



## Commercial Bank of Dubai (CBD) reports a 16% increase in net profit of AED 1,162 million Operating profit 7.2% higher at AED 1,866 million

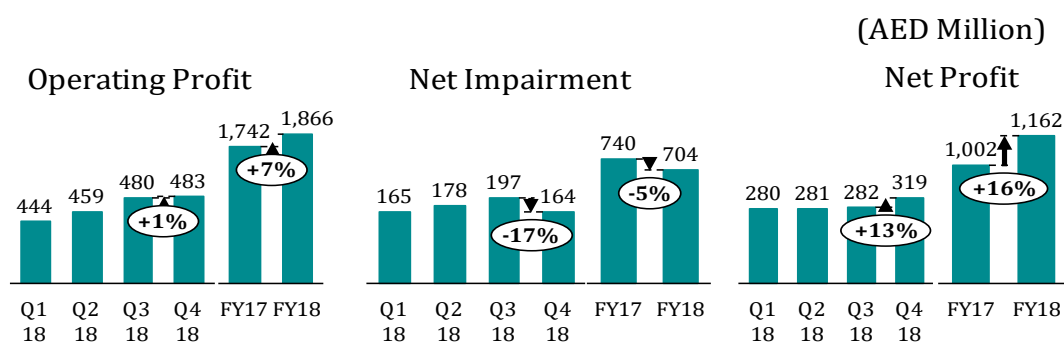
**Dubai, 23<sup>rd</sup> January 2019:** Commercial Bank of Dubai (CBD) today reported its financial results for the year 2018.

### Financial Highlights:

- Operating income of AED 2,725 million was up 3.1% year on year
- Operating expenses decreased by 4.7% to AED 858 million
- Operating profit of AED 1,866 million before impairment allowances was up 7.2%
- Disciplined expense management delivered an improved cost to income ratio of 31.5% from 34.1% last year
- Net impairment allowances stood at AED 704 million, lower by 4.8% when compared to 2017
- Net profit of AED 1,162 million represented a 16% increase over the prior year

### **As at 31<sup>st</sup> December 2018:**

- Capital adequacy ratio (CAR) was robust at 14.6%
- Gross loans were AED 54.1 billion, an increase of 7.7%
- Advances to stable resources ratio (ASRR) was 89.4%
- Non-performing Loan (NPL) ratio improved significantly from 8.7% to 6.2% whilst the Coverage ratio remained unchanged at 78%



### Performance Review

The Commercial Bank of Dubai's 2018 net profit of AED 1,162 million was 16% higher on the back of a 3.1% increase in operating income, a 4.7% decline in operating expenses and on lower impairment allowances by 4.8%.

**Operating income** for 2018 amounted to AED 2,725 million, an increase of 3.1% owing to a 5% increase in net interest income (NII) on loan growth whilst other operating income (OOI) decreased slightly by 1%. Within OOI, foreign exchange income registered a 19.8% increase, other income increased by 51.3% and fees & commission income increased by 2.4% over 2017. Offsetting this was a decrease in investment income by 75.6% due to a one-off investment dividend received in 2017, not repeated in 2018.

**Operating expenses** were 858 million, down 4.7% attributable to ongoing expense management and improved efficiency supported by digital transformation. The cost to income ratio improved to 31.5% (2017: 34.1%).



	(AED Million)					
	FY 18	FY 17	YoY Var	Q4 18	Q3 18	QoQ Var
<b>Income statement</b>						
Net interest income & Islamic financing income	1,911	1,821	5.0%	484	489	(1.0%)
Net fees, commission and FX	721	684	5.4%	185	182	1.3%
Other operating income	92	138	(33.0%)	38	19	106.5%
<b>Total revenue</b>	<b>2,725</b>	<b>2,642</b>	<b>3.1%</b>	<b>707</b>	<b>690</b>	<b>2.5%</b>
Operating expenses	858	901	(4.7%)	224	210	6.5%
<b>Operating profit</b>	<b>1,866</b>	<b>1,742</b>	<b>7.2%</b>	<b>483</b>	<b>480</b>	<b>0.8%</b>
Net impairment allowances	704	740	(4.8%)	164	197	(16.8%)
<b>Net profit</b>	<b>1,162</b>	<b>1,002</b>	<b>16.0%</b>	<b>319</b>	<b>282</b>	<b>13.0%</b>

### **Balance Sheet**

Total assets were AED 74.1 billion as at 31<sup>st</sup> December 2018, an increase of 5.2% compared to the AED 70.4 billion as at 31<sup>st</sup> December 2017.

**Loans and Advances** were AED 50.9 billion, registering an increase of 7.8% when compared to AED 47.3 billion as at the end of 2017.

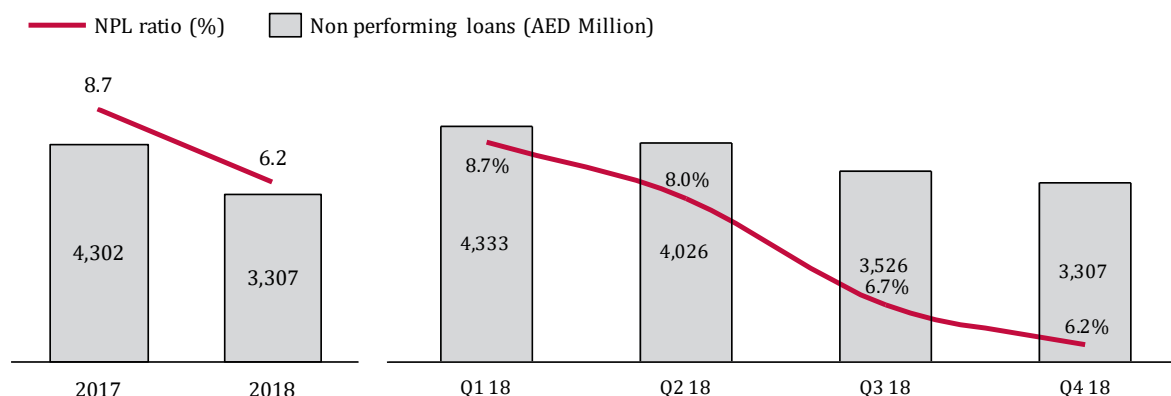
**Customers' Deposits** were AED 53.2 billion as at 31<sup>st</sup> December 2018 representing an increase of 9.8% compared to AED 48.4 billion in 2017. Low cost current and savings accounts (CASA) constitute 38.9% of the total deposit base, while the financing-to-deposits ratio stood at 95.8%.

	(AED Million)		
<b>Balance sheet</b>	<b>Dec-18</b>	<b>Dec-17</b>	<b>YoY Var</b>
Gross loans and advances	54,058	50,185	7.7%
Allowances for impairment	3,113	2,910	7.0%
<b>Net loans and advances</b>	<b>50,945</b>	<b>47,276</b>	<b>7.8%</b>
Total assets	74,102	70,414	5.2%
Customers' deposits	53,165	48,411	9.8%
Shareholders' equity	9,219	9,081	1.5%

### **Asset Quality:**

The non-performing loans (NPL) ratio decreased significantly to 6.2% from 8.7% at the end of 2017, with both ratios now calculated under IFRS9.

In line with the Bank's prudent provisioning policy, additional net impairment provisions of AED 704 million were set aside during the year compared to AED 740 million for the prior year. As at the end of 2018, total ECL allowances amounted to AED 3,113 million.



### Liquidity and Capital position

The Bank's liquidity position was strong and comfortably within our risk appetite with the advance to stable resources ratio 89.4% as at 31<sup>st</sup> December 2018 (2017: 88.6%) compared to the UAE Central Bank 100% limit.

CBD's Capital Adequacy and Tier 1 capital ratios were at 14.6% and 13.4%, respectively, and were significantly above the regulatory thresholds mandated by the UAE Central Bank.

	(AED Million)					
	FY18	FY17	YoY Var	Q418	Q318	QoQ Var
Key ratios,%				<i>bps</i>		
Return on equity*	13.47%	11.68%	179	13.85%	12.68%	117
Return on assets	1.57%	1.42%	15	1.72%	1.56%	16
Cost to income ratio	31.50%	34.08%	(258)	31.68%	30.49%	119
Non-Performing loan (NPL)	6.18%	8.67%	(249)	6.18%	6.74%	(56)
Provision coverage	77.82%	78.29%	(47)	77.82%	72.09%	573
Loan to deposit	95.82%	97.65%	(183)	95.82%	98.79%	(297)
Advance to stable resources (ASRR)	89.42%	88.56%	86	89.42%	89.63%	(21)
Capital adequacy*	14.56%	15.15%	(59)	14.56%	14.87%	(32)
Tier1&CET1ratio*	13.41%	14.03%	(62)	13.41%	13.72%	(31)

\* 2017 return on equity, capital adequacy and Tier 1 & CET1 ratios would have been at 12.25%, 14.51% and 13.39% respectively if updated for IFRS9 opening adjustment.

Commenting on the Bank's performance, **Dr. Bernd van Linder, Chief Executive Officer** said, "CBD posted a strong set of results for 2018, lifting our returns whilst delivering on our strategic agenda. We are investing in digital transformation, recruiting and retaining top talent to further enhance business capabilities and position ourselves as a key player in this evolving environment".

**Ratings:**

	Long Term IDR	Outlook	Date
<b>MOODY'S</b> INVESTORS SERVICE	Baa1	Negative	Dec-18
<b>FitchRatings</b>	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 1,083 staff of 44 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 169 ATMs/CDMs.

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