

Commercial Bank of Dubai (CBD)

Robust asset quality and lower funding costs supported profitability

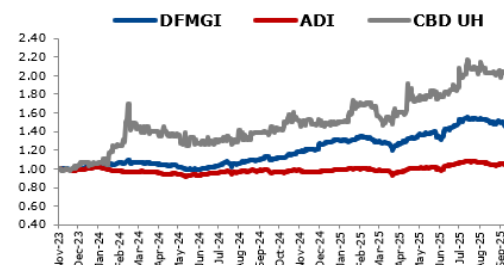
Current Price
AED 9.55

Target Price
AED 9.25

Upside/Downside (%)
-3%

Rating:
HOLD

- CBD's gross lending surpassed AED 105 Bn, representing c. 4.7% of the UAE loan market share.
- Bank revised its loan growth guidance for 2025 from mid-to-high single digits to low double digits, while maintaining expectations of mid-to-high single-digit growth through 2026.
- CBD capital position marginally improved, with CET 1 ratio and CAR ratio standing at 12.9% and 15.8% during 3Q25.
- Asset quality improved, with the reported NPL ratio declining from 4.1% in 2Q25 to 3.5% in 3Q25 and reported provision coverage increasing from 96.9% to 98.9% over the same period.



Stock Information

Market Cap (AED, mn)	28,508.58
Paid Up Capital (mn)	2,985.19
52 Week High	10.85
52 Week Low	6.50
3M Avg. daily value (AED)	80,004

3Q25 Result Review (AED, Mn)

Total Assets	163,409
Total Liabilities	144,836
Total Equity	18,572
Total Deposits	112,148
Net Profit	884

Financial Ratios

Dividend Yield (12m)	5.31
Dividend Pay-out (%)	52.27
Price-Earnings Ratio (x)	8.74
Price-to-Book Ratio (x)	1.74
Book Value (AED)	5.48
Return on Equity (%)	20.98

Stock Performance

5 Days	-1.55%
1 Months	-2.05%
3 Months	-1.04%
6 Months	25.66%
1 Year	36.43%
Month to Date (MTD%)	0.10%
Quarter to Date (QTD%)	0.10%
Year to Date (YTD%)	33.01%

3Q25 Net Profit in line with our estimate

Commercial Bank of Dubai ("CBD, "the Bank") net profit grew 13.5% YOY to AED 884 Mn in 3Q25, in line with our estimate of AED 907 Mn. The growth is 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.

P&L Highlights

CBD's funded income rose 2.1% YOY to AED 1,973 Mn in 3Q25, owing to an increase in loan and investment portfolio. On the other hand, the funded expenses fell 9.2% YOY to AED 899 Mn in 3Q25, owing to lower funding cost. Thus, the net funded income grew 13.8% YOY to AED 1,074 Mn in 3Q25. CBD's calculated NIMs remained stable YOY and declined 9 bps QOQ to 2.9% in 3Q25. The Bank's fees and commission income grew 10.5% YOY to AED 306 Mn in 3Q25. Trading income grew significantly from AED 84 Mn in 3Q24 to AED 164 Mn in 3Q25, while the other non-funded income declined from AED 150 Mn in 3Q24 to AED 33 Mn in 3Q25. As a result, the Bank's total non-funded income declined 1.6% YOY to AED 503 Mn in 3Q25. CBD's total operating income grew 8.4% YOY to AED 1,577 Mn in 3Q25. Furthermore, the G&A expenses increased by 8.4% YOY to AED 388 Mn in 3Q25. Depreciation and amortization expenses also grew from AED 16 Mn in 3Q24 to AED 25 Mn in 3Q25. Thus, total operating expenses increased from AED 374 Mn in 3Q24 to AED 413 Mn in 3Q25, primarily reflecting the Bank's ongoing investments in digital transformation, technology enhancements, business growth initiatives, and regulatory compliance measures. Resultantly, the cost-to-income ratio rose 49 bps YOY and 10 bps QOQ to 26.2% in 3Q25. Impairments on loans, advances and Islamic financing fell 17.2% YOY to AED 260 Mn in 3Q25. However, the recoveries on loans & advances and Islamic financing declined from AED 98 Mn in 3Q24 to AED 66 Mn in 3Q25. CBD incurred a corporate tax charge of AED 86 Mn in 3Q25, compared to AED 76 Mn in 3Q24.

Balance Sheet Highlights

CBD's net advances grew 14.7% YOY and 5.4% QOQ to AED 105.2 Bn in 3Q25. The Bank experienced strong growth in its loan portfolio across the majority of the sectors, with a substantial rise in contributions from Manufacturing, Real Estate, Financial and insurance activities, and Government entities, partially offset by a significant decline in the Construction and Transportation and storage sector in 3Q25. Further, the Bank's total assets rose 16.5% YOY and 8.5% QOQ to AED 163.4 Bn in 3Q25. Customer deposits experienced a healthy growth of 13.6% YOY and 4.8% QOQ to AED 112.1 Bn in 3Q25. The loan-to-deposit ratio reached 93.8% in 3Q25, compared to 93.2% in 2Q25.

Target Price and Rating

We revise our rating on CBD from REDUCE to HOLD, with unchanged target price at AED 9.25. Since our last review in October 2025, CBD's share price has declined by 2.2%. CBD reported a strong improvement in profitability during 3Q25, driven by higher net funded income and lower impairment charges. Gross lending surpassed AED 105 Bn, representing c. 4.7% of the UAE loan market share. Reflecting this robust performance, the Bank revised its loan growth guidance for 2025 from mid-to-high single digits to low double digits, while maintaining expectations of mid-to-high single-digit growth through 2026, broadly in line with sector trends. Customer deposits also showed solid momentum, rising 13.6% YOY and 4.8% QOQ to AED 112.1 Bn in 3Q25. The CASA ratio stood at 51.0%, supporting a low-cost funding base that helped cushion margins. NIMs remained stable YOY, though down 9 bps QOQ to 2.9% in 3Q25. The Bank expects NIMs to remain within the 3.0%-3.1% range through 2025, with minimal compression despite potential rate cuts, supported by proactive hedging and disciplined funding cost management. CBD has already absorbed a significant portion of market rate adjustments and does not anticipate any material NII impact from further rate reductions in 2026. The Bank's non-funded income remained broadly flat during 3Q25 offsetting one-off gains recorded in 3Q24 with strong growth in fees, commissions, and investment income. The Bank expects non-funded income to rebound in 2026, led by transaction banking, syndication, account fees, and trade-finance activities. The cost-to-income ratio increased 49 bps YOY and 10 bps QOQ to 26.2% in 3Q25, though management has guided this ratio to remain below 27% for 2025. Asset quality continued to improve, with the reported NPL ratio declining from 4.1% in 2Q25 to 3.5% in 3Q25 and reported provision coverage increasing from 96.9% to 98.9% over the same period. CBD's capital position remains robust, with CET1 and CAR ratios at 12.9% and 15.8%, respectively, comfortably above regulatory requirements. Shareholder returns also strengthened, as the reported ROA rose to 2.3% and reported ROE to 23.0% in 3Q25. The Bank also reaffirmed its ROE guidance above 20% for 2026, supported by stable margins, disciplined execution, and strong asset quality. Thus, based on the above-mentioned factors we revise our rating to HOLD on the stock.

CBD - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
P/E	25.63	21.65	16.84	11.32	9.84	8.46
P/B	2.80	2.51	2.44	2.10	1.87	1.66
BVPS	3.407	3.807	3.912	4.548	5.099	5.770
EPS	0.373	0.441	0.567	0.843	0.971	1.128
DPS	0.188	0.243	0.245	0.444	0.507	0.550
Dividend yield	2.0%	2.5%	2.6%	4.6%	5.3%	5.8%

FABS Estimates & Co Data

CBD – P&L

AED Mn	3Q24	2Q25	3Q25	3Q25F	Var.	YOY Ch	QOQ Ch	2024	2025F	Change
Funded income	1,934	1,876	1,973	1,925	2.5%	2.1%	5.2%	7,544	7,760	2.9%
Funded expense	-990	-847	-899	-854	5.3%	-9.2%	6.2%	-3,745	-3,572	-4.6%
Net funded income	943	1,029	1,074	1,071	0.2%	13.8%	4.3%	3,799	4,188	10.2%
Fees and commissions	277	324	306	340	-10.0%	10.5%	-5.5%	1,115	1,249	12.0%
Trading income	84	75	164	79	NM	95.4%	NM	337	408	21.1%
Other non-funded income	150	24	33	29	15.0%	NM	38.0%	240	137	-43.0%
Total non-funded income	511	423	503	448	12.2%	-1.6%	18.8%	1,692	1,793	6.0%
Total operating income	1,454	1,453	1,577	1,520	3.8%	8.4%	8.6%	5,491	5,982	8.9%
G&A Expenses	-358	-357	-388	-365	6.5%	8.4%	8.8%	-1,342	-1,490	11.0%
Depreciation & amortization	-16	-22	-25	-26	-7.0%	56.7%	11.5%	-61	-95	55.0%
Operating Expenses	-374	-379	-413	-391	5.6%	10.5%	9.0%	-1,403	-1,585	12.9%
Pre provision profit	1,081	1,074	1,164	1,128	3.2%	7.7%	8.4%	4,087	4,397	7.6%
Impairments	-314	-164	-260	-183	42.2%	-17.2%	58.8%	-990	-733	-25.9%
Recoveries	98	42	66	53	24.9%	-32.3%	59.0%	257	188	-26.9%
Impairment on AFS invest.	-9	1	0	-3	NM	NM	NM	-30	-5	NM
Profit before tax	855	952	970	995	-2.6%	13.4%	1.9%	3,325	3,847	15.7%
Corporate tax	-76	-85	-86	-89	-2.5%	13.3%	1.9%	-295	-346	17.2%
Net Profit	779	867	884	907	-2.6%	13.5%	1.9%	3,030	3,500	15.5%

FABS estimate & Co Data
CBD - KPI

	3Q24	2Q25	3Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	64.9%	70.9%	68.1%	324	-275	69.2%	70.0%	83
NIMs	3.0%	3.0%	2.9%	-2	-9	3.1%	3.0%	-10
NIS	2.5%	2.7%	2.6%	8	-7	2.6%	2.6%	1
Fees & comms/OI	19.0%	22.3%	19.4%	37	-289	20.3%	20.9%	57
Trading/OI	5.8%	5.2%	10.4%	463	519	6.1%	6.8%	69
Cost to income	25.7%	26.1%	26.2%	49	10	25.6%	26.5%	93
Impairment/PPP	20.9%	11.3%	16.7%	-422	533	18.6%	12.5%	-613
NP/OI	53.5%	59.7%	56.0%	249	-367	55.2%	58.5%	334
Cost of Risk	0.9%	0.5%	0.7%	-18	24	0.7%	0.50%	-24
Loan-to-deposit	93.0%	93.2%	93.8%	85	58	95.4%	91.3%	-407
NPL – Calculated	6.0%	5.0%	4.1%	-190	-89	5.4%	4.1%	-132
Coverage – Calculated	94.2%	92.6%	93.3%	-97	72	98.5%	95.0%	-349
CET1	13.4%	12.4%	12.9%	-46	50	12.4%	12.2%	-20
Capital adequacy	16.6%	15.4%	15.8%	-72	47	15.6%	15.1%	-45
ROAE	20.6%	21.6%	21.0%	38	-62	20.1%	20.8%	64
ROAA	2.2%	2.2%	2.2%	1	-2	2.5%	2.7%	22

FABS estimate & Co Data
CBD - Key B/S items

AED Mn	3Q24	4Q24	1Q25	2Q25	3Q25	YOY Ch
Net advances	91,746	93,049	96,932	99,816	1,05,223	14.7%
QOQ change	2.4%	1.4%	4.2%	3.0%	5.4%	
Total assets	1,40,217	1,40,175	1,41,129	1,50,607	1,63,409	16.5%
QOQ change	-0.7%	0.0%	0.7%	6.7%	8.5%	
Customer deposits	98,682	97,563	99,624	1,07,047	1,12,148	13.6%
QOQ change	-1.2%	-1.1%	2.1%	7.5%	4.8%	
Total equity	16,772	17,425	16,813	17,645	18,572	10.7%
QOQ change	5.9%	3.9%	-3.5%	4.9%	5.3%	

FABS estimate & Co Data

Valuation:

We use the Residual Income and Relative Valuation (RV) method to value CBD. We have assigned 70% weight to Residual Income and 30% to the RV method.

Valuation Method	Target	Weight	Weighted Value
Residual Income	9.37	70.0%	6.56
Relative Valuation (RV)	8.98	30.0%	2.69
Weighted Average Valuation (AED)			9.25
Current market price (AED)			9.55
Upside/Downside (%)			-3%

1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 9.2%. The cost of equity is calculated using a 10-year government bond yield of 5.1%, a beta of 0.9, and an equity risk premium of 4.4%. The government bond yield is calculated by adding the Dubai 10-year CDS spread to the 10-year US risk-free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	5,111
Terminal value (AED, Mn)	6,497
Book value of equity (as of Sep 2025)	16,369
FV to Common shareholders (AED, Mn)	27,976
No. of share (Mn)	2,985
Current Market Price (AED)	9.55
Fair Value per share (AED)	9.37

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net Profit	3,368	3,249	3,136	3,051	2,960	2,884
(-) Equity charge	-1,406	-1,591	-1,739	-1,891	-2,035	-2,157
Excess Equity	1,962	1,658	1,397	1,160	925	728
Discounting Factor	0.99	0.90	0.83	0.76	0.69	0.63
Present Value of Excess Equity	483¹	1,496	1,153	877	640	461

Source: FAB Securities, ¹Adjusted for partial year

2) Relative Valuation:

We have used local and international peers to value CBD, and it is valued using the PB multiple. It is valued at a 2026 PB multiple of 1.4x in line with peers.

Company	Market (USD Mn)	P/B (x)		PE (x)		Yield (%)	
		2025F	2026F	2025F	2026F	2025F	2026F
Dubai Islamic Bank	18,868	1.6	1.5	10.1	10.0	4.8%	4.9%
Emirates NBD	46,943	1.2	1.1	7.2	7.3	3.8%	4.0%
ADCB	31,277	1.5	1.4	11.0	10.0	4.1%	4.4%
MASQ	13,003	1.3	1.2	6.5	6.7	7.1%	8.4%
ADIB	22,800	3.0	2.7	12.7	11.9	3.9%	4.2%
Alinma Bank	17,558	1.8	1.7	11.2	10.7	4.3%	4.4%
Average		1.7x	1.6x	9.8x	9.4x	4.7%	5.0%
Median		1.6x	1.4x	10.5x	10.0x	4.2%	4.4%
Max		1.8x	1.6x	11.1x	10.5x	4.6%	4.7%
Min		1.4x	1.2x	7.9x	8.0x	3.9%	4.2%

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%

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