



Management Discussion and Analysis Report
First Half 2021
28th July 2021



Commercial Bank of Dubai (CBD) reports net profit of AED 676m, up 27.5% on H1 2020

Key Performance Indicators

Net Profit AED 676m	Return on Equity 12.67%	Cost to Income 26.01%
Assets AED 113b	Capital Adequacy Ratio 15.69%	CET1 ratio 12.04%

Improved performance in H1 2021 compared to H1 2020

Net profit of AED 676 million up 27.5% versus the prior comparative period

Lower expected credit losses

Net impairment allowances were AED 487 million, down 1.6% on H1 2020

Continued improvement on cost to income ratio

Cost to income ratio remains low at 26.0%, 1.4% lower year on year

Robust balance sheet supporting liquidity, funding and capital ratios

Gross loans were AED 78.3 billion, an increase of 17.3% compared to H1 2020



Dubai, 28th July 2021: Commercial Bank of Dubai (CBD) today reported its financial results for the first six months of 2021.

Commercial Bank of Dubai has delivered a net profit of AED 676 million for the first half of 2021, up 27.5% against the first half of 2020. Improved operating performance coupled with lower expected credit losses have supported the growth in net profit. Despite the continuous decline in interbank interest rates, net interest income is up by 8.7% compared to H1 2020 primarily from lower funding costs and strong business growth. The increase in business activity was reflective of the economic recovery which positively impacted fees and commission income.

Commenting on the bank's performance, **Dr. Bernd van Linder, Chief Executive Officer** said, "CBD has delivered an improved set of results with the bank's net profit increasing by 27% compared to the first half of 2020. The ongoing COVID-19 pandemic has been managed admirably by the UAE, enabling the community and businesses to move forward positively and with confidence. Looking ahead, we remain hopeful that the pandemic situation continues to improve globally, enabling improved health and economic conditions for all."

He added, "Against this backdrop, CBD has reached a record AED 113b in assets driven by strong growth in loans, which have increased 17% compared to H1 2020. Overall, our net profit was AED 676 million, above the prior comparative period on the back of improved net interest income, higher commission and fee income, and moderately lower expected credit losses."

We remain committed to supporting personal, business and government customers across the UAE, providing seamless market leading banking experiences for all our customers."

H1 2021 results:

- ▶ Net profit was AED 676 million, 27.5% above the prior comparative period
- ▶ Operating income was AED 1,572 million, up by 11.4% compared to the prior comparative period, primarily due to improved fee and commission income and higher net interest income
- ▶ Operating expenses were AED 409 million, up by 5.8%
- ▶ Operating profit was AED 1,163 million, up by 13.4%
- ▶ Net impairment allowances were AED 487 million, down 1.6%

As at 30th June 2021:

- ▶ Capital ratios remained strong with the capital adequacy ratio (CAR) at 15.69%, Tier 1 ratio at 14.52% and Common Equity Tier 1 (CET1) ratio at 12.04%.
- ▶ Gross loans were AED 78.3 billion, an increase of 13.4% compared to 31st December 2020
- ▶ Advances to stable resources ratio (ASRR) stood at 87.60%



Income Statement

Operating income for the first half of 2021 amounted to AED 1,572 million, an increase of 11.4%, attributable to higher Net Interest Income (NII) by 8.7% as a result of lower funding costs and higher volumes, and a 16.6% increase in Other Operating Income (OOI) as business activities recovered.

Operating expenses were AED 409 million, up 5.8% compared to the first half of 2020. The cost-to-income ratio remains market leading at 26.01%.

(AED Million)

Income statement	H1 21	H1 20	PoP Var	Q2 21	Q1 21	QoQ Var
Net interest income	1,010	929	8.7%	534	476	12.1%
Other operating income	562	482	16.6%	308	255	20.9%
Total income	1,572	1,412	11.4%	842	731	15.2%
Operating expenses	409	386	5.8%	213	196	8.8%
Operating profit	1,163	1,026	13.4%	628	535	17.5%
Net impairment allowances	487	495	(1.6%)	277	210	32.2%
Net profit	676	530	27.5%	351	325	8.0%

Balance Sheet

Total assets were AED 112.8 billion as at 30th June 2021, an increase of 20.4% compared to AED 93.7 billion as at 30th June 2020.

Net loans and advances were AED 74.0 billion, registering an increase of 16.8% compared to AED 63.4 billion as at 30th June 2020.

Customers' deposits were AED 79.8 billion as at 30th June 2021, representing an increase of 22.2% compared to AED 65.3 billion as at 30th June 2020. Low cost current and savings accounts (CASA) constitute 40.0% of the total deposit base, while the financing-to-deposits ratio stood at 92.8%.

(AED Million)

Balance sheet	H1 21	H1 20	PoP Var	Q2 21	Q1 21	QoQ Var
Gross loans and advances	78,286	66,758	17.3%	78,286	73,619	6.3%
Allowances for impairment	4,241	3,339	27.0%	4,241	4,021	5.5%
Net loans and advances	74,044	63,420	16.8%	74,044	69,598	6.4%
Total assets	112,767	93,682	20.4%	112,767	102,471	10.0%
Customers' deposits	79,820	65,319	22.2%	79,820	70,902	12.6%
Total Equity	12,966	10,186	27.3%	12,966	12,623	2.7%



Asset Quality

The non-performing loan (NPL) ratio decreased to 6.44%, down from 6.77% at the end of 2020.

In accordance with IFRS9 accounting standards, the net impairment charge totaled AED 487 million for the first half of 2021. The coverage ratio was 72.67% (118.12% inclusive of collateral for stage 3 loans), up from 69.70% at the end of 2020. As at 30th June 2021, total allowances for impairments amounted to AED 4,241 million.

Liquidity and Capital position

The bank's liquidity position remained robust with the advances to stable resources ratio at 87.60% as at 30th June 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 15.69%, Tier 1 ratio at 14.52% and Common Equity Tier 1 (CET1) ratio 12.04%. All capital ratios were significantly above the minimum regulatory thresholds mandated by the UAE Central Bank.

	[%]					
Key ratios %	H1 21	H1 20	PoP Var (bps)	Q2 21	Q1 21	QoQ Var (bps)
Return on equity	12.67%	10.71%	195	13.38%	12.38%	100
Return on assets	1.29%	1.23%	6	1.30%	1.30%	0
Cost to income ratio	26.01%	27.36%	(135)	25.32%	26.80%	(148)
Non-performing loans (NPL)	6.44%	6.97%	(53)	6.44%	6.62%	(18)
Provision coverage	72.67%	60.88%	1,179	72.67%	70.66%	201
Financing-to-deposit ratio	92.76%	97.09%	(433)	92.76%	98.16%	(540)
Advances to stable resources	87.60%	90.18%	(258)	87.60%	92.00%	(440)
Capital adequacy ratio	15.69%	14.03%	166	15.69%	16.25%	(56)
Tier 1 ratio	14.52%	12.87%	165	14.52%	15.09%	(57)
CET1 ratio	12.04%	12.87%	(83)	12.04%	12.44%	(39)

Ratings

Agency	Rating	Outlook	Date
Fitch Ratings	A-	Stable	May-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 corporate, commercial and personal banking customers through a network of 14 branches. Moreover the bank has invested in an extensive network of 161 ATMs/CDMs.

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