

## Commercial Bank of Dubai (CBD)

| Current Price | Target Price | Upside/Downside (%) | Rating     |
|---------------|--------------|---------------------|------------|
| AED 9.51      | AED 10.70    | +13%                | ACCUMULATE |

### 4Q25 Net Profit in line with our estimate

- Net funded income grew 11.9% YOY to AED 1.06 Bn in 4Q25, due to a decline in funded expense owing to a fall in funding cost.
- Despite this, net interest margin (NIMs) contracted 12 bps YOY and 10 bps QOQ to 2.8% in 4Q25.
- Non-funded income increased 21.0% YOY to AED 456 Mn in 4Q25, mainly due to a significant rise in trading income, partially offset by a fall in other non-funded income.
- Operating expenses increased 1.5% YOY to AED 392 Mn in 4Q25. However, the cost-to-income ratio decreased by 331 bps YOY and 41 bps QOQ to 25.8% in 4Q25.
- Impairment on loans & advances and investments, including recoveries, increased from AED 65 Mn in 4Q24 to AED 115 Mn in 4Q25.
- Net profit grew 15.2% YOY to AED 921 Mn in 4Q25, primarily attributed to an increase in net funded income, non-funded income and loan recoveries, partially offset by higher D&A charges, impairment charges and taxes.
- Net advances grew 8.6% YOY and fell 4.0% QOQ to AED 101.0 Bn in 4Q25, attributed to growth across the majority of the sectors in its loan portfolio.
- Customer deposits grew 14.1% YOY and declined marginally 0.7% QOQ to AED 111.4 Bn in 4Q25, with CASA deposits contributing 48.9% of total deposits in 4Q25, compared to 50.5% in 3Q25.
- The headline loan-to-deposit ratio decreased 463 bps YOY and 308 bps QOQ to 90.7% in 4Q25.
- The Bank's CET1 ratio and CAR ratio stood at 12.5% and 15.5% in 4Q25.

### Earnings Call Summary

- CBD provided guidance for mid-to-high single-digit loan growth in 2026 with sustained CASA momentum and ongoing focus on operational efficiency.
- The Bank's deposits grew to AED 111.4 Bn in 4Q25, supported by a strong CASA ratio of 48.9%, which supported margins.
- The Bank expects continued growth in retail deposits, driven by a strong core franchise and increasing operating accounts, while remaining content with the current corporate deposit mix.
- CBD's reported NIM remained resilient at 3.0% in 2025, despite multiple US rate cuts. Margin stability was supported by disciplined loan pricing, liability repricing, and a favourable deposit mix.
- The Bank also provided guidance for NIMs to stay at 2.80% to 2.90% in 2026, with potential upside depending on the pace and timing of rate cuts.
- Furthermore, the Bank's non-funded income is expected to see further growth, driven mainly by syndications, trade, projects and construction in 2026, with additional upside from improved retail offerings, personal banking, SME, and treasury as product breadth and digital capabilities expand.
- Net gains from debt investments, which comprise about 10% of the balance sheet, are expected to continue contributing to earnings, with returns supported by a conservative portfolio and ongoing market opportunities.
- Cost-to-income ratio improved to 26.3% in 2025, maintaining CBD's position among the most efficient banks in the UAE. Further, it is expected to be below 28% in 2026.
- The Bank's cost of risk decreased 26 bps YOY to 0.5% in 2025. CBD projects the cost of risk to be below 50 bps in 2026, reflecting strong asset quality, with a declining proportion of Stage 2 loans and minimal migration to Stage 3, supporting continued confidence in low credit risk.
- CBD does not expect the need for a rights issue, due to strong internal capital generation and high ROE.






- The Bank proposed a cash dividend of AED 1.8 Bn in 2025, representing a 50% payout ratio and equating to 58.62 fils per share, marking a 15.5% YOY increase, subject to AGM approval.
- The Bank projects ROE to remain above 21% in 2026, supported by pricing discipline, NFI growth, and low cost of risk.
- CBD has rolled out 50+ self-service features in its digital application, with 74% of customer interactions tracked digitally and 96% of customers actively transacting online.
- Similarly, the Bank's iBusiness Mobile and Online platform is offering more than 60 financial and self-service features within a growing digital ecosystem. In 2025, 95% of customers actively transacted on the platform, and it introduced new innovative features quarterly.

**CBD - P&L**

| AED Mn                         | 4Q24         | 3Q25         | 4Q25         | 4Q25F        | Var.         | YOY Ch       | QOQ Ch       |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Funded income                  | 1,882        | 1,973        | 1,977        | 2,080        | -5.0%        | 5.0%         | 0.2%         |
| Funded expense                 | -933         | -899         | -914         | -980         | -6.8%        | -2.0%        | 1.6%         |
| <b>Net funded income</b>       | <b>950</b>   | <b>1,074</b> | <b>1,063</b> | <b>1,100</b> | <b>-3.4%</b> | <b>11.9%</b> | <b>-1.0%</b> |
| Fees and commissions           | 265          | 306          | 267          | 345          | -22.4%       | 0.7%         | -12.7%       |
| Trading income                 | 84           | 164          | 179          | 93           | 91.9%        | 113.5%       | 9.2%         |
| Other non-funded income        | 28           | 33           | 10           | 43           | -77.8%       | -65.1%       | -70.7%       |
| <b>Total non-funded income</b> | <b>377</b>   | <b>503</b>   | <b>456</b>   | <b>481</b>   | <b>-5.3%</b> | <b>21.0%</b> | <b>-9.3%</b> |
| <b>Total operating income</b>  | <b>1,326</b> | <b>1,577</b> | <b>1,519</b> | <b>1,581</b> | <b>-3.9%</b> | <b>14.5%</b> | <b>-3.7%</b> |
| G&A expenses                   | -366         | -388         | -363         | -394         | -7.8%        | -0.8%        | -6.5%        |
| Depreciation and amortization  | -20          | -25          | -28          | -28          | 0.1%         | 43.0%        | 15.3%        |
| <b>Operating Expenses</b>      | <b>-386</b>  | <b>-413</b>  | <b>-392</b>  | <b>-422</b>  | <b>-7.3%</b> | <b>1.5%</b>  | <b>-5.2%</b> |
| <b>Pre-provision profit</b>    | <b>941</b>   | <b>1,164</b> | <b>1,127</b> | <b>1,159</b> | <b>-2.7%</b> | <b>19.8%</b> | <b>-3.2%</b> |
| Impair allowance               | -107         | -260         | -162         | -193         | -15.9%       | 52.1%        | -37.5%       |
| Recoveries                     | 44           | 66           | 51           | 49           | 3.2%         | 15.8%        | -23.7%       |
| Impairment allow. on AFS inv.  | -2           | 0            | -3           | 0            | NM           | 97.3%        | NM           |
| <b>Profit before tax</b>       | <b>876</b>   | <b>970</b>   | <b>1,012</b> | <b>1,015</b> | <b>-0.2%</b> | <b>15.6%</b> | <b>4.3%</b>  |
| Corporate tax                  | -76          | -86          | -91          | -93          | -2.3%        | 19.0%        | 5.4%         |
| <b>Net Profit</b>              | <b>799</b>   | <b>884</b>   | <b>921</b>   | <b>921</b>   | <b>0.0%</b>  | <b>15.2%</b> | <b>4.2%</b>  |

FABS estimate & Co Data

**Management Guidance:**
**2026e Financial Guidance**

|  |  |   |   |   |
|--|--|---|---|---|
| <br><b>Loan Growth</b><br><b>Mid to high single-digit percentage growth</b> | <br><b>Cost of Risk</b><br><b>&lt; 50 bps</b> | <br><b>Net Interest Margin</b><br><b>2.80% - 2.90%</b> | <br><b>Cost to Income</b><br><b>&lt; 28%</b> | <br><b>Return on Equity (after tax)</b><br><b>&gt; 21%</b> |
|--|--|---|---|---|

## 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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