

## Commercial Bank of Dubai (CBD)

Lower funding expense and impairments boosted profits

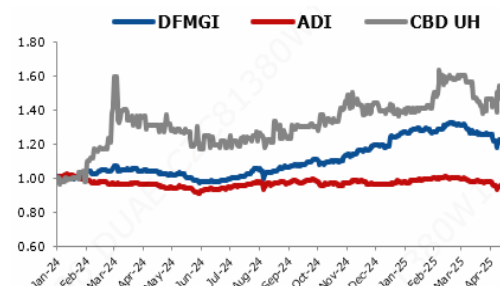
**Current Price**  
AED 7.60

**Target Price**  
AED 8.55

**Upside/Downside (%)**  
**+12.5%**

**Rating:**  
**ACCUMULATE**

- Net funded income rose 2.7% YOY to AED 985 Mn in 1Q25 due to lower funded expenses.
- Non-funded income fell 6.6% YOY to AED 386 Mn in 1Q25 due to the absence of one-off transactional gain booked in 1Q24.
- Cost of risk and NIMs guidance are revised upward to less than 50 bps and 2.9-3.1%, respectively, for 2025.
- Customer deposits increased 10.3% YOY and 2.1% QOQ to AED 99.6 Bn in 1Q25, with a low-cost CASA ratio of 52%.
- Total net advances expanded 11.7% YOY to AED 96.9 Bn in 1Q25, indicating increased demand across various sectors.
- CBD maintained a healthy capital position with CET1 ratio and CAR ratio standing at 12.3% and 15.3% in 1Q25.



### Stock Information

Market Cap (AED, mn)	23,821.83
Paid Up Capital (mn)	2,985.19
52 Week High	8.49
52 Week Low	6.00
3M Avg. daily value(AED)	218,621

### 1Q25 Result Review (AED, mn)

Total Assets	141,129
Total Liabilities	124,316
Total Equity	16,813
Total Deposits	99,624
Net Profit	828

### Financial Ratios

Dividend Yield (12m)	6.36
Dividend Pay-out (%)	52.27
Price-Earnings Ratio (x)	7.88
Price-to-Book Ratio (x)	1.63
Book Value (AED)	4.89
Return on Equity (%)	21.96

### Stock Performance

5 Days	3.64%
1 Months	10.07%
3 Months	9.32%
6 Months	10.83%
1 Year	14.00%
Month to Date (MTD%)	6.83%
Quarter to Date (QTD%)	6.83%
Year to Date (YTD%)	11.14%

### 1Q25 Net Profit higher than our estimate

Commercial Bank of Dubai ("CBD, "the Bank") net profit grew 18.1% YOY to AED 828 Mn in 1Q25, higher than our estimate of AED 778 Mn. The growth in net profit is driven by an increase in net funded income, coupled with lower impairments, partially offset by a decline in non-funded income, higher operating expenses and taxes.

### P&L Highlights

CBD's funded income marginally declined 0.5% YOY to AED 1,831 Mn in 1Q25, primarily due to a contraction in asset yield, partially offset by a growth in the loan book. Conversely, the funded expenses fell 4.0% YOY to AED 845 Mn in 1Q25 attributed to lower cost of funds. As a result, net funded income rose 2.7% YOY to AED 985 Mn in 1Q25. CBD's fees and commission income marginally declined 1.2% YOY to AED 274 Mn in 1Q25 mainly due to decline in other income partially offset by a growth in trade finance and investment sales. CBD's trading income shrank 10.7% YOY to AED 75 Mn in 1Q25 and the other non-funded income fell significantly from AED 52 Mn in 1Q24 to AED 37 Mn in 1Q25. Thus, the Bank's total non-funded income declined 6.6% YOY to AED 386 Mn in 1Q25 due to the absence of one-off transactional gain booked in 1Q24. CBD's total operating income marginally declined 0.1% YOY to AED 1,371 Mn in 1Q25. Moreover, the G&A expenses grew 15.8% YOY to AED 351 Mn in 1Q25. Total operating expenses increased from AED 315 Mn in 1Q24 to AED 370 Mn in 1Q25 due to reclassification of AED 27 Mn in fees to expenses (earlier reflected in equity in 2024 and previous fiscal period), investment in digitisation, Emiratisation and risk & control. Excluding this reclassification, opex rose 8% YOY in 1Q25. Furthermore, the impairments on loans, advances and Islamic financing significantly declined 64.7% YOY to AED 116 Mn in 1Q25. The recoveries on loans & advances and Islamic financing shrank from AED 43 Mn in 1Q24 to AED 31 Mn in 1Q25. CBD incurred a corporate tax expense of AED 82 Mn in 1Q25.

## Balance Sheet Highlights

CBD's net advances grew 11.7% YOY and 4.2% QOQ to AED 96.9 Bn in 1Q25. The Bank experienced growth in its loan portfolio across the majority of the sectors, with major contributions from government entities and the service sector, partially offset by a decline in the transportation & storage sector in 1Q25. Further, the Bank's total assets rose 7.8% YOY to AED 141.1 Bn in 1Q25 and increased marginally 0.7% on QOQ basis. Customer deposits witnessed a strong growth of 10.3% YOY and 2.1% QOQ to AED 99.6 Bn in 1Q25. The loan-to-deposit ratio reached 97.3% in 1Q25 compared to 95.4% in 4Q24. The Bank's CASA deposits accounted for 52% of total deposits in 1Q25 compared to 49% in 4Q24.

## Target Price and Rating

We revise our rating on CBD from BUY to ACCUMULATE with an unchanged target price of AED 8.55. The Bank share price has appreciated 6.3% since our last rating. CBD recorded 18.1% YOY growth in profit due to lower funded expenses and impairment charges. NIMs rose 7 bps QOQ to 3.02% in 1Q25 due to a decline in the cost of funding and a higher proportion of CASA deposits. CASA deposits comprised 52% of the total deposit in 1Q25 compared to 49% in 4Q24. CBD revised NIMs guidance from 2.8-2.9% to 2.9-3.1% for 2025. This is expected to positively impact profit in 2025. In addition, cost of risk declined 90 bps YOY to 0.33% in 1Q25. The Bank expects cost of risk to amount to less than 50 bps in 2025 compared to the previous guidance of less than 65 bps. NPL ratio also declined from 4.4% in 4Q24 to 4.3% in 1Q25, and coverage ratio stood at 101.1% during the same period. Stage 2 loans as a percentage of gross loans also declined from 9.4% in 4Q24 to 9.2% in 1Q25. The Bank recorded a strong growth in advances attributed to growth in the majority of the sectors, except the transportation and storage sector. It expects advances to grow by mid to high single digits in 2025. CBD continues to deepen customer relationships to enhance growth. CBD maintained a capital position with CET1 ratio and CAR ratio standing at 12.3% and 15.3% in 1Q25. This is higher than minimum regulatory requirement of 9.5% for CET 1 and 13.0% for CAR. However, the ratio is also lower than the industry average CET1 ratio of 16.4% and CAR ratio of 17.8% in 4Q24 which might lead CBD raise capital in the medium-term. Thus, based on our analysis, we revise our rating from BUY to ACCUMULATE on the stock.

## CBD - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
P/E	20.40	17.23	13.40	9.01	7.83	7.03
P/B	2.23	2.00	1.94	1.67	1.49	1.33
DPS	0.19	0.24	0.24	0.44	0.51	0.55
Dividend yield	2.5%	3.2%	3.2%	5.8%	6.7%	7.2%

FABS Estimates & Co Data

**CBD – P&L**

AED mn	1Q24	4Q24	1Q25	1Q25F	Var.	YOY Ch	QOQ Ch	2024	2025F	Change
Funded income	1,840	1,882	1,831	1,887	-3.0%	-0.5%	-2.7%	7,544	7,696	2.0%
Funded expense	-880	-933	-845	-924	-8.5%	-4.0%	-9.4%	-3,745	-3,707	-2.0%
<b>Net funded income</b>	<b>959</b>	<b>950</b>	<b>985</b>	<b>963</b>	<b>2.3%</b>	<b>2.7%</b>	<b>3.8%</b>	<b>3,799</b>	<b>3,989</b>	<b>10.0%</b>
Fees and commissions	277	265	274	287	-4.5%	-1.2%	3.1%	1,115	1,215	18.0%
Trading income	84	84	75	85	-11.5%	-10.7%	-10.3%	337	347	6.0%
Other non-funded income	52	28	37	55	-33.2%	-28.8%	33.6%	240	243	2.0%
<b>Total non-funded income</b>	<b>413</b>	<b>377</b>	<b>386</b>	<b>427</b>	<b>-9.6%</b>	<b>-6.6%</b>	<b>2.4%</b>	<b>1,692</b>	<b>1,805</b>	<b>13.3%</b>
<b>Total operating income</b>	<b>1,372</b>	<b>1,326</b>	<b>1,371</b>	<b>1,390</b>	<b>-1.3%</b>	<b>-0.1%</b>	<b>3.4%</b>	<b>5,491</b>	<b>5,794</b>	<b>11.0%</b>
G&A Expenses	-303	-366	-351	-370	-5.1%	15.8%	-4.2%	-1,342	-1,463	18.0%
Depreciation & amortization	-12	-20	-20	-13	45.9%	58.9%	-1.2%	-61	-54	-24.0%
<b>Operating Expenses</b>	<b>-315</b>	<b>-386</b>	<b>-370</b>	<b>-383</b>	<b>-3.4%</b>	<b>17.5%</b>	<b>-4.0%</b>	<b>-1,403</b>	<b>-1,517</b>	<b>16.2%</b>
<b>Pre provision profit</b>	<b>1,057</b>	<b>941</b>	<b>1,001</b>	<b>1,006</b>	<b>-0.6%</b>	<b>-5.3%</b>	<b>6.4%</b>	<b>4,087</b>	<b>4,277</b>	<b>9.3%</b>
Impairments	-330	-107	-116	-164	-29.0%	-64.7%	8.8%	-990	-613	-76.2%
Recoveries	43	44	31	27	15.2%	-27.6%	-28.9%	257	103	NM
Impairment on AFS invest.	0	-2	-5	-15	-63.2%	NM	NM	-30	-77	NM
<b>Profit before tax</b>	<b>770</b>	<b>876</b>	<b>910</b>	<b>855</b>	<b>6.5%</b>	<b>18.2%</b>	<b>3.9%</b>	<b>3,325</b>	<b>3,691</b>	<b>22.0%</b>
Corporate tax	-69	-76	-82	-77	6.5%	18.5%	7.1%	-295	-332	24.9%
<b>Net Profit</b>	<b>701</b>	<b>799</b>	<b>828</b>	<b>778</b>	<b>6.5%</b>	<b>18.1%</b>	<b>3.6%</b>	<b>3,030</b>	<b>3,358</b>	<b>21.7%</b>

FABS estimate & Co Data

**CBD - KPI**

	1Q24	4Q24	1Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	69.9%	71.6%	71.9%	196	27	69.2%	68.9%	-34
NIM	3.2%	3.0%	3.0%	-22	7	3.1%	3.0%	-12
NIS	2.8%	2.5%	2.6%	-18	12	2.6%	2.5%	-8
Fees & comms/OI	20.2%	20.0%	20.0%	-22	-5	20.3%	21.0%	67
Trading/OI	6.1%	6.3%	5.5%	-65	-84	6.1%	6.0%	-15
Cost to income	23.0%	29.1%	27.0%	405	-208	25.6%	26.2%	62
Impairment/PPP	27.2%	6.9%	9.1%	NM	218	18.6%	13.7%	-494
NP/OI	51.1%	60.3%	60.4%	NM	14	55.2%	58.0%	279
Cost of Risk	1.2%	0.3%	0.3%	-90	8	0.7%	0.48%	-26
Loan-to-deposit	96.1%	95.4%	97.3%	123	193	95.4%	94.7%	-69
NPL – Reported	5.9%	4.4%	4.3%	-159	-6	4.4%	4.4%	0
Coverage – Reported	93.4%	104.2%	101.1%	771	-313	104.2%	104.2%	0
CET1	12.4%	12.4%	12.3%	-13	-12	12.4%	13.0%	61
Capital adequacy	15.7%	15.6%	15.3%	-36	-26	15.6%	16.0%	41
ROAE <sup>1</sup>	21.6%	20.1%	22.0%	38	184	20.1%	20.0%	-14
ROAA <sup>1</sup>	2.2%	2.3%	2.3%	10	7	2.5%	2.6%	11

FABS estimate & Co Data, <sup>1</sup>ROAE and ROAA on a TTM basis.

**CBD - Key B/S items**

AED mn	1Q24	2Q24	3Q24	4Q24	1Q25	YOY Ch
Net advances	86,791	89,608	91,746	93,049	96,932	11.7%
QOQ ch	4.2%	3.2%	2.4%	1.4%	4.2%	
Total assets	130,976	141,256	140,217	140,175	141,129	7.8%
QOQ ch	1.5%	7.8%	-0.7%	0.0%	0.7%	
Customer deposits	90,342	99,831	98,682	97,563	99,624	10.3%
QOQ ch	2.3%	10.5%	-1.2%	-1.1%	2.1%	
Total equity	15,138	15,843	16,772	17,425	16,813	11.1%
QOQ ch	-4.1%	4.7%	5.9%	3.9%	-3.5%	

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	9.05	70.0%	6.33
Relative Valuation (RV)	7.38	30.0%	2.21
<b>Weighted Average Valuation (AED)</b>			<b>8.55</b>
Current market price (AED)			7.60
Upside/Downside (%)			+12.5%

### 1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 9.6%. Cost of equity is calculated by using a 10-year government bond yield of 5.6%, a beta of 0.9 and an equity risk premium of 4.2%. Government bond yield is calculated after adding the Dubai 10-year CDS spread over the 10-year US risk-free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	4,603
Terminal value (AED, Mn)	7,796
Book value of equity (as of Mar 2025)	14,609
FV to Common shareholders (AED, Mn)	27,009
No. of share (Mn)	2,985
Current Market Price (AED)	7.60
<b>Fair Value per share (AED)</b>	<b>9.05</b>

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Net Profit	3,226	2,960	2,995	3,215	3,179
(-) Equity charge	(1,633)	(1,772)	(1,928)	(2,106)	(2,265)
<b>Excess Equity</b>	<b>1,593</b>	<b>1,188</b>	<b>1,067</b>	<b>1,110</b>	<b>914</b>
Discounting Factor	0.91	0.83	0.76	0.69	0.63
<b>Present Value of Excess Equity</b>	<b>1,454</b>	<b>990</b>	<b>811</b>	<b>770</b>	<b>579</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 2025 PB multiple of 1.3x in line with peers.

Company	Market (USD Mn)	P/B(x)		PE (x)		Yield (%)	
		2025F	2026F	2025F	2026F	2025F	2026F
Dubai Islamic Bank	14,737	1.3	1.2	8.7	8.8	6.1	6.1
Emirates NBD	33,448	0.9	0.8	5.9	5.6	5.4	5.9
ADCB	21,119	1.1	1.0	8.8	8.2	5.7	5.9
MASQ	13,217	1.3	1.2	6.5	6.8	8.3	8.3
ADIB	16,157	2.4	2.2	11.3	10.6	4.9	5.2
Alinma Bank	19,637	2.0	1.8	12.1	11.1	3.7	3.9
<b>Average</b>		<b>1.5x</b>	<b>1.4x</b>	<b>8.9x</b>	<b>8.5x</b>	<b>5.7%</b>	<b>5.9%</b>
<b>Median</b>		<b>1.3x</b>	<b>1.2x</b>	<b>8.7x</b>	<b>8.5x</b>	<b>5.5%</b>	<b>5.9%</b>
<b>Max</b>		<b>1.8x</b>	<b>1.6x</b>	<b>10.7x</b>	<b>10.1x</b>	<b>6.0%</b>	<b>6.1%</b>
<b>Min</b>		<b>1.1x</b>	<b>1.1x</b>	<b>7.1x</b>	<b>7.2x</b>	<b>5.0%</b>	<b>5.3%</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%

## FAB Securities Contacts:

### Research Analyst

Ahmad Banihani                      +971-2-6161629                      [ahmad.banihani@Bankfab.com](mailto:ahmad.banihani@Bankfab.com)

### Sales & Execution

Abu Dhabi Head Office

Trading Desk                      +971-2-6161700/1                      Online Trading Link

+971-2-6161777

Institutional Desk                      +971-4-4245765

## DISCLAIMER

This report has been prepared by FAB Securities (FABS), which is authorised by the UAE Securities and Commodities Authority, licensing registration number 604002, and is a member of the Abu Dhabi Securities Exchange and Dubai Financial Market. The information, opinions and materials contained in this report are provided for information purposes only and are not to be used, construed, or considered as an offer or the solicitation of an offer or recommendation to sell or to buy or to subscribe for any investment security or other financial instrument. The information, opinions and material in this report have been obtained and derived from publicly available information and other sources considered reliable without being independently verified for their accuracy or completeness. FABS gives no representation or warranty, express or implied, as to the accuracy and completeness of information and opinions expressed in this report. Opinions expressed are current as of the original publication date appearing on the report only and the information, including the opinions contained herein, are subject to change without notice. FABS is under no obligation to update this report. The investments referred to in this report might not be suitable for all recipients. Recipients should not base their investment decisions on this report and should make their own investigations, and obtain independent advice, as appropriate. Any loss or other consequences arising from the uses of material contained in this report shall be the sole and exclusive responsibility of the recipient and FABS accepts no liability for any such loss or consequence. The value of any investment could fall as well as rise and the investor may receive less than the original amount invested. Some investments mentioned in this report might not be liquid investments, which could be difficult to realise in cash. Some investments discussed in this report could be characterised by high level of volatility, which might result in loss. FABS owns the intellectual property rights and any other material contained in this report. No part of this report may be reproduced, utilised or modified in any form either in whole or in part or by any electronic, mechanical or other means, now known or hereafter invented, including photocopying and recording, or stored in any retrieval system without the prior consent of FABS in writing. While utmost care has been taken to ensure that the information provided is accurate and correct, neither FABS, nor its employees shall, in any way, be responsible for the contents. By accepting this document, the recipient agrees he/she has read the above disclaimer and to be bound by the foregoing limitations/restrictions.