



## Commercial Bank of Dubai (CBD) reports a 21.6% increase in net profit of AED 340 million Operating profit 27.9% higher at AED 568 million

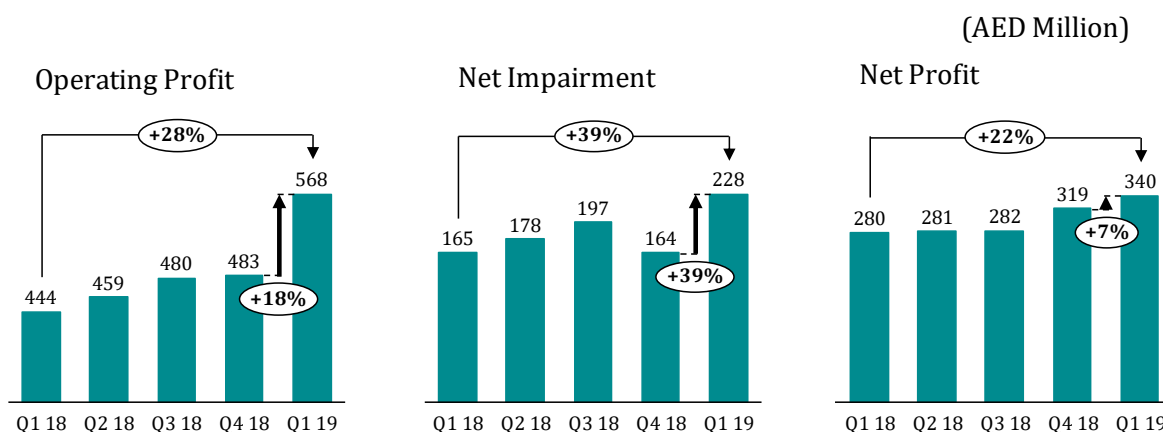
Dubai, 17<sup>th</sup> April 2019: Commercial Bank of Dubai (CBD) today reported its financial results for the first quarter of 2019.

### Financial Highlights:

- Operating income of AED 774 million was up 17.6% year on year driven by higher net interest income and other operating income
- Expense discipline delivered a 3.7% decrease in expenses to AED 206 million
- Operating profit of AED 568 million before impairment allowances was up 27.9%
- Net impairment allowances were AED 228 million, higher by 38.7% when compared to the first quarter of 2018
- Net profit of AED 340 million represented a 21.6% increase over the same period last year

### **As at 31<sup>st</sup> March 2019:**

- Capital ratios strengthened with the capital adequacy ratio (CAR) improving to 15%
- Gross loans were AED 55 billion, an increase of 9.2% over the prior comparative period
- Advances to stable resources ratio (ASRR) stood at 87.8%
- Non-performing Loan (NPL) ratio improved from 8.7% to 6.0%
- Coverage ratio for non-performing loans improved from 66.0% to 81.6%



### Performance Review

The Commercial Bank of Dubai delivered a strong quarterly result with net profit up 21.6% to AED 340 million on the back of a 17.6% increase in operating income, a 3.7% decline in operating expenses; impairment allowances meanwhile increased by 38.7% as the bank conservatively provided for non-performing loans.



**Operating income** for Q1 2019 amounted to AED 774 million, an increase of 17.6% attributable to a 7.7% increase in net interest income (NII) and a 40.4% increase in other operating income (OOI).

**Operating expenses** were AED 206 million, down 3.7% on the back of disciplined expense management through improved efficiency and the result of digital transformation. The cost to income ratio improved to 26.6% for the quarter (Q1 2018: 32.5%).

	(AED Million)					
<b>Income statement</b>	<b>Q1 19</b>	<b>Q1 18</b>	<b>PoP Var</b>	<b>Q1 19</b>	<b>Q4 18</b>	<b>QoQ Var</b>
Net interest income and Islamic financing income	493	458	7.7%	493	484	1.8%
Other operating income	281	200	40.4%	281	223	26.1%
<b>Total revenue</b>	<b>774</b>	<b>658</b>	<b>17.6%</b>	<b>774</b>	<b>707</b>	<b>9.5%</b>
Operating expenses	206	214	(3.7%)	206	224	(8.2%)
<b>Operating profit</b>	<b>568</b>	<b>444</b>	<b>27.9%</b>	<b>568</b>	<b>483</b>	<b>17.6%</b>
Net impairment allowances	228	165	38.7%	228	164	39.2%
<b>Net profit</b>	<b>340</b>	<b>280</b>	<b>21.6%</b>	<b>340</b>	<b>319</b>	<b>6.6%</b>

### **Balance Sheet**

Total assets were AED 76.2 billion as at 31<sup>st</sup> March 2019, an increase of 8.5% compared to the AED 70.2 billion as at 31<sup>st</sup> March 2018.

**Loans and Advances** were AED 51.8 billion, registering an increase of 10.3% when compared to AED 46.9 billion as at the end of first quarter 2018.

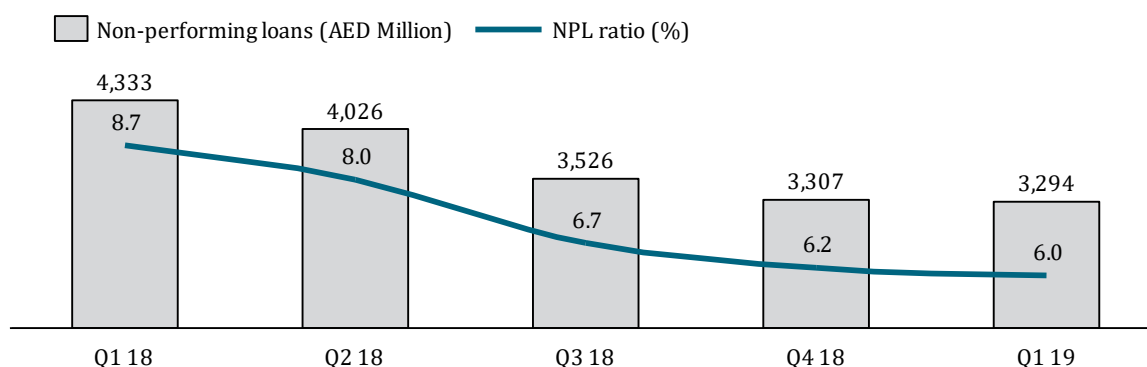
**Customers' Deposits** were AED 54.6 billion as at 31<sup>st</sup> March 2019 representing an increase of 13.3% compared to AED 48.2 billion at the end of first quarter 2018. Low cost current and savings accounts (CASA) constitute 42.9% of the total deposit base, while the financing-to-deposits ratio stood at 94.8%.

	(AED Million)		
<b>Balance sheet</b>	<b>Mar-19</b>	<b>Mar-18</b>	<b>QoQ Var</b>
Gross loans and advances	55,050	50,417	9.2%
Allowances for impairment	3,249	3,450	(5.8%)
<b>Net loans and advances</b>	<b>51,801</b>	<b>46,967</b>	<b>10.3%</b>
Total assets	76,163	70,207	8.5%
Customers' deposits	54,614	48,204	13.3%
Shareholders' equity	9,058	8,363	8.3%

### **Asset Quality:**

The non-performing loans (NPL) ratio decreased significantly to 6.0% from 8.7% at the end of first quarter 2018, with both ratios calculated under IFRS9.

In line with the bank's prudent provisioning policy, additional net impairment provisions of AED 228 million were set aside during the first quarter compared to AED 165 million for the same period in the prior year. As at the end of March 2019, total allowances for impairment amounted to AED 3,249 million.



### Liquidity and Capital position

The bank's liquidity position remained robust with the advance to stable resources ratio at 87.8% as at 31<sup>st</sup> March 2019 (Q1 2018: 89.7%) compared to the UAE Central Bank 100% limit.

CBD's Capital Ratios strengthened with capital adequacy and Tier 1 capital ratios at 15.0% and 13.85%, respectively, and were significantly above the regulatory thresholds mandated by the UAE Central Bank.

Key ratios	Q1 19					
	Q1 19	Q1 18	Var bps	Q1 19	Q4 18	QoQ Var
Return on equity	15.0	13.4	164	15.0	13.8	117
Return on assets	1.8	1.6	19	1.8	1.7	6
Cost to income ratio	26.6	32.5	(589)	26.6	31.7	(510)
Capital adequacy ratio	15.0	14.9	11	15.0	14.6	44
Non-performing loan (NPL)	6.0	8.7	(265)	6.0	6.2	(13)
Provision coverage	81.6	66.0	1563	81.6	77.8	381
Loan to deposit	94.8	97.4	(259)	94.8	95.8	(98)
Advances to stable resources	87.8	89.7	(189)	87.8	89.4	(159)
Tier 1 and CET1 ratio	13.8	13.7	11	13.8	13.4	44

Commenting on the bank's performance, **Dr. Bernd van Linder, Chief Executive Officer** said, "CBD posted a strong set of results for the first quarter of 2019 as net profit increased by 21.6% underpinned by higher income and lower cost. The balance sheet remains solid with a further improvement in capital and liquidity coupled with a significant improvement in non-performing loans, coverage and the cost to income ratio. We will continue to focus on supporting customers and creating long term value for our shareholders".

**Ratings:**

	Long Term IDR	Outlook	Date
MOODY'S INVESTORS SERVICE	Baa1	Negative	Dec-18
FitchRatings	A-	Stable	Nov-18

**About CBD**

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

The bank is listed on the Dubai Financial Market and is fully owned by UAE Nationals, including 20% by the Investment Corporation of Dubai (ICD). The bank employs around 1,059 staff from 45 nationalities. It offers a wide range of conventional and Islamic banking products and services to its corporate, commercial and personal banking customers through a network of 20 branches and 2 kiosks. Moreover the bank has invested in an extensive network of 163 ATMs/CDMs.

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