



Management Discussion and Analysis Report
Full Year 2023
31st January 2024



Commercial Bank of Dubai (CBD) reports record net profit of AED 2,650m, up 45.2% on the prior year

Key Performance Indicators

Net Profit AED 2,650m	Return on Equity 21.23%	Cost to Income 24.87%
Assets AED 129b	Capital Adequacy Ratio 15.95%	CET1 ratio 12.54%

Net profit for the full year of 2023 is AED 2,650 million

Resulting in a proposed record cash dividend of 44.38 fils per share

Lower cost to income ratio

Excellent cost to income ratio at 24.87%

Prudent provisioning for expected credit losses

Net impairment loss was AED 1,060 million, up 7.0% with coverage ratio at 83.26%, up 337 bps

Strong balance sheet supporting liquidity, funding and capital ratios

Gross loans were AED 88.9 billion, an increase of 11.6% compared to 2022

The dividends are subject to approval of the Central Bank of the UAE and shareholders' approval at the Annual General Meeting.



Dubai, 31st January 2024: Commercial Bank of Dubai (CBD) today reported its financial results for the year ended 31 December 2023.

Commercial Bank of Dubai has delivered a record net profit of AED 2,650 million for the year ended 31 December 2023, up 45.2% year-on-year. Outstanding revenue contribution across Net Interest and Other Operating Income, backed by strong loan growth generated a significant rise in net profit. Notably, higher market interest rates contributed to the increase in revenue. UAE business activity and business confidence remains positive, supported by strong domestic non-oil business activity, anticipated robust performance across all key economic sectors and further growth in the number of people and businesses migrating to the country.

Commenting on the Bank's performance, Dr. Bernd van Linder, Chief Executive Officer, said, "CBD has accomplished an outstanding result attributable to excellent revenue growth and improved broad based business performance. Overall, our net profit was AED 2,650 million, well above the prior year on account of higher revenue and solid loan growth. We continue to remain focused on the disciplined execution of our strategy and remain well positioned to deliver on our strategic goals and in achieving exceptional performance outcomes in 2024 and beyond.

During 2023, CBD received numerous prestigious awards including "Best Instant Payments Technology Implementation" and "Payments Innovation of the Year" at the MEA Finance Leaders in Payment Awards 2023. These awards are proof of our singular focus on enhancing the experience of our customers. The Bank continues to drive digital transformation in banking products and services to ensure we deliver outstanding high quality seamless customer experiences.

CBD is taking proactive measures to tackle climate change head-on. During the year, CBD successfully issued our inaugural green bond, raising USD \$500 million, marking a momentous milestone in our ESG programme and highlighting our commitment to sustainable finance in line with our ESG strategy. Our commitment to carbon neutral operations by 2030 signifies our dedication to a sustainable future. Furthermore, the Bank is committed to providing sustainable solutions that contribute to reducing emissions and aligns with the UAE's efforts to achieve net-zero goal by 2050."

2023 full year results:

- ▶ Net profit was AED 2,650 million, 45.2% above the prior year
- ▶ Record proposed cash dividend of 44.38%
- ▶ Operating income was AED 4,938 million, up 29.5% attributable to higher net interest income and improved fee and commission income
- ▶ Operating expenses were AED 1,228 million, up by 23.2%
- ▶ Operating profit was AED 3,710 million, up by 31.8%
- ▶ Net impairment loss was AED 1,060 million, up by 7.0%



As at 31 December 2023:

- ▶ Capital ratios remained strong with the capital adequacy ratio (CAR) at 15.95%, Tier 1 ratio at 14.81% and Common Equity Tier 1 (CET1) ratio at 12.54%
- ▶ Gross loans were AED 88.9 billion, an increase of 11.6% compared to 31 December 2022
- ▶ Advances to stable resources ratio (ASRR) stood at 87.25%, an increase of 16 bps compared to 31 December 2022

Income Statement

Total income for the year ended 31 December 2023 was AED 4,938 million, up 29.5%, attributable to an increase in Net Interest Income (NII) by 33.4% on higher interest rates, and growth in Other Operating Income (OOI) by 20.4%.

Operating expenses were AED 1,228 million, with the increase driven by investments in digitisation, business growth, risk management, regulatory compliance and governance. The cost-to-income ratio remains excellent at 24.87%.

(AED Million)

Income statement	2023	2022	YoY Var	Q4 23	Q3 23	QoQ Var
Net interest income	3,570	2,676	33.4%	916	885	3.5%
Other operating income	1,368	1,136	20.4%	306	369	(17.1%)
Total income	4,938	3,812	29.5%	1,222	1,255	(2.6%)
Operating expenses	1,228	997	23.2%	347	302	14.9%
Operating profit	3,710	2,816	31.8%	875	953	(8.2%)
Expected credit losses	1,060	991	7.0%	161	243	(33.7%)
Net profit	2,650	1,825	45.2%	714	710	0.6%

Balance Sheet

Total assets were AED 129.0 billion as at 31 December 2023, an increase of 11.0% compared to AED 116.2 billion as at 31 December 2022.

Net loans and advances were AED 83.3 billion, registering an increase of 11.5% compared to AED 74.7 billion as at 31 December 2022.

Customers' deposits were AED 88.3 billion as at 31 December 2023, representing an increase of 8.9% compared to AED 81.1 billion as at 31 December 2022. Low-cost current and savings accounts (CASA) constitute 49.6% of the total customer deposit base, while the financing-to-deposits ratio stood at 94.4%.



(AED Million)

Balance sheet	Dec 23	Dec 22	YoY Var	Dec 23	Sep 23	QoQ Var
Gross loans and advances	88,874	79,620	11.6%	88,874	88,478	0.4%
Allowances for impairment	5,561	4,900	13.5%	5,561	5,375	3.5%
Net loans and advances	83,313	74,720	11.5%	83,313	83,103	0.3%
Total assets	128,987	116,187	11.0%	128,987	126,237	2.2%
Customers' deposits	88,287	81,074	8.9%	88,287	86,442	2.1%
Total Equity	15,781	13,882	13.7%	15,781	14,951	5.6%

Asset Quality

The non-performing loan (NPL) ratio decreased to 6.46%, down from 6.73% at the end of 2022.

The net impairment charge totaled AED 1,060 million for the year ended 31 December 2023. The coverage ratio increased by 337 bps to 83.26% (December 2022: 79.89%) and 120.96% inclusive of collateral for stage 3 loans (December 2022: 120.83%). As at 31 December 2023, total expected credit losses amounted to AED 5,561 million (December 2022: AED 4,900 million).

Liquidity and Capital position

The Bank's liquidity position remained robust with the advances to stable resources ratio at 87.25% as at 31 December 2023 (December 2022: 87.09%), compared to the Central Bank of the UAE maximum of 100%.

CBD's **capital ratios** remained strong with the capital adequacy ratio (CAR) at 15.95%, Tier 1 ratio at 14.81% and Common Equity Tier 1 (CET1) ratio at 12.54%. All capital ratios were well above the minimum regulatory thresholds mandated by the Central Bank of the UAE.

(%)

Key ratios %	2023	2022	YoY Var (bps)	Q4 23	Q3 23	QoQ Var (bps)
Return on equity	21.23%	15.99%	524	21.99%	23.13%	(114)
Return on assets	2.16%	1.58%	58	2.24%	2.28%	(4)
Cost to income ratio	24.87%	26.14%	(127)	28.36%	24.04%	432
Non-performing loans (NPL)	6.46%	6.73%	(27)	6.46%	6.49%	(3)
Provision coverage	83.26%	79.89%	337	83.26%	80.60%	266
Financing-to-deposit ratio	94.37%	92.16%	221	94.37%	96.14%	(177)
Advances to stable resources	87.25%	87.09%	16	87.25%	87.23%	2
Capital adequacy ratio	15.95%	16.04%	(9)	15.95%	16.80%	(85)
Tier 1 ratio	14.81%	14.90%	(9)	14.81%	15.65%	(84)
CET1 ratio	12.54%	12.40%	14	12.54%	13.34%	(80)



Ratings

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

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 1,100 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 167 ATMs/CDMs.

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