



**Management Discussion and Analysis Report**  
**First Quarter 2021**  
**28<sup>th</sup> April 2021**



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**Commercial Bank of Dubai (CBD) reports net profit of AED 325m and operating profit of AED 535m**

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**Key Performance Indicators**

Net Profit AED 325m	Return on Equity 12.38%	Cost to Income 26.80%
Assets AED 102b	Capital Adequacy Ratio 16.25%	CET1 ratio 12.44%

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**Improved performance in Q1 2021 compared to Q1 2020**

Net profit of AED 325 million up 3.1% versus the prior comparative period

**Lower expected credit losses**

Net impairment allowances were AED 210 million, down 12.5% on Q1 2020

**Excellent cost discipline and operating efficiency**

Operating expenses are down 2.7% versus Q1 2020 and the Cost to Income ratio remains low at 26.8%.

**Strong liquidity, funding and capital ratios**

Gross loans were AED 73.6 billion, an increase of 11.8% compared to Q1 2020



**Dubai, 28<sup>th</sup> April 2021:** Commercial Bank of Dubai (CBD) today reported its financial results for the first quarter of 2021.

Commercial Bank of Dubai has delivered a net profit of AED 325 million for the first quarter of 2021, up 3.1% against the first quarter of 2020. Decreased expected credit losses coupled with lower operating expenses have supported the increase in net profit while low interbank interest rates continue to feature with net interest income slightly down 1.8% compared to Q1 2020.

Commenting on the bank's performance, **Dr. Bernd van Linder, Chief Executive Officer** said, "CBD has delivered an improved set of first quarter results with the bank's net profit increasing by 3% compared to the first quarter of 2020. Domestic business conditions and confidence continue to improve, however, the recovery from the COVID-19 pandemic is varied across business segments."

He added, "Against this backdrop, CBD has reached a record AED 102b in assets driven by solid growth in loans, which have increased 12% versus Q1 2020. CBD continues to deliver on its long term strategy and is well positioned to further support businesses across the UAE. Overall, our net profit was AED 325 million, above the prior comparative period on the back of lower operating expenses and lower expected credit losses."

#### **Q1 2021 results:**

- ▶ Net profit was AED 325 million, 3.1% above the prior comparative period
- ▶ Operating income was AED 731 million, down by 3.4% compared to the prior comparative period, primarily due to lower fee and commission income coupled with lower interest income
- ▶ Operating expenses were AED 196 million, lower by 2.7%
- ▶ Operating profit was AED 535 million, down by 3.7%
- ▶ Net impairment allowances were AED 210 million, down 12.5%

#### **As at 31<sup>st</sup> March 2021:**

- ▶ Capital ratios remained strong with the capital adequacy ratio (CAR) at 16.25%, Tier 1 ratio at 15.09% and Common Equity Tier 1 (CET1) ratio at 12.44%.
- ▶ Gross loans were AED 73.6 billion, an increase of 6.6% compared to 31<sup>st</sup> December 2020
- ▶ Advances to stable resources ratio (ASRR) stood at 92.00%



### Income Statement

**Operating income** for the first quarter of 2021 amounted to AED 731 million, a decrease of 3.4%, attributable to lower Net Interest Income (NII) by 1.8% as a result of continued low market interest rates and a 6.4% decrease in Other Operating Income (OOI) on the back of lower fees and commissions.

**Operating expenses** were AED 196 million, down 2.7% compared to the first quarter of 2020. The cost to income ratio remains market leading at 26.80%.

(AED Million)

Income statement	Q1 21	Q1 20	PoP Var	Q1 21	Q4 20	QoQ Var
Net interest income	476	485	(1.8%)	476	514	(7.3%)
Other operating income	255	272	(6.4%)	255	358	(28.9%)
<b>Total income</b>	<b>731</b>	<b>757</b>	<b>(3.4%)</b>	<b>731</b>	<b>872</b>	<b>(16.2%)</b>
Operating expenses	196	201	(2.7%)	196	216	(9.3%)
<b>Operating profit</b>	<b>535</b>	<b>555</b>	<b>(3.7%)</b>	<b>535</b>	<b>656</b>	<b>(18.4%)</b>
Net impairment allowances	210	240	(12.5%)	210	351	(40.3%)
<b>Net profit</b>	<b>325</b>	<b>315</b>	<b>3.1%</b>	<b>325</b>	<b>304</b>	<b>6.8%</b>

### Balance Sheet

**Total assets** were AED 102.5 billion as at 31<sup>st</sup> March 2021, an increase of 5.2% compared to AED 97.4 billion as at 31<sup>st</sup> December 2020.

**Net loans and advances** were AED 69.6 billion, registering an increase of 6.6% compared to AED 65.3 billion as at 31<sup>st</sup> December 2020.

**Customers' deposits** were AED 70.9 billion as at 31<sup>st</sup> March 2021, representing an increase of 1.7% compared to AED 69.8 billion as at 31<sup>st</sup> December 2020. Low cost current and savings accounts (CASA) constitute 44.1% of the total deposit base, while the financing-to-deposits ratio stood at 98.2%.

(AED Million)

Balance sheet	Q1 21	Q1 20	PoP Var	Q1 21	Q4 20	QoQ Var
Gross loans and advances	73,619	65,848	11.8%	73,619	69,049	6.6%
Allowances for impairment	4,021	3,513	14.4%	4,021	3,761	6.9%
<b>Net loans and advances</b>	<b>69,598</b>	<b>62,335</b>	<b>11.7%</b>	<b>69,598</b>	<b>65,289</b>	<b>6.6%</b>
Total assets	102,471	89,881	14.0%	102,471	97,362	5.2%
Customers' deposits	70,902	63,900	11.0%	70,902	69,751	1.7%
Total Equity	12,623	9,695	30.2%	12,623	12,954	(2.6%)



### Asset Quality

The non-performing loan (NPL) ratio decreased to 6.62%, down from 6.77% at the end of 2020.

In accordance with IFRS9 accounting standards, the net impairment charge totaled AED 210 million for the first quarter of 2021. The coverage ratio was 70.66% (113.42% inclusive of collateral for stage 3 loans), up from 69.70% at the end of 2020. As at 31<sup>st</sup> March 2021, total allowances for impairments amounted to AED 4,021 million.

### Liquidity and Capital position

**The bank's liquidity** position remained robust with the advances to stable resources ratio at 92.00% as at 31<sup>st</sup> March 2021 (Dec 2020: 86.33%), compared to the UAE Central Bank maximum of 100%.

CBD's **capital ratios** remained strong with the capital adequacy ratio (CAR) at 16.25%, Tier 1 ratio at 15.09% and Common Equity Tier 1 (CET1) ratio 12.44%. All capital ratios were significantly above the minimum regulatory thresholds mandated by the UAE Central Bank.

Key ratios %	Q1 21					
	Q1 21	Q1 20	PoP Var (bps)	Q1 21	Q4 20	QoQ Var (bps)
Return on equity	12.38%	13.14%	(76)	12.38%	11.44%	93
Return on assets	1.30%	1.55%	(25)	1.30%	1.28%	2
Cost to income ratio	26.80%	26.61%	19	26.80%	24.78%	202
Non-performing loans (NPL)	6.62%	6.59%	3	6.62%	6.77%	(15)
Provision coverage	70.66%	66.62%	404	70.66%	69.70%	96
Financing-to-deposit ratio	98.16%	97.55%	61	98.16%	93.60%	456
Advances to stable resources	92.00%	90.80%	120	92.00%	86.33%	567
Capital adequacy ratio	16.25%	13.86%	239	16.25%	16.65%	(40)
Tier 1 ratio	15.09%	12.71%	238	15.09%	15.50%	(41)
CET1 ratio	12.44%	12.71%	(27)	12.44%	12.71%	(27)



### Ratings

Agency	Rating	Outlook	Date
Fitch Ratings	<b>A-</b>	Stable	Jun-20
Moody's	<b>Baa1</b>	Negative	Jun-20

### 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 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 corporate, commercial and personal banking customers through a network of 15 branches. Moreover the bank has invested in an extensive network of 161 ATMs/CDMs.

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