

## Commercial Bank of Dubai (CBD)

Higher funded and non-funded income supported profits, aided by lower opex

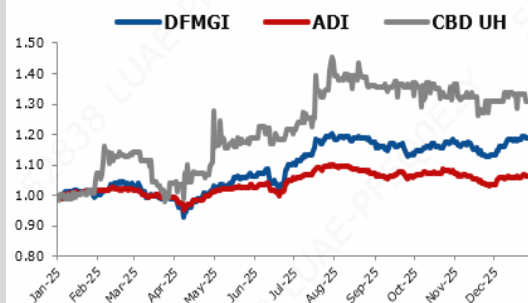
**Current Price**  
AED 9.36

**Target Price**  
AED 10.70

**Upside/Downside (%)**  
**+14.3%**

**Rating:**  
**ACCUMULATE**

- Expect loans to grow by mid-to-high single digits, along with stable CASA and deposit growth in 2026. Management guides for a cost of risk below 50 bps and a cost-to-income ratio under 28% in 2026.
- Loan growth well diversified, led by 25.6% YOY growth in mortgages and 17.3% YOY growth in manufacturing, alongside reduced exposure to real estate in 2025.
- CBD expects asset quality to improve due to the formation of stage 2 loans and positive operating leverage in 2026.
- CBD 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.



### Stock Information

Market Cap (AED, mn)	27,941.40
Paid Up Capital (mn)	2,985.19
52 Week High	10.85
52 Week Low	6.57
3M Avg. daily value(AED)	261,197

### 4Q25 Result Review (AED, Mn)

Total Assets	160,308
Total Liabilities	140,886
Total Equity	19,422
Total Deposits	111,353
Net Profit	921

### Financial Ratios

Dividend Yield (12m)	5.34
Dividend Pay-out (%)	51.96
Price-Earnings Ratio (x)	8.38
Price-to-Book Ratio (x)	1.65
Book Value (AED)	5.77
Return on Equity (%)	20.76

### Stock Performance

5 Days	0.65%
1 Months	-0.43%
3 Months	-1.47%
6 Months	-3.11%
1 Year	28.22%
Month to Date (MTD%)	0.97%
Quarter to Date (QTD%)	0.97%
Year to Date (YTD%)	0.97%

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

Commercial Bank of Dubai ("CBD, "the Bank") net profit grew 15.2% YOY to AED 921 Mn in 4Q25, in line with our estimate of AED 921 Mn. The growth is primarily attributed to an increase in net funded & non-funded income, loan recoveries and lower operating expenses, partially offset by higher D&A charges, impairment charges and taxes.

### P&L Highlights

CBD's funded income rose 5.0% YOY to AED 1,977 Mn in 4Q25, owing to an increase in the loan and investment portfolio, partially offset by a decline in asset yield. On the other hand, the funded expenses fell 2.0% YOY to AED 914 Mn in 4Q25, owing to lower funding costs. Thus, the net funded income grew 11.9% YOY to AED 1,063 Mn in 4Q25. CBD's calculated NIMs fell 12 bps YOY and 10 bps QOQ to 2.8% in 4Q25. The Bank's fees and commission income grew marginally 0.7% YOY to AED 267 Mn in 4Q25. Trading income grew significantly from AED 84 Mn in 4Q24 to AED 179 Mn in 4Q25, while the other non-funded income declined from AED 28 Mn in 4Q24 to AED 10 Mn in 4Q25. As a result, the Bank's total non-funded income increased 21.0% YOY to AED 456 Mn in 4Q25. CBD's total operating income grew 14.5% YOY to AED 1,519 Mn in 4Q25. Furthermore, the G&A expenses fell marginally 0.8% YOY to AED 363 Mn in 4Q25. D&A expenses grew from AED 20 Mn in 4Q24 to AED 28 Mn in 4Q25. Thus, total operating expenses increased 1.5% YOY to AED 392 Mn in 4Q25. However, the cost-to-income ratio fell 331 bps YOY and 41 bps QOQ to 25.8% in 4Q25. Impairments on loans & advances and Islamic financing increased 52.1% YOY to AED 162 Mn in 4Q25. While, the recoveries on loans & advances and Islamic financing increased 15.8% YOY to AED 51 Mn in 4Q25. CBD incurred a corporate tax charge of AED 91 Mn in 4Q25, compared to AED 76 Mn in 4Q24.

## Balance Sheet Highlights

CBD's net advances grew 8.6% YOY and declined 4.0% QOQ to AED 101.0 Bn in 4Q25. The Bank experienced strong growth in its loan portfolio across the majority of the sectors, with a substantial rise in contributions from Manufacturing, financial and insurance activities, personal mortgage and government entities, partially offset by a decline in the hospitality, construction and transportation and storage sectors in 4Q25. The NPL ratio declined 116 bps YOY and increased 13 bps QOQ to 4.3% in 4Q25. Further, the Bank's total assets rose 14.4% YOY, whereas it declined 1.9% QOQ to AED 160.3 Bn in 4Q25. Customer deposits experienced a healthy growth of 14.1% YOY and declined marginally 0.7% QOQ to AED 111.4 Bn in 4Q25. The loan-to-deposit ratio reached 90.7% in 4Q25, compared to 93.8% in 3Q25. CASA deposit constituted 48.9% of total deposits in 4Q25 compared to 50.5% in 3Q25.

## Target Price and Rating

We revise our rating on CBD from HOLD to ACCUMULATE with a revised target price of AED 10.70. CBD reported a healthy growth in profitability during 4Q25, driven by higher net funded & non-funded income, loan recoveries and lower opex. Gross lending reached AED 105 Bn, representing c. 4.2% of the UAE loan market share. The Bank maintained its loan growth guidance for 2026 from mid-to-high single digits, broadly in line with sector trends. Customer deposits also showed solid momentum, rising 14.1% YOY to AED 111.4 Bn in 4Q25, and CASA deposits comprised 48.9% of the total deposit in 4Q25 compared to 50.5% in 3Q25, which supported margins. NIMs declined 12 bps YOY and 10 bps QOQ to 2.8% in 4Q25. The Bank expects NIMs to remain within the 2.8%-2.9% range through 2026, with potential upside depending on the pace and timing of rate cuts. CBD has already absorbed a significant portion of market rate adjustments and does not anticipate any material impact on net interest income from further rate reductions in 2026. The Bank's non-funded income increased 21.0% YOY in 4Q25, with strong growth in trading income partially offset by a decline in other non-funded income. The Bank expects non-funded income 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. The cost-to-income ratio decreased 331 bps YOY and 41 bps QOQ to 25.8% in 4Q25. The Bank projects this ratio to remain below 28.0% for 2026. Asset quality continued to improve, with the calculated NPL ratio marginally growing from 4.1% in 3Q25 to 4.3% in 4Q25 lower than 4Q24. 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's capital position remains robust, with CET1 and CAR ratios at 12.5% and 15.5%, respectively, comfortably above regulatory requirements. CBD has introduced over 50 self-service features in its digital application, with 74% of customer interactions now 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. The Bank also reaffirmed its ROE guidance above 21% for 2026, supported by pricing discipline, NFI growth, and low cost of risk. Furthermore, 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. Thus, based on the above-mentioned factors, we revise our rating to ACCUMULATE on the stock.

## CBD - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
P/E	21.54	16.75	11.26	9.79	8.42	8.3
P/B	2.50	2.43	2.09	1.86	1.65	1.5
BVPS	3.807	3.912	4.548	5.099	5.768	6.328
EPS	0.441	0.567	0.843	0.971	1.128	1.147
DPS	0.243	0.245	0.444	0.507	0.586	0.595
Dividend yield	2.6%	2.6%	4.7%	5.3%	6.2%	6.3%

FABS Estimates & Co Data

**CBD – P&L**

AED Mn	4Q24	3Q25	4Q25	4Q25F	Var.	YOY Ch	QOQ Ch	2024	2025	Change
Funded income	1,882	1,973	1,977	2,080	-5.0%	5.0%	0.2%	7,544	7,657	1.5%
Funded expense	-933	-899	-914	-980	-6.8%	-2.0%	1.6%	-3,745	-3,505	-6.4%
<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>	<b>3,799</b>	<b>4,151</b>	<b>9.3%</b>
Fees and commissions	265	306	267	345	-22.4%	0.7%	-12.7%	1,115	1,171	5.1%
Trading income	84	164	179	93	91.9%	113.5%	9.2%	337	493	46.6%
Other non-funded income	28	33	10	43	-77.8%	-65.1%	-70.7%	240	103	-57.1%
<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>1,692</b>	<b>1,768</b>	<b>4.5%</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>	<b>5,491</b>	<b>5,919</b>	<b>7.8%</b>
G&A Expenses	-366	-388	-363	-394	-7.8%	-0.8%	-6.5%	-1,342	-1,459	8.7%
Depreciation & amortization	-20	-25	-28	-28	0.1%	43.0%	15.3%	-61	-95	55.1%
<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>-1,403</b>	<b>-1,554</b>	<b>10.7%</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>	<b>4,087</b>	<b>4,365</b>	<b>6.8%</b>
Impairments	-107	-260	-162	-193	-15.9%	52.1%	-37.5%	-990	-703	-29.0%
Recoveries	44	66	51	49	3.2%	15.8%	-23.7%	257	189	-26.3%
Impairment on AFS invest.	-2	0	-3	0	NM	97.3%	NM	-30	-8	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>	<b>3,325</b>	<b>3,844</b>	<b>15.6%</b>
Corporate tax	-76	-86	-91	-93	-2.3%	19.0%	5.4%	-295	-344	16.5%
<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>	<b>3,030</b>	<b>3,500</b>	<b>15.5%</b>

FABS estimate & Co Data

**CBD – KPI**

	4Q24	3Q25	4Q25	YOY Ch	QOQ Ch	2024	2025	Change
Net FI/OI	71.6%	68.1%	70.0%	-161	188	69.2%	70.1%	94
NIMs	3.0%	2.9%	2.8%	-12	-10	3.1%	3.0%	-9
NIS	2.5%	2.6%	2.5%	-2	-11	2.6%	2.6%	-1
Fees & comms/OI	20.0%	19.4%	17.6%	-241	-182	20.3%	19.8%	-52
Trading/OI	6.3%	10.4%	11.8%	546	139	6.1%	8.3%	221
Cost to income	29.1%	26.2%	25.8%	-331	-41	25.6%	26.3%	69
Impairment/PPP	6.9%	16.7%	10.2%	332	-645	18.6%	11.9%	-671
NP/OI	60.3%	56.0%	60.6%	39	461	55.2%	59.1%	395
Cost of Risk	0.3%	0.7%	0.4%	17	-28	0.7%	0.49%	-26
Loan-to-deposit	95.4%	93.8%	90.7%	-463	-308	95.4%	90.7%	-463
NPL – Calculated	5.4%	4.1%	4.3%	-116	13	5.4%	4.3%	-116
Coverage – Calculated	98.5%	93.3%	96.6%	-192	330	98.5%	96.6%	-192
CET1	12.4%	12.9%	12.5%	13	-37	12.4%	12.5%	13
Capital adequacy	15.6%	15.8%	15.5%	-5	-31	15.6%	15.5%	-5
ROAE	20.1%	21.0%	20.8%	64	-22	20.1%	20.8%	64
ROAA	2.3%	2.2%	2.3%	8	10	2.5%	2.7%	22

FABS estimate & Co Data

**CBD – Key B/S items**

AED Mn	4Q24	1Q25	2Q25	3Q25	4Q25	YOY Ch
Net advances	93,049	96,932	99,816	105,223	101,049	8.6%
QOQ change	1.4%	4.2%	3.0%	5.4%	-4.0%	
Total assets	140,175	141,129	150,607	163,409	160,308	14.4%
QOQ change	0.0%	0.7%	6.7%	8.5%	-1.9%	
Customer deposits	97,563	99,624	107,047	112,148	111,353	14.1%
QOQ change	-1.1%	2.1%	7.5%	4.8%	-0.7%	
Total equity	17,425	16,813	17,645	18,572	19,422	11.5%
QOQ change	3.9%	-3.5%	4.9%	5.3%	4.6%	

FABS estimate & Co Data

## Valuation:

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

Valuation Method	Target	Weight	Weighted Value
Residual Income	11.36	70.0%	7.95
Relative Valuation (RV)	9.16	30.0%	2.75
<b>Weighted Average Valuation (AED)</b>			<b>10.70</b>
Current market price (AED)			9.36
Upside/Downside (%)			+14.3%

### 1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 9.3%. The cost of equity is calculated using a 10-year government bond yield of 4.2%, a beta of 0.95, and an equity risk premium of 4.5%. The government bond yield is calculated by adding the Dubai 10-year CDS spread to the 10-year US risk-free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	5,937
Terminal value (AED, Mn)	10,752
Book value of equity (as of Dec 2025)	17,219
<b>FV to Common shareholders (AED, Mn)</b>	<b>33,907</b>
No. of share (Mn)	2,985
Current Market Price (AED)	9.36
<b>Fair Value per share (AED)</b>	<b>11.36</b>

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net Profit	3,423	3,374	3,396	3,422	3,390
(-) Equity charge	-1,595	-1,750	-1,898	-2,050	-2,204
<b>Excess Equity</b>	<b>1,827</b>	<b>1,623</b>	<b>1,498</b>	<b>1,372</b>	<b>1,186</b>
Discounting Factor	0.92	0.84	0.77	0.71	0.65
<b>Present Value of Excess Equity</b>	<b>1,681</b>	<b>1,367</b>	<b>1,154</b>	<b>968</b>	<b>766</b>

Source: FAB Securities

## 2) Relative Valuation:

We have used local and international peers to value CBD, and it is valued using the PB multiple. It is valued at a 2026 PB multiple of 1.4x in line with peers.

ompany	Market (USD Mn)	P/B (x)		PE (x)		Yield (%)	
		2026F	2027F	2026F	2027F	2026F	2027F
Dubai Islamic Bank	19,184	1.5	1.4	9.9	9.5	4.9%	5.0%
Emirates NBD	52,622	1.3	1.1	8.2	7.7	3.6%	3.9%
ADCB	30,364	1.4	1.3	9.8	8.7	4.5%	4.8%
MASQ	14,200	1.3	1.2	7.3	7.0	NA	NA
ADIB	22,664	2.9	2.5	12.3	10.8	4.2%	4.6%
Alinma Bank	17,800	1.7	1.5	10.7	10.0	4.1%	4.5%
<b>Average</b>		<b>1.7x</b>	<b>1.5x</b>	<b>9.7x</b>	<b>9.0x</b>	<b>4.2%</b>	<b>4.6%</b>
<b>Median</b>		<b>1.4x</b>	<b>1.3x</b>	<b>9.9x</b>	<b>9.1x</b>	<b>4.2%</b>	<b>4.6%</b>
<b>Max</b>		<b>1.6x</b>	<b>1.5x</b>	<b>10.5x</b>	<b>9.9x</b>	<b>4.5%</b>	<b>4.8%</b>
<b>Min</b>		<b>1.3x</b>	<b>1.2x</b>	<b>8.6x</b>	<b>7.9x</b>	<b>4.1%</b>	<b>4.5%</b>

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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