.2%	15.8%	19.6%	340	381	16.3%	17.5%	125
Other non-funded/OI	20.0%	21.2%	18.7%	-133	-255	17.5%	20.5%	295
Cost to income	26.4%	25.6%	28.0%	161	237	28.2%	27.5%	-66
Impairment/PPP	28.1%	14.5%	12.3%	NM	-215	19.5%	15.8%	-367
Tax/PBT	15.4%	11.1%	11.8%	-365	65	10.9%	11.0%	11
NP/OI	44.8%	56.6%	55.8%	NM	-81	51.6%	54.3%	270
Cost of risk (calculated)	0.9%	0.4%	0.4%	-55	-8	0.6%	0.5%	-12
Loan-to-deposit (calculated)	83.4%	82.4%	86.1%	272	366	82.2%	84.0%	177
NPL (reported)	3.0%	2.5%	1.8%	-121	-72	2.0%	2.5%	54
Coverage (Calculated)	115.6%	96.4%	133.0%	NM	NM	126.5%	98.5%	NM
CET 1	12.2%	13.8%	13.7%	144	-16	13.8%	14.0%	23
Capital adequacy	15.5%	16.9%	16.5%	97	-45	17.0%	17.0%	-5
ROAE	14.4%	16.5%	17.0%	256	44	14.7%	15.3%	55
ROAA	1.5%	1.7%	1.7%	20	4	1.6%	1.6%	4

FABS estimate & Co Data

ADCB - Key B/S items

AED Mn	2Q25	3Q25	4Q25	1Q26	2Q26F	YOY Ch
Net advances	378,465	401,356	403,031	425,720	444,596	17.5%
QOQ change	5.3%	6.0%	0.4%	5.6%	4.4%	
Total assets	718,502	744,273	773,654	808,857	833,184	16.0%
QOQ change	5.7%	3.6%	3.9%	4.6%	3.0%	
Customer deposits	463,442	482,440	499,775	523,095	526,638	13.6%
QOQ change	4.9%	4.1%	3.6%	4.7%	0.7%	
Total equity	76,249	79,509	88,741	85,774	89,254	17.1%
QOQ change	3.2%	4.3%	11.6%	-3.3%	4.1%	

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	20.02	70.0%	14.01
Relative Valuation (RV)	13.30	30.0%	3.99
Weighted Average Valuation (AED)			**18.00**
Current market price (AED)			14.42
Upside/Downside (%)			+24.8%

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)	16,821
Terminal value (AED, Mn)	61,078
Book Value of Equity (as of Jun 2026)	80,495
FV to Common shareholders (AED, Mn)	**158,394**
No. of shares (Mn)	7,912
Current Market Price (AED)	14.42
Fair Value per share (AED)	**20.02**

Residual Income Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net Profit	12,783	12,895	13,548	14,433	17,360
(-) Equity Charge	-8,047	-8,725	-9,379	-10,084	-11,018
Excess Equity	**4,736**	**4,170**	**4,170**	**4,349**	**6,342**
Discounting Factor	0.96	0.88	0.81	0.74	0.68
Present Value of Excess Equity	**2,279**[1]	**3,675**	**3,364**	**3,213**	**4,291**

Source: FAB Securities, [1]Adjusted for partial year

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 1.2x in line with peers.

Company	Market (USD Mn)	P/E (x) 2026F	P/E (x) 2027F	P/B (x) 2026F	P/B (x) 2027F	Dividend Yield (%) 2026F	Dividend Yield (%) 2027F
Abu Dhabi Islamic Bank	21,557	12.0x	10.9x	2.7x	2.4x	4.3%	4.7%
Dubai Islamic Bank	15,131	8.7x	8.4x	1.2x	1.1x	4.7%	4.9%
Emirates NBD	52,727	8.5x	7.7x	1.3x	1.1x	3.3%	3.7%
Banque Saudi Fransi	12,513	9.4x	8.6x	1.0x	1.0x	5.9%	6.3%
Riyad Bank	21,294	8.0x	7.5x	1.1x	1.0x	5.5%	6.0%
Average		**9.3x**	**8.6x**	**1.5x**	**1.3x**	**4.7%**	**5.1%**
Median		**8.7x**	**8.4x**	**1.2x**	**1.1x**	**4.7%**	**4.9%**
Max		**9.4x**	**8.6x**	**1.3x**	**1.1x**	**5.5%**	**6.0%**
Min		**8.5x**	**7.7x**	**1.1x**	**1.0x**	**4.3%**	**4.7%**

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%

FAB Securities Contacts:

Research Analyst

Ahmad Banihani	+971-2-6161629	ahmad.banihani@Bankfab.com
Shahrukh Nawaz	+971-2 -6161612	Shahrukh.Nawaz@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	

DISCLAIMER