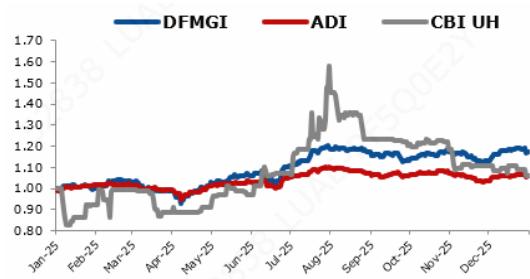


Commercial Bank International (CBI)

Higher non-funded income and impairment reversal boosted net profit

| Current Price AED 0.89 | Target Price AED 1.05 | Upside/Downside (%) +18% | Rating BUY |
|---------------------------|--------------------------|-----------------------------|---------------|
|---------------------------|--------------------------|-----------------------------|---------------|

- Pre-tax profit grew 40% YOY to AED 311 Mn in 2025, marking the Bank's strongest annual performance to date.
- Total assets expanded 5.0% YOY and 5.6% QOQ basis to AED 21.9 Bn in 4Q25, while the Customer deposits grew 3.1% YOY and 0.8% QOQ to AED 15.9 Bn in 4Q25.
- CBIs calculated NPL ratio declined 230 bps QOQ to 13.3%, and the coverage ratio fell to 41.7% during 4Q25.
- Loan to deposit rose marginally from 81.0% in 3Q25 to 81.3% in 4Q25.
- Capitalisation remains solid, with CET1 and CAR at 13.5% and 17.2%, respectively, during 4Q25.



4Q25 Net Profit higher than our estimates

Commercial Bank International ("CBI"/ "The Bank") reported net profit of AED 149 Mn in 4Q25, compared to net loss of AED 29 Mn in 4Q24. The reported net profit exceeds our estimate of AED 25 Mn. The robust rise in net profit is primarily attributed to a rise in non-funded income driven by Net income from financial assets at FVTPL, along with an increase in net-funded income, and impairment reversal recorded in the quarter, partially offset by a rise in operating expenses and non-controlling interest.

P&L Highlights

CBI's funded income fell marginally 1.2% YOY to AED 237 Mn in 4Q25, 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 54.6% YOY to AED 15 Mn in 4Q25, mainly driven by a significant decline in average Islamic financing assets. Funded expenses shrank 16.0% YOY to AED 153 Mn in 4Q25, owing to lower cost of funds, partially offset by an increase in interest-bearing liabilities. As a result, the net funded income grew 8.9% YOY to AED 99 Mn in 4Q25. NIMs grew 14 bps YOY, but declined 9 bps QOQ to 2.1% in 4Q25. Net fees and commission income rose substantially from AED 33 Mn in 4Q24 to AED 62 Mn in 4Q25. Similarly, other operating income boosted significantly from AED 49 Mn in 4Q24 to AED 113 Mn in 4Q25, primarily due to a robust rise in foreign exchange gains, and net income from financial assets at FVTPL. As a result, the non-funded income grew significantly from AED 84 Mn in 4Q24 to AED 169 Mn in 4Q25. Thus, total operating income rise 53.2% YOY to AED 268 Mn in 4Q25. Similarly, operating expenses grew 36.6% YOY to AED 119 Mn in 4Q25. However, the cost-to-income ratio declined substantially from 49.7% in 4Q24 to 44.3% in 4Q25. The Bank recorded the net impairment reversal of

| Stock Information | |
|---------------------------|----------|
| Market Cap (AED, Mn) | 1,546.27 |
| Paid Up Capital (Mn) | 1,737.38 |
| 52 Week High | 1.28 |
| 52 Week Low | 0.68 |
| 3M Avg. daily value (AED) | 44,466 |

| 4Q25 Result Review (AED, Mn) | |
|------------------------------|--------|
| Total Assets | 21,945 |
| Total Liabilities | 18,611 |
| Total Equity | 3,334 |
| Total Deposits | 15,906 |
| Net Profit | 149 |

| Financial Ratios | |
|-------------------------|------|
| Dividend Yield (12m) | N/A |
| Dividend Pay-out (%) | 0.00 |
| Price-Earnings Ratio(x) | 6.24 |
| Price-to-Book Ratio (x) | 0.57 |
| Book Value (AED) | 1.56 |
| Return-on Equity (%) | 9.60 |

| Stock Performance | |
|------------------------|---------|
| 5 Days | 2.30% |
| 1 Months | 0.56% |
| 3 Months | -10.10% |
| 6 Months | -16.82% |
| 1 Year | 18.67% |
| Month to Date (MTD%) | 3.49% |
| Quarter to Date (QTD%) | 3.49% |
| Year to Date (YTD%) | 3.49% |

AED 53 Mn in 4Q25, compared to charges of AED 119 Mn in 4Q24, due to impairment reversal on property inventory recorded over the period. CBI reported a tax charge of AED 5 Mn in 4Q25, compared to a reversal of AED 3 Mn in 4Q24. The Bank recoded the non-controlling interest of AED 47 Mn in 4Q25.

Balance Sheet Highlights

CBI's total assets increased 5.0% YOY and 5.6% QOQ to AED 21.9 Bn in 4Q25. Net advances fell 4.8% YOY but increased 1.1% QOQ to AED 12.9 Bn in 4Q25. Customer deposits expanded 3.1% YOY and 0.8% QOQ to AED 15.9 Bn in 4Q25. As a result, the loan-to-deposit ratio rose marginally from 81.0% in 3Q25 to 81.3% in 4Q25. Additionally, the shareholders equity increased 9.6% YOY and 5.8% QOQ to AED 2.7 Bn in 4Q25.

Target Price and Rating

We maintained our BUY rating on CBI with a target price of AED 1.05. CBI delivered a record year in 2025, with pre-tax profit increased 40% YOY to AED 311 Mn and profit for the owners of the banks at AED 249 Mn, reflecting strong operating execution and ongoing balance sheet optimization. Operating momentum was supported by a 12.5% YOY increase in net operating income to AED 791 Mn in 2025, driven by disciplined balance sheet management, higher fee income, and strategic monetization initiatives. Net funded income also rose 13.3% YOY to AED 390 Mn in 2025, on improved CASA mix and 12 bps NIM expansion. Asset quality improved materially, with impairment charges down as legacy exposures were resolved. The balance sheet remained resilient, with total assets up 5.0% YOY to AED 21.9 Bn, deposit base up 3.1% YOY to AED 15.9 Bn in 2025, and a 2 ppt increase in CASA supporting funding efficiency. Furthermore, loans and advances except Islamic financing grew 16.4% YOY and 3.2% QOQ to AED 12.8 Bn in 4Q25, with wholesale lending accounting for 92.5% of the book, reflecting the Bank's focus on large-ticket corporate opportunities. However, Islamic financing and investment assets declined sharply from AED 423 Mn in 3Q25 to AED 171 Mn in 4Q25. Asset quality continued to improve, with the NPL ratio declining from 15.6% in 3Q25 to 13.3% in 4Q25. However, the coverage ratio fell to 41.7% in 4Q25 from 51.6% in 3Q25, highlighting a reduction in provisioning buffers despite the improvement in headline asset quality. Furthermore, capitalisation remains solid, with CET1 and CAR at 13.5% and 17.2%, respectively, during 4Q25, underscoring strong balance-sheet resilience. Given the strong core operating metrics, and non-core income, we maintained our BUY rating on CBI with a target price of AED 1.05.

CBI - Relative valuation

| (at CMP) | 2021 | 2022 | 2023 | 2024 | 2025 | 2026F |
|----------|--------|--------|--------|-------|-------|-------|
| PE | 12.854 | 13.352 | 10.170 | 9.014 | 7.080 | 8.765 |
| PB | 0.751 | 0.733 | 0.682 | 0.634 | 0.578 | 0.542 |
| BVPS | 1.200 | 1.230 | 1.320 | 1.422 | 1.559 | 1.661 |
| EPS | 0.070 | 0.067 | 0.089 | 0.100 | 0.127 | 0.103 |

FABS Estimates & Co Data

CBI - P&L

| AED Mn | 4Q24 | 3Q25 | 4Q25 | 4Q25F | var. | YOY Ch | QOQ Ch | 2024 | 2025 | Change |
|---------------------------------------|------------|------------|------------|------------|--------------|--------------|--------------|------------|------------|--------------|
| Funded income | 240 | 216 | 237 | 221 | 7.4% | -1.2% | 9.8% | 978 | 885 | -9.6% |
| Income from Islamic fin & invt assets | 34 | 23 | 15 | 24 | -36.7% | -54.6% | -33.9% | 105 | 106 | 1.0% |
| Funded expenses | -182 | -140 | -153 | -140 | 9.7% | -16.0% | 9.4% | -739 | -601 | -18.7% |
| Net funded income | 91 | 99 | 99 | 105 | -5.8% | 8.9% | 0.1% | 344 | 390 | 13.3% |
| Fees and commissions | 33 | 30 | 62 | 41 | 51% | 87% | 105% | 138 | 166 | 20.1% |
| Other operating income, net | 49 | 43 | 113 | 41 | NM | NM | NM | 221 | 243 | 9.6% |
| Total non-funded income | 84 | 73 | 169 | 83 | NM | NM | NM | 359 | 402 | 11.8% |
| Total operating income | 175 | 172 | 268 | 188 | 42.6% | 53.2% | 55.6% | 703 | 791 | 12.5% |
| Operating expenses | -87 | -102 | -119 | -105 | 12.6% | 36.6% | 16.4% | -378 | -414 | 9.6% |
| Pre provision profit | 88 | 70 | 149 | 82 | 81.0% | 69.7% | NM | 326 | 378 | 16.0% |
| Impairment | -119 | -54 | 53 | -54 | NM | NM | NM | -103 | -67 | -35.4% |
| UAE Corporate Tax | 3 | -2 | -5 | -2 | NM | NM | NM | -21 | -16 | -21.7% |
| Non-controlling interests | 0 | -1 | 47 | 1 | NM | NM | NM | 1 | 46 | NM |
| Net Profit | -29 | 15 | 149 | 25 | NM | NM | NM | 201 | 249 | 23.6% |

FABS estimate & Co Data

CBI – P&L KPI

| | 4Q24 | 3Q25 | 4Q25 | YOY Ch | QOQ Ch | 2024 | 2025 | Change |
|-----------------------|-------------|-------------|-------------|---------------|---------------|-------------|-------------|---------------|
| Net FI/OI | 52.1% | 57.5% | 37.0% | NM | NM | 48.9% | 49.2% | 32 |
| NIM | 2.0% | 2.2% | 2.1% | 14 | -9 | 1.9% | 2.0% | 12 |
| NIS | 1.6% | 1.9% | 1.7% | 17 | -14 | 1.5% | 1.7% | 23 |
| Fees & comms/OI | 19.1% | 17.7% | 23.3% | 419 | 559 | 19.7% | 21.0% | 133 |
| Trading/OI | 28.2% | 24.8% | 42.4% | NM | NM | 31.5% | 30.7% | NA |
| Cost to income | 49.7% | 59.2% | 44.3% | -541 | -1,493 | 53.7% | 52.3% | -142 |
| Impairment/PPP | 135.7% | 76.9% | -35.3% | NM | NM | 31.6% | 17.6% | NA |
| NP/OI | -16.3% | 8.8% | 55.8% | 7,211 | 4,703 | 28.6% | 31.4% | NA |
| Cost of risk | 4.0% | 1.6% | -1.3% | -537 | -298 | 0.9% | 0.6% | -28 |
| Loan-to-Deposit | 88.0% | 81.0% | 81.3% | -675 | 24 | 88.0% | 81.3% | -675 |
| NPL - Calculated | 15.9% | 15.6% | 13.3% | -266 | -230 | 15.9% | 13.3% | -266 |
| Coverage - Calculated | 41.7% | 51.6% | 41.7% | -4 | -991 | 41.7% | 41.7% | -4 |
| CET1 | 13.8% | 13.8% | 13.5% | -34 | -28 | 13.8% | 13.5% | -34 |
| Capital adequacy | 17.7% | 17.7% | 17.2% | -52 | -47 | 17.7% | 17.2% | -52 |
| ROAE | 8.4% | 2.8% | 9.6% | 116 | 681 | 8.4% | 9.6% | 116 |
| ROAA | 1.0% | 0.3% | 1.2% | 15 | 82 | 1.0% | 1.2% | 15 |

FABS estimate & Co Data

CBI – Key BS Items

| AED Mn | 4Q24 | 1Q25 | 2Q25 | 3Q25 | 4Q25 | YOY Ch |
|-------------------|-------------|-------------|-------------|-------------|-------------|---------------|
| Net advances | 13,583 | 13,362 | 12,946 | 12,782 | 12,928 | -4.8% |
| QOQ Change | 5.2% | -1.6% | -3.1% | -1.3% | 1.1% | |
| Total assets | 20,895 | 20,577 | 20,579 | 20,772 | 21,945 | 5.0% |
| QOQ Change | -0.5% | -1.5% | 0.0% | 0.9% | 5.6% | |
| Customer deposits | 15,430 | 15,339 | 15,185 | 15,774 | 15,906 | 3.1% |
| QOQ Change | 1.6% | -0.6% | -1.0% | 3.9% | 0.8% | |
| Total equity | 2,470 | 2,510 | 2,542 | 2,560 | 2,708 | 9.6% |
| QOQ Change | -16.8% | 1.6% | 1.3% | 0.7% | 5.8% | |

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 | 1.00 | 70.0% | 0.70 |
| Relative Valuation (RV) | 1.16 | 30.0% | 0.35 |
| Weighted Average Valuation (AED) | | | 1.05 |
| Current market price (AED) | | | 0.89 |
| Upside/Downside (%) | | | +18% |

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) | -252 |
| Terminal value (AED, Mn) | -706 |
| Book value of equity (as of Dec 2025) | 2,708 |
| FV to Common shareholders (AED, Mn) | 1,750 |
| No. of share (Mn) | 1,737 |
| Current Market Price (AED) | 0.89 |
| Fair Value per share (AED) | 1.00 |

Residual Income Method

| (All Figures in AED Mn) | FY 2026E | FY 2027E | FY 2028E | FY 2029E | FY 2030E |
|---------------------------------------|------------|------------|------------|------------|------------|
| Net Income | 179 | 193 | 207 | 221 | 237 |
| (-) Equity Charge | -238 | -253 | -270 | -289 | -308 |
| Excess Equity | -59 | -61 | -63 | -67 | -71 |
| Discounting Factor | 0.93 | 0.85 | 0.78 | 0.72 | 0.66 |
| Present Value of Excess Equity | -55 | -52 | -50 | -48 | -47 |

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 P/B multiple of 0.7x as compared to a peer valuation of 1.4x.

| Company | Market | P/E (x) | | P/B (x) | |
|----------------------------------|----------|--------------|-------------|-------------|-------------|
| | (USD Mn) | 2026F | 2027F | 2026F | 2027F |
| Commercial Bank of Dubai (CBD) | 7,761 | 10.1 | 9.5 | 1.5 | 1.4 |
| Mashreq Bank (MASQ) | 14,200 | 7.3 | 7.0 | 1.3 | 1.2 |
| RAK Bank | 4,929 | 8.5 | 8.6 | 1.4 | 1.3 |
| Emirates NBD | 53,396 | 7.5 | 7.8 | 1.3 | 1.2 |
| Dubai Islamic Bank (DIB) | 19,184 | 10.0 | 9.6 | 1.5 | 1.4 |
| Abu Dhabi Commercial Bank (ADCB) | 31,081 | 10.1 | 9.0 | 1.4 | 1.3 |
| Abu Dhabi Islamic Bank (ADIB) | 22,842 | 11.9 | 11.0 | 2.8 | 2.5 |
| Average | | 9.3x | 8.9x | 1.6x | 1.5x |
| Median | | 10.0x | 9.0x | 1.4x | 1.3x |
| Max | | 10.1x | 9.5x | 1.5x | 1.4x |
| Min | | 8.0x | 8.2x | 1.4x | 1.2x |

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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