



**Management Discussion and Analysis Report**  
**Third Quarter 2022**  
**26<sup>th</sup> October 2022**



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**Commercial Bank of Dubai (CBD) reports net profit of AED 1,322m, up 25.8% on prior period**

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**Key Performance Indicators**

Net Profit <b>AED 1,322m</b>	Return on Equity <b>15.78%</b>	Cost to Income <b>26.84%</b>
Assets <b>AED 118b</b>	Capital Adequacy Ratio <b>15.59%</b>	CET1 ratio <b>12.06%</b>

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**Solid performance for the nine months to 30 September 2022**

Net profit of AED 1,322 million up 25.8% versus the prior comparative period

**Lower expected credit losses**

Net impairment allowances were AED 668 million, down 6.3% on 9M 2021

**Cost to income ratio comparable to 9M 2021**

Excellent cost to income ratio at 26.84%

**Strong balance sheet supporting liquidity, funding and capital ratios**

Gross loans were AED 84.1 billion, an increase of 6.5% compared to Q3 2021



**Dubai, 26<sup>th</sup> October 2022:** Commercial Bank of Dubai (CBD) today reported its financial results for the first nine months of 2022.

Commercial Bank of Dubai has delivered a net profit of AED 1,322 million for the nine months to 30 September 2022, up 25.8% versus the prior comparative period. Stronger revenue across Net Interest and Other Operating Income generated a significant increase in net profit. Notably, market interest rates have continued to rise, which, together with loan growth resulted in a solid financial performance for the first nine months of 2022. Whilst global macro-economic environment challenges persist, in contrast, the UAE economy continues to perform strongly with a positive outlook.

Commenting on the bank's performance, Dr. Bernd van Linder, Chief Executive Officer said, "CBD has accomplished a solid result attributable to strong revenue and improved business performance. Overall, our net profit was AED 1,322 million, well above the prior comparative period on higher net interest income and overall increased business activity. CBD continues to make substantial progress on its long-term goals and is advancing on its strategic priorities.

Digital transformation and innovation are instrumental in our ongoing success and we will continue to drive digital leadership to ensure we provide our customers with a high quality seamless banking experience. We remain focused on the development of innovative banking solutions and continue to invest in state-of-the-art technology to help our customers achieve their financial aspirations.

The UAE economy continues to perform strongly and we anticipate a healthy 2023 domestic business environment. CBD will continue to back the UAE's ambitions and will dedicate efforts toward developing a more sustainable future."

### **Q3 2022 results:**

- ▶ Net profit was AED 1,322 million, 25.8% above the prior comparative period
- ▶ Operating income was AED 2,720 million, up 13.9% driven by net interest income, fees and commissions
- ▶ Expenses were AED 730 million, up by 17.0%
- ▶ Operating profit was AED 1,990 million, up by 12.8%
- ▶ Net impairment allowances were AED 668 million, down 6.3%



**As at 30 September 2022:**

- ▶ Capital ratios remained strong with the capital adequacy ratio (CAR) at 15.59%, Tier 1 ratio at 14.43% and Common Equity Tier 1 (CET1) ratio at 12.06%
- ▶ Gross loans were AED 84.1 billion, an increase of 4.5% compared to 31 December 2021
- ▶ Advances to stable resources ratio (ASRR) stood at 92.93%

**Income Statement**

**Operating income** was AED 2,720 million for the first nine months of 2022, up 13.9%, attributable to increased Net Interest Income (NII) by 18.2% on higher interest rates and volumes, and growth in Other Operating Income (OOI) from strengthened business activities.

**Operating expenses** were AED 730 million, driven by investments in digitisation, growth and regulatory compliance. The cost-to-income ratio remains excellent at 26.84%.

(AED Million)

Income statement	9M 22	9M 21	YoY Var	Q3 22	Q2 22	QoQ Var
Net interest income	1,853	1,568	18.2%	720	590	22.0%
Other operating income	867	820	5.7%	266	285	(6.7%)
<b>Total income</b>	<b>2,720</b>	<b>2,388</b>	<b>13.9%</b>	<b>986</b>	<b>875</b>	<b>12.7%</b>
Operating expenses	730	624	17.0%	255	239	6.7%
<b>Operating profit</b>	<b>1,990</b>	<b>1,764</b>	<b>12.8%</b>	<b>731</b>	<b>636</b>	<b>14.9%</b>
Net impairment allowances	668	713	(6.3%)	275	201	36.8%
<b>Net profit</b>	<b>1,322</b>	<b>1,051</b>	<b>25.8%</b>	<b>456</b>	<b>435</b>	<b>4.9%</b>

**Balance Sheet**

**Total assets** were AED 117.5 billion as at 30 September 2022, an increase of 9.1% compared to AED 107.8 billion as at 30 September 2021.

**Net loans and advances** were AED 79.1 billion, registering an increase of 5.7% compared to AED 74.9 billion as at 30 September 2021.

**Customers' deposits** were AED 81.8 billion as at 30 September 2022, representing an increase of 7.9% compared to AED 75.8 billion as at 30 September 2021. Low-cost current and savings accounts (CASA) constitute 51.1% of the total customer deposit base, while the financing-to-deposits ratio stood at 96.77%.

(AED Million)

Balance sheet	Sep 22	Sep 21	YoY Var	Sep 22	Jun 22	QoQ Var
Gross loans and advances	84,068	78,915	6.5%	84,068	83,593	0.6%
Allowances for impairment	4,930	4,017	22.7%	4,930	4,741	4.0%
<b>Net loans and advances</b>	<b>79,138</b>	<b>74,898</b>	<b>5.7%</b>	<b>79,138</b>	<b>78,852</b>	<b>0.4%</b>
Total assets	117,531	107,752	9.1%	117,531	117,537	(0.0%)
Customers' deposits	81,778	75,812	7.9%	81,778	84,827	(3.6%)
Total Equity	13,387	13,275	0.8%	13,387	13,121	2.0%



### Asset Quality

The non-performing loan (NPL) ratio decreased to 6.75%, down from 6.95% at the end of 2021.

The net impairment charge totaled AED 668 million for the first nine months of 2022. The headline coverage ratio increased by 1,230 bps to 74.9% (Dec 2021: 62.6%) and 120.13% inclusive of collateral for stage 3 loans. As at 30 September 2022, total allowances for impairments amounted to AED 4,930 million.

### Liquidity and Capital position

The bank's liquidity position remained robust with the advances to stable resources ratio at 92.93% as at 30 September 2022 (Dec 2021: 88.00%), compared to the UAE Central Bank maximum of 100%.

CBD's capital ratios remained strong with the capital adequacy ratio (CAR) at 15.59%, Tier 1 ratio at 14.43% and Common Equity Tier 1 (CET1) ratio at 12.06%. All capital ratios were well above the minimum regulatory thresholds mandated by the UAE Central Bank.

Key ratios %	(%)					
	9M 22	9M 21	YoY Var (bps)	Q3 22	Q2 22	QoQ Var (bps)
Return on equity	15.78%	12.94%	284	16.66%	16.18%	48
Return on assets	1.52%	1.37%	15	1.55%	1.47%	8
Cost to income ratio	26.84%	26.13%	71	25.86%	27.31%	(145)
Non-performing loans (NPL)	6.75%	6.93%	(18)	6.75%	6.78%	(3)
Provision coverage	74.90%	64.14%	1,076	74.90%	72.56%	234
Financing-to-deposit ratio	96.77%	98.79%	(202)	96.77%	92.96%	381
Advances to stable resources	92.93%	93.10%	(17)	92.93%	89.35%	358
Capital adequacy ratio	15.59%	16.16%	(57)	15.59%	15.43%	16
Tier 1 ratio	14.43%	15.00%	(57)	14.43%	14.28%	15
CET1 ratio	12.06%	12.50%	(44)	12.06%	11.88%	18

### Ratings

Agency	Rating	Outlook	Date
Fitch Ratings	A-	Stable	Apr-22
Moody's	Baa1	Stable	Apr-22



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### **About CBD**

The bank was incorporated in Dubai, United Arab Emirates in 1969 and is registered as a Public Joint Shareholding Company (PJSC).

The bank is listed on the Dubai Financial Market and is majority owned by UAE Nationals, including 20% by the Investment Corporation of Dubai (ICD). The bank employs over 1,300 staff and offers a wide range of conventional and Islamic banking products and services to its institutional, corporate and personal banking customers through a network of 14 branches. Moreover, the bank has invested in an extensive network of 169 ATMs/CDMs.

For further information, kindly contact: CBD Investor Relations @ [investor.relations@cbd.ae](mailto:investor.relations@cbd.ae)