

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:

2026e Financial Guidance

 Loan Growth Mid to high single-digit percentage growth	 Cost of Risk < 50 bps	 Net Interest Margin 2.70% - 2.80%	 Cost to Income < 28%	 Return on Equity (after tax) > 18%
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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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