

## Commercial Bank of Dubai (CBD)

| Current Price | Target Price | Upside/Downside (%) | Rating |
|---------------|--------------|---------------------|--------|
| AED 9.55      | AED 9.25     | -3%                 | HOLD   |

### 3Q25 Net Profit in line with our estimate

- Net funded income grew 13.8% YOY to AED 1.1 Bn in 3Q25, attributable to a decline in funded expense due to a contraction in cost of funds.
- Net Interest Margin (NIMs) remained stable YOY and contracted 9 bps QOQ to 2.9% in 3Q25.
- Non-funded income declined 1.6% YOY to AED 503 Mn in 3Q25, mainly due to decline in other non-funded income partially offset by higher fees and commissions income and trading income.
- Operating expenses increased 10.5% YOY to AED 413 Mn in 3Q25. Cost-to-income ratio also grew 49 bps YOY and 10 bps QOQ to 26.2% in 3Q25.
- Impairment allowance declined 17.2% YOY to AED 260 Mn in 3Q25.
- Net profit grew 13.5% YOY to AED 884 Mn in 3Q25, primarily attributed to an increase in net funded income and lower impairment charges, partially offset by decline in non-funded income, higher operating expenses, taxes, and lower recoveries of loans and advances, as well as Islamic financing.
- Net advances grew 14.7% YOY and 5.4% QOQ to AED 105.2 Bn in 3Q25, attributed to growth across the majority of the sectors in its loan portfolio.
- Customer deposits grew 13.6% YOY and 4.8% QOQ to AED 112.1 Bn in 3Q25, with CASA deposits contributing 51.0% of total deposits in 3Q25, compared to 52.0% in 2Q25.
- The headline loan-to-deposit ratio increased marginally from 93.2% in 2Q25 to 93.8% in 3Q25.
- The Bank's capital position marginally improved, with CET1 ratio and CAR ratio standing at 12.9% and 15.8% in 3Q25.

### Earnings Call Summary

- The Bank's Gross lending surpassed AED 105 Bn, representing c.4.7% of the UAE loan market share.
- CBD revised its loan guidance from Mid-to-High single digit growth to Low-double digit growth for 2025. Furthermore, the Bank anticipates mid-to-high single-digit loan growth through 2026, in line with sector trends, and expects cost of risk to remain below 50 bps.
- The Bank's non-funded income remained broadly flat offsetting the one-off gains recorded in 3Q24, with strong performance in fees, commissions, and investment income in 3Q25.
- CBD expects non-funded income to rebound in 2026, driven by transaction banking, syndications, account fees, and trade-finance activities.
- The Bank projects net interest margins to stay stable, even amid potential rate cuts, due to proactive hedging and funding cost management.
- CBD anticipates continued mortgage growth in 4Q25 and early 2026, while acknowledging potential seasonal softness during the summer months.
- Islamic lending constitutes c.10% of CBD's total loans, reflecting a growing segment within the portfolio.
- CBD plans to prioritize domestic expansion over acquisitions, given the strong organic growth opportunities and high returns within the UAE market.
- The Bank remains confident that its strong balance sheet, diversified income base, and robust digital infrastructure positions it well to navigate margin pressures and rate volatility.
- The Bank reaffirmed its ROE guidance above 20% for 2026, supported by disciplined execution, stable margins, and strong asset quality.

**CBD - P&L**

| AED Mn                         | 3Q24         | 2Q25         | 3Q25         | 3Q25F        | Var.         | YOY Ch       | QOQ Ch       |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Funded income                  | 1,934        | 1,876        | 1,973        | 1,925        | 2.5%         | 2.1%         | 5.2%         |
| Funded expense                 | -990         | -847         | -899         | -854         | 5.3%         | -9.2%        | 6.2%         |
| <b>Net funded income</b>       | <b>943</b>   | <b>1,029</b> | <b>1,074</b> | <b>1,071</b> | <b>0.2%</b>  | <b>13.8%</b> | <b>4.3%</b>  |
| Fees and commissions           | 277          | 324          | 306          | 340          | -10.0%       | 10.5%        | -5.5%        |
| Trading income                 | 84           | 75           | 164          | 79           | NM           | 95.4%        | NM           |
| Other non-funded income        | 150          | 24           | 33           | 29           | 15.0%        | NM           | 38.0%        |
| <b>Total non-funded income</b> | <b>511</b>   | <b>423</b>   | <b>503</b>   | <b>448</b>   | <b>12.2%</b> | <b>-1.6%</b> | <b>18.8%</b> |
| <b>Total operating income</b>  | <b>1,454</b> | <b>1,453</b> | <b>1,577</b> | <b>1,520</b> | <b>3.8%</b>  | <b>8.4%</b>  | <b>8.6%</b>  |
| G&A expenses                   | -358         | -357         | -388         | -365         | 6.5%         | 8.4%         | 8.8%         |
| Depreciation and amortization  | -16          | -22          | -25          | -26          | -7.0%        | 56.7%        | 11.5%        |
| <b>Operating Expenses</b>      | <b>-374</b>  | <b>-379</b>  | <b>-413</b>  | <b>-391</b>  | <b>5.6%</b>  | <b>10.5%</b> | <b>9.0%</b>  |
| <b>Pre-provision profit</b>    | <b>1,081</b> | <b>1,074</b> | <b>1,164</b> | <b>1,128</b> | <b>3.2%</b>  | <b>7.7%</b>  | <b>8.4%</b>  |
| Impair allowance               | -314         | -164         | -260         | -183         | 42.2%        | -17.2%       | 58.8%        |
| Recoveries                     | 98           | 42           | 66           | 53           | 24.9%        | -32.3%       | 59.0%        |
| Impairment allow. on AFS inv.  | -9           | 1            | 0            | -3           | NM           | NM           | NM           |
| <b>Profit before tax</b>       | <b>855</b>   | <b>952</b>   | <b>970</b>   | <b>995</b>   | <b>-2.6%</b> | <b>13.4%</b> | <b>1.9%</b>  |
| Corporate tax                  | -76          | -85          | -86          | -89          | -2.5%        | 13.3%        | 1.9%         |
| <b>Net Profit</b>              | <b>779</b>   | <b>867</b>   | <b>884</b>   | <b>907</b>   | <b>-2.6%</b> | <b>13.5%</b> | <b>1.9%</b>  |

*FABS estimate & Co Data*
**CBD Guidance:**
**2025e Financial Guidance**

|                                                                                                                                                        |                                                                                                                                  |                                                                                                                                           |                                                                                                                                   |                                                                                                                                                 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|
| <br><b>Loan Growth</b><br><b>low double-digit percentage growth</b> | <br><b>Cost of Risk</b><br><b>&lt; 50 bps</b> | <br><b>Net Interest Margin</b><br><b>3.00% - 3.10%</b> | <br><b>Cost to Income</b><br><b>&lt; 27%</b> | <br><b>Return on Equity (after tax)</b><br><b>&gt; 21%</b> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|

## 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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