

Commercial Bank of Dubai (CBD)

Current Price	Target Price	Upside/Downside (%)	Rating
AED 9.65	AED 9.25	-4.1%	HOLD

2Q25 Net Profit higher than our estimate

- Net funded income grew 8.7% YOY to AED 1.0 Bn in 2Q25, attributable to a decline in funded expense due to a contraction in cost of funds, partially offset by a 0.7% YOY decline in funded income as a result of a declining asset yield.
- Net Interest Margin (NIMs) contracted marginally 4 bps YOY and remained stable on a QOQ basis to 3.0% in 2Q25.
- Non-funded income rose 8.3% YOY to AED 423 Mn in 2Q25, due to higher fees and commissions income and other non-funded income, partially offset by a decline in trading income.
- Operating expenses increased 15.4% YOY to AED 379 Mn in 2Q25. The cost-to-income ratio also grew 153 bps YOY and declined by 91 bps QOQ to 26.1% in 2Q25.
- Impairment allowance declined 31.2% YOY to AED 164 Mn in 2Q25.
- Net profit grew 15.4% YOY to AED 867 Mn in 2Q25, boosted by healthy growth in net funded and non-funded income coupled with lower impairment charges, partially offset by a rise in operating expenses, taxes and lower recoveries of loans and advances, as well as Islamic financing.
- Net advances grew 11.4% YOY and 3.0% QOQ to AED 99.8 Bn in 2Q25, attributed to growth across the majority of the sectors in its loan portfolio.
- Customer deposits grew 7.2% YOY and 7.5% QOQ to AED 107.0 Bn in 2Q25, with CASA deposits contributing 52.4% of total deposits in 2Q25, compared to 51.9% in 1Q25.
- The headline loan-to-deposit ratio declined from 97.3% in 1Q25 to 93.2% in 2Q25.
- The Bank's capital position marginally improved, with CET1 ratio and CAR ratio standing at 12.4% and 15.4% in 2Q25.

Earnings Call Summary


- The Bank's gross lending represents c.4.7% of the UAE loan market share.
- CBD continues to maintain a disciplined approach to loan growth, focusing on opportunities that offer risk-adjusted returns above the Bank's defined thresholds.
- The Bank projects the loan growth to remain in the mid-to-high single-digit range.
- Cost of risk is guided to remain below 50 bps, and net interest margins are expected to remain stable.
- Cost-to-income ratio is anticipated to stay below 28%, despite expense growth from tech investments and inflation.
- CBD expects to sustain growth in non-funded income through various business lines, with continued strong contributions from syndication, transactional banking, account fees, and other related sources.
- The Bank's funding base is diversified across government, corporate, and retail deposits.
- The Bank anticipates continued loan growth, particularly in mortgages, while it also expects seasonal softness during the summer.
- The Bank believes it is well-positioned to navigate potential margin compression, supported by declining funding costs and prudent NIM management.
- The Bank has no plans to raise capital externally.
- CBD anticipates mortgage growth to continue in 3Q25 and 4Q25.
- The Bank is comfortable with its current coverage and believes it is appropriate given its large corporate loan book.
- Islamic lending accounts for approximately 10% of CBD's total loan portfolio.

CBD - P&L

AED Mn	2Q24	1Q25	2Q25A	2Q25F	Var.	YOY Ch	QOQ Ch
Funded income	1,888	1,831	1,876	1,858	0.9%	-0.7%	2.5%
Funded expense	-942	-845	-847	-863	-1.9%	-10.1%	0.2%
Net funded income	947	985	1,029	995	3.4%	8.7%	4.5%
Fees and commissions	295	274	324	279	16.1%	9.7%	18.4%
Trading income	85	75	75	77	-2.0%	-10.9%	0.4%
Other non-funded income	11	37	24	41	-41.1%	NM	-35.3%
Total non-funded income	391	386	423	397	6.7%	8.3%	9.8%
Total operating income	1,338	1,371	1,453	1,392	4.3%	8.6%	6.0%
G&A expenses	-315	-351	-357	-361	-1.2%	13.2%	1.8%
Depreciation and amortization	-13	-20	-22	-20	10.8%	67.8%	12.6%
Operating Expenses	-329	-370	-379	-381	-0.5%	15.4%	2.4%
Pre-provision profit	1,009	1,001	1,074	1,011	6.2%	6.4%	7.3%
Impair allowance	-238	-116	-164	-122	34.6%	-31.2%	40.9%
Recoveries	73	31	42	33	26.0%	-42.9%	34.2%
Impairment allow. on AFS inv.	-19	-5	1	-3	NM	NM	NM
Profit before tax	825	910	952	919	3.6%	15.4%	4.6%
Corporate tax	-74	-82	-85	-83	2.5%	15.2%	3.5%
Net Profit	751	828	867	836	3.7%	15.4%	4.7%

FABS estimate & Co Data

2025e Financial Guidance

 Loan Growth Mid to high single-digit percentage growth	 Cost of Risk < 50 bps	 Net Interest Margin 3.00% - 3.10%	 Cost to Income < 28%	 Return on Equity (after tax) > 20%
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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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