



Management Discussion and Analysis Report
First Half 2023
12 July 2023



**Commercial Bank of Dubai (CBD) reports net profit of
AED 1,225m, up 41.5% on H1 2022**

Key Performance Indicators

Net Profit AED 1,225m	Return on Equity 20.84%	Cost to Income 23.55%
Assets AED 123b	Capital Adequacy Ratio 16.43%	CET1 ratio 12.92%

**Excellent performance uplift in
H1 2023 compared to H1 2022**

Net profit of AED 1,225 million up 41.5% versus the prior comparative period

**Prudent provisioning for
expected credit losses**

Net impairment allowances were AED 656 million. Coverage ratio at 81.72%, up 916 bps compared to H1 2022

Cost to income ratio

Excellent cost to income ratio at 23.55%

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

Gross loans were AED 86.4 billion, an increase of 8.5% compared to 31 December 2022



Dubai, 12th July 2023: Commercial Bank of Dubai (CBD) today reported its financial results for the first six months of 2023.

Commercial Bank of Dubai has delivered a record net profit of AED 1,225 million for the first half of 2023, up 41.5% compared to the corresponding period in 2022. Outstanding revenue contribution across Net Interest and Other Operating Income, supported by robust loan growth generated a substantial rise in net profit. Notably, market interest rates increased, which contributed to the financial uplift. The UAE economic outlook and business confidence remains encouraging, backed by buoyant domestic activity that should enable economic growth for the remainder of 2023.

Commenting on the bank's performance, Dr. Bernd van Linder, Chief Executive Officer, said, "CBD has delivered an outstanding result attributable to strong revenue growth at excellent returns. Overall, our net profit for 1H 2023 was a record AED 1,225 million, well above the same period last year on account of higher revenue and well managed costs and impairments. We remain well positioned in meeting our long term goals and deliver superior performance outcomes in 2023 and beyond.

CBD's strategy is to deliver global best digital experiences and technology and so we will continue to develop innovative banking solutions to ensure we provide our customers with a high quality and seamless banking experience. We continue to actively support the digital transformation programmes across the UAE, including the CBUAE FIT programme, and as a leading UAE Bank, we will continue to be a central participant in these programmes, supporting our customers and the broader UAE economy.

In the second quarter, CBD has successfully issued our inaugural green bond, raising USD \$500 million. This accomplishment marks a momentous milestone in our ESG programme and shows our commitment to sustainable finance during the UAE Year of Sustainability."

H1 2023 results:

- ▶ Net profit was AED 1,225 million, 41.5% above H1 2022.
- ▶ Operating income was AED 2,461 million, up 41.9% driven by higher net interest income, fees and commissions.
- ▶ Operating expenses were AED 580 million.
- ▶ Operating profit was AED 1,882 million, up by 49.5%.
- ▶ Net impairment allowances were AED 656 million.

As at 30 June 2023:

- ▶ Capital ratios remained strong with the capital adequacy ratio (CAR) at 16.43%, Tier 1 ratio at 15.27% and Common Equity Tier 1 (CET1) ratio at 12.92%, well in excess of regulatory requirements.
- ▶ Gross loans were AED 86.4 billion, an increase of 8.5% compared to 31 December 2022.
- ▶ Advances to stable resources ratio (ASRR) stood at 86.18%.



Income Statement

Operating income for the first half was AED 2,461 million, up 41.9%, attributable to an increase in Net Interest Income (NII) by 56.0% on higher interest rates, and growth in Other Operating Income (OOI) by 15.3% from improved business activities.

Operating expenses were AED 580 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 23.55%.

(AED Million)

Income statement	H1 23	H1 22	HoH Var	Q2 23	Q1 23	QoQ Var
Net interest income	1,768	1,133	56.0%	880	889	(1.0%)
Other operating income	693	601	15.3%	344	349	(1.4%)
Total income	2,461	1,734	41.9%	1,224	1,237	(1.1%)
Operating expenses	580	475	22.1%	290	289	0.3%
Operating profit	1,882	1,259	49.5%	934	948	(1.5%)
Net impairment allowances	656	393	66.9%	283	373	(24.1%)
Net profit	1,225	866	41.5%	650	575	13.0%

Balance Sheet

Total assets were AED 123.1 billion as at 30 June 2023, an increase of 4.8% compared to AED 117.5 billion as at 30 June 2022.

Net loans and advances were AED 80.8 billion, registering an increase of 2.4% compared to AED 78.9 billion as at 30 June 2022.

Customers' deposits were AED 85.7 billion as at 30 June 2023, representing an increase of 1.1% compared to AED 84.8 billion as at 30 June 2022. Low-cost current and savings accounts (CASA) constitute 49.7% of the total customer deposit base, while the loan-to-deposits ratio stood at 94.2%.

(AED Million)

Balance sheet	H1 23	H1 22	HoH Var	Q2 23	Q1 23	QoQ Var
Gross loans and advances	86,401	83,593	3.4%	86,401	81,788	5.6%
Allowances for impairment	5,635	4,741	18.9%	5,635	5,266	7.0%
Net loans and advances	80,766	78,852	2.4%	80,766	76,522	5.5%
Total assets	123,129	117,537	4.8%	123,129	119,315	3.2%
Customers' deposits	85,720	84,827	1.1%	85,720	86,193	(0.5%)
Total Equity	14,319	13,121	9.1%	14,319	13,761	4.1%



Asset Quality

The non-performing loan (NPL) ratio decreased to 6.63%, down from 6.73% at the end of 2022.

The net impairment charge totaled AED 656 million for the first half of 2023. The headline coverage ratio increased by 183 bps to 81.72% (December 2022: 79.89%) and was 119.26% inclusive of collateral for stage 3 loans. As at 30 June 2023, total allowances for impairments amounted to AED 5,635 million.

Liquidity and Capital position

The bank's liquidity position remained robust with the advances to stable resources ratio at 86.18% as at 30 June 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 16.43%, Tier 1 ratio at 15.27% and Common Equity Tier 1 (CET1) ratio at 12.92%. All capital ratios were well above the minimum regulatory thresholds mandated by the UAE Central Bank.

	(%)					
	H1 23	H1 22	HoH Var (bps)	Q2 23	Q1 23	QoQ Var (bps)
Key ratios %						
Return on equity	20.84%	15.69%	515	22.26%	20.04%	222
Return on assets	2.05%	1.50%	55	2.15%	1.95%	20
Cost to income ratio	23.55%	27.39%	(384)	23.73%	23.38%	35
Non-performing loans (NPL)	6.63%	6.78%	(15)	6.63%	6.71%	(8)
Provision coverage	81.72%	72.56%	916	81.72%	80.69%	103
Loan-to-deposit ratio	94.22%	92.96%	126	94.22%	88.78%	544
Advances to stable resources	86.18%	89.35%	(317)	86.18%	84.78%	140
Capital adequacy ratio	16.43%	15.43%	100	16.43%	16.33%	10
Tier 1 ratio	15.27%	14.28%	99	15.27%	15.18%	9
CET1 ratio	12.92%	11.88%	104	12.92%	12.74%	18

Ratings

Agency	Rating	Outlook	Date
Fitch Ratings	A-	Stable	Apr-23
Moody's	Baa1	Stable	Apr-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 1,400 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 168 ATMs/CDMs.

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