

# 2<sup>nd</sup> Quarter Results 2019

## Investor Presentation Highlights July 2019

**Dr Bernd van Linder**  
Chief Executive Officer

**Mr Darren Clarke**  
Chief Financial Officer



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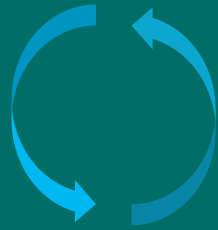
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# Commercial Bank of Dubai H1 Overview



Net Profit  
**AED 701m**  
▲25% from H1 18



Gross Lending  
**3.3%**  
UAE Loan Market Share



Employees  
**1500+**



**17** Branches  
**153**  
ATM/CDM



Corporate Social  
Responsibility  
Sponsored **Jebel Ali**  
**horse race** for season  
2018/2019  
Participated in **Special**  
**Olympics World Games**



Credit Rating  
**A-** (Fitch)  
**Baa1** (Moody's)  
**A-** (Capital Intelligence)

## Awards

**Best Cash Management  
Bank Award in the UAE**  
Global Banking and Finance  
Review  
(June 2019)

**Most Innovative Card of the  
Year**  
Seamless Awards  
(April 2019)

**Excellence in Payments**  
Finnovex Awards  
(March 2019)

## Earnings Snapshot – uplift in underlying performance reflected in key ratios

(AED m)

	1H 19	Change 1H 19 - 1H 18	Change (%) 1H 19 - 1H 18
Net profit	701.2	140.4	25.0%
Return on equity (RoE)	15.2%	210 bp	16.1%
Return on assets (RoA)	1.84%	21 bp	13.0%
Interest margin	2.55%	(14) bp	(5.2%)
Expense to income ratio	28.4%	(355) bp	(11.1%)
Impairment charge to gross loans	1.28%	2 bp	1.2%
Capital adequacy ratio	14.96%	(4) bp	(0.3%)

# H1 2019 – Financial Performance Snapshot

## Shareholder Value Creation

Revenues  
**AED 1,510m**  
▲14% from H1 18

Net Profit  
**AED 701m**  
▲25% from H1 18

Return on Equity  
**15.15%**  
▲210 bps from H1 18

## Focus on Growth

Assets  
**AED 78.4bn**  
▲6% from Q4 18

Customer Deposits  
**AED 55.3bn**  
▲4% from Q4 18

Gross Loans  
**AED 58.3bn**  
▲8% from Q4 18

## Strong Metrics

Capital Adequacy Ratio  
**14.96%**  
▼4 bps from H1 18

Non-performing Loan  
**5.52%**  
▼197 bps from H1 18

Return on Assets  
**1.84%**  
▲21 bps from H1 18

## Improved Operating Performance

Operating Profit  
**1,082m**  
▲20% from H1 18

Cost to Income Ratio  
**28.38%**  
▼355 bps from H1 18

Non Funded Income/  
Operating Expenses  
**118.97%**  
▲2706 bps from H1 18

## Performance Achievements in Q2 2019

- Improved business performance across all divisions
- Above system loan growth in core target segments increasing market share
- Increased non-funded income showing deepening relationships with our core customer base
- Continuing digitization of core customer facing processes
- Improved credit risk management and recoveries as visible in downward heading retail provisions and stable corporate/commercial provisions
- Disciplined expense management
- Ongoing optimization of our physical footprint in Q2 2019

## Strategic Pillars — *outperformance through disciplined execution*

A Achieve  
Financial Results

B Become Employer  
of Choice

C Customer  
Focus

D Default  
Digital

### Ongoing:

- Enhance customer experience
- Build on core strengths
- Focus on performance culture
- Balance sheet optimization
- Streamline and automate processes
- Improve efficiencies

# Strategic Execution in Q2 2019

## Achieve Financial Results

- Net profit up by 25% compared to H1 18
- Return on equity improved to 15.2% for the first half
- Cost to income reduced to 28.4% from 31.9%

## Become Employer of Choice

- Embedding a high performance culture across the organization
- Identifying and developing talent across core operating divisions
- Developing and retaining UAE national talent

## Customer Focus

- Enriched tiered service offering for Wholesale customers
- Continued enhancement of cash management product suite
- Continued investment in our Personal Banking digital offering

## Default Digital

- CBD Labs leading bank wide innovation
- Digital customer onboarding
- Credit card digital process progression



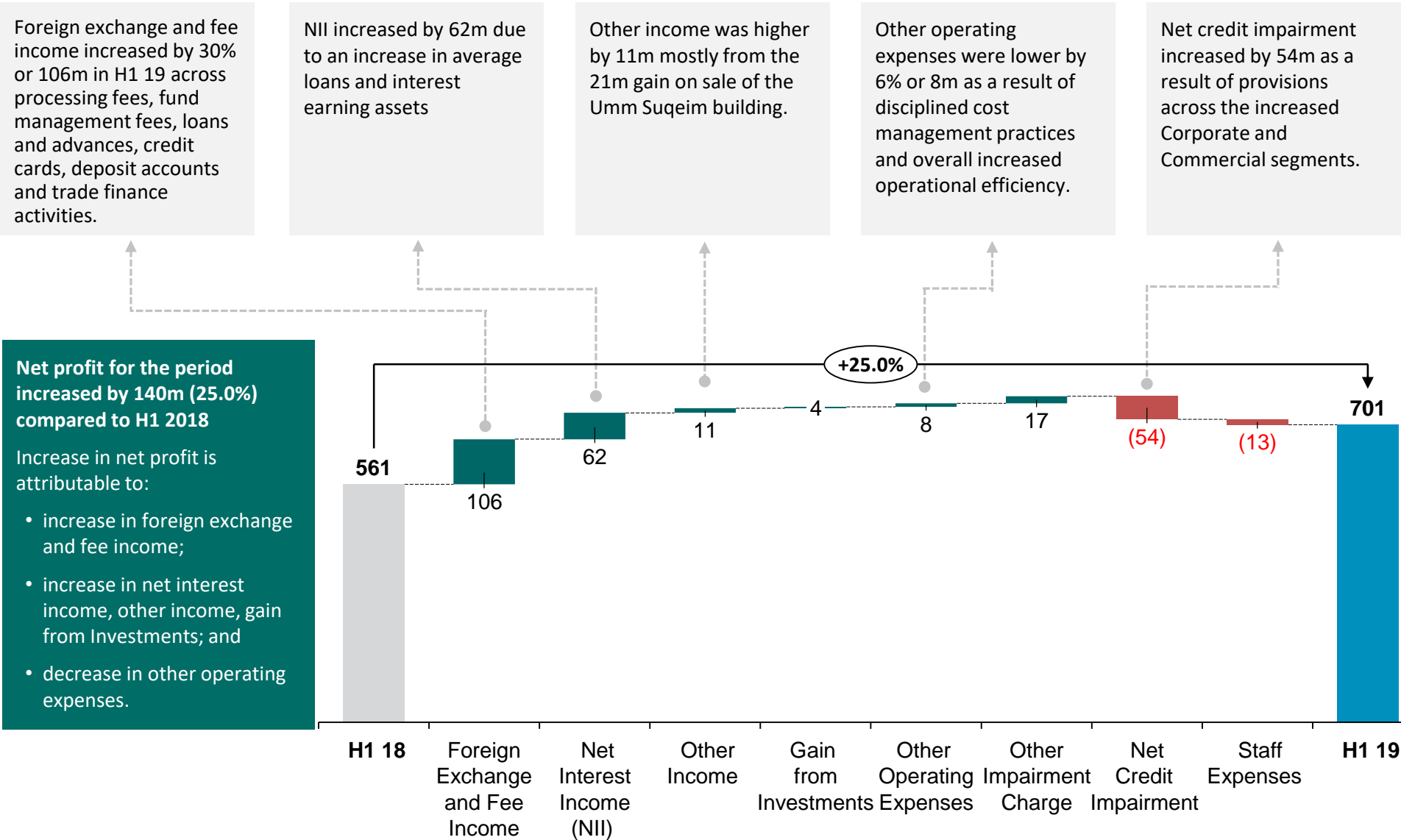
# Financial Dashboard – Q2 results delivering on strategy

(AED m)

<u>Income statement</u>	H1 19	H1 18	Var
Net interest income and Islamic financing income	1,000	938	6.6%
Other operating income	510	390	30.9%
<b>Total revenue</b>	<b>1,510</b>	<b>1,328</b>	<b>13.7%</b>
Operating expenses	429	424	1.1%
<b>Operating profit</b>	<b>1,082</b>	<b>904</b>	<b>19.7%</b>
Net impairment allowances	380	343	10.9%
<b>Net profit</b>	<b>701</b>	<b>561</b>	<b>25.0%</b>
<b>Balance sheet</b>			
Gross loans and advances	58,285	50,846	14.6%
Allowances for impairment	3,445	3,628	(5.1%)
<b>Net loans and advances</b>	<b>54,841</b>	<b>47,218</b>	<b>16.1%</b>
Total assets	78,431	68,906	13.8%
Customers' deposits	55,264	48,124	14.8%
Shareholders' equity	9,501	8,597	10.5%
<b>Key ratios, %</b>			<b>bps</b>
Return on equity	15.15%	13.05%	210
Return on assets	1.84%	1.63%	21
Cost to income ratio	28.38%	31.93%	(355)
Non Funded Income/Operating Expenses	118.97%	91.91%	2,706
Capital adequacy ratio (limit >= 13%)	14.96%	15.00%	(4)
Non-performing loan (NPL)	5.52%	7.49%	(197)
Provision coverage	88.81%	95.30%	(649)
Net interest margin	2.55%	2.69%	(14)
Loan to deposit	99.23%	98.12%	112
Advances to stable resources (limit <= 100%)	90.02%	91.00%	(98)
Eligible liquid assets ratio (ELAR)	15.69%	14.10%	159
Tier 1 ratio (limit >= 11%)	13.81%	13.90%	(9)
CET1 ratio (limit >= 9.5%)	13.81%	13.90%	(9)

# H1 2019 Net Profit Performance - substantial increase in business performance

(AED m)

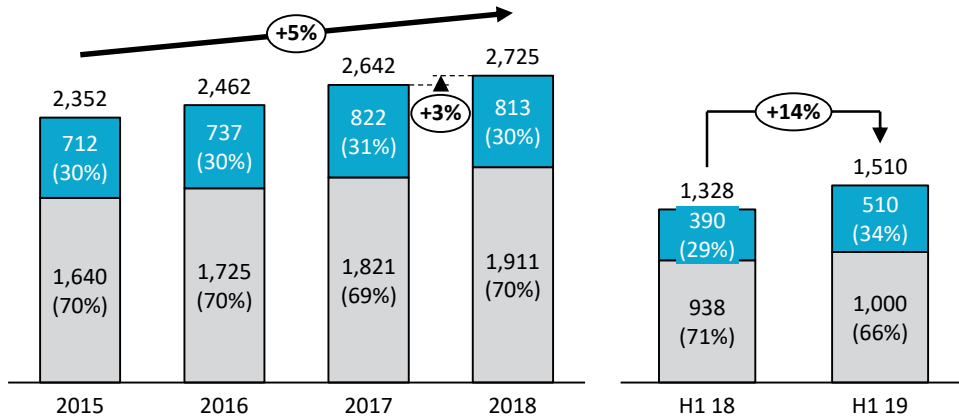


# Underlying Business Growth – *sustained business growth*

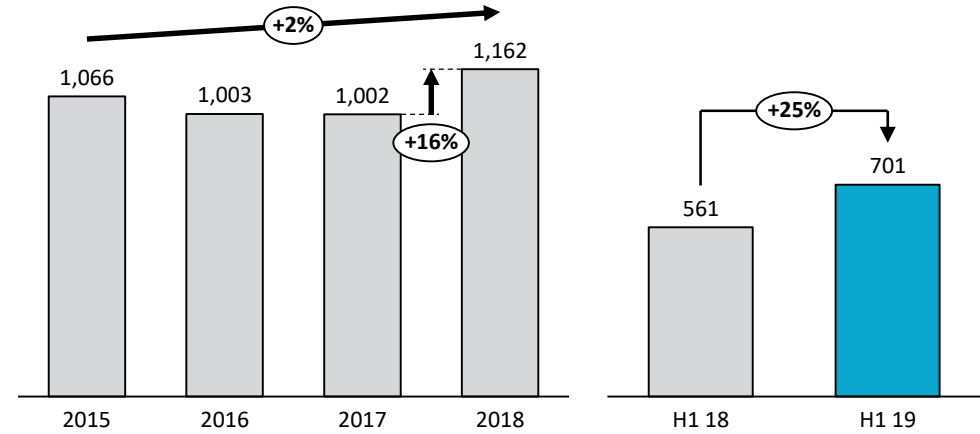
(AED m)

## Revenue

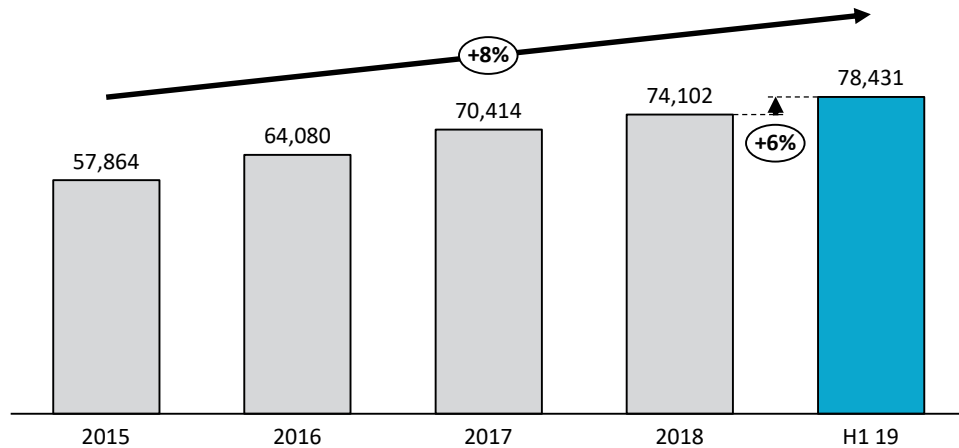
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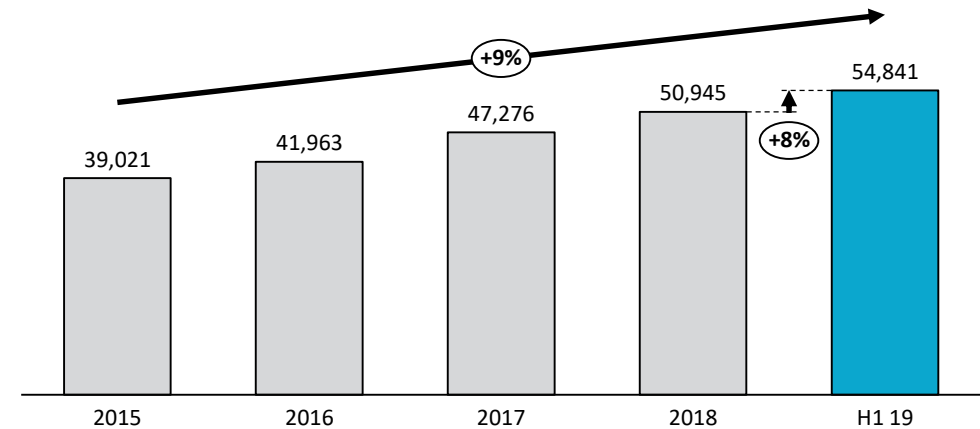
## Net profit



## Assets



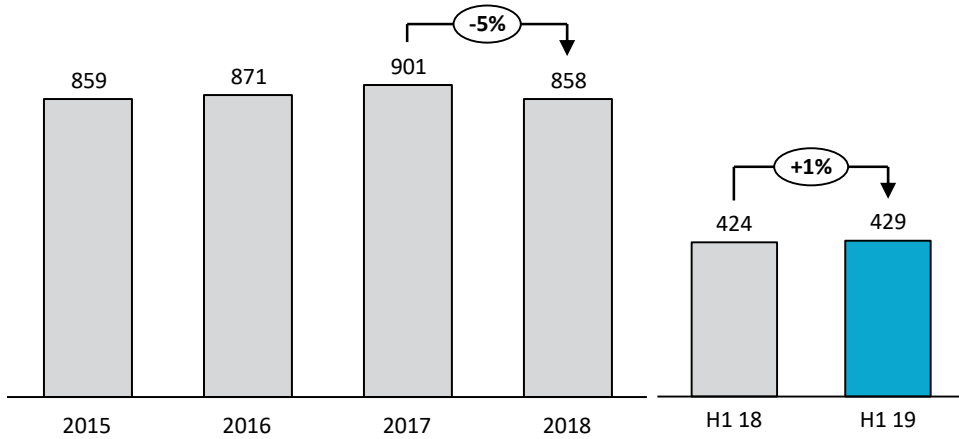
## Net loans



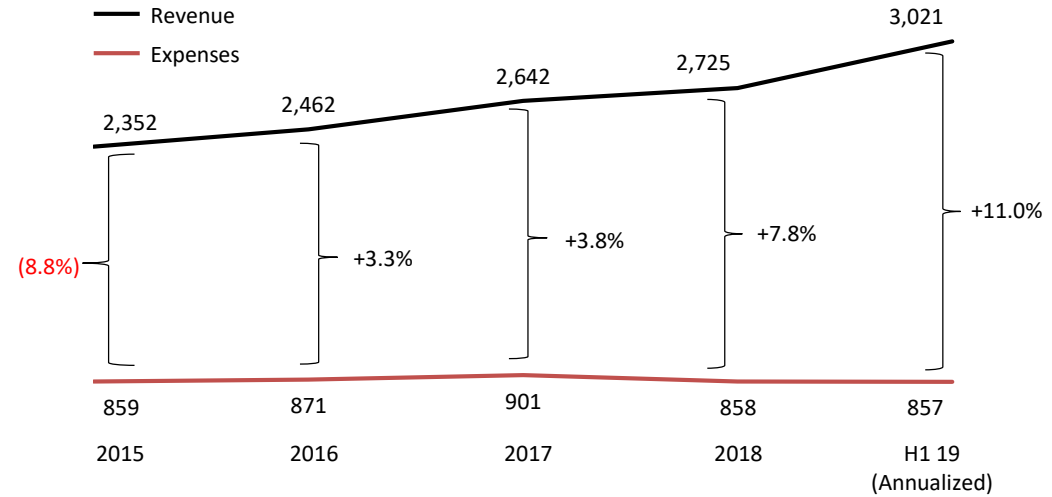
# Profitability and Returns – improved returns on delivery of the bank strategy

(AED m)

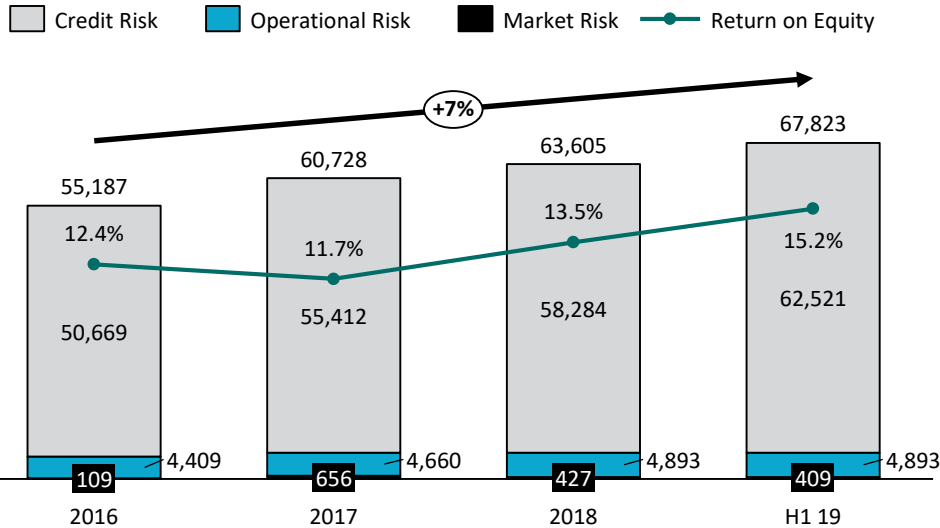
## Expenses



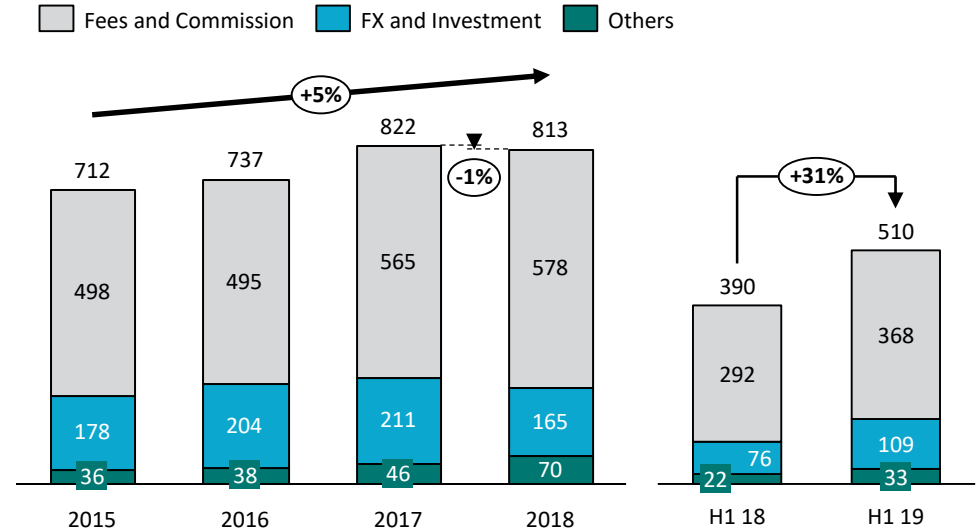
## Revenue and expense JAWS



## RWA and Return on Equity

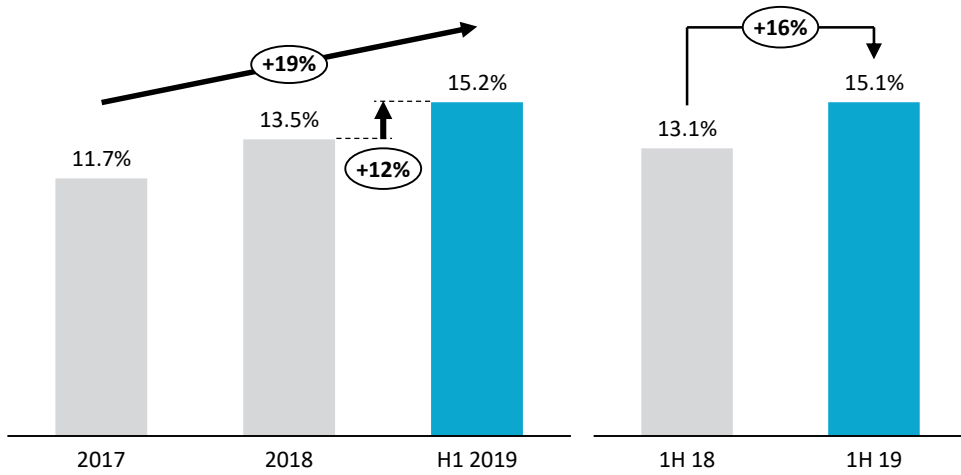


## Other Operating Income

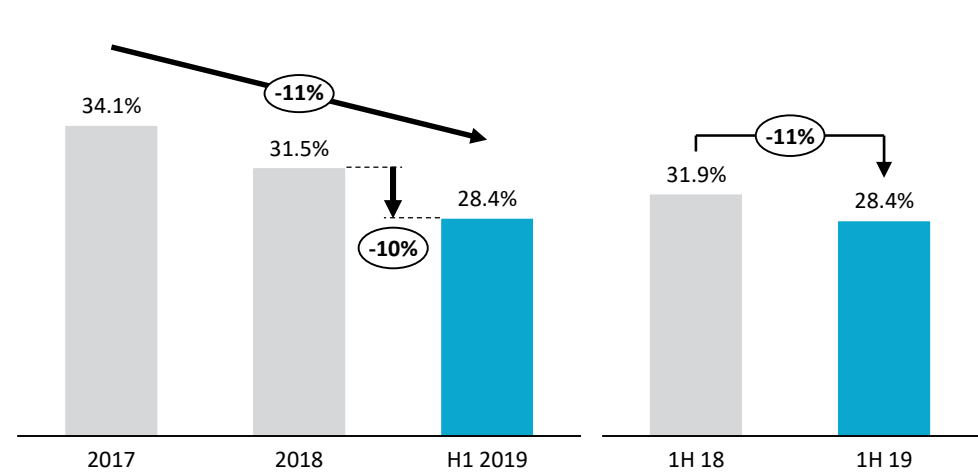


# Strategic Financial KPI's – underlying performance continues to drive improved results

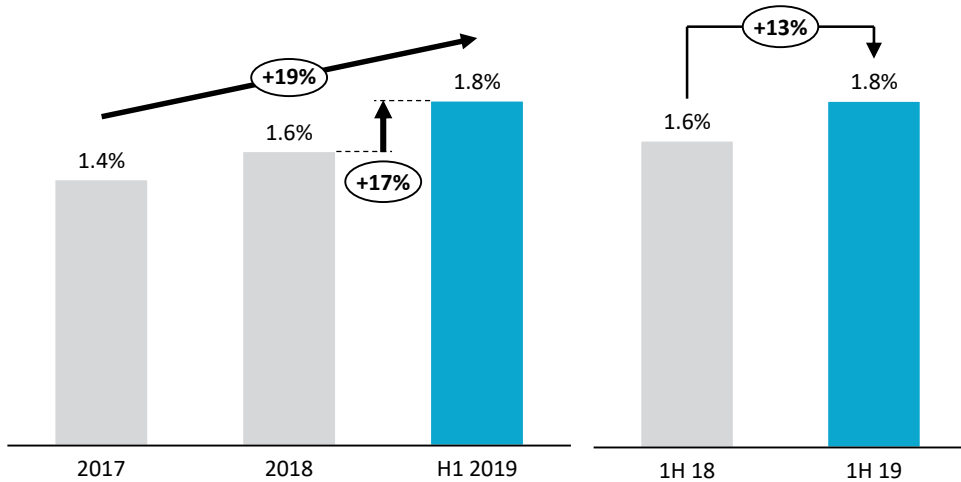
## Return on Equity (ROE)



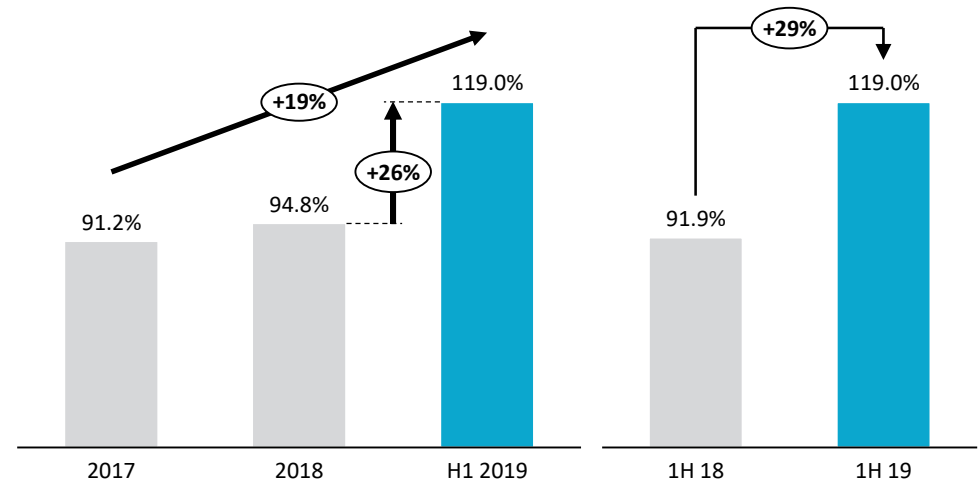
## Cost to Income Ratio



## Return on Assets (ROA)



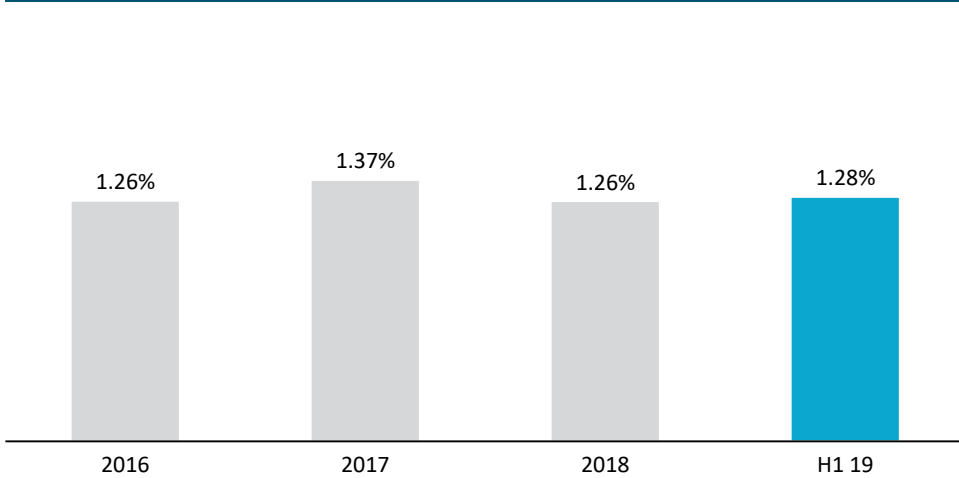
## Other Operating Income as % of Expenses



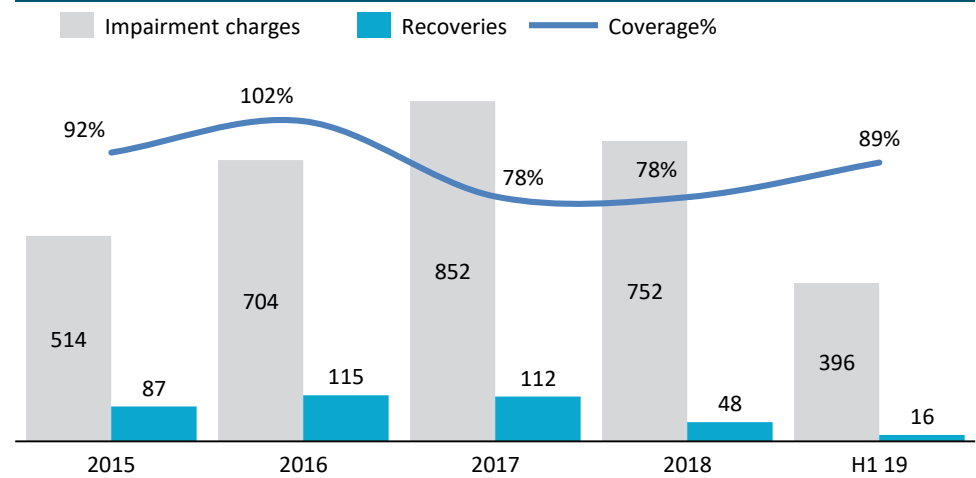
# Asset Quality and Impairments – *improving asset quality, lower NPL with increased coverage*

(AED m)

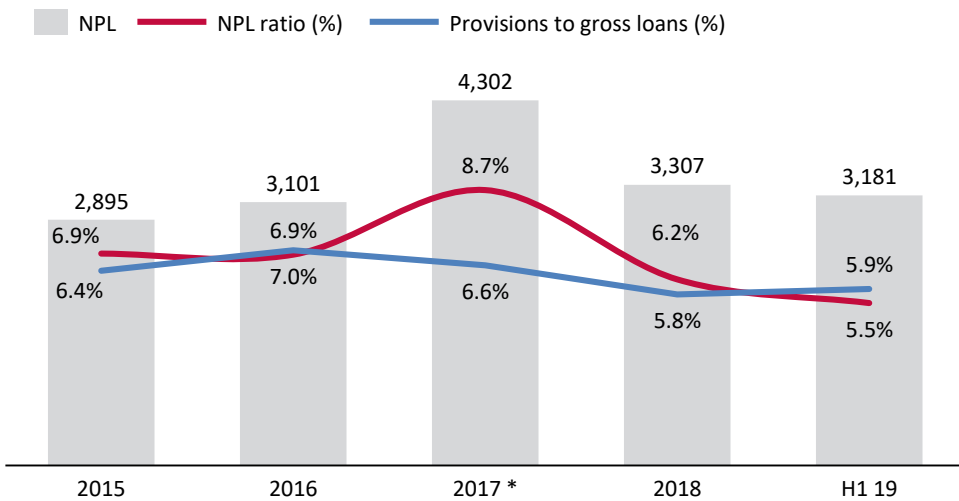
## Cost of Risk



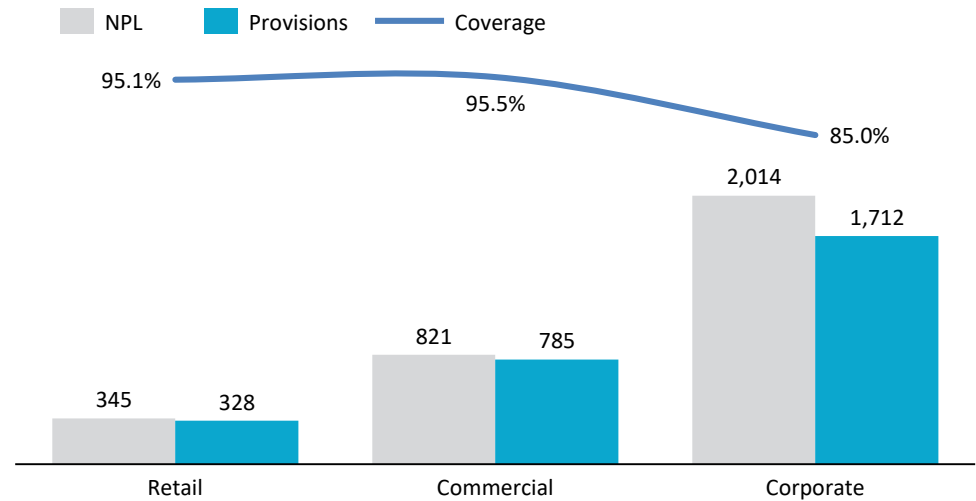
## Impairment Charges and Recoveries



## NPL Ratio



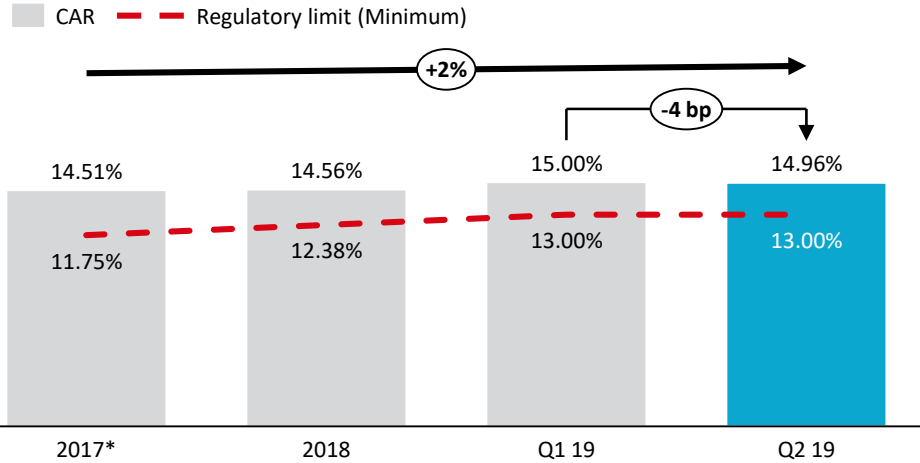
## Expected Credit Provisions – Segment



\* IFRS 9 transition.

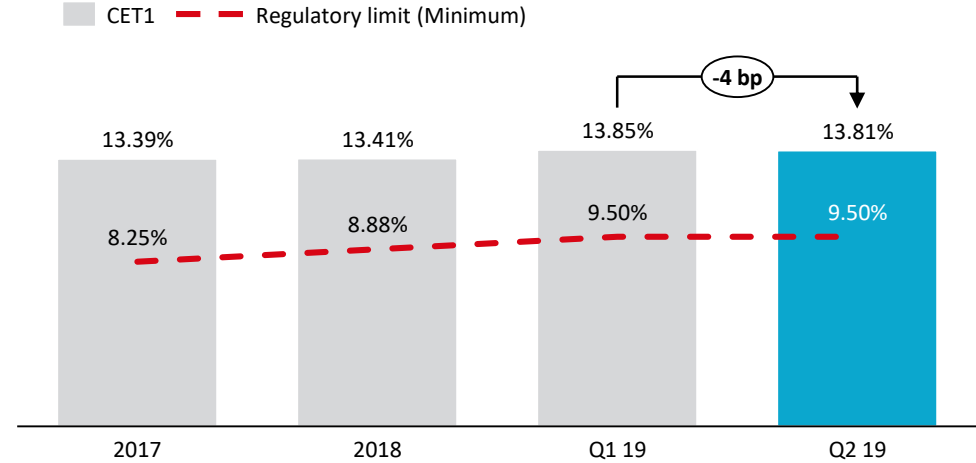
# Balance Sheet and Capital Strength – strong balance sheet and capital ratio supporting business growth

## Capital Adequacy Ratio (CAR)

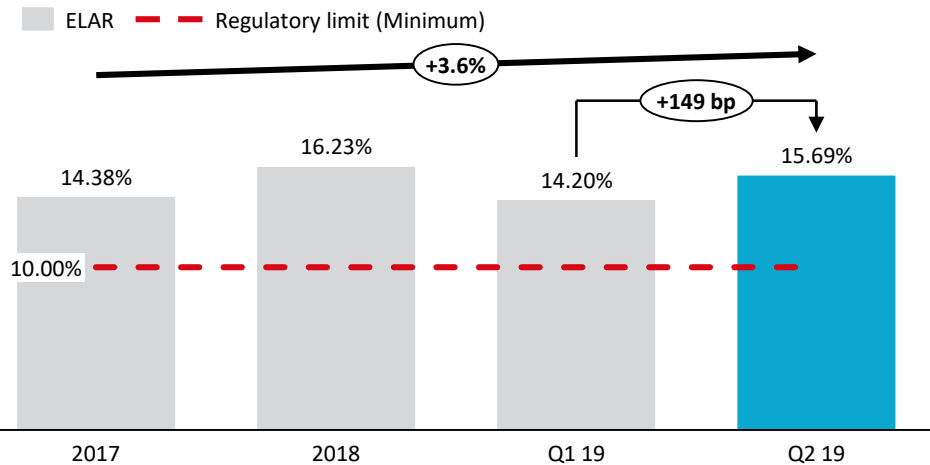


\* 2017 retained earnings have been updated by 397m for IFRS9 opening adjustment to be 2.6b instead of 3.0b

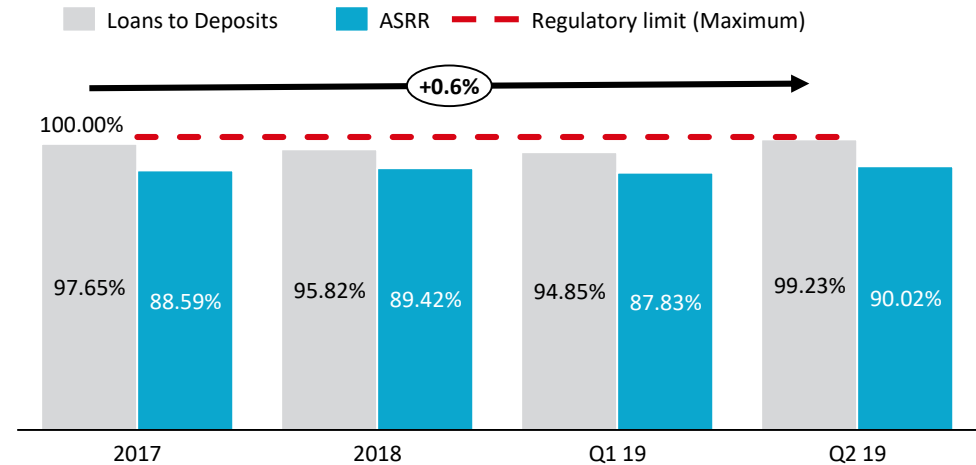
## Common Equity Tier 1 (CET1)



## Eligible Liquid Assets Ratio (ELAR)



## Loans to Deposits and ASRR

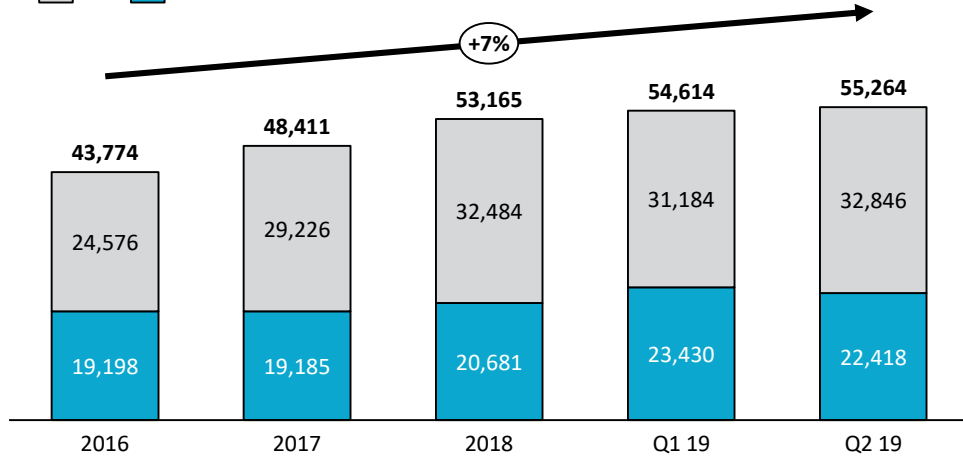


# Funding and Liquidity – diversified and stable funding supporting franchise loan growth

(AED m)

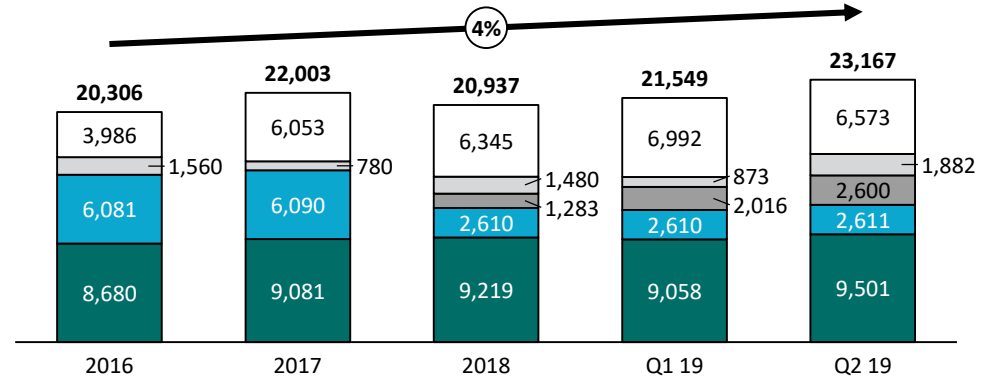
## Customer Deposits

TD CASA



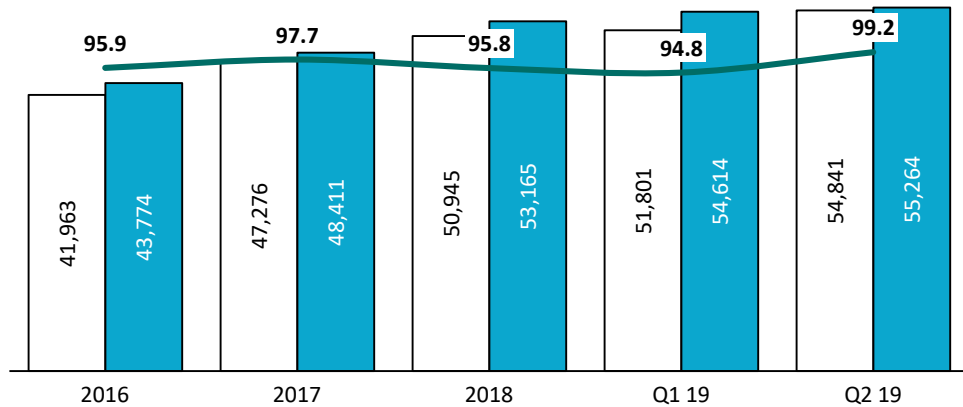
## Other Funding Sources

Acceptances and Others Due to Banks > 1year Equity  
Due to Banks < 1year Notes and Medium Term Borrowing



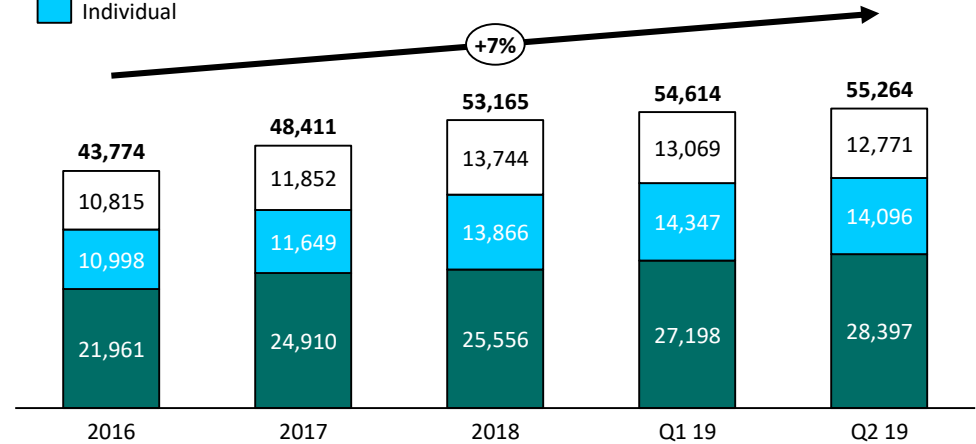
## Loans to Deposits

Net Loans Customer Deposits Net Loans to Deposit Ratio %



## Deposit Segmentation

Government Corporate Individual

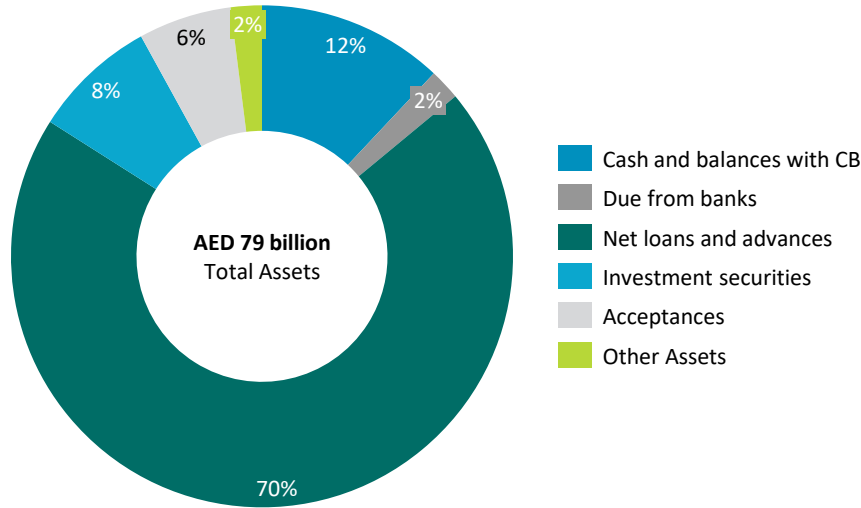




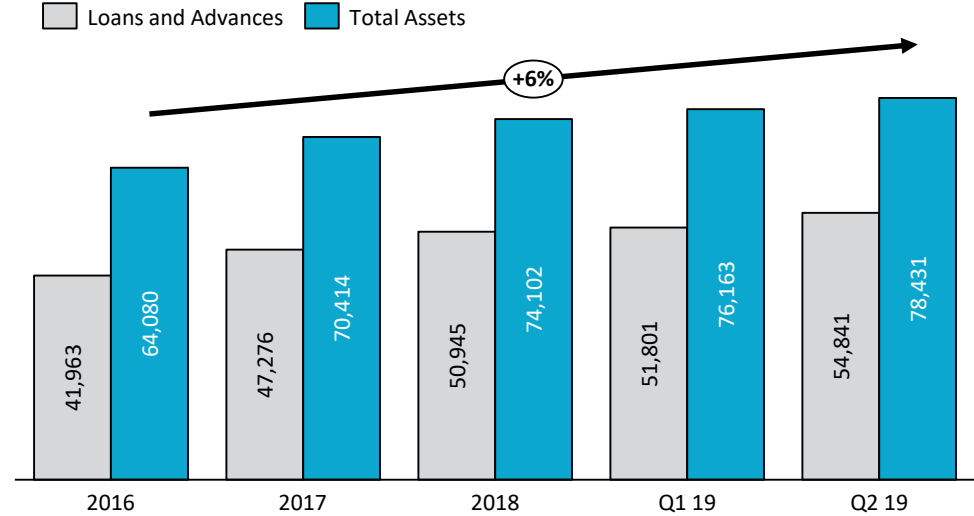
# Balance Sheet Analysis

(AED m)

## Assets Mix



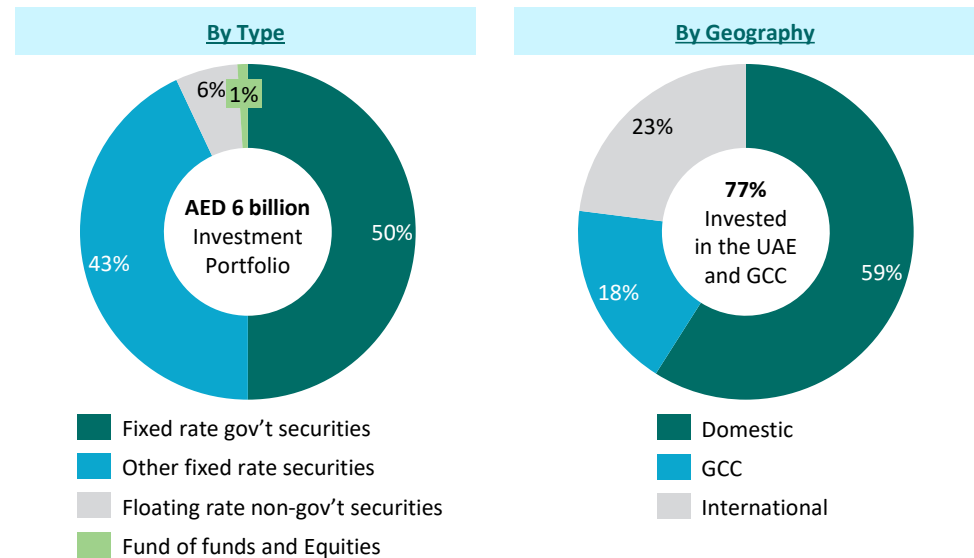
## Assets and Loans



## Gross Loans and Advances by Sector

Sector	Q2 19	2018	Var %
Government entities	408	131	210.1
Real estate	21,529	17,161	25.5
Services	5,001	4,305	16.2
Construction	2,917	2,523	15.6
Others	1,153	1,012	14.0
Personal - mortgage	3,034	2,836	7.0
Financial and insurance activities	7,630	7,312	4.4
Trade	5,186	5,317	(2.4)
Hospitality	2,444	2,652	(7.9)
Personal - schematic	4,316	4,925	(12.4)
Individual loans for business	1,756	2,032	(13.6)
Transportation and storage	1,255	1,492	(15.9)
Manufacturing	1,656	2,360	(29.8)
<b>Total</b>	<b>58,285</b>	<b>54,058</b>	<b>7.8</b>

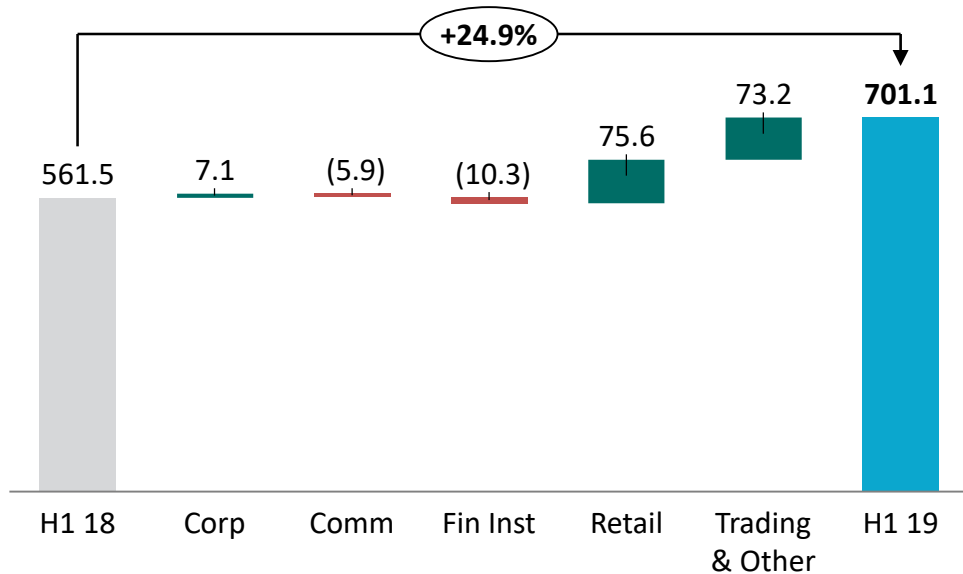
## Investment Securities Portfolio



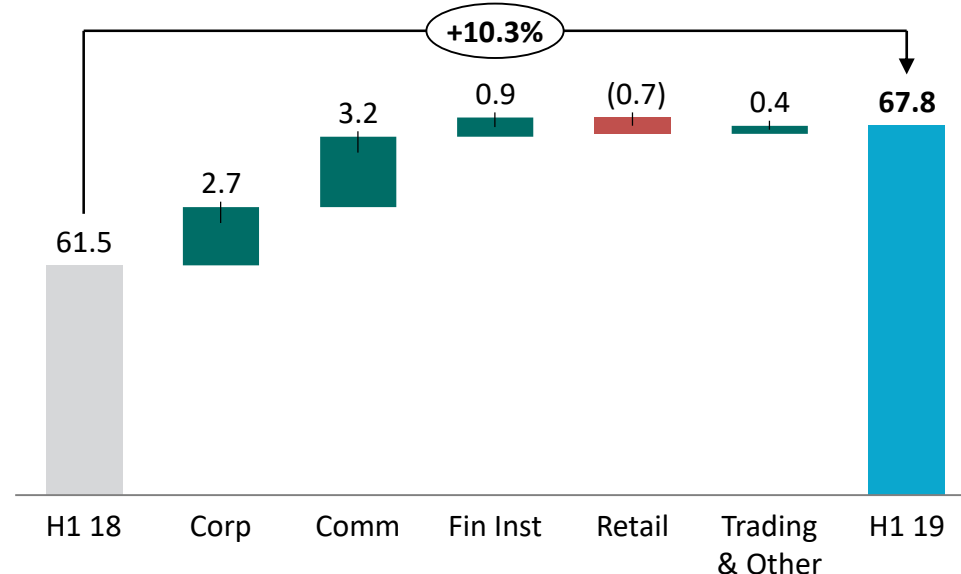
# Divisional Contributions - *specialist business lines supporting our customers*

(AED m)

### Divisional net profit movement



### Divisional RWA movement



H1 19	Corporate	Commercial	Institutions	Retail	Trading and Other	Total
Operating Income	498.5	424.4	36.7	336.9	213.8	1,510.3
Expenses	(96.7)	(113.2)	(11.6)	(201.8)	(5.4)	(428.7)
Operating Profit	401.9	311.2	25.1	135.0	208.4	1,081.6
Impairment (charges) / benefits	(216.6)	(88.6)	(3.5)	(66.8)	(5.0)	(380.5)
<b>Net Profit</b>	<b>185.3</b>	<b>222.6</b>	<b>21.7</b>	<b>68.3</b>	<b>203.4</b>	<b>701.1</b>
% of Group Net Profit	26.4	31.7	3.1	9.7	29.0	100.0

# CBD – a strong legacy to build an exciting future



1969

Public Shareholding Company established by an Emiri Decree issued by His Highness the late Sheikh Rashid Bin Saeed Al Maktoum and owned by three foreign banks (Chase Manhattan, Commerzbank and Commercial Bank of Kuwait) whose combined shareholding was 78%.



1982

With the introduction of restrictions on foreign banks' operations in the UAE, CBD converted into a national Public Shareholding Company.



2019

## CBD is owned by UAE entities and nationals

- CBD shareholders: Government of Dubai (via the Investment Corporation of Dubai) with 20% and UAE nationals and entities owned by UAE nationals with 80%. In accordance with CBD's articles of association, the shares which are listed on the Dubai Financial Market are currently owned and shall be owned by, and may only be acquired by, natural persons having UAE nationality or legal persons or corporations fully owned by UAE nationals.
- CBD is managed by business segments namely: Corporate Banking, Commercial Banking, Business Banking, Personal Banking and Treasury and Investments.
- CBD launched a full fledged Islamic Banking business in September 2008 to offer Shari'a-compliant banking and financial services.
- CBD has five wholly-owned subsidiaries: CBD Financial Services LLC (CBDFS), which provides brokerage facilities for local shares and bonds; CBD Employment Services One Person Company LLC, which supplies manpower services; Attijari Properties LLC, which provides services for self-owned property management; CBD (Cayman) Limited, which was established for issuance of debt securities; and CBD (Cayman II) Limited, which was established to transact and negotiate derivative agreements. It also has one associate (17.8% shareholding) National General Insurance Co. PSC (NGI), which underwrites life and general insurance business as well as certain reinsurance business.

# Board of Directors and Management Team

## Board of Directors



**Mr. Humaid Mohammad Al Qutami**  
Chairman



**Mr. Ahmad Abdulkarim Julfar**  
Vice-Chairman



**Mr. Abdullah Salim Alturifi**  
Director



**Mr. Abdulla Saif Al Hathboor**  
Director



**Mr. Abdul Wahed Al Fahim**  
Director



**Mr. Ali Fardan Al Fardan**  
Director



**Mr. Buti Saeed Al Ghandi**  
Director



**Mr. Hamed Ahmed Kazim**  
Director



**Mr. Khalid Abdul Wahed Al Rostamani**  
Director



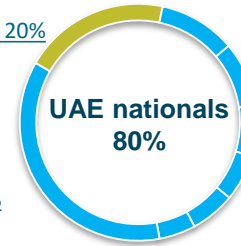
**Dr. Omar Mohammad Ali Alqaizi**  
Director



**H.H. Sheikh Maktoum Hasher Al Maktoum**  
Director

## Shareholders

Government of Dubai\* 20%



Al Futtaim Private Co. 10.51%

Orient Insurance PJSC. 8.84%

Abdulla Hamad Al Futtaim 6.95%

Ghobash Trading & Inv. 6.37%

General public 36.14%

A W Rostamani Group 6.19%

Al Majid Investments 5%

\*Investment Corporation of Dubai (ICD)

## Management Team



**Dr. Bernd van Linder**  
Chief Executive Officer



**Mr. Darren Clarke**  
Chief Financial Officer



**Mr. Fahad Al Mheiri**  
General Manager,  
CBD Al Islami



**Mr. Othman Bin Hendi**  
General Manager,  
Corporate Banking



**Mr. Abdul Rahim Al Nimer**  
General Manager,  
Commercial Banking



**Mr. Hassan Al Redha**  
General Manager, Institutional &  
Transaction Banking



**Mr. Amit Malhotra**  
General Manager,  
Personal Banking Group



**Mr. Mark Zanelli**  
General Manager, Treasury and  
Asset & Liability Management



**Mr. Gareth Powell**  
Chief Human Resources Officer



**Mr. C. Krishna Kumar**  
Chief Operating Officer



**Mr. Alan Grieve**  
Chief Risk Officer

# Corporate Governance – leading with excellence

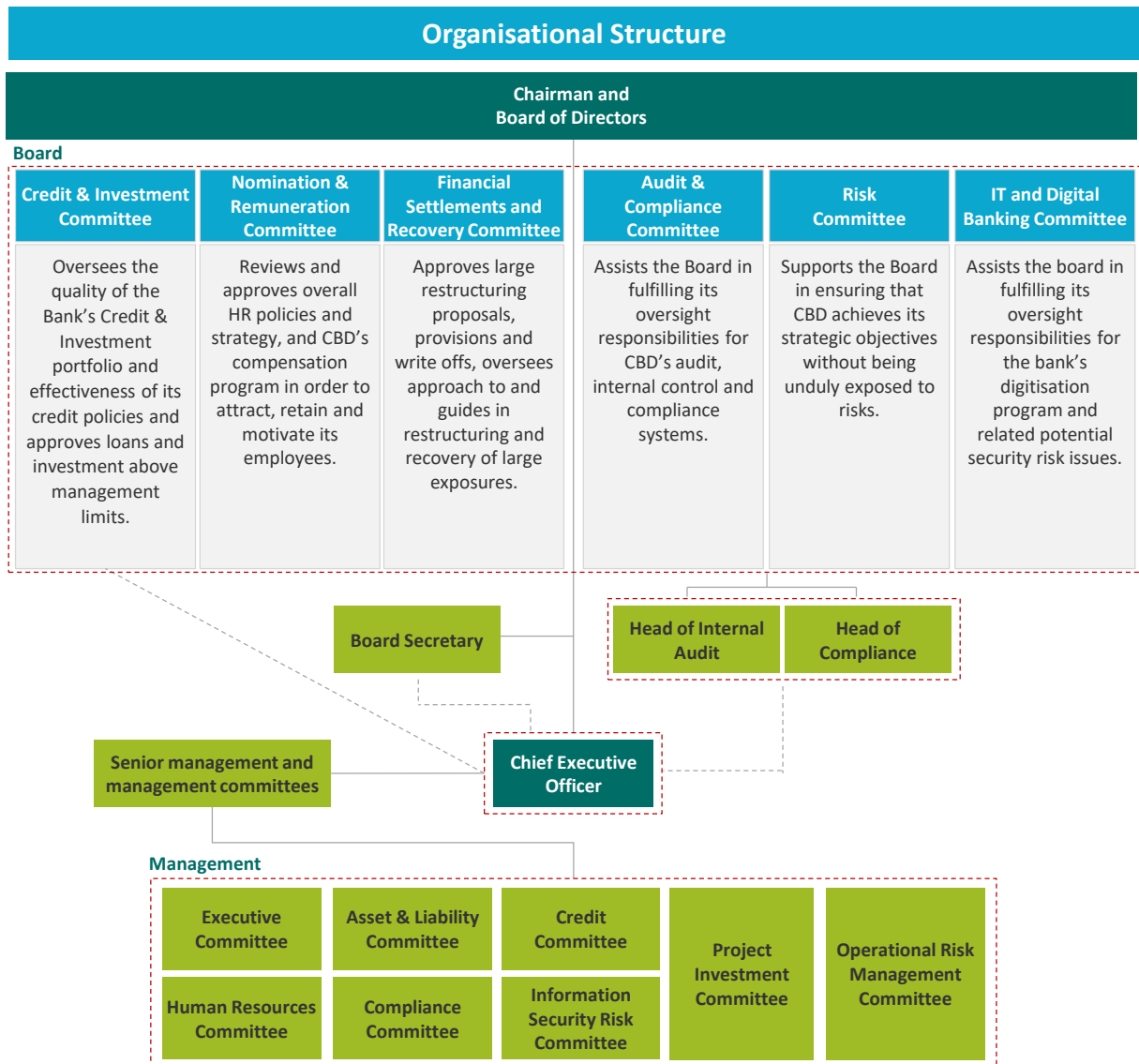
## Board of Directors

The Board of Directors provides strategic guidance, effective monitoring of management, adequate controls and sets the tone and culture of the Bank to enhance and ensure sustainable shareholder value.

The Board of Directors has a collective responsibility for the Bank, including approving the strategic objectives based on the long term financial interests of the Bank's Shareholders, overseeing the implementation of the strategy and achievement of the strategic objectives and defining the risk appetite, internal controls, compliance, governance and corporate values. The Board sets the tone on professional standards that promotes integrity for itself, senior management and employees of the Bank.

The Directors of the Board, as per the Articles of Association of Commercial Bank of Dubai, are elected in the General Meeting by secret ballot every three years. As at 30<sup>th</sup> June 2019 the Board comprised of 11 non-executive members.

The Board of Directors has delegated authority to CBD's executive management to enter into transactions which are consistent with the Bank's risk strategy and policy guidelines.



# Corporate Social Responsibility – fulfilling our social commitments

During 2019 CBD participated and volunteered in a number of activities that demonstrates its commitment to Corporate Social Responsibilities (CSR):

- Participated in Special Olympics World Games – Abu Dhabi 2019
- Sponsored Jebel Ali horse race for season 2018/2019
- Participated in Ramadan Aman 8 organized by Al Ihsan Charity in Dubai
- Celebrated Zayed Humanitarian Day Initiative along with Beit Al Khair charity organization by distributing over 4000 meals
- Volunteered in “Their Sohour is on us” organized by Community Development Authority
- Attended youth 101 forum prepared by Ministry of Youth and the UAE Strategy Forum
- Participated in the 20<sup>th</sup> edition of the Careers UAE Exhibition held at the Dubai World Trade Centre
- Volunteered at Al Noor Training Center for persons with disabilities



### The four elements of CBD’s CSR framework:

**Governance and Transparency**

The Bank has established and adopted policies and procedures for governance, risk management, professional ethics and code of conduct, compliance and AML, security and data protection, consumer protection and product responsibility.

**Employees**

The Bank proactively implements the Emiratization initiative to recruit, train and develop as well as retain Emirati staff at all levels. The Bank also proactively seeks and addresses employee concerns through various channels, including the Employee Engagement Survey, imparts training and nurtures career development for all employees, ensures health and safety of all stakeholders in all its premises, and has extended various benefits and measures to boost staff welfare.

**Society and Culture**

The Bank promotes awareness of Social Accountability amongst its partners and suppliers, extends philanthropy generously for the needy, supports and participates in creating awareness of issues concerning health, promotes education and sports among youth, and supports and celebrates the local UAE culture.

**Environment and Sustainability**

The Bank supports and participates in creating awareness of environmental issues, has inducted CSR into its core business i.e. lending, by extending credit facilities to green projects and has implemented internal measures to conserve resources by recycling, reducing and reusing.

# CBD 2019 Awards

**Global Banking and Finance Review**  
*(June 2019)*



- Best Cash Management Bank Award in the UAE

**Finnovex Awards**  
*(March 2019)*



- Excellence in Payment

**Middle East Banking Awards**  
*(February 2019)*



- Best Local Bank

**International Finance Awards 2018**  
*(January 2019)*



- Most Innovative Card of the Year at Seamless Awards

# Milestones and Achievements

Sponsored Jebel Ali horse race for season 2018/2019



Recognized with "Most Innovative Card of the Year" at Seamless Awards



Honored by Ministry of Interior as a Strategic Partner



Partnered with Etisalat to Launch Co-branded Smiles Credit Card



Recognized with "Best Cash Management Bank Award in the UAE" from Global Banking and Finance Review



50th Anniversary celebration



Recognized with "Excellence in Payment" at the 2019 Finnovex Awards



Recognized with "Best Digital Service" Award by UAB



Partnered with Takaful Emarat for Payments and Cash Management Solutions





# United Arab Emirates – the second largest economy in the Arab world

## Snapshot of the UAE

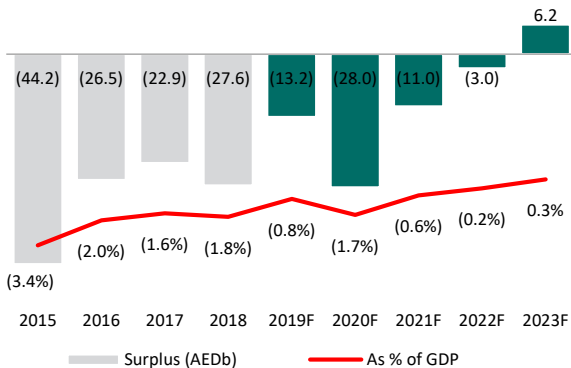
- The United Arab Emirates (rated Aa2 by Moody's) comprises seven emirates with Abu Dhabi and Dubai being the largest contributors to its gross domestic product ("GDP").
- The UAE benefits from several buffers, including a rapid non-oil growth, robust external reserves (estimated at USD 110b), and relatively low fiscal break-even oil price.
- Abu Dhabi Investment Authority (ADIA) does not disclose its total assets under management but the US-based Sovereign Wealth Fund Institute, which tracks the industry, estimates ADIA's total assets at USD 697 b.
- Although oil has been the mainstay of the UAE economy (with 98 b barrels of proven oil reserves and a reserves-to-production ratio of 93 years) and continues to contribute significantly to economic prosperity, a determined and far-sighted policy of economic diversification has ensured that non-oil sectors now account for approximately 71% of the gross domestic product.

## UAE Stock market indices



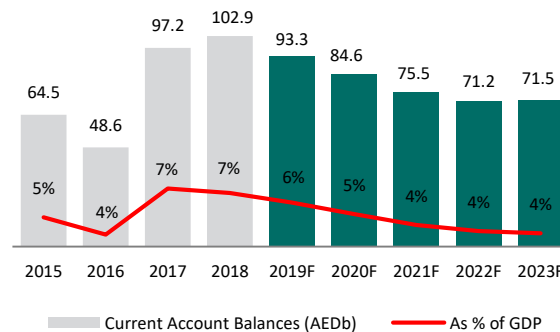
Source: Abu Dhabi Securities Exchange, Dubai Financial Market

## Limited Fiscal Deficit to be posted



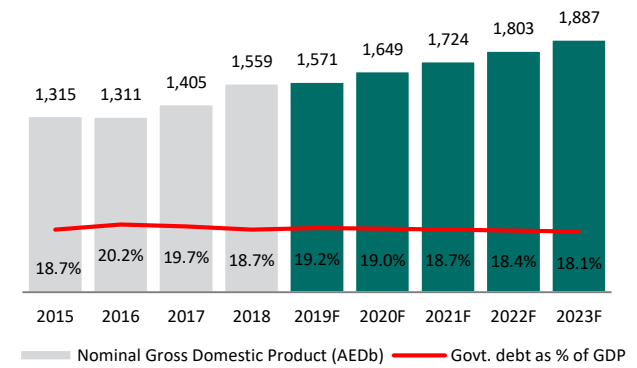
Source: International Monetary Fund

## Positive Current Account balances



Source: International Monetary Fund

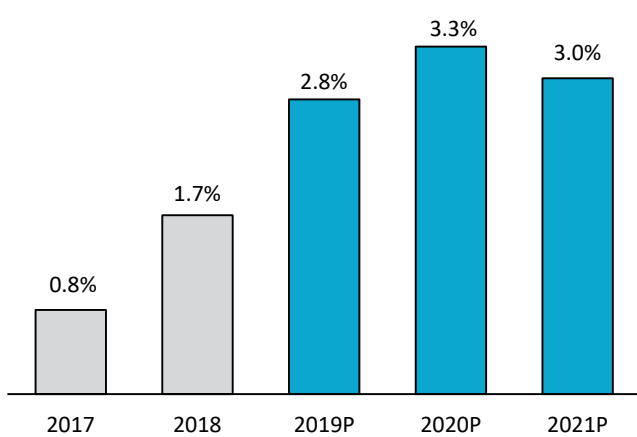
## UAE GDP and Government Debt



Source: International Monetary Fund

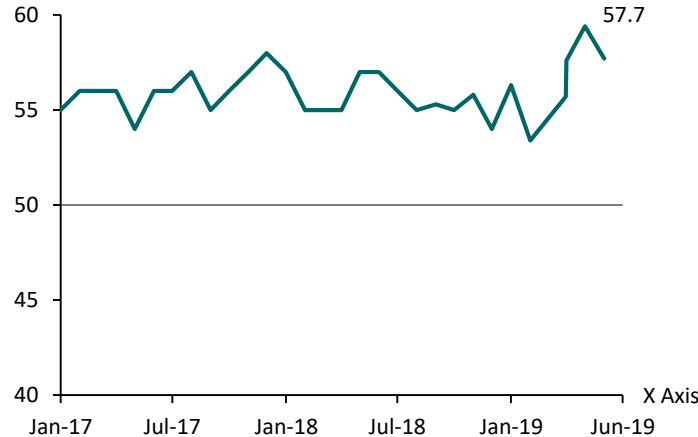
# UAE Economic Update – mixed business conditions with weaker oil prices

## UAE GDP growth



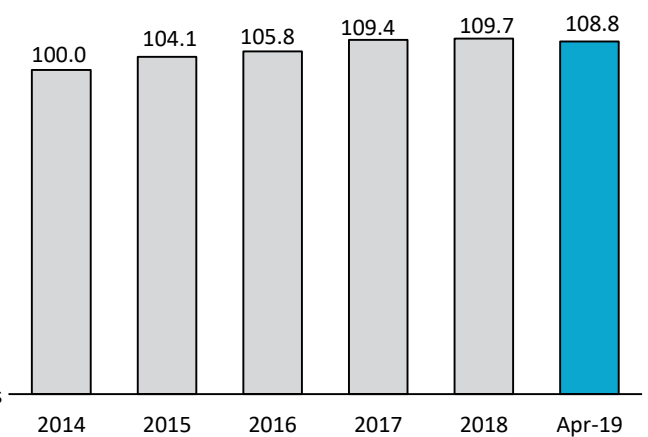
Source: IMF

## UAE purchasing managers index



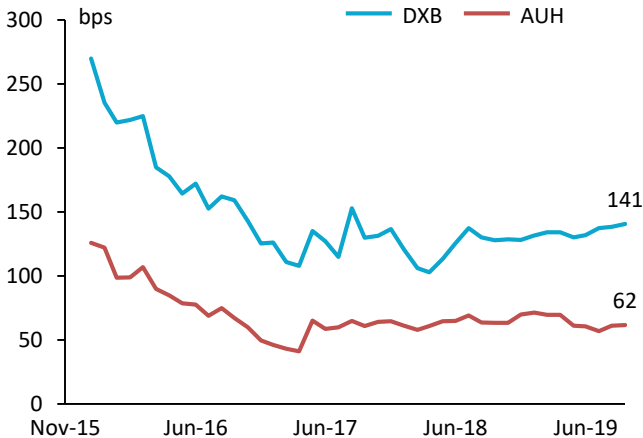
Source: UAE Purchasing Managers Index

## UAE CPI & inflation (%)



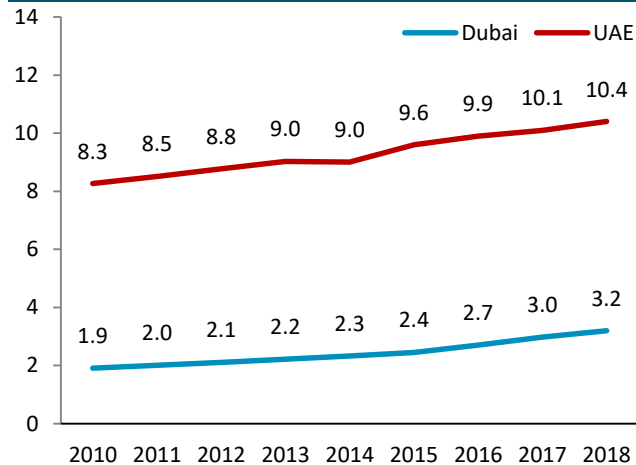
Source: fcsa.gov.ae

## 5 Year CDS



Source: Bloomberg

## UAE and Dubai population (m)



Source: IMF, Dubai Statistics Center

## Brent oil



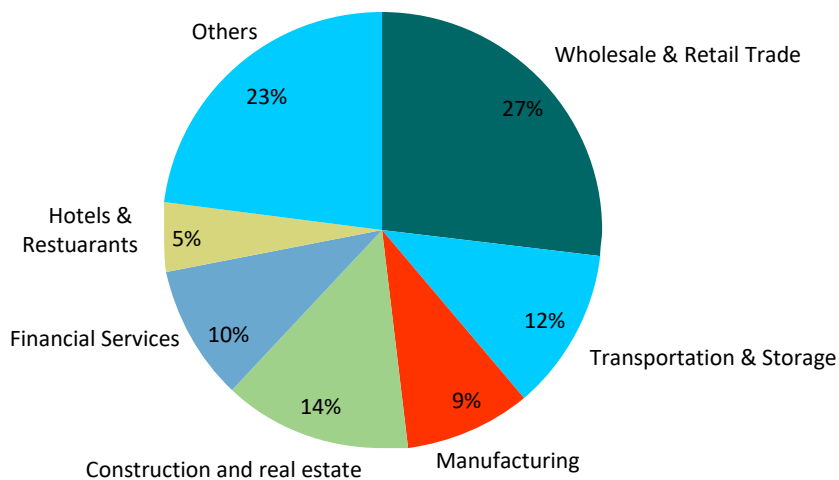
Source: investing.com

# Dubai – a pivotal hub in the global economy

## Snapshot of Dubai

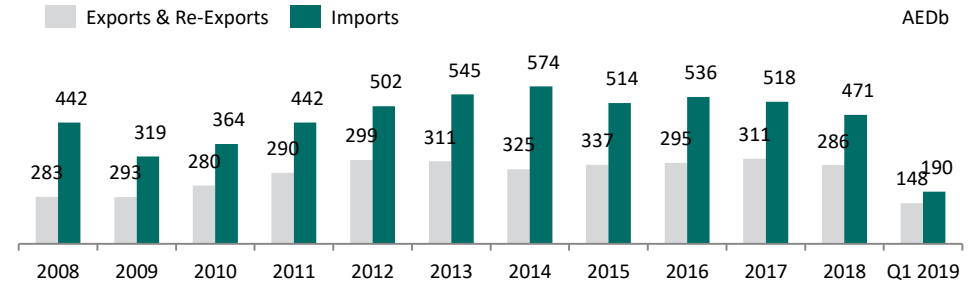
- The Emirate of Dubai is the second largest Emirate in the UAE after the Emirate of Abu Dhabi. Dubai is situated on the west coast of the UAE in the south-western part of the Arabian Gulf.
- Reflecting the Emirate’s strategic geographic location, rising levels of international trade and the government’s long-standing strategy of positioning Dubai as a trading centre, Dubai’s GDP has increasingly shifted away from reliance on the oil and gas sectors.
- Dubai’s diversified economy has exhibited robust growth levels in recent years on the back of government initiatives and policies which were aimed at improving the economic and business environment.

## Dubai GDP by sector (2018)



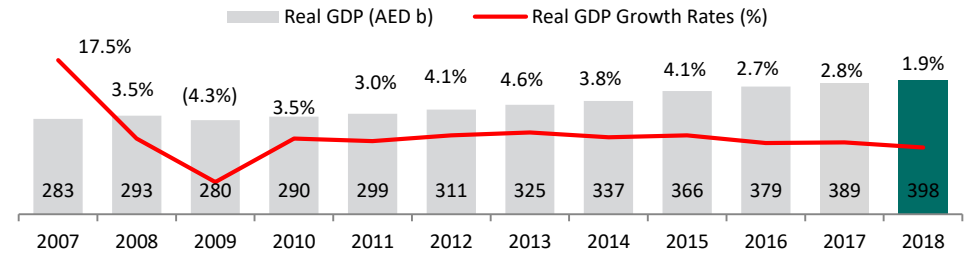
Source: Dubai Economic Report

## Foreign Trade



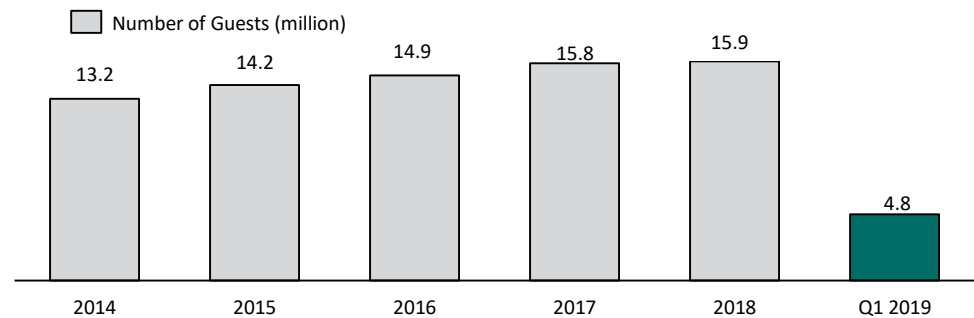
Source: Dubai Statistics Centre

## Growth in Economy



Source: Dubai Statistics Centre

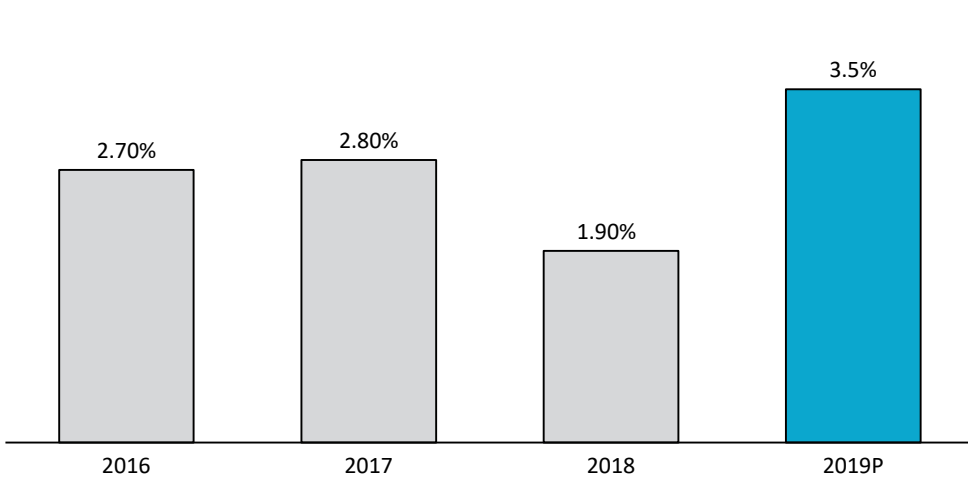
## Tourism remains robust



Source: Dubai Statistics Centre

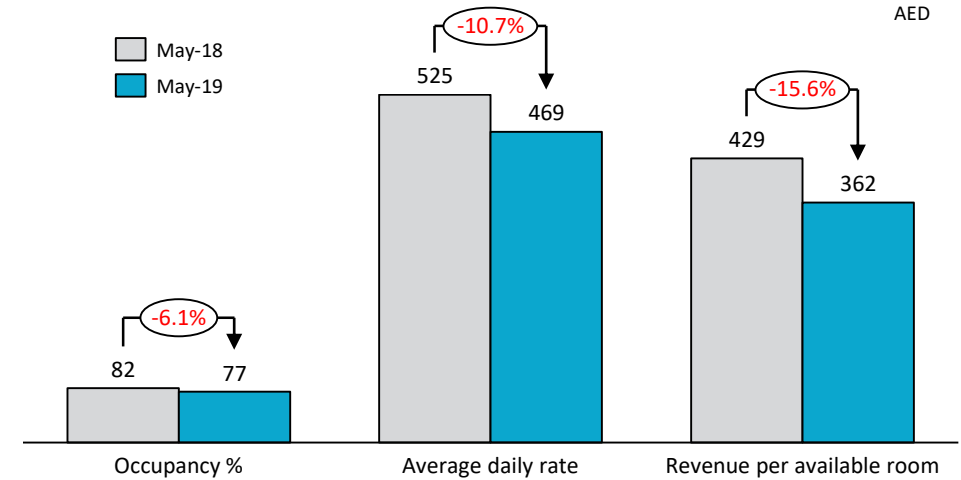
# Dubai Economic Update – softening real estate prices and general business conditions

## Dubai GDP growth



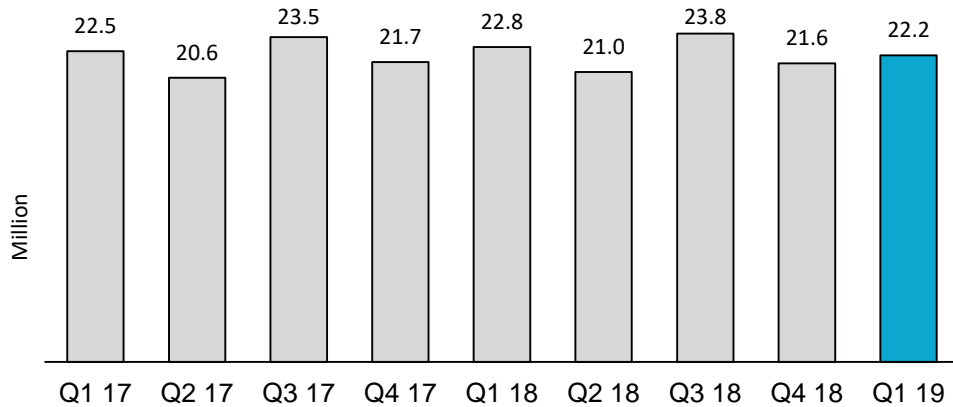
Source: Dubai Economic Report

## Dubai hospitality



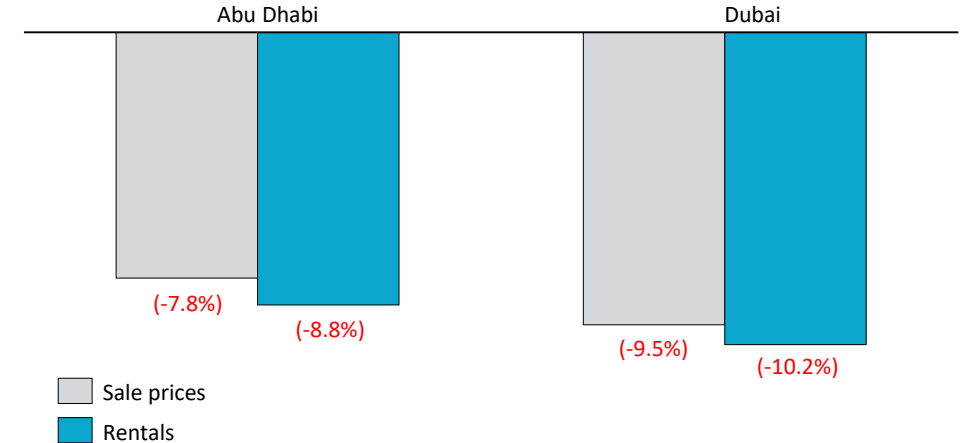
Source: STR Global

## Dubai airport passenger traffic



Source: Dubai Airports, gulfbusinss.com

## UAE real estate – May 19 versus May 18



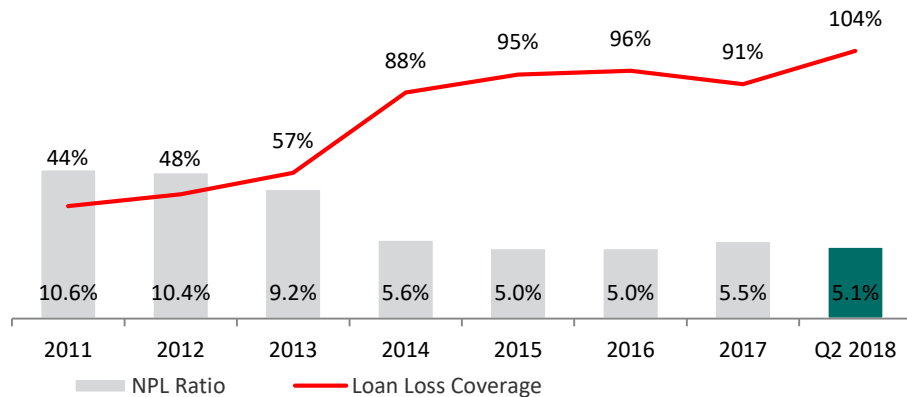
Source: Reidin property index

# UAE Banking Sector – remains stable and resilient

## Snapshot of UAE banking industry

- As of May 2019, the UAE banking industry, which is the largest banking industry in the GCC, comprised of 60 banks, 22 of which were domestically-incorporated.
- The industry is regulated by the UAE Central Bank, which was established in 1980. The UAE Central Bank has a track record of providing systemic support to the banking industry, as and when needed.
- As of May 2019, total loans and advances increased by 1.5% over December 2018 while deposits increased by 0.2%. The market loan to deposit ratio stood at 95.6% as of May 2019.

## Improving industry asset quality



Source: Central Bank of the UAE

## Key industry indicators

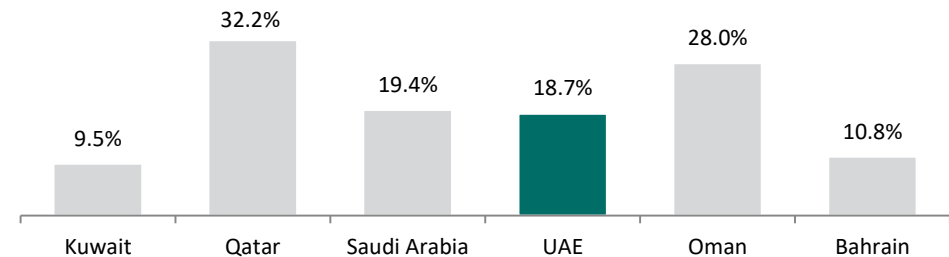
AEDb	2015	2016	2017	2018	May-19	% Change (19 vs 18)
Total assets	2,459	2,593	2,694	2,869	2,913	1.5%
Customer deposits	1,472	1,563	1,627	1,756	1,759	0.2%
Loans and advances	1,466	1,554	1,580	1,656	1,681	1.5%
Loan to deposit (%)	99.6	99.4	97.1	94.3	95.6	1.3%
CAR (%)	18.3	18.9	18.1	17.5	17.9*	0.4%
Tier 1 ratio (%)	16.6	17.3	16.6	16.2	16.6*	0.4%

\*Mar-19

Source: Central Bank of the UAE

## Government deposits as % of total deposits

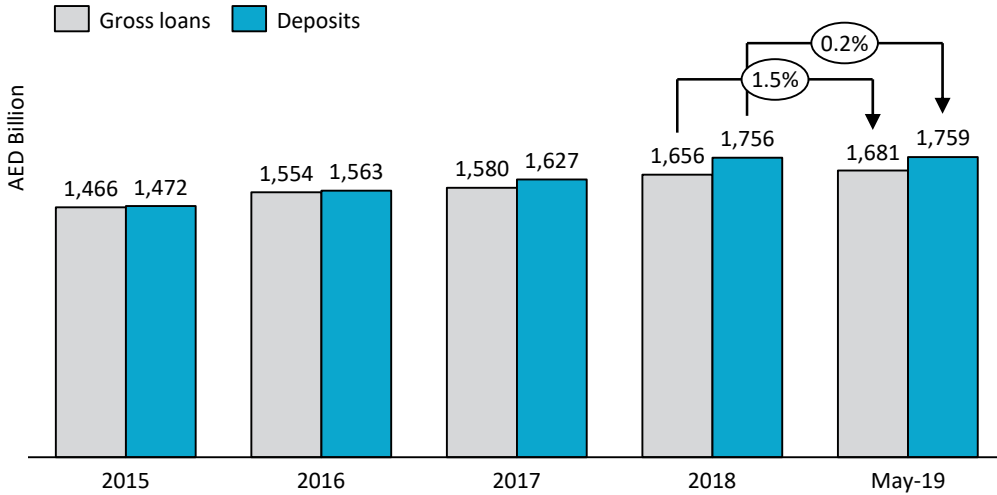
*The UAE banking system is one of the least dependent amongst GCC countries on government deposits making it relatively less vulnerable to a decline in liquidity*



Source: Central Bank of country

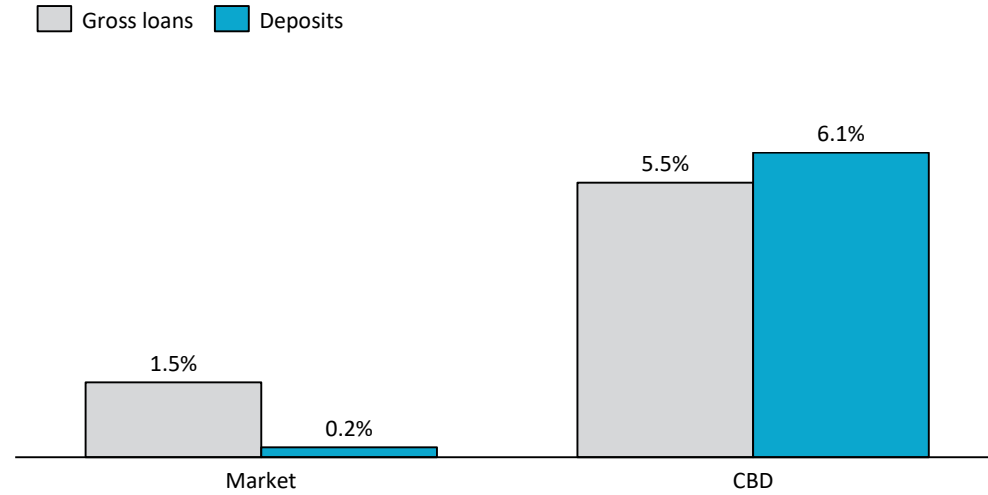
# UAE Banking Industry – CBD execution delivering above system growth

## Gross loans and deposits



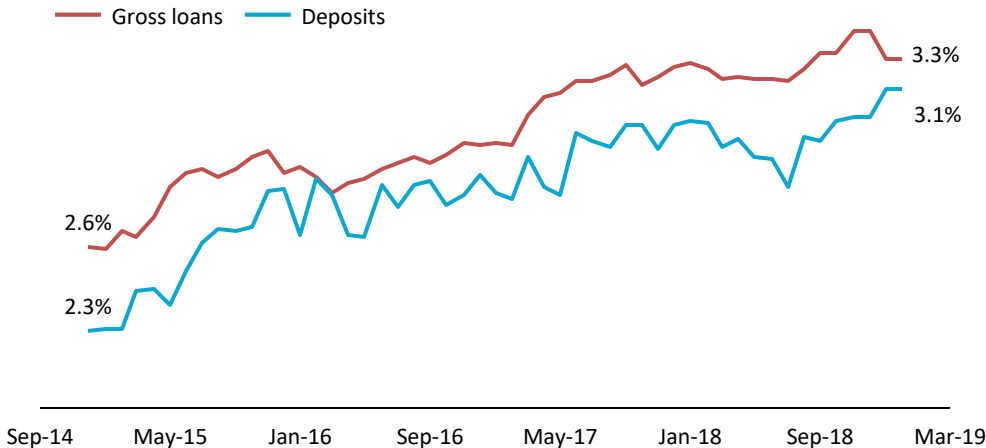
Source: Central Bank of the UAE

## Volume growth – December 18 to May 19



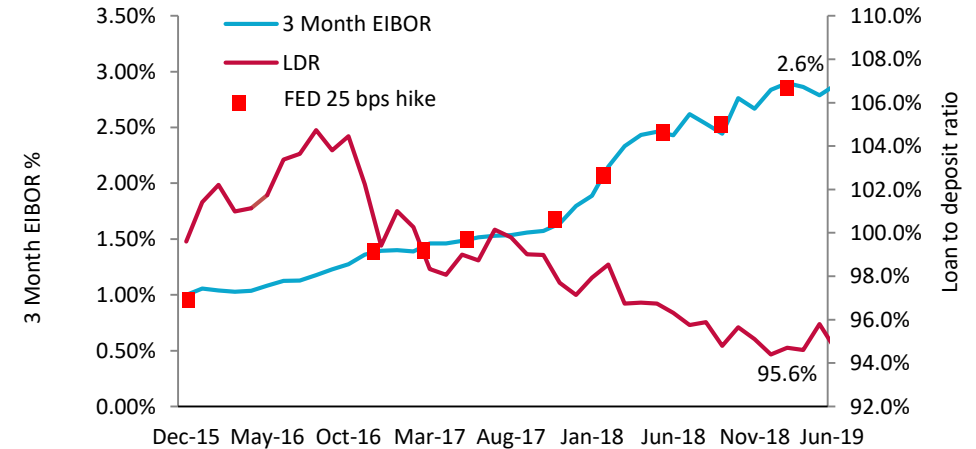
Source: Central Bank of the UAE

## CBD market share



Source: Central Bank of the UAE

## 3 Month EIBOR and UAE loan to deposit ratio



Source: Central Bank of the UAE