# Commercial Bank of Dubai (CBD)

| Current Price | Target Price | Upside/Downside (%) | Rating |
|---|---|---|---|
| AED 9.50 | AED 10.70 | +12.6% | ACCUMULATE |

## 2Q26 Net Profit in line with our estimate

- Net funded income declined 3.4% YOY and 1.5% QOQ to AED 994 Mn in 2Q26, weighed down by lower funded income, partially offset by lower funded expenses.
- However, calculated net interest margins (NIMs) declined by 26 bps YOY but improved by 2 bps QOQ to 2.8% in 2Q26.
- Non-funded income grew 6.2% YOY and 0.5% QOQ to AED 450 Mn in 2Q26, driven by higher fees and commissions, trading income and other non-funded income.
- Operating expenses increased 1.1% YOY but declined 2.2% QOQ to AED 383 Mn in 2Q26. Consequently, the cost-to-income ratio deteriorated by 44 bps YOY to 26.5% in 2Q26.
- Net profit increased by 2.1% YOY and 6.7% QOQ to AED 886 Mn in 2Q26, supported by lower impairment charges and higher non-funded income, partially offset by lower net funded income, higher operating expenses, and taxes.
- Net advances grew 4.4% YOY and 2.1% QOQ to AED 104.2 Bn in 2Q26, reflecting growth across most sectors in the loan portfolio.
- Customer deposits increased 0.6% YOY but declined 1.8% QOQ to AED 107.7 Bn in 2Q26, with CASA deposits accounting for 51.0% of total deposits in 2Q26.
- The loan-to-deposit ratio increased by 350 bps YOY and 365 bps QOQ to 96.7% in 2Q26.
- The Bank's CET1 and CAR ratios stood at 13.0% and 14.1%, respectively, in 2Q26.

## Earnings Call Summary

- CBD reiterated its 2026 guidance of mid-to-high single-digit loan growth and return on equity (after tax) above 18.0%.
- Bank lowered its cost of risk guidance to below 50 bps, from below 70 bps previously, supported by a healthy pipeline of recoveries. Reported cost of risk came in at 41 bps in 1H26, with the NPL ratio at a long-term low of 3.6%.
- CBD's reported net interest margin was 2.81% in 1H26, with management citing loan and CASA growth offsetting margin compression from competitive price pressure; the Bank expects NIM to stabilize around this level and reiterated 2.7% to 2.8% for 2026.
- CBD's cost efficiency remained strong, with the cost-to-income ratio stable at 26.7% in 1H26, even as the bank continued investing in its technology-stack replacement and digitization. The Bank expects this ratio to remain below 28.0% in 2026.
- The Bank's total assets declined 3.6% YTD and 2.2% QOQ to AED 154.5 Bn for 2Q26, reflecting a reduction in excess liquidity, with the deliberate lowering of the ELAR ratio from an elevated year-end level.
- The Bank's CASA ratio stood at 51.0% of total deposits in 2Q26, reflecting a strong funding profile supported by stable, low-cost operational accounts.
- Cash coverage ratio was 96.5% in 1H26 and coverage including collateral for stage 3 loans rose to 143.5%, reflecting prudent provisioning including refreshed macroeconomic overlays.
- The Bank issued a USD 600 Mn AT1 in mid-July 2026, the same size as the instrument it replaces, described as exceptionally well received at a wider spread than previously achieved; this positions CBD for 2H26 growth and lifts CAR to a pro-forma 15.9%, with CET1 at 13.0%, its strongest level to date.

- During 1H26, the Bank partnered with Dubai Holding Real Estate to launch a home financing programme for customers purchasing across the Nakheel, Meraas and Dubai Property portfolios, offering conventional and Islamic financing, faster digital approvals and dedicated mortgage support.

**CBD - P&L**

| AED Mn | 2Q25 | 1Q26 | 2Q26 | 2Q26F | Var | YOY Ch | QOQ Ch |
|---|---|---|---|---|---|---|---|
| Funded income | 1,876 | 1,821 | 1,839 | 1,862 | -1.2% | -2.0% | 1.0% |
| Funded expense | -847 | -812 | -845 | -800 | 5.5% | -0.3% | 4.0% |
| **Net funded income** | **1,029** | **1,009** | **994** | **1,061** | **-6.3%** | **-3.4%** | **-1.5%** |
| Fees and commissions | 324 | 296 | 340 | 305 | 11.7% | 5.0% | 15.1% |
| Trading income | 75 | 111 | 82 | 98 | -16.6% | 8.0% | -26.5% |
| Other non-funded income | 24 | 41 | 28 | 39 | -28.4% | 16.2% | -32.0% |
| **Total non-funded income** | **423** | **447** | **450** | **441** | **1.9%** | **6.2%** | **0.5%** |
| **Total operating income** | **1,453** | **1,456** | **1,444** | **1,502** | **-3.9%** | **-0.6%** | **-0.9%** |
| G&A expenses | -357 | -359 | -350 | -355 | -1.5% | -2.1% | -2.7% |
| Depreciation and amortization | -22 | -32 | -34 | -33 | 3.2% | 52.3% | 3.9% |
| **Operating Expenses** | **-379** | **-392** | **-383** | **-388** | **-1.1%** | **1.1%** | **-2.2%** |
| **Pre-provision profit** | **1,074** | **1,065** | **1,061** | **1,115** | **-4.9%** | **-1.2%** | **-0.4%** |
| Impair allowance | -164 | -180 | -134 | -205 | -34.3% | -17.9% | -25.1% |
| Recoveries | 42 | 46 | 43 | 45 | -4.2% | 3.7% | -6.8% |
| Impairment allow. on AFS inv. | 1 | -19 | 4 | -2 | NM | NM | NM |
| **Profit before tax** | **952** | **912** | **973** | **953** | **2.1%** | **2.2%** | **6.7%** |
| Corporate tax | -85 | -82 | -87 | -86 | 1.9% | 3.1% | 6.2% |
| **Net Profit** | **867** | **830** | **886** | **867** | **2.1%** | **2.1%** | **6.7%** |

*FABS estimate & Co Data*

## Guidance:

FAB SECURITIES أبوظبي الأول للأوراق المالية

## 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% |

## FAB Securities Contacts:


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