Commercial Bank of Dubai (CBD)

Current Price	Target Price	Upside/Downside (%)	Rating
AED 9.40	AED 10.70	+14%	ACCUMULATE

1Q26 Net Profit lower than our estimate

- Net funded income rose 2.4% YOY to AED 1.0 Bn in 1Q26, supported by lower funded expenses, partially offset by a decline in funded income.
- However, calculated net interest margins (NIMs) declined by 27 bps YOY and 8 bps QOQ to 2.8% in 1Q26.
- Non-funded income grew strongly by 16.0% YOY to AED 447 Mn in 1Q26, driven by higher trading income, fees and commissions, and other non-funded income.
- Operating expenses increased 5.8% YOY to AED 392 Mn in 1Q26. Consequently, the cost-to-income ratio improved by 11 bps YOY to 26.9% in 1Q26.
- Net profit increased marginally 0.2% YOY to AED 830 in 1Q26, supported by strong non-funded income, rise in net funded income and loan recoveries, partially offset by higher operating expenses, impairment charges, and taxes.
- Net advances grew 5.3% YOY and 1.0% QOQ to AED 102.1 Bn in 1Q26, reflecting growth across most sectors in the loan portfolio.
- Customer deposits increased 10.0% YOY but declined 1.5% QOQ to AED 109.6 Bn in 1Q26, with CASA deposits accounting for 51.1% of total deposits in 1Q26.
- The loan-to-deposit ratio declined by 421 bps YOY but increased by 234 bps QOQ to 93.1% in 1Q26.
- The Bank's CET1 and CAR ratios stood at 12.5% and 15.5%, respectively, in 1Q26.

Earnings Call Summary

- CBD expects mid-to-high single-digit loan growth in 2026 with sustained CASA momentum and ongoing focus on operational efficiency.
- CBD's reported net interest margin declined by 23 bps YOY to 2.83% in 1Q26, impacted by competitive pressures and slightly higher funding costs toward the end of the quarter, along with the impact of dividend payouts and timing differences in recoveries. The Bank further expects NIM to be 2.70% to 2.80% in 2026.
- CBD's cost efficiency improved, with the cost-to-income ratio declining 11 bps YOY to 26.9% in 1Q26, even as the bank continued investing in digitization. The Bank expects this ratio to remain less than 28% in 2026.
- The Bank's total assets declined 1.5% QOQ to AED 157.9 Bn in 1Q26 due to lower business activity in March and a reduction in excess liquidity held earlier.
- The Bank's CASA ratio improved from 48.9% in 4Q25 to 51.1% in 1Q26, reflecting a strong funding profile supported by stable, low-cost deposits.
- CBD reported an NPL ratio of 3.55% and a coverage ratio at 104.72% in 1Q26, reflecting prudent provisioning, including macroeconomic overlays.
- The Bank indicated limited impact on stressed sectors like travel, tourism, and events, with few deferral requests, as disruptions were short-term and offset by strong Jan–Feb performance, while continuing to support clients on a case-by-case basis.
- The Bank's funding costs increased moderately following the rise in EIBOR, but the impact remained limited as the bank did not need to aggressively reprice deposits amid a stable and liquid funding environment with moderate growth.
- CBD's total impairments increased from AED 91 Mn in 1Q25 to AED 152 Mn in 1Q26, mainly due to conservative macroeconomic overlays. This included higher weighting to adverse scenarios, lower

weighting to upside scenarios, and additional provisions for potential declines in collateral values, rather than any underlying deterioration in asset quality.

- The Bank primarily operates in the domestic UAE market with limited reliance on dollar funding and thus does not face any concerns regarding USD liquidity.
- The Bank revised its outlook from three expected rate cuts to around one, highlighting uncertainty in the macro environment and persistent inflation risks.
- The Bank increased its 2026 cost of risk guidance to less than 70 bps, driven by conservative macroeconomic overlays, while emphasizing that this is not due to stress in real estate or mortgages and the underlying loan book remains strong.
- CBD continues to see growth opportunities, especially in wealth management, while supporting customers across mortgages, accounts, and credit cards, with a strong focus on delivering a seamless digital experience.

CBD - P&L

AED Mn	**1Q25**	**4Q25**	**1Q26**	**1Q26F**	**Var**	**YOY Ch**	**QOQ Ch**
Funded income	1,831	1,977	1,821	2,004	-9.2%	-0.5%	-7.9%
Funded expense	-845	-914	-812	-921	-11.8%	-3.9%	-11.2%
Net funded income	**985**	**1,063**	**1,009**	**1,084**	**-6.9%**	**2.4%**	**-5.1%**
Fees and commissions	274	267	296	289	2.4%	8.0%	10.6%
Trading income	75	179	111	90	23.7%	47.6%	-38.0%
Other non-funded income	37	10	41	18	122.8%	10.7%	NM
Total non-funded income	**386**	**456**	**447**	**397**	**12.8%**	**16.0%**	**-1.9%**
Total operating income	**1,371**	**1,519**	**1,456**	**1,480**	**-1.6%**	**6.2%**	**-4.1%**
G&A expenses	-351	-363	-359	-356	0.9%	2.5%	-1.1%
Depreciation and amortization	-20	-28	-32	-22	43.8%	65.0%	14.0%
Operating Expenses	**-370**	**-392**	**-392**	**-378**	**3.5%**	**5.8%**	**0.0%**
Pre-provision profit	**1,001**	**1,127**	**1,065**	**1,102**	**-3.4%**	**6.4%**	**-5.5%**
Impair allowance	-116	-162	-180	-164	9.6%	54.4%	10.5%
Recoveries	31	51	46	44	6.5%	49.3%	-8.3%
Impairment allow. on AFS inv.	-5	-3	-19	-10	83.9%	252.7%	NM
Profit before tax	**910**	**1,012**	**912**	**971**	**-6.1%**	**0.3%**	**-9.9%**
Corporate tax	-82	-91	-82	-87	-5.9%	0.5%	-9.6%
Net Profit	**828**	**921**	**830**	**884**	**-6.1%**	**0.2%**	**-9.9%**

FABS estimate & Co Data

Management Guidance:

FAB SECURITIES أبوظبي الأول للأوراق المالية

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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