



## Commercial Bank of Dubai (CBD) reports a 26.1% increase in net profit to AED 1.063 billion

### Operating profit is 14.9% higher at AED 1.589 billion

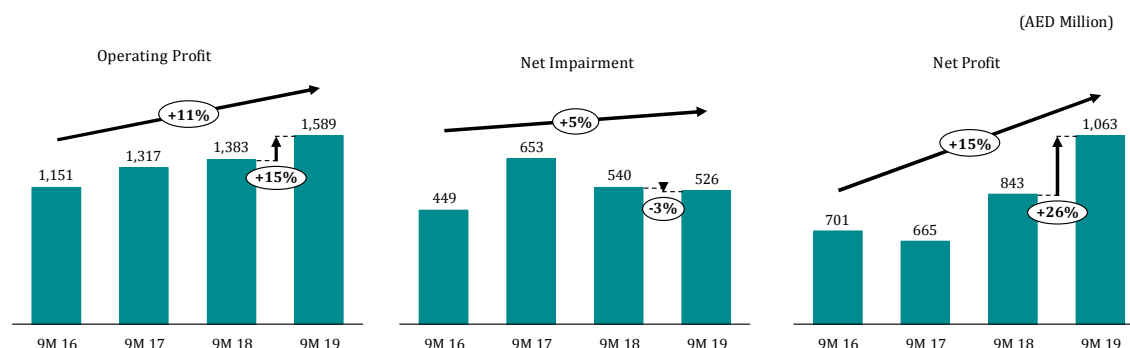
**Dubai, 16<sup>th</sup> October 2019:** Commercial Bank of Dubai (CBD) today reported its financial results for the first nine months of 2019.

#### **Financial Highlights:**

- Operating income of AED 2,242 million was up 11.1% year on year driven by higher net interest income and other operating income
- Operating expenses increased by 2.9% to AED 653 million
- Operating profit of AED 1,589 million was up by 14.9%
- Net impairment allowances were AED 526 million, lower by 2.6% when compared to the first nine months of 2018
- Net profit of AED 1,063 million represented a 26.1% increase over the same period last year

#### **As at 30<sup>th</sup> September 2019:**

- Capital ratios remain strong with the common equity Tier 1 ratio (CET1) at 13.59%
- Gross loans were AED 59.929 billion, an increase of 13.4% over the prior comparative period
- Advances to stable resources ratio (ASRR) stood at 87.5%
- Non-performing Loan (NPL) ratio improved by 80 bps to 5.53% compared to 6.33% in Q3 2018



#### **Performance Review**

Commercial Bank of Dubai delivered a strong nine months result with its net profit up by 26.1% to AED 1,063 million owing to broad based business improvement resulting in an 11.1% increase in operating income. Operating expenses meanwhile increased by 2.9% on the back of investment in digital innovation, whilst impairment allowances decreased marginally by 2.6% primarily on lower non-performing loan balances.

**Operating income** for the nine months of 2019 amounted to AED 2,242 million, an increase of 11.1% attributable to a 5.4% increase in Net Interest Income (NII) and a 25% increase in Other Operating Income (OOI).



**Operating expenses** were AED 653 million, up by 2.9%. A disciplined expense management focus saw a moderate increase in expenses on investment in digital capability to support business growth and improved customer experience. The cost to income ratio improved to 29.1% for the first nine months of 2019 (9M 2018: 31.4%).

	(AED Million)					
<b>Income statement</b>	<b>9M 19</b>	<b>9M 18</b>	<b>PoP Var</b>	<b>Q3 19</b>	<b>Q2 19</b>	<b>QoQ Var</b>
Net interest income and Islamic financing income	1,504	1,427	5.4%	504	507	(0.6%)
Other operating income	738	590	25.0%	228	229	(0.5%)
<b>Total revenue</b>	<b>2,242</b>	<b>2,018</b>	<b>11.1%</b>	<b>732</b>	<b>736</b>	<b>(0.6%)</b>
Operating expenses	653	634	2.9%	224	223	0.5%
<b>Operating profit</b>	<b>1,589</b>	<b>1,383</b>	<b>14.9%</b>	<b>508</b>	<b>513</b>	<b>(1.1%)</b>
Net impairment allowances	526	540	(2.6%)	146	152	(4.2%)
<b>Net profit</b>	<b>1,063</b>	<b>843</b>	<b>26.1%</b>	<b>362</b>	<b>361</b>	<b>0.2%</b>

### **Balance Sheet**

**Total assets** were AED 82.5 billion as at 30<sup>th</sup> September 2019, an increase of 13.9% compared to AED 72.4 billion as at 30<sup>th</sup> September 2018.

**Loans and Advances** were AED 56.4 billion, registering an increase of 13.2% compared to AED 49.8 billion as at the end of first nine months of 2018.

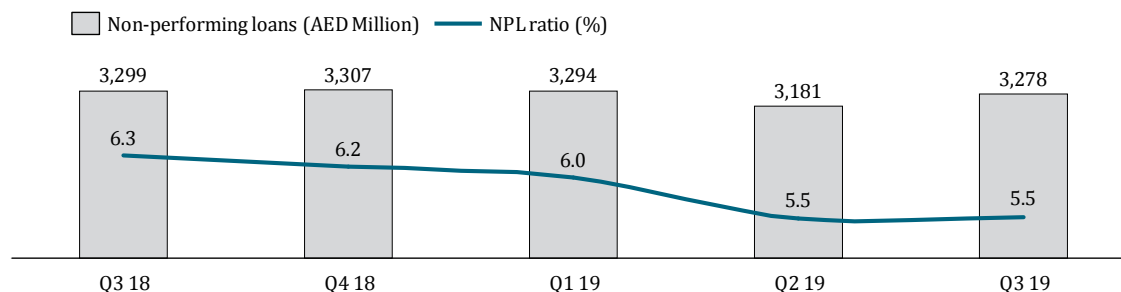
**Customers' Deposits** were AED 59.1 billion as at 30<sup>th</sup> September 2019 representing an increase of 17.2% compared to AED 50.4 billion at the end of the first nine months of 2018. Low cost current and savings accounts (CASA) constitute 40% of the total deposit base, while the financing-to-deposits ratio stood at 95.4%.

	(AED Million)		
<b>Balance sheet</b>	<b>Sep-19</b>	<b>Sep-18</b>	<b>PoP Var</b>
Gross loans and advances	59,929	52,848	13.4%
Allowances for impairment	3,556	3,045	16.8%
<b>Net loans and advances</b>	<b>56,373</b>	<b>49,803</b>	<b>13.2%</b>
Total assets	82,539	72,437	13.9%
Customers' deposits	59,066	50,414	17.2%
Shareholders' equity	9,918	8,908	11.3%

### **Asset Quality**

The non-performing loans (NPL) ratio improved to 5.53% from 6.33% at the end of the first nine months of 2018.

In line with the bank's prudent provisioning policy, additional net impairment provisions of AED 526 million were set aside during the first nine months resulting in the coverage ratio improving to 89.7%. As at the end of September 2019, total allowances for impairment amounted to AED 3,556 million.



### **Liquidity and Capital position**

The bank's liquidity position remained robust with the advance to stable resources ratio at 87.5% as at 30<sup>th</sup> September 2019 (9M 2018: 89.6%) compared to the UAE Central Bank limit of 100%.

CBD's Capital ratios remain strong with the capital adequacy and common equity Tier 1 ratios at 14.75% and 13.59%, respectively. All capital ratios are significantly above the minimum regulatory thresholds mandated by the UAE Central Bank.

Key ratios	9M 19	9M 18	Var bps	Q3 19	Q2 19	QoQ Var %
Return on equity	15.04	12.62	242	14.91	15.57	(65)
Return on assets	1.82	1.57	25	1.80	1.87	(7)
Cost to income ratio	29.11	31.44	(233)	30.62	30.28	33
Capital adequacy ratio	14.75	14.87	(12)	14.75	14.96	(21)
Non-performing loan (NPL)	5.53	6.33	(80)	5.53	5.52	1
Provision coverage	89.69	70.17	1,952	89.69	88.81	88
Loan to deposit	95.44	98.79	(335)	95.44	99.23	(379)
Advances to stable resources	87.50	89.63	(213)	87.50	90.02	(252)
Tier 1 and CET1 ratio	13.59	13.72	(13)	13.59	13.81	(22)

Commenting on the bank's performance, **Dr. Bernd van Linder, Chief Executive Officer** said, "CBD has delivered its best ever nine month result with the bank's net profit increasing by 26% for the first three quarters of 2019. The result has been achieved by fostering a culture of growth and disciplined execution of our well-planned strategy. We anticipate a consistent result in Q4 and remain on track to deliver a record result for the full year.

The group continues to deliver strong net profit growth, above target return on equity and with a CET1 ratio of 13.59% the group remains well-capitalized".

He added "We continue to invest in new technology and have embarked on a progressive digital transformation programme across the bank to help us expand and improve services to our customers".

**Ratings**

	Long Term IDR	Outlook	Date
MOODY'S INVESTORS SERVICE	Baa1	Negative	Dec-18
FitchRatings	A-	Stable	June-19

**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 1,495 staff from 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 17 branches, 1 kiosk and 1 sales office. Moreover the bank has invested in an extensive network of 153 ATMs/CDMs.

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