

## Commercial Bank of Dubai (CBD)

Growth supported by strong non-funded income despite higher impairments

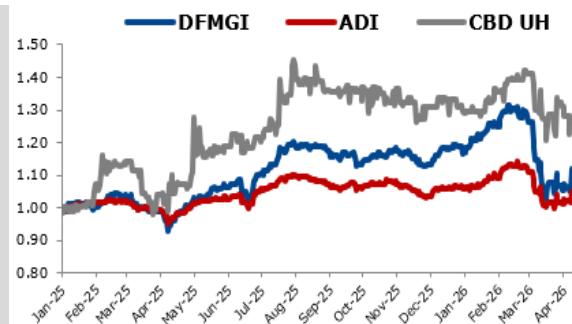
**Current Price**  
AED 9.04

**Target Price**  
AED 10.70

**Upside/Downside (%)**  
**+18%**

**Rating:**  
**BUY**

- The Bank expects loans to grow by mid-to-high single digits, along with stable CASA and deposit growth in 2026. Management revised its cost of risk guidance upward from below 50 bps to below 70 bps and maintained a cost-to-income ratio below 28% in 2026.
- In March 2026, the Bank paid a cash dividend of AED 1.7 Bn in 2025, representing a 50% payout ratio and equating to 58.62 fils per share.
- CASA ratio improved from 48.9% in 4Q25 to 51.1% in 1Q26, reflecting a strong funding profile supported by stable and 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.



### 1Q26 Net Profit lower than our estimate

Commercial Bank of Dubai ("CBD, "the Bank") net profit grew marginally 0.2% YOY to AED 830 Mn in 1Q26, lower than our estimate of AED 884 Mn. The growth is supported by higher non-funded income, net-funded income and loan recoveries, partially offset by higher operating expenses and impairment charges.

### P&L Highlights

CBD's funded income declined marginally 0.5% YOY to AED 1,821 Mn in 1Q26, owing to decrease in asset yield, partially offset by an increase in the loan and investment portfolio. The funded expenses fell 3.9% YOY to AED 812 Mn in 1Q26, owing to lower funding costs partially offset by increased in an interest earning liabilities. Thus, the net funded income grew 2.4% YOY to AED 1,009 Mn in 1Q26, driven by loan and CASA balances growth. CBD's reported NIMs fell 23 bps YOY to 2.83% in 1Q26, mainly due to competitive pressure, slightly higher funding costs late in the quarter, and timing impacts from dividends and recoveries. The Bank's fees and commission income grew 8.0% YOY to AED 296 Mn in 1Q26, due to increase in income from trade finance and others, partially offset by decline in income from investment sales and loan fees. Trading income grew from AED 75 Mn in 1Q25 to AED 111 Mn in 1Q26, while the other non-funded income increased 10.7% YOY to AED 41 Mn in 1Q26. As a result, the Bank's total non-funded income increased 16.0% YOY to AED 447 Mn in 1Q26. CBD's total operating income grew 6.2% YOY to AED 1,456 Mn in 1Q26. Furthermore, the G&A expenses increased 2.5% YOY to AED 359 Mn in 1Q26. D&A expenses grew from AED 20 Mn in 1Q25 to AED 32 Mn in 1Q26. Thus, total operating expenses increased 5.8% YOY to AED 392 Mn in 1Q26, primarily driven by investments in digitisation, technology, business expansion, and regulatory compliance. However, the cost-to-income ratio improved 11 bps YOY to 26.9% in 1Q26, even as the bank continued investing in digitization.

### Stock Information

Market Cap (AED, mn)	28,120.51
Paid Up Capital (mn)	2,985.19
52 Week High	10.85
52 Week Low	7.60
3M Avg. daily value (AED)	281,036

### 1Q26 Result Review (AED, Mn)

Total Assets	157,922
Total Liabilities	139,607
Total Equity	18,315
Total Deposits	109,633
Net Profit	830

### Financial Ratios

Dividend Yield (12m)	6.24
Dividend Pay-out (%)	51.96
Price-Earnings Ratio (x)	8.30
Price-to-Book Ratio (x)	1.75
Book Value (AED)	5.40
Return on Equity (%)	21.94

### Stock Performance

5 Days	-0.74%
1 Months	7.29%
3 Months	-0.84%
6 Months	-0.84%
1 Year	23.95%
Month to Date (MTD%)	0.32%
Quarter to Date (QTD%)	0.32%
Year to Date (YTD%)	1.62%

Impairments on loans & advances and Islamic financing increased from AED 116 Mn in 1Q25 to AED 180 Mn in 1Q26. While, the recoveries on loans & advances and Islamic financing increased 49.3% YOY to AED 46 Mn in 1Q26. The Bank's impairment allowances on AFS investment increased from AED 5 Mn in 1Q25 to AED 19 Mn in 1Q26. CBD's corporate tax charge increased marginally 0.5% YOY to AED 82 Mn in 1Q26 in line with growth in profit before tax.

### Balance Sheet Highlights

CBD's net advances grew 5.3% YOY and 1.0% QOQ to AED 102.1 Bn in 1Q26. On a sequential basis, the Bank's growth in gross loans was primarily driven by higher exposures in Personal Mortgages, Real estate, and Financial & Insurance activities and Others, partially offset by decline in exposure to government entities, individual consumption loans, transportation & storage, Hospitality and Manufacturing segments. The reported NPL ratio declined 74 bps YOY and 3 bps QOQ to 3.55% in 1Q26. Further, the Bank's total assets rose 11.9% YOY, whereas it 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. Customer deposits experienced a healthy growth of 10.0% YOY and declined 1.5% QOQ to AED 109.6 Bn in 1Q26. The loan-to-deposit ratio reached 93.1% in 1Q26, compared to 90.7% in 4Q25.

### Target Price and Rating

We maintain our BUY rating on CBD with an unchanged target price of AED 10.70. The Bank reported stable net profit growth in 1Q26, supported by growth in loans and CASA balances offsetting macroeconomic credit overlays and higher expenses. Gross lending reached AED 106.4 Bn, representing c. 4.0% of the UAE loan market share in 1Q26. The Bank maintained its loan growth guidance for 2026 from mid-to-high single digits, broadly in line with sector trends. CBD's investment securities portfolio rose to AED 21.0 Bn in 1Q26, predominantly comprising fixed-rate government securities (85.6%), followed by other fixed-rate securities (13.6%), while fund of funds and equities accounted for a minimal 0.8% of the total portfolio in the quarter. On the funding side, the Bank continued to benefit from a well-diversified and stable deposit base. Customer deposits showed growth, rising 10.0% YOY to AED 109.6 Bn in 1Q26, and CASA deposits comprised 51.1% of the total deposit in 1Q26 compared to 48.9% in 4Q25, reflecting a strong funding profile supported by stable, low-cost deposits. Corporate contributed AED 53.1 Bn to total deposit whereas Government constituted AED 15.2 Bn in 1Q26. 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 reported 0.57% cost of risk in 1Q26, and 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. 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. On asset quality, 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 maintained 20.6% return on equity after tax (reported) in 1Q26 and expects to maintain more than 18% 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 below 28% in 2026. CBD's capital ratios were healthy with the capital adequacy ratio (CAR) at 15.45%, Tier 1 ratio at 14.32% and Common Equity Tier 1 (CET1) ratio at 12.54%, all comfortably above the regulatory minimum requirements set by the UAE Central Bank. Furthermore, in March 2026, the Bank paid a cash dividend of AED 1.7 Bn in 2025, representing a 50% payout ratio and equating to 58.62 fils per share. Thus, based on the above-mentioned factors, we revise our rating to BUY on the stock.

### CBD - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
P/E	21.31	16.58	11.14	9.68	8.33	8.69
P/B	2.47	2.40	2.07	1.84	1.63	1.50
BVPS	3.807	3.912	4.548	5.099	5.768	6.264
EPS	0.441	0.567	0.843	0.971	1.128	1.082
DPS	0.243	0.245	0.444	0.507	0.586	0.586
Dividend yield	2.6%	2.6%	4.7%	5.4%	6.2%	6.2%

FABS Estimates & Co Data

**CBD – P&L**

AED Mn	1Q25	4Q25	1Q26	1Q26F	Var.	YOY Ch	QOQ Ch	2025	2026F	Change
Funded income	1,831	1,977	1,821	2,004	-9.2%	-0.5%	-7.9%	7,657	7,470	-2.4%
Funded expense	-845	-914	-812	-921	-11.8%	-3.9%	-11.2%	-3,505	-3,312	-5.5%
<b>Net funded income</b>	<b>985</b>	<b>1,063</b>	<b>1,009</b>	<b>1,084</b>	<b>-6.9%</b>	<b>2.4%</b>	<b>-5.1%</b>	<b>4,151</b>	<b>4,158</b>	<b>0.2%</b>
Fees and commissions	274	267	296	289	2.4%	8.0%	10.6%	1,171	1,253	7.0%
Trading income	75	179	111	90	23.7%	47.6%	-38.0%	493	384	-22.1%
Other non-funded income	37	10	41	18	NM	10.7%	NM	103	129	25.0%
<b>Total non-funded income</b>	<b>386</b>	<b>456</b>	<b>447</b>	<b>397</b>	<b>12.8%</b>	<b>16.0%</b>	<b>-1.9%</b>	<b>1,768</b>	<b>1,767</b>	<b>-0.1%</b>
<b>Total operating income</b>	<b>1,371</b>	<b>1,519</b>	<b>1,456</b>	<b>1,480</b>	<b>-1.6%</b>	<b>6.2%</b>	<b>-4.1%</b>	<b>5,919</b>	<b>5,925</b>	<b>0.1%</b>
G&A Expenses	-351	-363	-359	-356	0.9%	2.5%	-1.1%	-1,459	-1,445	-1.0%
Depreciation & amortization	-20	-28	-32	-22	43.8%	65.0%	14.0%	-95	-90	-5.0%
<b>Operating Expenses</b>	<b>-370</b>	<b>-392</b>	<b>-392</b>	<b>-378</b>	<b>3.5%</b>	<b>5.8%</b>	<b>0.0%</b>	<b>-1,554</b>	<b>-1,535</b>	<b>-1.2%</b>
<b>Pre provision profit</b>	<b>1,001</b>	<b>1,127</b>	<b>1,065</b>	<b>1,102</b>	<b>-3.4%</b>	<b>6.4%</b>	<b>-5.5%</b>	<b>4,365</b>	<b>4,390</b>	<b>0.6%</b>
Impairments	-116	-162	-180	-164	9.6%	54.4%	10.5%	-710	-842	18.7%
Recoveries	31	51	46	44	6.5%	49.3%	-8.3%	189	169	-10.8%
Impairment on AFS invest.	-5	-3	-19	-10	83.9%	NM	NM	-1	-22	NM
<b>Profit before tax</b>	<b>910</b>	<b>1,012</b>	<b>912</b>	<b>971</b>	<b>-6.1%</b>	<b>0.3%</b>	<b>-9.9%</b>	<b>3,844</b>	<b>3,695</b>	<b>-3.9%</b>
Corporate tax	-82	-91	-82	-87	-5.9%	0.5%	-9.6%	-344	-333	-3.4%
<b>Net Profit</b>	<b>828</b>	<b>921</b>	<b>830</b>	<b>884</b>	<b>-6.1%</b>	<b>0.2%</b>	<b>-9.9%</b>	<b>3,500</b>	<b>3,362</b>	<b>-3.9%</b>

*FABS estimate & Co Data*
**CBD - KPI**

	1Q25	4Q25	1Q26	YOY Ch	QOQ Ch	2025	2026F	Change
Net FI/OI	71.9%	70.0%	69.3%	-259	-70	70.1%	70.2%	5
NIMs	3.0%	2.8%	2.8%	-27	-8	3.0%	2.7%	-25
NIS	2.6%	2.5%	2.4%	-19	-5	2.6%	2.4%	-20
Fees & comms/OI	20.0%	17.6%	20.3%	34	270	19.8%	21.2%	137
Trading/OI	5.5%	11.8%	7.6%	214	-416	8.3%	6.5%	-185
Cost to income	27.0%	25.8%	26.9%	-11	111	26.3%	25.9%	-35
Impairment/PPP	9.1%	10.2%	14.3%	525	410	11.9%	15.8%	390
NP/OI	60.4%	60.6%	57.0%	-341	-365	59.1%	56.7%	-238
Cost of Risk	0.3%	0.4%	0.5%	17	8	0.49%	0.60%	11
Loan-to-deposit	97.3%	90.7%	93.1%	-421	234	90.7%	92.0%	125
NPL – Calculated	5.3%	4.3%	4.2%	-107	-6	4.3%	4.3%	4
Coverage – Calculated	96.4%	96.6%	96.3%	-12	-30	96.6%	97.0%	43
CET1	12.3%	12.5%	12.5%	26	0	12.5%	12.8%	30
Capital adequacy	15.3%	15.5%	15.5%	14	-7	15.5%	15.7%	14
ROAE	22.0%	20.8%	21.9%	-3	117	20.8%	18.0%	-278
ROAA	2.3%	2.3%	2.3%	2	1	2.7%	2.4%	-30

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

AED Mn	1Q25	2Q24	3Q25	4Q25	1Q26	YOY Ch
Net advances	96,932	99,816	105,223	101,049	102,055	5.3%
QOQ change	4.2%	3.0%	5.4%	-4.0%	1.0%	
Total assets	141,129	150,607	163,409	160,308	157,922	11.9%
QOQ change	0.7%	6.7%	8.5%	-1.9%	-1.5%	
Customer deposits	99,624	107,047	112,148	111,353	109,633	10.0%
QOQ change	2.1%	7.5%	4.8%	-0.7%	-1.5%	
Total equity	16,813	17,645	18,572	19,422	18,315	8.9%
QOQ change	-3.5%	4.9%	5.3%	4.6%	-5.7%	

*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	12.04	70.0%	8.43
Relative Valuation (RV)	7.56	30.0%	2.27
<b>Weighted Average Valuation (AED)</b>			<b>10.70</b>
Current market price (AED)			9.04
Upside/Downside (%)			+18%

### 1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 9.3%. The cost of equity is calculated using a 10-year government bond yield of 4.2%, a beta of 0.95, and an equity risk premium of 4.2%. 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)	5,806
Terminal value (AED, Mn)	14,019
Book value of equity (as of Mar 2026)	16,112
<b>FV to Common shareholders (AED, Mn)</b>	<b>35,937</b>
No. of share (Mn)	2,985
Current Market Price (AED)	9.04
<b>Fair Value per share (AED)</b>	<b>12.04</b>

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net Profit	3,230	3,281	3,435	3,563	3,720
(-) Equity charge	-1,596	-1,733	-1,881	-2,041	-2,206
<b>Excess Equity</b>	<b>1,634</b>	<b>1,548</b>	<b>1,553</b>	<b>1,522</b>	<b>1,514</b>
Discounting Factor	0.94	0.86	0.79	0.72	0.66
<b>Present Value of Excess Equity</b>	<b>1,153<sup>1</sup></b>	<b>1,333</b>	<b>1,224</b>	<b>1,097</b>	<b>999</b>

Source: FAB Securities, <sup>1</sup> Adjusted for partial year

## 2) Relative Valuation:

We have used local and international peers to value CBD, and it is valued using the P/B multiple. It is valued at a 2026 P/B multiple of 1.2x in line with peers.

Company	Market (USD Mn)	P/B (x)		PE (x)		Yield (%)	
		2026F	2027F	2026F	2027F	2026F	2027F
Dubai Islamic Bank	14,500	1.1	1.1	8.1	7.7	5.2%	5.7%
Emirates NBD	51,450	1.2	1.1	8.0	7.4	3.5%	3.9%
ADCB	27,941	1.2	1.1	8.7	7.7	5.2%	5.5%
MASQ	11,906	1.1	1.2	6.3	7.0	7.5%	NA
ADIB	22,346	2.8	2.5	12.0	10.8	4.4%	4.8%
Alinma Bank	19,851	1.8	1.7	11.8	10.8	3.2%	3.6%
<b>Average</b>		<b>1.5x</b>	<b>1.4x</b>	<b>9.1x</b>	<b>8.6x</b>	<b>4.8%</b>	<b>4.7%</b>
<b>Median</b>		<b>1.2x</b>	<b>1.1x</b>	<b>8.4x</b>	<b>7.7x</b>	<b>4.8%</b>	<b>4.8%</b>
<b>Max</b>		<b>1.7x</b>	<b>1.6x</b>	<b>11.0x</b>	<b>10.1x</b>	<b>5.2%</b>	<b>5.5%</b>
<b>Min</b>		<b>1.2x</b>	<b>1.1x</b>	<b>8.0x</b>	<b>7.5x</b>	<b>3.7%</b>	<b>3.9%</b>

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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