

## Abu Dhabi Islamic Bank (ADIB)

Current Price	Target Price	Upside/Downside (%)	Rating
AED 18.04	AED 18.50	+2.5%	HOLD

### 1Q25 Net Profit higher than our estimate

- Net funded income grew 3.6% YOY to AED 1.75 Bn in 1Q25, driven by strong growth from Islamic Financings partially offset by an increase in funded expense.
- ADIB continued to expand its customer base, with 67,000 new customers joining in 1Q25 taking total customer base to c. 2 Mn, reflecting the bank's growing appeal and strong market position.
- Calculated NIMs fell 54 bps YOY to 3.1% in 1Q25, primarily due to lower asset yield.
- Non-funded income rose by 35.4% YOY to AED 1.1 Bn in 1Q25, primarily driven by higher fee and commission income, along with diversification across fee & commission, foreign exchange, and investment income streams.
- Cost-to-income ratio improved by 151 bps YOY to 28.9% during 1Q25, driven by revenue growth and effective cost management.
- Impairments fell 3.3% YOY to AED 106 Mn in 1Q25, with calculated cost of risk at 0.27% in 1Q25 compared to 0.36% during 1Q24.
- Total assets grew 25.1% YOY and 7.8% QOQ to AED 243.5 Bn in 1Q25, mainly driven by growth in customer financing and expansion in the investment portfolio.
- Asset quality continues to improve, with an NPA ratio of 3.7% in 1Q25, the lowest since 4Q16, accompanied by a record-high coverage ratio of 83%.
- Net advances grew by 28.4% YOY and 5.3% QOQ to AED 150.1 Bn in 1Q25, primarily fuelled by expansion in retail and government financing.
- Customer Deposits grew 24.9% YOY and 9.5% QOQ to AED 200.1 Bn, with CASA deposits of AED 139 Bn in 1Q25 accounting for 69.3% of total deposits in 1Q25.

### Earnings Call Summary

- ADIB expects the non-funded income to play a crucial role in the Bank's growth in the declining rate scenario.
- ADIB attracted 67,000 net new customers in 1Q25, bringing its total client base to around 2 million, demonstrating its strong capability to draw in new clients.
- The Bank's NPLs improved significantly from more than 5.5% in 1Q24 to 3.7% in 1Q25 and the management expects this number to continue to improve to the lower 3% mark.
- Cost of Risk was 0.37% during 1Q25 and is expected to remain between 0.4-0.5% in 2025, a healthy level due to better asset quality and effective risk management supported by continuous build-up of provisioning.
- ADIB's non-performing assets declined to AED 5.8 Bn in 1Q25 compared to AED 6.6 Bn in 1Q24, resulting in the lowest NPA ratio since 4Q16.
- The Bank's strategic focus on revenue diversification led to a strong growth in non-core income.
- Interest rate sensitivity remained unchanged at 120 Mn impact on net income from 50 bps change in net interest rates.
- Financing portfolio is expected to grow by 12-14% YOY in 2025 with balanced growth across the retail and corporate segment supported by healthy economic backdrop.
- NIMs are anticipated to stay stable and shall experience a gradual decline after the interest rate cut. NIMs projected to trend between 4-4.25% for 2025.

- Cost-to-income ratio improved from 30.4% in 1Q24 to 28.9% in 1Q25 and is expected to remain below 30.0% for 2025. Operating expenses grew 8.4% YOY to AED 0.8 Bn during 1Q25 to support the business expansion partially offset by effective cost management and digital efficiencies.
- The Bank further strengthens its capital position with the CET 1 ratio at 12.2% in 1Q25, compared to 12.6% 1Q24, supported by strong earnings and ongoing optimization initiatives. CAR stood at 16.2% as of 1Q25, both exceeding regulatory requirements defined by the UAE Central Bank.
- ADIB is also active in KSA with exposure of wholesale bank books with predominantly investment-grade GRES.

**ADIB – P&L**

AED Mn	1Q24	4Q24	1Q25	1Q25F	Var.	YOY Ch	QOQ Ch
<b>Net Funded Income</b>	<b>1,690</b>	<b>1,663</b>	<b>1,752</b>	<b>1,689</b>	<b>3.7%</b>	<b>3.6%</b>	<b>5.3%</b>
<b>Non-Funded Income</b>	<b>827</b>	<b>974</b>	<b>1,120</b>	<b>1,035</b>	<b>8.2%</b>	<b>35.4%</b>	<b>15.0%</b>
<b>Operating income</b>	<b>2,517</b>	<b>2,637</b>	<b>2,872</b>	<b>2,724</b>	<b>5.4%</b>	<b>14.1%</b>	<b>8.9%</b>
Operating expenses	-765	-821	-830	-818	1.4%	8.4%	1.1%
<b>Pre-provision income</b>	<b>1,752</b>	<b>1,817</b>	<b>2,042</b>	<b>1,905</b>	<b>7.2%</b>	<b>16.5%</b>	<b>12.4%</b>
Financing impairment	-109	-172	-106	-198	-46.6%	-3.3%	-38.5%
<b>Profit before NCI</b>	<b>1,643</b>	<b>1,645</b>	<b>1,936</b>	<b>1,707</b>	<b>13.4%</b>	<b>17.9%</b>	<b>17.7%</b>
NIC. & zakat	-286	-256	-320	-279	14.8%	12.0%	25.0%
<b>Net Profit</b>	<b>1,357</b>	<b>1,389</b>	<b>1,616</b>	<b>1,428</b>	<b>13.1%</b>	<b>19.1%</b>	<b>16.4%</b>

*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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