



Management Discussion and Analysis Report
Full Year 2020
10th February 2021



Commercial Bank of Dubai (CBD) reports net profit of AED 1,120m and operating profit of AED 2,171m

Dubai, 10th February 2021: Commercial Bank of Dubai (CBD) today reported its financial results for the full year of 2020.

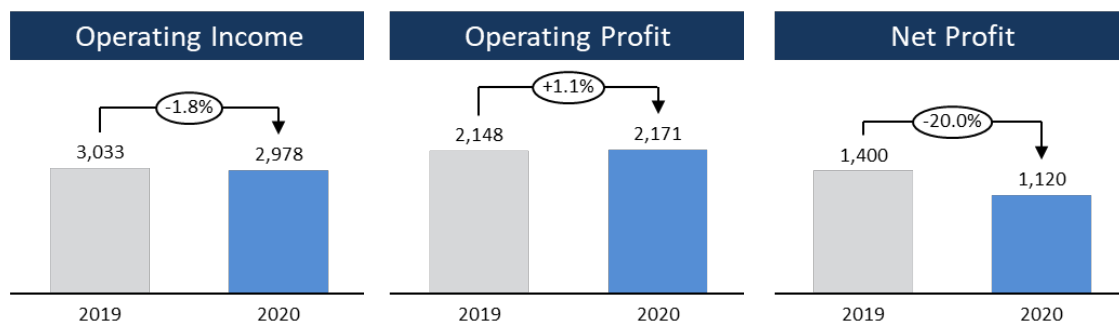
Noteworthy Financial Commentary:

2020 full year results:

- ▶ Net profit was AED 1,120 million, 20.0% below the prior comparative period
- ▶ Operating income was AED 2,978 million, down by 1.8% compared to the prior comparative period, primarily due to sharply lower interest rates
- ▶ Operating expenses were AED 807 million, lower by 8.8%
- ▶ Operating profit was AED 2,171 million, up by 1.1%
- ▶ Net impairment allowances were AED 1,051 million, up 40.5%, attributable to specific credit provisions and forecast credit losses associated with the COVID-19 pandemic

As at 31st December 2020:

- ▶ Capital ratios remained strong with the capital adequacy ratio (CAR) at 16.65%, Tier 1 ratio at 15.50% and Common Equity Tier 1 (CET1) ratio at 12.71%.
- ▶ Gross loans were AED 69.0 billion, an increase of 7.8% compared to 31st December 2019
- ▶ Advances to stable resources ratio (ASRR) stood at 86.33%
- ▶ Non-performing loan (NPL) ratio increased by 83 bps to 6.77%, compared to 5.94% in December 2019



Performance Review

Commercial Bank of Dubai has delivered a net profit of AED 1,120 million for the full year of 2020, down 20.0% against full year of 2019. The COVID-19 pandemic has caused a contraction in business conditions and confidence, leading to historically low interbank interest rates and increased specific and forecast credit losses.

Consequently, impairment allowances taken were AED 1,051 million for the full year of 2020, up by 40.5% on the full year of 2019.



Management Insights

Commenting on the bank's performance, **Dr. Bernd van Linder, Chief Executive Officer** said, "Global and domestic business conditions and confidence continue to be weak, the impact of the COVID-19 pandemic has been truly unprecedented and will be felt for quite some time to come. We commend our leaders and the government of the United Arab Emirates for the continued proactive measures taken. These steps have ensured the well-being of citizens and positioned the UAE to further progress the economic recovery. We have continued our proactive approach to support our customers, employees and the UAE economy during the pandemic. Throughout this period, CBD has maintained uninterrupted banking services offering a wide array of service delivery channels underpinning a high rate of digital adoption right across the bank."

He added, "Against this backdrop, CBD has delivered a commendable full year performance while navigating the challenging market environment. Despite the lower overall performance for the full year of 2020 compared to 2019, CBD continues to deliver on its long term strategy and is well positioned for continued growth. Overall, our net profit was AED 1,120 million, below the prior comparative period by 20.0% on the back of lower interest rates, weaker business conditions and higher specific and expected credit losses."

Income Statement

Operating income for full year of 2020 amounted to AED 2,978 million, a decrease of 1.8%, attributable to lower Net Interest Income (NII) by 4.0% as a result of significantly lower interest rates and a 2.2% increase in Other Operating Income (OOI) on the back of higher lending volumes.

Operating expenses were AED 807 million, down 8.8% compared to full year of 2019. The cost to income ratio improved to 27.1% from 29.2% in December 2019.

(AED Million)

Income statement	2020	2019	PoP Var	Q4 20	Q3 20	QoQ Var
Net interest income	1,887	1,966	(4.0%)	514	443	15.9%
Other operating income	1,092	1,068	2.2%	358	251	42.3%
Total income	2,978	3,033	(1.8%)	872	695	25.5%
Operating expenses	807	885	(8.8%)	216	205	5.4%
Operating profit	2,171	2,148	1.1%	656	490	33.9%
Net impairment allowances	1,051	748	40.5%	351	204	71.9%
Net profit	1,120	1,400	(20.0%)	304	285	6.7%



Balance Sheet

Total assets were AED 97.4 billion as at the 31st of December 2020, an increase of 10.6% compared to AED 88.1 billion as at the 31st December 2019.

Net loans and advances were AED 65.3 billion, registering an increase of 8.5% compared to AED 60.2 billion as at the 31st December 2019.

Customers' deposits were AED 69.8 billion as at the 31st of December 2020, representing an increase of 10.1% compared to AED 63.3 billion as at the 31st December 2019. Low cost current and savings accounts (CASA) constitute 41.5% of the total deposit base, while the financing-to-deposits ratio stood at 93.6%.

(AED Million)

Balance sheet	2020	2019	PoP Var	Q4 20	Q3 20	QoQ Var
Gross loans and advances	69,049	64,039	7.8%	69,049	66,490	3.8%
Allowances for impairment	3,761	3,858	(2.5%)	3,761	3,510	7.1%
Net loans and advances	65,289	60,181	8.5%	65,289	62,980	3.7%
Total assets	97,362	88,069	10.6%	97,362	92,750	5.0%
Customers' deposits	69,751	63,334	10.1%	69,751	64,000	9.0%
Total Equity	12,954	10,217	26.8%	12,954	10,526	23.1%

Asset Quality

The non-performing loan (NPL) ratio increased to 6.77%, up from 5.94% at the end of 2019.

In accordance with IFRS9 accounting standards, the bank increased credit provisions on the back of several specific credit events and forecast expected credit losses associated with the impact of COVID-19. As a result, the net impairment charge totaled AED 1,051 million for the full year of 2020. The coverage ratio was 69.70% (110.15% inclusive of collateral for stage 3 loans), down from 83.14% at the end of 2019. As at the 31st of December 2020, total allowances for impairments amounted to AED 3,761 million.

Liquidity and Capital position

The bank's liquidity position remained robust with the advances to stable resources ratio at 86.33% as at the 31st of December 2020 (Dec 2019: 87.96%), compared to the UAE Central Bank limit of 100%.

CBD's **capital ratios** remained strong with the capital adequacy ratio (CAR) at 16.65%, Tier 1 ratio at 15.50% and Common Equity Tier 1 (CET1) ratio 12.71%. All capital ratios were significantly above the minimum regulatory thresholds mandated by the UAE Central Bank.



(%)

Key ratios %	2020	2019	PoP Var	Q4 20	Q3 20	QoQ Var
Return on equity	10.69%	14.61%	(392)	11.44%	11.02%	42
Return on assets	1.21%	1.75%	(55)	1.28%	1.22%	6
Cost to income ratio	27.11%	29.18%	(208)	24.78%	29.51%	(473)
Capital adequacy ratio	16.65%	14.17%	248	16.65%	14.40%	225
Non-performing loans (NPL)	6.77%	5.94%	83	6.77%	6.97%	(20)
Provision coverage	69.70%	83.14%	(1,344)	69.70%	64.16%	554
Financing-to-deposit ratio	93.60%	95.02%	(142)	93.60%	98.41%	(480)
Advances to stable resources	86.33%	87.96%	(163)	86.33%	91.03%	(470)
Tier 1 ratio	15.50%	13.02%	248	15.50%	13.24%	226
CET1 ratio	12.71%	13.02%	(31)	12.71%	13.24%	(53)

Ratings

Agency	Rating	Outlook	Date
Fitch Ratings	A-	Stable	Jun-20
Moody's	Baa1	Negative	Jun-20

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 15 branches. Moreover the bank has invested in an extensive network of 166 ATMs/CDMs.

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