FAB SECURITIES أبوظبي الأول للأوراق المالية

Earnings Call Insight | 3Q25

UAE Equity Research | Sector: Banking | Market: DFM

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%
Net funded income	**943**	**1,029**	**1,074**	**1,071**	**0.2%**	**13.8%**	**4.3%**
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%
Total non-funded income	**511**	**423**	**503**	**448**	**12.2%**	**-1.6%**	**18.8%**
Total operating income	**1,454**	**1,453**	**1,577**	**1,520**	**3.8%**	**8.4%**	**8.6%**
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%
Operating Expenses	**-374**	**-379**	**-413**	**-391**	**5.6%**	**10.5%**	**9.0%**
Pre-provision profit	**1,081**	**1,074**	**1,164**	**1,128**	**3.2%**	**7.7%**	**8.4%**
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
Profit before tax	**855**	**952**	**970**	**995**	**-2.6%**	**13.4%**	**1.9%**
Corporate tax	-76	-85	-86	-89	-2.5%	13.3%	1.9%
Net Profit	**779**	**867**	**884**	**907**	**-2.6%**	**13.5%**	**1.9%**

FABS estimate & Co Data

CBD Guidance:

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

Sales & Execution

Abu Dhabi Head Office

Trading Desk +971-2-6161700/1 Online Trading Link

+971-2-6161777

Institutional Desk +971-4-4245765

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