



Management Discussion and Analysis Report
Third Quarter 2021
27th October 2021



Commercial Bank of Dubai (CBD) reports net profit of AED 1,051m, up 28.8% on the prior period

Key Performance Indicators

Net Profit AED 1,051m	Return on Equity 12.94%	Cost to Income 26.13%
Assets AED 108b	Capital Adequacy Ratio 16.16%	CET1 ratio 12.50%

Solid performance for the nine months to 30 September 2021

Net profit of AED 1,051 million up 28.8% versus the prior comparative period

Credit losses comparable to 2020

Net impairment allowances were AED 713 million, up 1.9% on 9M 2020

Continued improvement in cost to income ratio

Cost to income ratio remains low at 26.1%, 190 bps lower year on year

Robust balance sheet supporting liquidity, funding and capital ratios

Gross loans were AED 78.9 billion, an increase of 18.7% compared to Q3 2020



Dubai, 27th October 2021: Commercial Bank of Dubai (CBD) today reported its financial results for the first nine months of 2021.

Commercial Bank of Dubai has delivered a net profit of AED 1,051 million for the nine months to 30 September 2021, up 28.8% year on year. The strong operating performance was primarily from higher asset volumes, lower funding costs and solid other operating income. The improving external environment, receding pandemic impacts and strengthening business confidence point to moderately improving business conditions.

Commenting on the bank's performance, **Dr. Bernd van Linder, Chief Executive Officer** said, "CBD has delivered a solid performance with the bank's net profit increasing by 29% compared to the first nine months of 2020. Local business conditions continue to improve assisted by Expo 2020 which is set to provide an amazing opportunity for us all to unite in a spirit of hope and collaboration, working to create a better future."

He added, "CBD continues to deliver on its strategy and is poised to end the year on a strong footing as loans reached a record of AED 79b. With business conditions and confidence recovering, we remain positive looking ahead to 2022.

As we take the lead in providing the most innovative digital banking initiatives in the market, we are determined to continue setting the standard in digital banking excellence and seamless experiences for all our customers."

Q3 2021 results:

- ▶ Net profit was AED 1,051 million, 28.8% above the prior comparative period
- ▶ Operating income was AED 2,388 million, up by 13.4% primarily due to higher net interest income and improved fee and commission income
- ▶ Operating expenses were AED 624 million, up by 5.5%
- ▶ Operating profit was AED 1,764 million, up by 16.4%
- ▶ Net impairment allowances were AED 713 million, up 1.9%

As at 30 September 2021:

- ▶ Capital ratios remained strong with the capital adequacy ratio (CAR) at 16.16%, Tier 1 ratio at 15.00% and Common Equity Tier 1 (CET1) ratio at 12.50%.
- ▶ Gross loans were AED 78.9 billion, an increase of 14.3% compared to 31 December 2020
- ▶ Advances to stable resources ratio (ASRR) stood at 93.10%



Income Statement

Operating income for the first nine months of 2021 amounted to AED 2,388 million, an increase of 13.4%, attributable to higher Net Interest Income (NII) by 14.2% as a result of higher volumes and lower funding costs, and an 11.8% increase in Other Operating Income (OOI) reflecting a rebound in economic activity.

Operating expenses were AED 624 million, up 5.5% compared to the first nine months of 2020. The cost-to-income ratio remains market leading at 26.13%.

(AED Million)

Income statement	9M 21	9M 20	PoP Var	Q3 21	Q2 21	QoQ Var
Net interest income	1,568	1,373	14.2%	558	534	4.5%
Other operating income	820	734	11.8%	258	308	(16.1%)
Total income	2,388	2,107	13.4%	816	842	(3.0%)
Operating expenses	624	591	5.5%	215	213	0.9%
Operating profit	1,764	1,515	16.4%	601	628	(4.4%)
Net impairment allowances	713	699	1.9%	226	277	(18.6%)
Net profit	1,051	816	28.8%	375	351	6.8%

Balance Sheet

Total assets were AED 107.8 billion as at 30 September 2021, an increase of 16.2% compared to AED 92.8 billion as at 30 September 2020.

Net loans and advances were AED 74.9 billion, registering an increase of 18.9% compared to AED 63.0 billion as at 30 September 2020.

Customers' deposits were AED 75.8 billion as at 30 September 2021, representing an increase of 18.5% compared to AED 64.0 billion as at 30 September 2020. Low cost current and savings accounts (CASA) constitute 45.3% of the total deposit base, while the financing-to-deposits ratio stood at 98.8%.

(AED Million)

Balance sheet	Sep 21	Sep 20	PoP Var	Sep 21	Jun 21	QoQ Var
Gross loans and advances	78,915	66,490	18.7%	78,915	78,286	0.8%
Allowances for impairment	4,017	3,510	14.4%	4,017	4,241	(5.3%)
Net loans and advances	74,898	62,980	18.9%	74,898	74,044	1.2%
Total assets	107,752	92,750	16.2%	107,752	112,767	(4.4%)
Customers' deposits	75,812	64,000	18.5%	75,812	79,820	(5.0%)
Total Equity	13,275	10,526	26.1%	13,275	12,966	2.4%



Asset Quality

The non-performing loan (NPL) ratio increased to 6.93%, up from 6.77% at the end of 2020.

In accordance with IFRS9 accounting standards, the net impairment charge totaled AED 713 million for the first nine months of 2021. The headline coverage ratio was 64.14% and 118.53% inclusive of collateral for stage 3 loans up from 105.09% at 30 September 2020. As at 30 September 2021, total allowances for impairments amounted to AED 4,017 million.

Liquidity and Capital position

The bank's liquidity position remained robust with the advances to stable resources ratio at 93.10% as at 30 September 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 16.16%, Tier 1 ratio at 15.00% and Common Equity Tier 1 (CET1) ratio 12.50%. All capital ratios were significantly above the minimum regulatory thresholds mandated by the UAE Central Bank.

	(%)					
Key ratios %	9M 21	9M 20	PoP Var (bps)	Q3 21	Q2 21	QoQ Var (bps)
Return on equity	12.94%	10.76%	218	13.86%	13.38%	48
Return on assets	1.37%	1.22%	15	1.36%	1.30%	6
Cost to income ratio	26.13%	28.07%	(194)	26.36%	25.32%	104
Non-performing loans (NPL)	6.93%	6.97%	(4)	6.93%	6.44%	50
Provision coverage	64.14%	64.16%	(2)	64.14%	72.67%	(853)
Financing-to-deposit ratio	98.79%	98.41%	39	98.79%	92.76%	603
Advances to stable resources	93.10%	91.03%	207	93.10%	87.60%	550
Capital adequacy ratio	16.16%	14.40%	176	16.16%	15.69%	47
Tier 1 ratio	15.00%	13.24%	176	15.00%	14.52%	48
CET1 ratio	12.50%	13.24%	(74)	12.50%	12.04%	46

Ratings

Agency	Rating	Outlook	Date
Fitch Ratings	A-	Stable	Sep-21
Moody's	Baa1	Negative	May-21



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 institutional, corporate and personal banking customers through a network of 14 branches. Moreover the bank has invested in an extensive network of 165 ATMs/CDMs.

For further information, kindly contact: CBD Investor Relations @ investor.relations@cbd.ae