

Commercial Bank of Dubai (CBD)

Current Price	Target Price	Upside/Downside (%)	Rating
AED 9.67	AED 11.00	+13.8%	ACCUMULATE

3Q26 Net Profit higher than our estimate

- Net funded income increased 1.6% YOY to AED 1,091 Mn in 3Q26, supported by lower funded expenses, partially offset by a decline in funded income.
- Furthermore, calculated net interest margins (NIMs) improved by 1 bps YOY and 17 bps QOQ to 2.9% in 3Q26.
- Non-funded income declined 10.7% YOY to AED 449 Mn in 3Q26, driven by lower trading income, partially offset by higher fees and commissions and other non-funded income.
- Operating expenses declined 2.4% YOY but increased 5.3% QOQ to AED 403 Mn in 3Q26. Consequently, the cost-to-income ratio improved by 1 bps YOY and 36 bps QOQ to 26.2% in 3Q26.
- Net profit increased 9.6% YOY to AED 969 Mn in 3Q26, supported by higher net funded income, lower operating expenses and lower impairment charges, partially offset by higher corporate tax expenses, lower non-funded income and lower recoveries.
- Net advances grew 4.2% YOY and 5.2% QOQ to AED 109.6 Bn in 3Q26, supported by continued customer activity across the Bank's core businesses.
- Customer deposits remained broadly stable YOY but increased 4.1% QOQ to AED 112.2 Bn in 3Q26, with CASA deposits accounting for 50.0% of total deposits.
- The loan-to-deposit ratio increased by 393 bps YOY and 101 bps QOQ to 97.8% in 3Q26.
- The Bank's CET1 and CAR ratios stood at 12.71% and 15.53%, respectively, in 3Q26.

Earnings Call Summary

- CBD revised its 2026 guidance upwards, now targeting high-single-digit loan growth (previously mid-to-high single digits), a cost of risk below 40 bps (previously below 50 bps), NIM of 2.80–2.90% (previously 2.70–2.80%), a cost-to-income ratio below 27.0% (previously below 28.0%), and after-tax ROE above 21.0% (previously above 18.0%).
- The Bank's calculated NIM improved to 2.94% in 3Q26 from 2.77% in 2Q26, supported by higher EIBOR and strong loan growth. Management expects margins to remain strong in 4Q26, potentially matching 3Q26 levels, with upside risk to its full-year NIM guidance of 2.80–2.90%.
- Management indicated that the increase in net funded income during 3Q26 was primarily driven by strong loan growth, with higher EIBOR providing additional support. The Bank expects lending growth to remain broad-based across sectors, with domestic AED lending growing faster than offshore USD lending.
- The Bank expects overall 4Q26 results to be stronger than 3Q26, while continuing to closely monitor credit quality following relatively strong performance over the preceding two quarters.
- The Bank's cost of risk declined to 35 bps in 9M26, supported by improving asset quality and fewer loans migrating into higher-risk stages. Stage 2 loans accounted for c. 6–7% of the loan portfolio, while management maintained its 2026 cost of risk guidance below 40 bps.
- The Bank attributed the 10.7% YOY decline in non-funded income due to the non-recurrence of one-off gains from property sales and fund revaluations recorded in 3Q25.
- CBD's CASA ratio stood at 50.0% of total deposits in 3Q26, supported by strong customer relationships. The Bank indicated that CASA growth remained modest amid elevated interest rates, and it maintained adequate liquidity despite the loan-to-deposit ratio reaching 97.8%. Management also indicated that no additional liquidity was required to support lending growth.

- The Bank's NPL ratio declined to a record low of 2.98% in 3Q26, while the provision coverage ratio increased to 107.0% and c. 153.1% including collateral.
- CBD's capital adequacy ratio increased to 15.53% in 3Q26. The Bank issued a USD 600 Mn AT1 bond in July 2026, replacing an existing instrument of the same size. Management indicated that the issuance fulfilled the Bank's AT1 capital requirements, with no further AT1 issuance planned.
- CBD continued its digital expansion with the launch of UP by CBD, a mobile banking platform for micro and small businesses, and CBD Invest, an investment platform integrated into the CBD mobile app.

CBD - P&L

AED Mn	3Q25	2Q26	3Q26	3Q26F	Var	YOY Ch	QOQ Ch
Funded income	1,973	1,839	1,966	1,945	1.1%	-0.3%	6.9%
Funded expense	-899	-845	-875	-891	-1.8%	-2.7%	3.7%
Net funded income	1,074	994	1,091	1,054	3.5%	1.6%	9.7%
Fees and commissions	306	340	318	327	-2.6%	3.9%	-6.5%
Trading income	164	82	95	89	7.0%	-41.9%	16.7%
Other non-funded income	33	28	36	32	13.5%	10.0%	30.6%
Total non-funded income	503	450	449	447	0.4%	-10.7%	0.0%
Total operating income	1,577	1,444	1,540	1,501	2.6%	-2.3%	6.7%
G&A expenses	-388	-350	-368	-360	2.2%	-5.3%	5.3%
Depreciation and amortization	-25	-34	-35	-32	10.0%	43.3%	5.0%
Operating Expenses	-413	-383	-403	-392	2.9%	-2.4%	5.3%
Pre-provision profit	1,164	1,061	1,137	1,109	2.5%	-2.3%	7.2%
Impair allowance	-260	-134	-134	-183	-26.4%	-48.3%	-0.1%
Recoveries	66	43	64	46	37.9%	-3.9%	47.3%
Impairment allow. on AFS inv.	0	4	-4	-2	NM	NM	NM
Profit before tax	970	973	1,063	971	9.5%	9.5%	9.2%
Corporate tax	-86	-87	-94	-87	7.6%	8.8%	7.5%
Net Profit	884	886	969	883	9.7%	9.6%	9.4%

FABS estimate & Co Data

Management Guidance:
2026e Financial Guidance

 Loan Growth High single-digit percentage growth	 Cost of Risk < 40 bps	 Net Interest Margin 2.80% - 2.90%	 Cost to Income < 27%	 Return on Equity (after tax) > 21%
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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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