



**Management Discussion and Analysis Report**  
**First Quarter 2023**  
**3<sup>rd</sup> May 2023**



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## Commercial Bank of Dubai (CBD) reports net profit of AED 575m, up 33.4% on the prior comparative period

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### Key Performance Indicators

Net Profit <b>AED 575m</b>	Return on Equity <b>20.04%</b>	Cost to Income <b>23.38%</b>
Assets <b>AED 119b</b>	Capital Adequacy Ratio <b>16.33%</b>	CET1 ratio <b>12.74%</b>

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#### Robust performance uplift in Q1 2023 compared to Q1 2022

Net profit of AED 575 million up 33.4% versus the prior comparative period

#### Prudent provisioning for expected credit losses

Net impairment allowances were AED 373 million. Coverage ratio at 80.69%, up 1,311 bps compared to Q1 2022

#### Cost to income ratio

Excellent cost to income ratio at 23.38%

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

Gross loans were AED 81.8 billion, an increase of 2.7% compared to 31 December 2022



**Dubai, 3<sup>rd</sup> May 2023:** Commercial Bank of Dubai (CBD) today reported its financial results for the first quarter of 2023.

Commercial Bank of Dubai has delivered an excellent net profit of AED 575 million for the first quarter of 2023, up 33.4% compared to the corresponding period in 2022. Stronger revenue across Net Interest and Other Operating Income, supported by solid loan growth generated a significant increase in net profit. Notably, market interest rates rose, which contributed to the financial performance, delivered at outstanding returns for the quarter. The UAE economic outlook and business confidence remains positive, backed by resilient domestic activity that should underpin a growing economy throughout 2023.

Commenting on the bank's performance, Dr. Bernd van Linder, Chief Executive Officer, said, "CBD has delivered an excellent result attributable to strong revenue growth at outstanding returns. Overall, our net profit for Q1 2023 was a record AED 575 million, well above the prior comparative period on account of higher net interest income and a strong operating performance. We remain focused on the disciplined execution of our long-term strategy and are well placed for sustained success for the remainder of 2023 and beyond.

Default digital capability in banking services is instrumental to our ongoing success, and so we will continue to develop pioneering banking solutions to ensure we provide our customers with a high quality, seamless banking experience. We welcome the ongoing government initiated digital transformation programmes across the UAE, including the CBUAE FIT programme, and as a leading UAE Bank, we will be a central participant in these programmes, supporting our customers and the broader UAE economy.

There has been noteworthy advancement in our ESG programme by embedding ESG principles across the Bank. We will continue to invest in our employees and provide them with the skills, knowledge, and resources to drive innovation and support our digital and ESG strategy."

#### **Q1 2023 results:**

- ▶ Net profit was AED 575 million, 33.4% above the prior comparative period
- ▶ Operating income was AED 1,237 million, up 44.0% driven by net interest income, fees and commissions
- ▶ Operating expenses were AED 289 million
- ▶ Operating profit was AED 948 million, up by 52.2%
- ▶ Net impairment allowances were AED 373 million

#### **As at 31 March 2023:**

- ▶ Capital ratios remained strong with the capital adequacy ratio (CAR) at 16.33%, Tier 1 ratio at 15.18% and Common Equity Tier 1 (CET1) ratio at 12.74%, well in excess of regulatory requirements
- ▶ Gross loans were AED 81.8 billion, an increase of 2.7% compared to 31 December 2022
- ▶ Advances to stable resources ratio (ASRR) stood at 84.78%, a decrease of 231 bps compared to 31 December 2022



### Income Statement

**Operating income** for the first quarter was AED 1,237 million, up 44.0%, attributable to an increase in Net Interest Income (NII) by 63.7% on higher interest rates, and growth in Other Operating Income (OOI) by 10.4% from improved business activities.

**Operating expenses** were AED 289 million, with the increase driven by inflation and ongoing investments in digitisation, technology, business growth, governance and regulatory compliance. The cost-to-income ratio remains excellent at 23.38%.

(AED Million)

Income statement	Q1 23	Q1 22	Var	Q1 23	Q4 22	QoQ Var
Net interest income	889	543	63.7%	889	823	8.0%
Other operating income	349	316	10.4%	349	270	29.3%
<b>Total income</b>	<b>1,237</b>	<b>859</b>	<b>44.0%</b>	<b>1,237</b>	<b>1,093</b>	<b>13.2%</b>
Operating expenses	289	236	22.5%	289	267	8.2%
<b>Operating profit</b>	<b>948</b>	<b>623</b>	<b>52.2%</b>	<b>948</b>	<b>826</b>	<b>14.8%</b>
Net impairment allowances	373	192	94.3%	373	323	15.5%
<b>Net profit</b>	<b>575</b>	<b>431</b>	<b>33.4%</b>	<b>575</b>	<b>503</b>	<b>14.3%</b>

### Balance Sheet

**Total assets** were AED 119.3 billion as at 31 March 2023, an increase of 2.8% compared to AED 116.1 billion as at 31 December 2022.

**Net loans and advances** were AED 76.5 billion, registering an increase of 2.6% compared to AED 74.6 billion as at 31 December 2022.

**Customers' deposits** were AED 86.2 billion as at 31 March 2023, representing an increase of 6.3% compared to AED 81.1 billion as at 31 December 2022. Low-cost current and savings accounts (CASA) constitute 48.1% of the total customer deposit base, while the financing-to-deposits ratio stood at 88.8%.

(AED Million)

Balance sheet	Mar 23	Mar 22	YoY Var	Mar 23	Dec 22	QoQ Var
Gross loans and advances	81,788	83,199	(1.7%)	81,788	79,620	2.7%
Allowances for impairment	5,266	4,513	16.7%	5,266	5,012	5.1%
<b>Net loans and advances</b>	<b>76,522</b>	<b>78,686</b>	<b>(2.8%)</b>	<b>76,522</b>	<b>74,608</b>	<b>2.6%</b>
Total assets	119,315	119,036	0.2%	119,315	116,074	2.8%
Customers' deposits	86,193	82,808	4.1%	86,193	81,074	6.3%
Total Equity	13,761	12,996	5.9%	13,761	13,882	(0.9%)



### Asset Quality

The non-performing loan (NPL) ratio decreased to 6.71%, down from 6.73% at the end of 2022.

The net impairment charge totaled AED 373 million for the first quarter of 2023. The headline coverage ratio increased by 80 bps to 80.69% (December 2022: 79.89%) and was 120.02% inclusive of collateral for stage 3 loans. As at 31 March 2023, total allowances for impairments amounted to AED 5,266 million.

### Liquidity and Capital position

The bank's liquidity position remained robust with the advances to stable resources ratio at 84.78% as at 31 March 2023 (December 2022: 87.09%), compared to the UAE Central Bank maximum of 100%.

CBD's capital ratios further strengthened with the capital adequacy ratio (CAR) at 16.33%, Tier 1 ratio at 15.18% and Common Equity Tier 1 (CET1) ratio at 12.74%. All capital ratios were well above the minimum regulatory thresholds mandated by the UAE Central Bank.

	(%)					
	Q1 23	Q1 22	YoY Var (bps)	Q1 23	Q4 22	QoQ Var (bps)
<b>Key ratios %</b>						
Return on equity	20.04%	15.71%	433	20.04%	17.78%	226
Return on assets	1.95%	1.48%	47	1.95%	1.72%	23
Cost to income ratio	23.38%	27.47%	(409)	23.38%	24.43%	(105)
Non-performing loans (NPL)	6.71%	6.93%	(22)	6.71%	6.73%	(2)
Provision coverage	80.69%	67.58%	1,311	80.69%	79.89%	80
Financing-to-deposit ratio	88.78%	95.02%	(624)	88.78%	92.02%	(324)
Advances to stable resources	84.78%	90.42%	(564)	84.78%	87.09%	(231)
Capital adequacy ratio	16.33%	15.61%	72	16.33%	16.04%	29
Tier 1 ratio	15.18%	14.46%	72	15.18%	14.90%	28
CET1 ratio	12.74%	12.00%	74	12.74%	12.40%	34

### Ratings

Agency	Rating	Outlook	Date
Fitch Ratings	A-	Stable	Apr-23
Moody's	Baa1	Stable	Apr-23



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### **About CBD**

The bank was incorporated in Dubai, United Arab Emirates in 1969 and is registered as a Public Joint Stock 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 1,400 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 170 ATMs/CDMs.

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