

## Commercial Bank International (CBI)

Higher impairment charges and absence of one-off gains weigh on net profit

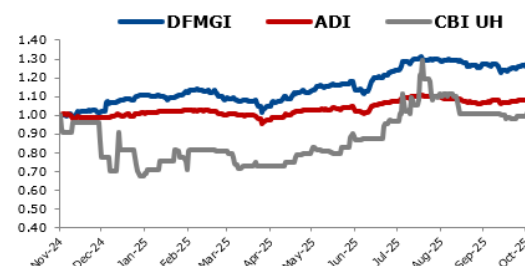
**Current Price**  
AED 0.90

**Target Price**  
AED 1.05

**Upside/Downside (%)**  
+17%

**Rating**  
BUY

- Net funded income grew 17.5% YOY to AED 99 Mn in 3Q25, while the NIMs expanded 32 bps YOY and 9 bps QOQ to 2.2% in 3Q25.
- Total assets fell 1.1% YOY and increased 0.9% QOQ basis to AED 20.8 Bn in 3Q25, while the Customer deposits grew 3.8% YOY, and 3.9% QOQ to AED 15.8 Bn in 3Q25.
- CBIs calculated NPL ratio declined 41 bps QOQ to 16.4%, and the coverage ratio improved 693 bps QOQ to 51.6% during 3Q25.
- Loan to deposit decreased from 85.3% in 2Q25 to 81.0% in 3Q25.
- Capitalisation remains solid, with CET1 and CAR at 13.8% and 17.7%, respectively, during 3Q25.



### 3Q25 Net Profit lower than our estimates

Commercial Bank International ("CBI"/ "The Bank") net profit declined from AED 149 Mn in 3Q24 to AED 15 Mn in 3Q25, lower than our estimate of AED 45 Mn. The decline in net profit is primarily due to a decrease in non-funded income and an increase in impairment charges, partially offset by growth in net funded income, lower operating expenses and a decline in tax charges. The Company's net profit in 3Q24 was elevated by a one-off gain from the sale of non-financial assets, which had temporarily boosted non-funded income.

### P&L Highlights

CBI's funded income fell 13.9% YOY to AED 216 Mn in 3Q25, attributed to a decline in asset yield, partially offset by an increase in loans & advances and investments. However, income from Islamic financing and investment assets fell 26.2% YOY to AED 23 Mn in 3Q25, driven by a significant decline in average Islamic financing assets. Funded expenses shrank 29.2% YOY to AED 140 Mn in 3Q25 owing to lower cost of funds. As a result, the net funded income grew 17.5% YOY to AED 99 Mn in 3Q25. NIMs grew 32 bps YOY and 9 bps QOQ to 2.2% in 3Q25. Net fees and commission income declined from AED 41 Mn in 3Q24 to AED 30 Mn in 3Q25. Other operating income dropped sharply from AED 155 Mn in 3Q24 to AED 43 Mn in 3Q25, primarily due to the absence of the one-off gains recognized in 3Q24 from the sale of non-financial assets. As a result, the non-funded income decreased significantly from AED 196 Mn in 3Q24 to AED 73 Mn in 3Q25. Thus, total operating income decreased 38.6% YOY to AED 172 Mn in 3Q25. Similarly, operating expenses fell 6.0% YOY to AED 102 Mn in 3Q25. However, the cost-to-income ratio increased substantially from AED 38.7% in 3Q24 to 59.2% in 3Q25. The Bank's impairment charges grew significantly from AED 6 Mn in 3Q24 to AED 54 Mn in 3Q25. CBI's tax charges declined from AED 15 Mn in 3Q24 to AED 2 Mn in 3Q25.

### Stock Information

Market Cap (AED, Mn)	1,554.96
Paid Up Capital (Mn)	1,737.38
52 Week High	1.28
52 Week Low	0.67
3M Avg. daily value (AED)	64,470

### 3Q25 Result Review (AED, Mn)

Total Assets	20,772
Total Liabilities	17,632
Total Equity	3,019
Total Deposits	15,774
Net Profit	15

### Financial Ratios

Dividend Yield (12m)	N/A
Dividend Pay-out (%)	0.00
Price-Earnings Ratio(x)	22.24
Price-to-Book Ratio (x)	0.61
Book Value (AED)	1.47
Return-on Equity (%)	2.79

### Stock Performance

5 Days	-1.10%
1 Months	-9.14%
3 Months	-17.89%
6 Months	10.49%
1 Year	-0.56%
Month to Date (MTD%)	-6.87%
Quarter to Date (QTD%)	-8.49%
Year to Date (YTD%)	10.49%

## Balance Sheet Highlights

CBI's total assets declined 1.1% YOY but grew marginally 0.9% on a QOQ basis to AED 20.8 Bn in 3Q25. Net advances fell 1.0% YOY and 1.3% QOQ to AED 12.8 Bn in 3Q25. Customer deposits grew 3.8% YOY and 3.9% QOQ to AED 15.8 Bn in 3Q25. As a result, the loan-to-deposit ratio fell from 85.3% in 2Q25 to 81.0% in 3Q25. Additionally, the shareholders equity increased 1.6% YOY and 0.6% QOQ to AED 3.0 Bn in 3Q25.

## Target Price and Rating

We revised our rating from HOLD to BUY on CBI with an unchanged target price of AED 1.05. The Bank's stock price declined 8.9% since our last rating (October 2025). While CBI's net profit softened in 3Q25, driven by lower non-funded income due to the absence of the one-off gain from the sale of non-financial assets in 3Q24, along with higher impairment charges, the Bank's underlying fundamentals continue to strengthen. The Bank's core income rose 17.5% YOY to AED 99 Mn in 3Q25, supported by higher lending and an expanded investment portfolio. Loans and advances except Islamic financing grew 10.8% YOY and 10.0% QOQ to AED 12.4 Bn in 3Q25, with wholesale lending accounting for 92.7% of the book, reflecting the Bank's focus on large-ticket corporate opportunities. However, Islamic financing and investment assets declined sharply from AED 1,712 Mn in 2Q25 to AED 423 Mn in 3Q25. Customer deposits increased 3.8% YOY and 3.9% QOQ to AED 15.8 Bn in 3Q25, although the deposit base remains dominated by high-cost term deposits. NIMs improved by 32 bps YOY and 9 bps QOQ to 2.2% in 3Q25, aided by a reduction in funding costs. Asset quality continued to improve, with the NPL ratio declining from 16.8% in 2Q25 to 16.4% in 3Q25, while the coverage ratio strengthened to 51.6% in 3Q25 from 44.7% in 2Q25, highlighting enhanced provisioning buffers. Capitalisation remains solid, with CET1 and CAR at 13.8% and 17.7%, respectively, during 3Q25, underscoring strong balance-sheet resilience. Given the improvement in core operating metrics, stronger capital and provision buffers, and the recent correction in the share price, we upgraded CBI to BUY with an unchanged target price of AED 1.05.

### CBI - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	NM	12.84	13.34	10.16	7.77	13.09
PB	0.79	0.75	0.73	0.68	0.63	0.60
BVPS	1.134	1.200	1.230	1.320	1.422	1.490
EPS	NM	0.070	0.067	0.089	0.116	0.069

FABS Estimates & Co Data

### CBI - P&L

AED Mn	3Q24	2Q25	3Q25	3Q25F	VAR	YOY Ch	QOQ Ch	2024	2025F	Change
Funded income	251	206	216	211	2.3%	-13.9%	4.7%	978	873	-10.7%
Income from Islamic fin & invt assets	31	34	23	28	-17.7%	-26.2%	-31.9%	105	111	6.7%
Funded expenses	-198	-146	-140	-144	-2.7%	-29.2%	-3.8%	-614	-587	-4.4%
<b>Net funded income</b>	<b>84</b>	<b>95</b>	<b>99</b>	<b>95</b>	<b>4.1%</b>	<b>17.5%</b>	<b>4.6%</b>	<b>344</b>	<b>398</b>	<b>15.6%</b>
Fees and commissions	41	28	30	35	-13.1%	-26.0%	9.3%	138	145	5.0%
Other operating income, net	155	22	43	33	29.4%	NM	96.6%	221	170	-23.0%
<b>Total non-funded income</b>	<b>194</b>	<b>50</b>	<b>73</b>	<b>68</b>	<b>7.5%</b>	<b>-62.4%</b>	<b>47.6%</b>	<b>359</b>	<b>316</b>	<b>-12.1%</b>
<b>Total operating income</b>	<b>278</b>	<b>144</b>	<b>172</b>	<b>162</b>	<b>6.2%</b>	<b>-38.2%</b>	<b>19.4%</b>	<b>703</b>	<b>713</b>	<b>1.4%</b>
Operating expenses	-108	-100	-102	-105	-3.0%	-6.0%	2.4%	-378	-408	8.0%
<b>Pre provision profit</b>	<b>170</b>	<b>45</b>	<b>70</b>	<b>57</b>	<b>23.0%</b>	<b>-58.8%</b>	<b>57.3%</b>	<b>326</b>	<b>305</b>	<b>-6.2%</b>
Impairment	-6	3	-54	-8	NM	NM	NM	-103	-173	68.4%
UAE Corporate Tax	-15	-5	-2	-4	-56.1%	NM	-65.3%	-21	-12	-42.9%
Non-controlling interests	0	0	-1	0	NM	NM	NM	1	1	NM
<b>Net Profit</b>	<b>149</b>	<b>43</b>	<b>15</b>	<b>45</b>	<b>-66.5%</b>	<b>-89.9%</b>	<b>-64.7%</b>	<b>201</b>	<b>119</b>	<b>-40.6%</b>

FABS estimate & Co Data

**CBI – P&L KPI**

	3Q24	2Q25	3Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	30.2%	65.6%	57.5%	NM	-812	48.9%	55.7%	683
NIM	1.9%	2.1%	2.2%	32	9	1.9%	2.1%	20
NIS	1.4%	1.8%	1.9%	45	10	1.5%	1.7%	29
Fees & comms/OI	14.8%	19.3%	17.7%	292	-163	19.7%	20.4%	69
Trading/OI	55.6%	15.1%	24.8%	NM	976	31.5%	23.9%	NM
Cost to income	38.9%	69.1%	59.2%	NM	-982	53.7%	57.2%	350
Impairment/PPP	3.5%	-6.7%	76.9%	NM	NM	31.6%	56.8%	NM
NP/OI	53.6%	29.6%	8.8%	NM	NM	28.6%	16.7%	-1,187
Cost of risk	0.3%	-0.1%	1.6%	138	173	0.9%	1.4%	52
Loan-to-Deposit	85.0%	85.3%	81.0%	-396	-423	88.0%	80.0%	-803
NPL - Calculated	17.1%	16.8%	16.4%	-78	-41	15.9%	16.2%	27
Coverage - Calculated	34.9%	44.7%	51.6%	NM	693	41.7%	51.1%	936
CET1	12.0%	13.7%	13.8%	181	6	13.8%	13.9%	6
Capital adequacy	15.8%	17.6%	17.7%	185	6	17.7%	17.6%	-10
ROAE	10.9%	8.4%	2.8%	-808	-557	8.4%	4.7%	-373
ROAA	1.3%	1.0%	0.3%	-97	-67	1.0%	0.6%	-44

*FABS estimate & Co Data*

**CBI – Key BS Items**

	3Q24	4Q24	1Q25	2Q25	3Q25	YOY Ch
<b>AED Mn</b>						
Net advances	12,911	13,583	13,362	12,946	12,782	-1.0%
QOQ Change	3.2%	5.2%	-1.6%	-3.1%	-1.3%	
Total assets	20,995	20,895	20,577	20,579	20,772	-1.1%
QOQ Change	5.1%	-0.5%	-1.5%	0.0%	0.9%	
Customer deposits	15,191	15,430	15,339	15,185	15,774	3.8%
QOQ Change	6.8%	1.6%	-0.6%	-1.0%	3.9%	
Total equity	2,970	2,929	2,969	3,001	3,019	1.6%
QOQ Change	5.3%	-1.4%	1.4%	1.1%	0.6%	

*FABS estimate & Co Data*

## Valuation:

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

Valuation Method	Target	Weight	Weighted Value
Residual Income	1.04	70.0%	0.73
Relative Valuation (RV)	1.08	30.0%	0.33
<b>Weighted Average Valuation (AED)</b>			<b>1.05</b>
Current market price (AED)			0.895
Upside/Downside (%)			+17%

### 1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 8.8%. Cost of equity is calculated by using 10-year government bond yield of 4.8%, beta of 0.9 and equity risk premium of 4.5%. Government bond yield is calculated after adding Abu Dhabi 10-year spread over 10-year US risk free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	-254
Terminal value (AED, Mn)	-497
Book value of equity (as of Sep 2025)	2,560
<b>FV to Common shareholders (AED, Mn)</b>	<b>1,809</b>
No. of share (Mn)	1,737
Current Market Price (AED)	0.895
<b>Fair Value per share (AED)</b>	<b>1.04</b>

### Residual Income Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net Income	119	148	181	204	221	242
(-) Equity Charge	-216	-227	-240	-256	-273	-293
<b>Excess Equity</b>	<b>-97</b>	<b>-79</b>	<b>-58</b>	<b>-52</b>	<b>-52</b>	<b>-51</b>
Discounting Factor	0.99	0.91	0.84	0.77	0.71	0.65
<b>Present Value of Excess Equity</b>	<b>-24</b>	<b>-72</b>	<b>-49</b>	<b>-40</b>	<b>-37</b>	<b>-33</b>

Source: FAB Securities

## 2) Relative Valuation:

We have used local peers to value CBI, and it is valued using the PB multiple. We have applied a discount to the peer's valuation multiple, as it has consistently traded at a discount due to a lower return on assets compared to its peers. It is valued at a 2026 PB multiple of 0.7x as compared to a peer valuation of 1.4x.

Company	Market (USD Mn)	P/E (x)		P/B (x)	
		2025F	2026F	2025F	2026F
Commercial Bank of Dubai (CBD)	7,801	8.4	10.3	1.6	1.6
Mashreq Bank (MASQ)	13,003	6.5	6.7	1.3	1.2
RAK Bank	4,271	5.9	7.9	1.1	1.2
Emirates NBD	46,943	7.2	7.3	1.2	1.1
Dubai Islamic Bank (DIB)	18,868	10.1	10.0	1.6	1.5
Abu Dhabi Commercial Bank (ADCB)	31,277	11.0	10.0	1.5	1.4
Abu Dhabi Islamic Bank (ADIB)	22,800	12.7	11.9	3.0	2.7
<b>Average</b>		<b>8.8x</b>	<b>9.2x</b>	<b>1.6x</b>	<b>1.5x</b>
<b>Median</b>		<b>8.4x</b>	<b>10.0x</b>	<b>1.5x</b>	<b>1.4x</b>
<b>Max</b>		<b>10.5x</b>	<b>10.1x</b>	<b>1.6x</b>	<b>1.5x</b>
<b>Min</b>		<b>6.8x</b>	<b>7.6x</b>	<b>1.3x</b>	<b>1.2x</b>

Source: FAB Securities

