بـنك دبـي التجـــاري
Commercial Bank of Dubai

Management Discussion & Analysis for the year ended 31st December 2010.

Commercial Bank of Dubai 2010 net profit AED 821 mln, up 2.2%.

Dubai, January 31, 2011: Commercial Bank of Dubai (CBD) has announced a net profit of AED 821 Million for the year ended on December 31, 2010, up by 2.2% as compared to AED 803 Million for 2009. The fourth quarter net profit in 2010 was up by 7.7% when compared to the same period in 2009. Total income for 2010 was AED 1,890 Million a 6.9% increase compared to AED 1,768 Million last year. Mainly as a result of lower funding cost, the Bank's net interest income increased by 5.2% to AED 1,385 Million, while other operating income increased by 12% to AED 505 Million. Operating profits before specific and collective provisions grew 9.3% to AED 1,347 Million.

CBD reported total assets of AED 38.5 Billion, a 4.7% increase compared to last year end. Loans and advances stood at AED 27.2 Billion by year end 2010, while Customers' Deposits were up by 4.6% compared to last year, reaching AED 29.2 Billion by the end of 2010. Consequently, the Bank's liquidity position further strengthened, resulting in a strong advance to stable resources ratio of 83.9%, well below the maximum of 100% as stipulated by the regulator.

The results which are subject to the UAE Central Bank's approval have been announced following a meeting of the Bank's Board of Directors held on Sunday, 30th January 2011. The Board has proposed a cash dividend of 20%, subject to the agreement of the shareholders at the Annual General Meeting to be held on 16th March 2011.

Commenting on the results, Mr. Peter Baltussen, Chief Executive Officer said, "I'm pleased with the Bank's strong results in 2010, which were achieved in a challenging operating environment. As a result of the Bank's focus on family owned companies and affluent individuals, the quality of our credit portfolio remains strong. Our profitability ratios are among the highest in the UAE banking sector, while increased revenues combined with continued cost optimization have resulted in a healthy Cost to Income ratio of 28.7%."

He added, "The Bank's comfortable liquidity position ensures that we are geared up for growth and able to benefit from the opportunities that the recovering UAE economy is offering. Moreover, the Bank is well capitalized with a high Capital Adequacy Ratio of 20.28% and a TIER I Adequacy Ratio of 15.58%, well exceeding the UAE Central Bank and BASEL II regulations."

The bank has continued to build up its provisions in line with its prudent credit policies and the regulatory provisioning requirements. The full year impairment charge for the loan portfolio was AED 555 Million, including AED 96 Million for general provisions, which represent more than 1.4% of the Bank's credit risk weighted assets (CRWA) by the end of 2010. The non-performing loans are covered up to 89% by provisions against potential losses and collateralized by cash and other tangible securities.

Summary of Key Achievements 2010 :

- Voted "Best Bank in the United Arab Emirates 2010 award" by Emeafinance, UK as part of the Middle East Banking Awards 2010 (MEBA).
- CBD was voted the '3rd Best Bank in the UAE for Branch Services' by Ethos Consultancy in their Annual Benchmarking Index for 2010.
- Mr. Peter Baltussen, the Bank's CEO, was conferred 'CEO of the Year Award – Banking Sector' by the Middle East Excellence Awards Institute at the 7th Middle East CEO of the year awards held during the first half of 2010.
- CBD was awarded the Superbrand status by the UAE Superbrands Council and the Bank was the only Dubai based Bank to have received this recognition.
- The bank was recertified with the Social Accountability 8000 certification in 2010 and is the only Bank in the Region to have received this certification.
- CBD launched the unique 'Attijari Points Program' to honour its loyal customers from preferred consumer banking segments, by rewarding points across a variety of its products.
- The Bank opened its new Umm Suqueim Branch that also offers an Al Dana Wealth management Centre and an Attijari Al Islamic Centre, while two new Al Dana Wealth Management Centres were inaugurated during the year – one in Al Quoz, Dubai and one in Ras Al Khaimah.
- Attijari Al Islamic now services CBD's clients through 23 Islamic Centers and it launched its exclusive Visa Infinite Credit Card for its Affluent Clients.
- CBD entered into a strategic tie up with Skywards, the frequent flyer programme of Emirates Airlines as a redemption partner for its Credit Cards Rewards program.
- During the year the Bank also tied up with the following agencies to further enhance the services it provides to its existing and potential customers like the Department of Economic Development (to facilitate electronic payments), the Emirates Medical Association (to provide customized services) and the Federal Electricity & Water Authority (enabling services through online channels).
- CBD has reached a top 5 position among providers in the UAE of payroll solutions to its customers under the UAE Ministry of Labour's Wage Protection Scheme (WPS).
- The Bank participated in the Dubai International Racing Carnival by sponsoring the second leg of Meydan's double-header weekend of racing in February and the Winter Racing Challenge held at Meydan in December.
- Corporate Social Responsibility is a core element of the Bank's mission, witnessed by its affiliation with the Emirates Environmental Group, the adaptation of the covenants of the United Nations Global Compact and being the only bank in the region to be SA8000 certified. Some of the events in which CBD participated/sponsored are the International Conference – EnviroCities 2010, Dubai Festival for Youth Theatre, 'Clean Up UAE' campaign, 'Know Diabetes 2010' campaign, 12th Sheikha Latifa Children's award.
- The Bank actively supports Emiratization initiatives by way of participation and sponsorship of various career oriented events, which enabled the Bank to attract highly educated UAE Nationals to the Banking industry, while at the same time increasing the Bank's emiratization ratio to 41%.

CBD KEY FINANCIAL HIGHLIGHTS FOR THE YEAR 2010

1. Operating Profit was AED 1,347 Million (+9.3%).
2. Net profit amounted to AED 821 Million (+2.2%).
3. Q4 2010 net profits were up by 7.7% when compared to Q4 2009.
4. Net Interest Income was AED 1,385 Million (+5.2%).
5. Other Operating Income amounted to AED 505 Million was 12% over the same period last year.
6. Cost to Income Ratio healthy at 28.7%.
7. Total assets stood at AED 38.5 Billion (+4.7%), Loans and Advances at AED 27.2 Billion (-4.3%) and Customers' Deposits at AED 29.2 Billion (+4.6%).
8. Advances to Stable Resources Ratio at 83.9% (UAE Central Bank maximum limit is 100%).
9. Total Collective Provisions amounting to 1.4% of Credit Risk Weighted Assets (CRWA) and 1.6% of Total Performing Loans.
10. The non-performing loans are covered upto 89% by provisions against potential losses.
11. RoAA and RoAE stand at 2.18% and 15.54% respectively.
12. Capital Adequacy Ratio BASEL II (Pillar I & II) was 20.28% (UAE Central Bank minimum is 12%).
13. TIER 1 Capital Ratio stands at a high of 15.58% (UAE Central Bank minimum is 8%).
14. The Board of Directors has proposed 20% Cash Dividends subject to the agreement of the shareholders at their Annual General Meeting.

About CBD

Established in the UAE in 1969, Commercial Bank of Dubai offers a wide range of conventional and Islamic products and services to its commercial and consumer banking customers through a network of 25 conventional branches, 5 Islamic Branches, 2 Cash Offices and 165 ATMs and 43 cheque deposit machines spread across the UAE. The Bank is listed in DFM and fully owned by UAE Nationals, including 20% by the Government of Dubai.