

Commercial Bank of Dubai (CBD)

Higher net funded income and lower impairments boosted profitability

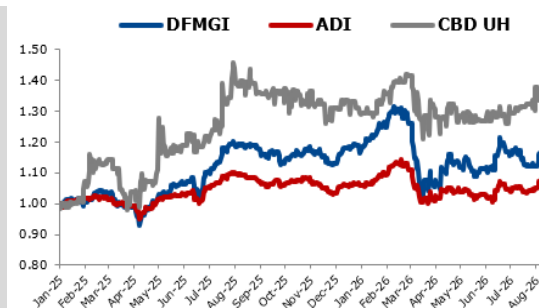
Current Price
AED 9.75

Target Price
AED 11.00

Upside/Downside (%)
+12.8%

Rating
ACCUMULATE

- The Bank revised its 2026 guidance to high-single-digit loan growth (previously mid-to-high single digits) and lowered its cost of risk guidance to below 40 bps (previously below 50 bps).
- CBD revised its 2026 NIM guidance to 2.80–2.90% (previously 2.70–2.80%), cost-to-income ratio to below 27.0% (previously below 28.0%) and after-tax ROE to above 21.0% (previously above 18.0%).
- The CASA ratio stood at 50.0% of total deposits in 3Q26, supported by strong customer relationships, while the loan-to-deposit ratio reached 97.8%.
- CBD reported an NPL ratio of 2.98% and a cash coverage ratio of 107.0% in 3Q26, with coverage including collateral for Stage 3 loans at 153.1%.



Stock Information

Market Cap (AED, Mn)	29,105.62
Paid Up Capital (Mn)	2,985.19
52 Week High	10.20
52 Week Low	8.45
3M Avg. daily value(AED)	694,065

3Q26 Result Review (AED, Mn)

Total Assets	167,857
Total Liabilities	148,270
Total Equity	19,587
Total Deposits	112,162
Net Profit	969

Financial Ratios

Dividend Yield (12m)	6.22
Dividend Pay-out (%)	51.96
Price-Earnings Ratio(x)	8.14
Price-to-Book Ratio (x)	1.61
Book Value (AED)	5.82
Return-on Equity (%)	20.55

Stock Performance

5 Days	0.83%
1 Months	-1.52%
3 Months	1.56%
6 Months	7.26%
1 Year	2.63%
Month to Date (MTD%)	-0.31%
Quarter to Date (QTD%)	-0.31%
Year to Date (YTD%)	5.18%

3Q26 Net Profit higher than our estimate

Commercial Bank of Dubai ("CBD, "the Bank") reported a 9.6% YOY increase in net profit to AED 969 Mn in 3Q26, higher than our estimate of AED 883 Mn. The growth was supported by higher net funded income, lower operating expenses and lower impairment charges, partially offset by lower non-funded income and lower recoveries coupled with higher corporate tax expenses.

P&L Highlights

CBD's funded income declined marginally by 0.3% YOY to AED 1,966 Mn in 3Q26, owing to a decrease in asset yield, partially offset by an increase in the loan and investment portfolio. Funded expenses decreased 2.7% YOY to AED 875 Mn in 3Q26, owing to lower funding costs, partially offset by an increase in interest-bearing liabilities. Thus, the net funded income increased 1.6% YOY to AED 1,091 Mn in 3Q26, as the reduction in funded expenses outweighed the marginal decline in funded income. CBD's calculated NIM improved by 1 bps YOY and 17 bps QOQ to 2.9% in 3Q26. The Bank's fees and commissions income grew 3.9% YOY to AED 318 Mn in 3Q26, while trading income declined 41.9% YOY to AED 95 Mn during the same period. Other non-funded income increased 10.0% YOY to AED 36 Mn in 3Q26. As a result, the Bank's total non-funded income declined 10.7% YOY to AED 449 Mn in 3Q26. Management attributed the decline to the non-recurrence of one-off gains recorded in 3Q25. CBD's total operating income declined 2.3% YOY to AED 1,540 Mn in 3Q26, as lower non-funded income outweighed the increase in net funded income. Furthermore, G&A expenses declined 5.3% YOY to AED 368 Mn in 3Q26, while D&A expenses increased 43.3% YOY to AED 35 Mn in 3Q26. Consequently, total operating expenses

decreased 2.4% YOY to AED 403 Mn in 3Q26. The cost-to-income ratio improved by 1 bps YOY and 36 bps QOQ to 26.2% in 3Q26. Impairments on loans & advances and Islamic financing decreased from AED 260 Mn in 3Q25 to AED 134 Mn in 3Q26. Recoveries on loans & advances and Islamic financing declined 3.9% YOY to AED 64 Mn in 3Q26, while the Bank's impairment charges on AFS investment increased to AED 4 Mn in 3Q26, compared to reversal of AED 49 K in 3Q25. CBD's corporate tax charge increased 8.8% YOY to AED 94 Mn in 3Q26.

Balance Sheet Highlights

CBD's 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. The reported NPL ratio declined 52 bps YOY and 62 bps QOQ to 2.98% in 3Q26. Further, the Bank's total assets increased 2.7% YOY and 8.6% QOQ to AED 167.9 Bn in 3Q26. Customer deposits remained 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 reached 97.8% in 3Q26, compared to 96.7% in 2Q26.

Target Price and Rating

We maintain our ACCUMULATE rating on CBD with a revised target price of AED 11.00. The Bank reported net profit growth of 9.6% YOY to AED 969 Mn in 3Q26, supported by higher net funded income, lower operating expenses and impairment charges, partially offset by lower non-funded income and higher corporate tax expenses. Gross lending reached AED 113.5 Bn in 3Q26, representing c. 4.0% of the UAE loan market. Net loans and advances increased 4.2% YOY and 5.2% QOQ to AED 109.6 Bn in 3Q26, supported by continued lending growth across the Bank's core businesses. On a YTD basis, gross loan growth was primarily driven by higher exposures to Hospitality, Individual Loans for Consumption, Trade, Others, Financial & Insurance Activities and Real Estate, partially offset by lower exposures to Individual Loans for Business, Government Entities and Manufacturing. The Bank revised its 2026 loan growth guidance to high-single-digit growth, from mid-to-high-single-digit growth previously. Management expects lending growth to remain broad-based across sectors, with domestic AED lending growing faster than offshore USD lending. CBD's investment securities portfolio stood at AED 21.9 Bn in 3Q26, predominantly comprising fixed-rate government securities (72.4%), followed by other fixed-rate securities (14.6%) and floating-rate government securities (12.4%), while fund of funds and equities accounted for 0.7% of the portfolio. Of the total investment portfolio, c. 54% was invested in the UAE and GCC. On the funding side, customer deposits remained broadly stable YOY but increased 4.1% QOQ to AED 112.2 Bn in 3Q26. CASA deposits accounted for 50.0% of total deposits, supported by strong customer relationships. The Bank revised its 2026 NIM guidance to 2.80–2.90%, from 2.70–2.80% previously, and expects margins to remain strong in 4Q26, potentially matching 3Q26 levels, with upside risk to its full-year guidance. On asset quality, CBD's reported cost of risk stood at 35 bps in 9M26, supported by improving asset quality. Stage 2 loans accounted for c. 6–7% of the loan portfolio, while the Bank lowered its 2026 cost of risk guidance to below 40 bps from below 50 bps previously. The reported NPL ratio declined 52 bps YOY to 2.98% in 3Q26, while the provision coverage ratio increased to 107.0% in 3Q26 from 98.93% in 3Q25. Management raised its 2026 after-tax ROE guidance to above 21.0%, from above 18.0% previously, while lowering its cost-to-income ratio guidance to below 27.0%, from below 28.0% previously. CBD's capital ratios remained healthy, with the capital adequacy ratio (CAR) at 15.53%, Tier 1 ratio at 14.39% and Common Equity Tier 1 (CET1) ratio at 12.71% in 3Q26, all above the UAE Central Bank's minimum regulatory requirements. Furthermore, the Bank issued a USD 600 Mn Additional Tier 1 (AT1) bond in July 2026, replacing an existing instrument of the same size, with management indicating that no further AT1 issuance was planned. CBD also continued its digital expansion through 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. Thus, based on the above-mentioned factors, we maintain our ACCUMULATE rating on the stock.

CBD - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	21.95	17.07	11.48	9.97	8.58	8.12
PB	2.54	2.47	2.13	1.90	1.68	1.58
BVPS	3.807	3.912	4.548	5.099	5.768	6.144
EPS	0.441	0.567	0.843	0.971	1.128	1.192
DPS	0.243	0.245	0.444	0.507	0.586	0.607
Dividend Yield	2.5%	2.5%	4.6%	5.2%	6.1%	6.3%

FABS Estimates & Co Data
CBD - P&L

AED Mn	3Q25	2Q26	3Q26	3Q26F	Var	YOY Ch	QOQ Ch	2025	2026F	Change
Funded income	1,973	1,839	1,966	1,945	1.1%	-0.3%	6.9%	7,657	7,678	0.3%
Funded expense	-899	-845	-875	-891	-1.8%	-2.7%	3.7%	-3,505	-3,453	-1.5%
Net funded income	1,074	994	1,091	1,054	3.5%	1.6%	9.7%	4,151	4,225	1.8%
Fees and commissions	306	340	318	327	-2.6%	3.9%	-6.5%	1,171	1,277	9.0%
Trading income	164	82	95	89	7.0%	-41.9%	16.7%	493	376	-23.8%
Other non-funded income	33	28	36	32	13.5%	10.0%	30.6%	103	144	40.0%
Total non-funded income	503	450	449	447	0.4%	-10.7%	0.0%	1,768	1,797	1.6%
Total operating income	1,577	1,444	1,540	1,501	2.6%	-2.3%	6.7%	5,919	6,023	1.7%
G&A Expenses	-388	-350	-368	-360	2.2%	-5.3%	5.3%	-1,459	-1,445	-1.0%
Depreciation & amortization	-25	-34	-35	-32	10.0%	43.3%	5.0%	-95	-137	44.8%
Operating Expenses	-413	-383	-403	-392	2.9%	-2.4%	5.3%	-1,554	-1,582	1.8%
Pre provision profit	1,164	1,061	1,137	1,109	2.5%	-2.3%	7.2%	4,365	4,441	1.7%
Impairments	-260	-134	-134	-183	-26.4%	-48.3%	-0.1%	-710	-622	-12.4%
Recoveries	66	43	64	46	37.9%	-3.9%	47.3%	189	187	-1.3%
Impairment on AFS invest.	0	4	-4	-2	NM	NM	NM	-1	-22	NM
Profit before tax	970	973	1,063	971	9.5%	9.5%	9.2%	3,844	3,984	3.6%
Corporate tax	-86	-87	-94	-87	7.6%	8.8%	7.5%	-344	-359	4.2%
Net Profit	884	886	969	883	9.7%	9.6%	9.4%	3,500	3,625	3.6%

FABS estimate & Co Data
CBD - KPI

	3Q25	2Q26	3Q26	YOY Ch	QOQ Ch	2025	2026F	Change
Net FI/OI	68.1%	68.9%	70.8%	272	197	70.1%	70.2%	3
NIMs	2.9%	2.8%	2.9%	1	17	3.0%	2.81%	-18
NIS	2.6%	2.4%	2.6%	3	17	2.6%	2.5%	-12
Fees & comms/OI	19.4%	23.6%	20.6%	123	-292	19.8%	21.2%	141
Trading/OI	10.4%	5.6%	6.2%	-421	53	8.3%	6.2%	-210
Cost to income	26.2%	26.5%	26.2%	-1	-36	26.3%	26.3%	1
Impairment/PPP	16.7%	8.3%	6.5%	-1,011	-171	11.9%	10.3%	-164
NP/OI	56.0%	61.3%	62.9%	684	154	59.1%	60.2%	106
Cost of Risk	0.7%	0.3%	0.2%	-46	-9	0.49%	0.38%	-11
Loan-to-deposit	93.8%	96.7%	97.8%	393	101	90.7%	96.1%	531
NPL - Calculated	4.1%	4.2%	3.4%	-70	-74	4.3%	3.5%	-76
Coverage - Calculated	93.3%	89.4%	98.1%	479	868	96.6%	99.0%	243
CET1	12.9%	13.0%	12.7%	-20	-29	12.5%	12.7%	13
Capital adequacy	15.8%	14.1%	15.5%	-31	139	15.5%	15.5%	-2
ROAE	21.0%	20.9%	20.6%	-41	-33	20.8%	20.0%	-75
ROAA	2.2%	2.3%	2.2%	-5	-13	2.7%	2.6%	-12

FABS estimate & Co Data
CBD - Key B/S items

AED Mn	3Q25	4Q25	1Q26	2Q26	3Q26	YOY Ch
Net advances	105,223	101,049	102,055	104,194	109,643	4.2%
QOQ change	5.4%	-4.0%	1.0%	2.1%	5.2%	
Total assets	163,409	160,308	157,922	154,505	167,857	2.7%
QOQ change	8.5%	-1.9%	-1.5%	-2.2%	8.6%	
Customer deposits	112,148	111,353	109,633	107,704	112,162	0.0%
QOQ change	4.8%	-0.7%	-1.5%	-1.8%	4.1%	
Total equity	18,572	19,422	18,315	16,968	19,587	5.5%
QOQ change	5.3%	4.6%	-5.7%	-7.4%	15.4%	

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	11.90	70.0%	8.33
Relative Valuation (RV)	8.91	30.0%	2.67
Weighted Average Valuation (AED)			11.00
Current market price (AED)			9.75
Upside/Downside (%)			+12.8%

1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 9.5%. The cost of equity is calculated using a 10-year government bond yield of 5.6%, a beta of 0.95, and an equity risk premium of 4.2%. 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)	6,425
Terminal value (AED, Mn)	11,710
Book value of equity (as of September 2026)	17,383
FV to Common shareholders (AED, Mn)	35,519
No. of share (Mn)	2,985
Current Market Price (AED)	9.75
Fair Value per share (AED)	11.90

Residual Income Method

(All Figures in SAR Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E
Net Profit	3,559	3,480	3,516	3,654	3,735	3,795
(-) Equity Charge	-1,638	-1,745	-1,903	-2,065	-2,239	-2,413
Excess Equity	1,921	1,735	1,613	1,589	1,496	1,382
Discounting Factor	0.98	0.90	0.82	0.75	0.68	0.62
Present Value of Excess Equity	472¹	1,557	1,322	1,189	1,022	862

Source: FAB Securities, ¹ Adjusted for partial year

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 2027 PB multiple of 1.3x in line with peers.

Company	Market (USD Mn)	P/E (x)		P/B (x)		Dividend Yield (%)	
		2026F	2027F	2026F	2027F	2026F	2027F
Dubai Islamic Bank	13,958	7.9x	8.1x	1.1x	1.0x	4.9%	5.0%
Emirates NBD	52,764	8.1x	7.4x	1.3x	1.1x	3.3%	3.7%
ADCB	33,951	10.1x	9.1x	1.5x	1.3x	4.3%	4.7%
MASQ	17,315	NA	NA	NA	NA	NA	NA
ADIB	21,854	12.2x	11.0x	2.8x	2.4x	4.4%	4.8%
Alinma Bank	18,507	11.3x	10.4x	1.8x	1.6x	3.4%	3.6%
Average		9.9x	9.2x	1.7x	1.5x	4.0%	4.4%
Median		10.1x	9.1x	1.5x	1.3x	4.3%	4.7%
Max		11.3x	10.4x	1.8x	1.6x	4.4%	4.8%
Min		8.1x	8.1x	1.3x	1.1x	3.4%	3.7%

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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