



**Management Discussion and Analysis Report**  
**Full Year 2022**  
**1<sup>st</sup> February 2023**



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**Commercial Bank of Dubai (CBD) reports record net profit of AED 1,825m, up 25.8% on the prior year**

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**Key Performance Indicators**

<b>Net Profit</b> <b>AED 1,825m</b>	<b>Return on Equity</b> <b>15.99%</b>	<b>Cost to Income</b> <b>26.14%</b>
<b>Assets</b> <b>AED 116b</b>	<b>Capital Adequacy Ratio</b> <b>16.04%</b>	<b>CET1 ratio</b> <b>12.40%</b>

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**Net profit for the full year of 2022 is AED 1,825 million**

Resulting in a proposed record cash dividend of 26.05% and bonus shares of 6.51%

**Lower cost to income ratio**

Excellent cost to income ratio at 26.14%

**Prudent provisioning for expected credit losses**

Net impairment allowances were AED 991 million, up 14.3% with coverage ratio at 79.89%, up 1,730 bps

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

Gross loans were AED 79.6 billion, a decrease of 1.1% compared to 2021



**Dubai, 1<sup>st</sup> February 2023:** Commercial Bank of Dubai (CBD) today reported its financial results for the year ended 31 December 2022.

Commercial Bank of Dubai has delivered a record net profit of AED 1,825 million for the year ended 31 December 2022, up 25.8% year-on-year. Stronger revenue across Net Interest and Other Operating Income generated a significant increase in net profit. Notably, market interest rates have risen sharply, which contributed to the solid financial performance for the year. The UAE economic outlook and business confidence remain positive, supported by strong domestic activity and anticipated performance across all key economic sectors.

Commenting on the bank's performance, Dr. Bernd van Linder, Chief Executive Officer, said, "CBD has accomplished a strong result attributable to robust revenue growth and improved business performance. Overall, our net profit was AED 1,825 million, well above the prior year on account of higher net interest income and a solid operating performance. We continue to remain focused on the disciplined execution of our strategy to back sequential growth in earnings and shareholder returns in the periods ahead.

Digital transformation and innovation in banking services are instrumental in our ongoing success, and we will continue to drive digital leadership and develop innovative banking solutions to ensure we provide our customers with a high-quality seamless banking experience.

As we move forward, ESG will become increasingly important. We have made significant progress in our ESG journey by launching a range of ESG-related products and developing our Sustainable Finance Framework. Pleasingly, we have a deeply engaged workforce with a high-performance culture, and I am confident our talent will continue to deliver for customers and shareholders in the future."

#### **2022 full year results:**

- ▶ Net profit was AED 1,825 million, 25.8% above the prior year
- ▶ Record cash dividend of 26.05% and bonus shares of 6.51%
- ▶ Operating income was AED 3,812 million, up 19.8% due to higher net interest income and improved fee and commission income
- ▶ Operating expenses were AED 997 million, up by 15.2%
- ▶ Operating profit was AED 2,816 million, up by 21.5%
- ▶ Net impairment allowances were AED 991 million, up by 14.3%

#### **As at 31 December 2022:**

- ▶ Capital ratios remained strong with the capital adequacy ratio (CAR) at 16.04%, Tier 1 ratio at 14.90% and Common Equity Tier 1 (CET1) ratio at 12.40%
- ▶ Gross loans were AED 79.6 billion, a decrease of 1.1% compared to 31 December 2021
- ▶ Advances to stable resources ratio (ASRR) stood at 87.09%, a decrease of 91 bps compared to 31 December 2021



### Income Statement

**Operating income** for the year ended 31 December 2022 was AED 3,812 million, up 19.8%, attributable to an increase in Net Interest Income (NII) by 28.8% on higher interest rates, and growth in Other Operating Income (OOI) from strengthened business activities.

**Operating expenses** were AED 997 million, with the increase driven by investments in digitisation, business growth, risk management and governance. The cost-to-income ratio remains excellent at 26.14%.

(AED Million)

Income statement	2022	2021	YoY Var	Q4 22	Q3 22	QoQ Var
Net interest income	2,676	2,078	28.8%	823	720	14.3%
Other operating income	1,136	1,105	2.8%	270	266	1.5%
<b>Total income</b>	<b>3,812</b>	<b>3,183</b>	<b>19.8%</b>	<b>1,093</b>	<b>986</b>	<b>10.9%</b>
Operating expenses	997	865	15.2%	267	255	4.7%
<b>Operating profit</b>	<b>2,816</b>	<b>2,318</b>	<b>21.5%</b>	<b>826</b>	<b>731</b>	<b>13.0%</b>
Net impairment allowances	991	867	14.3%	323	275	17.5%
<b>Net profit</b>	<b>1,825</b>	<b>1,451</b>	<b>25.8%</b>	<b>503</b>	<b>456</b>	<b>10.3%</b>

### Balance Sheet

**Total assets** were AED 116.1 billion as at 31 December 2022, an increase of 1.6% compared to AED 114.2 billion as at 31 December 2021.

**Net loans and advances** were AED 74.6 billion, registering a decrease of 2.4% compared to AED 76.4 billion as at 31 December 2021.

**Customers' deposits** were AED 81.1 billion as at 31 December 2022, representing a decrease of 2.0% compared to AED 82.7 billion as at 31 December 2021. Low-cost current and savings accounts (CASA) constitute 47.4% of the total customer deposit base, while the financing-to-deposits ratio stood at 92.0%.

(AED Million)

Balance sheet	Dec 22	Dec 21	YoY Var	Dec 22	Sep 22	QoQ Var
Gross loans and advances	79,620	80,465	(1.1%)	79,620	84,068	(5.3%)
Allowances for impairment	5,012	4,024	24.6%	5,012	4,930	1.7%
<b>Net loans and advances</b>	<b>74,608</b>	<b>76,441</b>	<b>(2.4%)</b>	<b>74,608</b>	<b>79,138</b>	<b>(5.7%)</b>
Total assets	116,074	114,213	1.6%	116,074	117,531	(1.2%)
Customers' deposits	81,074	82,722	(2.0%)	81,074	81,778	(0.9%)
Total Equity	13,882	13,567	2.3%	13,882	13,387	3.7%



### Asset Quality

The non-performing loan (NPL) ratio decreased to 6.73%, down from 6.95% at the end of 2021.

The net impairment charge totaled AED 991 million for the year ended 31 December 2022. The headline coverage ratio increased by 1,730 bps to 79.89% (December 2021: 62.59%) and 120.83% inclusive of collateral for stage 3 loans. As at 31 December 2022, total allowances for impairments amounted to AED 5,012 million.

### Liquidity and Capital position

The bank's liquidity position remained robust with the advances to stable resources ratio at 87.09% as at 31 December 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 16.04%, Tier 1 ratio at 14.90% and Common Equity Tier 1 (CET1) ratio at 12.40%. All capital ratios were well above the minimum regulatory thresholds mandated by the UAE Central Bank.

	(%)					
Key ratios %	2022	2021	YoY Var (bps)	Q4 22	Q3 22	QoQ Var (bps)
Return on equity	15.99%	13.22%	277	17.78%	16.66%	112
Return on assets	1.58%	1.37%	21	1.72%	1.55%	17
Cost to income ratio	26.14%	27.18%	(104)	24.43%	25.86%	(143)
Non-performing loans (NPL)	6.73%	6.95%	(22)	6.73%	6.75%	(2)
Provision coverage	79.89%	62.59%	1,730	79.89%	74.90%	499
Financing-to-deposit ratio	92.02%	92.41%	(39)	92.02%	96.77%	(475)
Advances to stable resources	87.09%	88.00%	(91)	87.09%	92.93%	(584)
Capital adequacy ratio	16.04%	15.82%	22	16.04%	15.59%	45
Tier 1 ratio	14.90%	14.66%	24	14.90%	14.43%	47
CET1 ratio	12.40%	12.13%	27	12.40%	12.06%	34

### Ratings

Agency	Rating	Outlook	Date
Fitch Ratings	A-	Stable	Dec-22
Moody's	Baa1	Stable	Oct-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 172 ATMs/CDMs.

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