FAB SECURITIES أبوظبي الأول للأوراق المالية

Rights Issue | ADIB

UAE Equity Research   Sector: Banking   Market: ADX

Abu Dhabi Islamic Bank (ADIB)

Current Price	Target Price	Rating
AED 23.68	AED 26.00	BUY

ADIB Proposes AED 1.75 Bn Rights Issue to Drive Vision 2035 Expansion

Executive Summary

Abu Dhabi Islamic Bank (ADIB) has proposed an AED 1.75 Bn rights issue to support the next phase of growth under Vision 2035 and create sustainable long-term value for shareholders. The proposed issue will comprise 106.4 Mn new shares at AED 16.45 per share, representing a c. 28.8% discount to ADIB's closing share price of AED 23.10 on 24 August 2026. Eligible shareholders will be entitled to subscribe for approximately one new share for every 34.14 existing ADIB shares held. The transaction will provide existing shareholders with the opportunity to maintain their proportional ownership and participate in the Bank's growth. While the rights issue remains subject to shareholder and regulatory approvals, including approval from the Central Bank of the UAE, major shareholders have committed to subscribe for their respective entitlements.

Rights Issue Details

- **Size**: AED 1.75 Bn to be raised
- **Shares**: 106.383 Mn new ordinary shares to be issued
- **Capital base**: Share capital to increase from AED 3.63 Bn to AED 3.74 Bn post issue
- **Issue price**: AED 16.45 per share
- **Subscription**: Shareholders can subscribe for approximately 1 new share for every 34.14 shares held
- **Discount**: c. 28.8% to ADIB's closing share price of AED 23.10 on 24 August 2026
- **Shareholder support**: Major shareholders have committed to subscribe for their respective entitlements
- **Timeline**: Shareholders General Assembly on 06 Oct 2026, subject to Central Bank & CMA approvals

Transaction Highlights

- ADIB's Board of Directors approved a proposal to raise AED 1.75 Bn through a rights issue comprising 106.4 Mn new ordinary shares at AED 16.45 per share, raising share capital from AED 3.63 Bn to AED 5.4 Bn.
- The proposed issue will support ADIB's next phase of growth under Vision 2035, while enabling existing shareholders to participate in the Bank's growth and maintain their proportional ownership.
- Major shareholders have confirmed their commitment to participate and subscribe for their respective entitlements, demonstrating continued confidence in ADIB's strategy and long-term growth prospects.
- ADIB's total assets reached AED 304 Bn at the end of 1H26, surpassing the AED 300 Bn milestone for the first time in the Bank's history, following 24.3% YOY asset growth in 2025.
- The Bank continued to generate strong returns, with ROE at 28% in 2024, 29% in 2025 and 28% in 1H26 leading the industry.
- The proposed rights issue is intended to support sustainable and profitable growth, efficient capital deployment and the Bank's long-term growth ambitions under Vision 2035.
- At AED 16.45 per share, the issue price represents a c. 28.8% discount to the prevailing market price (of AED 23.10 on 24 August 2026), providing eligible shareholders with an opportunity to subscribe at a lower price.

Rationale for the Transaction

- **To support accelerated growth**: The proposed rights issue will provide ADIB with additional capital to support the next phase of business expansion under Vision 2035. This follows strong recent growth, with total assets reaching AED 304 Bn in 1H26 after expanding 24.3% in 2025.

- **To support efficient capital deployment**: The additional capital is expected to provide ADIB with greater capacity to deploy capital efficiently as it expands its business and customer franchise. The Bank highlighted its focus on sustaining healthy and profitable growth while maintaining attractive long-term returns.
- **To support shareholder value**: The rights issue will allow existing shareholders to participate in ADIB's next phase of growth and maintain their proportional ownership. Major shareholders commitment to subscribe for their respective entitlements further supports confidence in the Bank's strategy and long-term growth prospects.
- **Lower cost of funding**: Funding costs remained elevated in 2Q26 amid intense deposit competition. The rights issue should strengthen liquidity and reduce reliance on higher-cost wholesale funding, supporting a more efficient funding mix and lower finance costs going forward.

Expected Impact of Rights Issues

- **Earnings per Share (EPS):** We expect EPS to increase marginally by c. 0.2% to AED 1.836 post-issue in 2026, from AED 1.832 pre-issue, as the increase in net profit is expected to more than offset the dilution from the higher number of shares outstanding following the rights issue. While the rights issue increases the share count, higher earnings are expected to result in a modest improvement in EPS.
- **Net Profit Growth:** Net profit is projected to increase at a CAGR of 8.8% over five years without the rights issue, while the CAGR is expected to improve to 9.0% following the equity raise, supported by the Bank's enhanced capital base and greater capacity to support financing and asset growth.

	2026E		2027E	
	Pre-Issue	**Post-Issue**	**Pre-Issue**	**Post-Issue**
Net Profit (AED, Mn)	6,977	7,040	7,724	7,856
EPS	1.832	1.836	2.038	2.015

- **Return on Average Equity (ROAE):** Pre rights issue ROAE is expected to adjust from 24.0% in 2026 to 21.7% in 2030 while post rights issue ROE is expected to be 23.5% in 2026 to 21.1% in 2030. While earnings are expected to increase, the higher capital base is expected to spread returns over a larger equity base, resulting in a moderate reduction in ROAE.
- **Capital Ratios:** CET1 ratio is expected to improve from 11.7% in 2026 pre issuance to 12.4% in post issuance, while Tier 1 ratio is expected to increase from 13.9% in 2026 pre issuance to 14.6% in 2026 post issuance, and CAR from 14.8% in 2026 pre issuance to 15.6% post issuance, strengthening regulatory capital adequacy and providing greater capacity to support future balance-sheet growth.
- **Target Price:** We maintain our target price at AED 26.00 per share, with the impact of dilution largely offset by higher profitability post-issue.

	Pre-Issue	Post-Issue
Net Profit CAGR (2026-30)	8.8%	9.0%
ROAE	24.0% (2026) -21.7% (2030)	23.5% (2026)-21.1% (2030)
Capital Ratios (CET 1) (2026)	11.7%	12.4%
Target Price (AED)	26.00	26.00

ADIB – P&L

AED Mn	2025	2026E	2027E	2028E	2029E	2030E	CAGR (2026-30)
Net funded income	7,553	8,296	9,386	10,215	11,158	12,033	9.7%
Non-funded income	4,751	4,963	5,277	5,558	5,831	6,091	5.3%
Operating income	**12,304**	**13,259**	**14,663**	**15,774**	**16,989**	**18,124**	**8.1%**
Operating expenses	-3,525	-3,832	-4,146	-4,464	-4,765	-5,029	7.0%
Impairments	-678	-894	-993	-1,025	-1,039	-1,042	3.9%
Profit before tax	**8,101**	**8,533**	**9,523**	**10,285**	**11,185**	**12,053**	**9.0%**
Tax expense	-1,031	-1,084	-1,209	-1,306	-1,420	-1,531	**9.0%**
Profit for the period	**6,674**	**7,040**	**7,856**	**8,485**	**9,227**	**9,944**	**9.0%**

FABS estimate & Co Data

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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