First Look Note | 3Q26

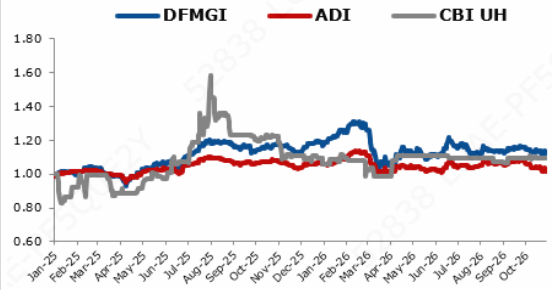
UAE Equity Research | Sector: Banking | Market: ADX

Commercial Bank International (CBI)

Impairment charges and weaker non–funded income weigh on earnings

Current price	Target Price	Upside/Downside (%)	Rating
AED 0.89	AED 1.05	+18.0%	BUY

- Net advances increased 5.9% YOY but declined 4.7% QOQ to AED 13.5 Bn in 3Q26, reflecting annual loan book growth despite a sequential contraction.
- Customer deposits increased 1.7% YOY but declined 2.1% QOQ to AED 16.0 Bn in 3Q26, while the loan-to-deposit ratio decreased to 84.4% in 3Q26 from 86.7% in 2Q26.
- CASA ratio remained broadly stable at 16.5% in 3Q26 compared with 2Q26, reflecting the continued dominance of time deposits in the Bank's deposit base.
- The calculated NPL ratio improved to 9.1% in 3Q26 from 12.4% in 2Q26.



Stock Information	
Market Cap (AED, Mn)	1,546.27
Paid Up Capital (Mn)	1,737.38
52 Week High	0.96
52 Week Low	0.78
3M Avg. daily value (AED)	39,157

3Q26 Result Review (AED, Mn)	
Total Assets	22,912
Total Liabilities	19,441
Total Equity	3,471
Total Deposits	16,034
Net Profit	15

Financial Ratios	
Dividend Yield (12m)	N/A
Dividend Pay-out (%)	0.00
Price-Earnings Ratio(x)	5.08
Price-to-Book Ratio (x)	0.55
Book Value (AED)	1.63
Return-on Equity (%)	11.42

Stock Performance	
5 Days	0.00%
1 Months	0.00%
3 Months	0.00%
6 Months	-1.11%
1 Year	-5.12%
Month to Date (MTD%)	0.00%
Quarter to Date (QTD%)	0.00%
Year to Date (YTD%)	3.49%

3Q26 Net Profit lower than our estimates

Commercial Bank International ("CBI"/ "the Bank") reported broadly stable net profit attributable to equity shareholders of AED 15 Mn in 3Q26 compared to 3Q25. The reported net profit was lower than our estimate of AED 62 Mn. This performance was primarily attributed to a decline in other operating income, partially offset by an increase in net funded income coupled with lower operating expenses, impairment charges, income tax expenses and loss attributable to non-controlling interest holders.

P&L Highlights

CBI's funded income increased 16.4% YOY to AED 251 Mn in 3Q26, supported growth in interest earning asset partially offset by decline in asset yield. However, income from Islamic financing and investing assets decreased to AED 13 Mn in 3Q26 from AED 23 Mn in 3Q25. Funded expenses increased 15.5% YOY to AED 162 Mn in 3Q26, driven by growth in interest-bearing liabilities and a rise in cost of funds. Consequently, net funded income increased 3.1% YOY to AED 102 Mn in 3Q26. Calculated net interest margin (NIM) declined 20 bps YOY and 1 bps QOQ to 2.0% in 3Q26. Net fees and commission income increased to AED 48 Mn in 3Q26 from AED 30 Mn in 3Q25, supported by higher fee and commission income partially offset by increase in fee and commission expense. Meanwhile, other operating income declined significantly to AED 3 Mn in 3Q26 from AED 43 Mn in 3Q25. As a result, non-funded income declined 30.1% YOY to AED 51 Mn in 3Q26. Total operating income declined 11.0% YOY to AED 153 Mn in 3Q26 from AED 172 Mn in 3Q25. Operating expenses declined 2.9% YOY to AED 99 Mn in 3Q26. Consequently, the calculated cost-to-income ratio improved to 64.6% in 3Q26 from 73.3% in 2Q26, however increased 539 bps YOY in 3Q26. Pre-provision profit declined 22.8% YOY to AED 54 Mn in 3Q26.

The Bank recorded a net impairment charge of AED 38 Mn in 3Q26, compared with AED 54 Mn in 3Q25. The Bank reported a corporate tax expense of AED 2 Mn in 3Q26, broadly stable compared with 3Q25. Loss attributable to non-controlling interest holders amounted to AED 0.5 Mn in 3Q26 compared with AED 0.6 Mn in 3Q25.

Balance Sheet Highlights

CBI's total assets increased 10.3% YOY but declined marginally 0.3% QOQ to AED 22.9 Bn in 3Q26, driven by growth in lending activities and an increase in the Bank's strategic investment portfolio. Net advances increased 5.9% YOY but declined 4.7% QOQ to AED 13.5 Bn in 3Q26. Customer deposits increased 1.7% YOY but declined 2.1% QOQ to AED 16.0 Bn in 3Q26. Consequently, the loan-to-deposit ratio declined to 84.4% in 3Q26 from 86.7% in 2Q26, as net advances contracted faster than customer deposits.

Target Price and Rating

We maintain our BUY rating on CBI with a target price of AED 1.05. CBI reported net profit attributable to shareholders of AED 15 Mn in 3Q26, broadly stable compared with 3Q25, primarily driven by decline in other operating income, partially offset by an increase in net funded income coupled with lower operating expenses, impairment charges, income tax expenses and loss attributable to non-controlling interest holders. Net funded income increased 3.1% YOY to AED 102 Mn in 3Q26, driven by higher funded income, partially offset by an increase in funded expenses coupled with decline in income from Islamic financing and investing assets. Non-funded income declined 30.1% YOY to AED 51 Mn in 3Q26, primarily reflecting lower other operating income, partially offset by stronger net fee and commission income, which increased to AED 48 Mn in 3Q26 from AED 30 Mn in 3Q25. Net advances increased 5.9% YOY but declined 4.7% QOQ to AED 13.5 Bn in 3Q26. However, NIMs declined by 20 bps YOY and 1 bps QOQ to 2.0% in 3Q26, owing to changes in the Bank's advances and deposit mix. Customer deposits increased 1.7% YOY but declined 2.1% QOQ to AED 16.0 Bn in 3Q26. The loan-to-deposit ratio decreased to 84.4% in 3Q26 from 86.7% in 2Q26, as net advances declined at a faster pace than customer deposits. Meanwhile, CASA deposits declined 21.3% YOY and 2.2% QOQ to AED 2,646 Mn in 3Q26, driven by 18.4% YOY and 1.6% QOQ decline in current account balances to AED 2.4 Bn and a 39.9% YOY and 7.2% QOQ fall in savings deposits to AED 269 Mn in 3Q26. However, the CASA ratio remained broadly stable at 16.5% in 3Q26 compared with 2Q26, reflecting the continued dominance of time deposits in the Bank's deposit base. Bank's deposit base remained heavily weighted towards time deposits, which could continue to exert pressure on funding costs and net interest margins. Asset quality remained resilient with the calculated NPL ratio improved to 9.1% in 3Q26 from 12.4% in 2Q26, reflecting continued resolution of legacy non-performing assets. Calculated coverage ratio excluding collateral increased to 57.9% in 3Q26 from 39.6% in 2Q26, indicating higher provisioning buffers. Meanwhile, Stage 2 loans accounted for 6.4% of gross loans in 3Q26, compared with 6.1% in 2Q26, indicating a modest increase in credit risk. The Bank's capital adequacy ratio improved to 16.8% in 3Q26 from 16.5% in 2Q26, while its CET1 ratio stood at 13.3% in 3Q26, reflecting a comfortable capital position above regulatory requirements and supporting future growth. Although lower interest rates, elevated funding costs and volatility in impairment charges could weigh on near-term profitability, CBI's improving legacy asset quality, continued lending growth and stronger fee income generation support its medium-term earnings outlook. Thus, we maintain our BUY rating on CBI.

CBI - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	12.70	13.19	10.05	8.90	6.99	8.86
PB	0.74	0.72	0.67	0.63	0.57	0.52
BVPS	1.200	1.230	1.320	1.422	1.559	1.712
EPS	0.070	0.067	0.089	0.100	0.127	0.100

FABS Estimates & Co Data

CBI – P&L

AED Mn	3Q25	2Q26	3Q26	3Q26F	Var	YOY Ch	QOQ Ch	2025	2026F	Change
Funded income	216	245	251	233	7.7%	16.4%	2.4%	885	997	12.7%
Income from Islamic fin & invt assets	23	14	13	15	-14.2%	-45.6%	-7.3%	106	55	-47.9%
Funded expenses	-140	-156	-162	-143	13.4%	15.5%	4.0%	-601	-636	6.0%
Net funded income	**99**	**103**	**102**	**105**	**-3.1%**	**3.1%**	**-1.2%**	**390**	**415**	**6.6%**
Fees and commissions	30	42	48	45	5.2%	NM	13.1%	166	179	8.0%
Other operating income, net	43	5	3	40	NM	NM	-30.1%	243	63	NM
Total non-funded income	**73**	**45**	**51**	**86**	**-40.2%**	**-30.1%**	**14.9%**	**402**	**240**	**-40.2%**
Total operating income	**172**	**148**	**153**	**191**	**-19.8%**	**-11.0%**	**3.6%**	**791**	**656**	**-17.2%**
Operating expenses	-102	-108	-99	-114	-13.6%	-2.9%	-8.6%	-414	-423	2.2%
Pre provision profit	**70**	**39**	**54**	**76**	-29.1%	-22.8%	37.3%	**378**	**233**	**-38.4%**
Impairment	-54	65	-38	-7	NM	-29.6%	NM	-67	-8	NM
UAE Corporate Tax	-2	-10	-2	-6	NM	-3.8%	NM	-16	-20	23.9%
Non-controlling interests	-1	0	0	1	NM	-16.9%	0.4%	46	2	NM
Net Profit	**15**	**95**	**15**	**62**	**NM**	**-0.2%**	**NM**	**249**	**202**	**-18.7%**

FABS estimate & Co Data

CBI – P&L KPI

	3Q25	2Q26	3Q26	YOY Ch	QOQ Ch	2025	2026F	Change
Net FI/OI	57.5%	69.9%	66.6%	911	-328	49.2%	63.4%	NM
NIM	2.2%	2.0%	2.0%	-20	-1	2.0%	2.0%	-2
NIS	1.9%	1.6%	1.5%	-34	-2	1.7%	1.6%	-6
Fees & comms/OI	17.7%	28.6%	31.3%	NM	262	21.0%	27.4%	638
Trading/OI	24.8%	3.2%	2.2%	NM	-104	30.7%	9.6%	NM
Cost to income	59.2%	73.3%	64.6%	539	-867	52.3%	64.5%	NM
Impairment/PPP	76.9%	-164.2%	70.0%	-684	NM	17.6%	3.6%	NM
NP/OI	8.8%	64.2%	9.8%	107	NM	31.4%	30.8%	-59
Cost of risk	1.6%	-1.7%	1.1%	-56	276	0.6%	0.1%	-52
Loan-to-Deposit	81.0%	86.7%	84.4%	337	-230	81.3%	83.0%	172
NPL - Calculated	16.4%	12.4%	9.1%	-729	-329	13.3%	12.6%	-67
Coverage - Calculated	51.6%	39.6%	57.9%	629	NM	41.7%	43.0%	129
CET1	13.8%	13.0%	13.3%	-53	27	13.5%	13.9%	39
Capital adequacy	17.7%	16.5%	16.8%	-84	35	17.2%	17.4%	22
ROAE	2.8%	11.4%	11.3%	855	-7	9.6%	7.1%	-249
ROAA	0.3%	1.4%	1.4%	107	0	1.2%	0.9%	-26

FABS estimate & Co Data

CBI – Key BS Items

AED Mn	3Q25	4Q25	1Q26	2Q26	3Q26	YOY Ch
Net advances	12,782	12,928	13,632	14,203	13,533	5.9%
QOQ Change	-1.3%	1.1%	5.4%	4.2%	-4.7%	
Total assets	20,772	21,945	22,096	22,978	22,912	10.3%
QOQ Change	0.9%	5.6%	0.7%	4.0%	-0.3%	
Customer deposits	15,774	15,906	16,385	16,381	16,034	1.7%
QOQ Change	3.9%	0.8%	3.0%	0.0%	-2.1%	
Total equity (excluding tier1 & NCI)	2,560	2,708	2,752	2,830	2,846	11.2%
QOQ Change	0.7%	5.8%	1.6%	2.9%	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	1.10	70.0%	0.77
Relative Valuation (RV)	0.93	30.0%	0.28
Weighted Average Valuation (AED)			**1.05**
Current market price (AED)			0.89
Upside/Downside (%)			+18.0%

1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 9.1%. Cost of equity is calculated by using 10-year government bond yield of 5.4%, beta of 0.9 and equity risk premium of 4.1%. 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)	-194
Terminal value (AED, Mn)	-372
Book value of equity (as of September 2026)	2,481
FV to Common shareholders (AED, Mn)	**1,915**
No. of share (Mn)	1,737
Current Market Price (AED)	0.89
Fair Value per share (AED)	**1.10**

Residual Income Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E
Net Profit	175	228	241	262	290	323
(-) Equity Charge	-246	-270	-291	-313	-337	-363
Excess Equity	**-71**	**-42**	**-50**	**-51**	**-46**	**-40**
Discounting Factor	0.99	0.90	0.83	0.76	0.70	0.64
Present Value of Excess Equity	**-18[1]**	**-38**	**-41**	**-39**	**-32**	**-26**

Source: FAB Securities, [1]Adjusted for partial year

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 2027 PB multiple of 0.6x as compared to a peer valuation of 1.1x.

Company	Market (USD Mn)	P/E (x)		P/B (x)	
		2026F	2027F	2026F	2027F
Commercial Bank of Dubai (CBD)	7,884	8.8	0.0	1.6	0.0
Mashreq Bank (MASQ)	17,315	NA	NA	NA	NA
RAK Bank	5,510	7.6	6.6	1.3	1.2
Emirates NBD	52,764	8.1	7.4	1.3	1.1
Dubai Islamic Bank (DIB)	13,958	7.9	8.1	1.1	1.0
Abu Dhabi Commercial Bank (ADCB)	33,951	10.1	9.1	1.5	1.3
Abu Dhabi Islamic Bank (ADIB)	21,854	12.2	11.0	2.8	2.4
Average		**7.8x**	**6.0x**	**1.3x**	**1.0x**
Median		**8.1x**	**7.4x**	**1.3x**	**1.1x**
Max		**9.5x**	**8.6x**	**1.5x**	**1.2x**
Min		**7.7x**	**3.3x**	**1.2x**	**0.5x**

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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