

CBI

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Annual Review
2016



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CBI operates across the UAE offering a comprehensive portfolio of banking products, as well as tailor-made financial solutions in Corporate and Retail Banking.





27

Branches



780

Employees

Wholesale

Increase in revenue
(AED million)

+2.4%

AED 511

Retail

Increase in revenue
(AED million)

+3.5%

AED 292

Fitch ratings

Long-Term Issuer Deposit Rating

A-

As of 31 March 2017

At a
glance

The Bank experienced significant growth in 2016 and outperformed the market.

Net profit
(AED million)

125

Customer deposits
(AED million)

13,952
+25.6%

Net loans and advances
(AED million)

13,291
+15.5%

Financial highlights

- ◆ Net profit of AED 125 million versus a net loss of AED 467 million in 2015.
- ◆ Customer deposits increased by 25.6% to AED 13,952 million from December 2015.
- ◆ Net loans and advances increased by 15.5% to AED 13,291 million from December 2015.
- ◆ Operating income increased by 2.4% to AED 839 million versus 2015.
- ◆ Total provisions for the year decreased by 69.6% to AED 256 million versus 2015.
- ◆ Capital Adequacy Ratio remained stable at 14.4% versus 14.8% at 31 December 2015.
- ◆ Assigned a long-term issuer default rating of 'A-' by Fitch Ratings, and a long-term foreign currency rating of 'A-' by Capital Intelligence Ratings.

Operating income
(AED million)

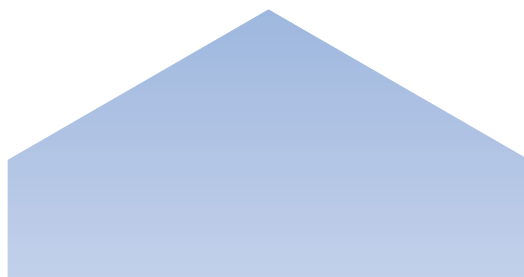
839
+2.4%

Total provisions
(AED million)

256
-69.6%

Capital Adequacy Ratio

14.4%



On behalf of the Board of Directors, I am pleased to present the Annual Review of Commercial Bank International for the year ended 31 December 2016.

The strategy implemented in 2015 has enabled CBI to return to profit, and show a clear improvement in business performance in 2016. Our strategy has strengthened the Bank's quality of earnings; the core business is operating well, we have an adequate capital structure and our balance sheet continues to be strengthened.

Our underlying business is also performing well – ahead of the market – and, as a result of targeted investments in customer service, banking products, operational improvements and talent, as well as prudent cost management, we have grown our total number of customers by more than 13%.

CBI's fundamentals are solid. The A- investment grade credit rating received from Fitch ratings during 2016 has supported the Bank to broaden its liquidity base and reduce the cost of capital.

CBI is profitable, well positioned for continued growth in 2017, and our strategy is on track. Our focus continues to be on achieving stronger structural liquidity, more stable funding and managing risk.

It is also important to highlight the challenges facing the Bank's growth, The most important of which are the new regulatory requirements for IFRS 9, which, when implemented, will apply considerable pressure on the Bank's capital as it imposes additional provisions. I therefore invite shareholders to consider the need to financially support the Bank through a capital increase to overcome these challenges and support the Bank's ability to grow, compete and generate returns for shareholders.

Along with increasing the Bank's financial strength, we have been improving operational performance in all areas.

During the year, significant investment was made in developing our core banking system. Our investment into Silverlake, one of the world's most innovative integrated core banking systems, will add significant value to CBI's business relationships through vastly improved internet and mobile banking solutions for customers, as well as a new branch experience including seamless, paperless on-boarding processes and quick turnaround times.

The Bank invested in a new office located in Dubai Festival City and also commenced a refurbishment exercise on our other major office locations to ensure we have a working environment suited to the needs of a modern bank.

Staff development remained a key priority. The Bank focused on recruiting and retaining a performance-driven workforce and significant investment was put towards Training & Development and Recognition programmes for staff at all levels of the Bank.

The Bank also demonstrated sustained efforts towards Emiratization initiatives and career growth for UAE Nationals in 2016. CBI's National Development Programme continued to provide opportunities to enhance professional growth for UAE Nationals in the private sector.

Chairman's message



The strategy implemented in 2015 has enabled CBI to return to profit and show a clear improvement in business performance in 2016.



The Board is satisfied with the major achievements and changes experienced by the Bank last year, which were the result of the hard work and joint coordination of the Bank's Board of Directors, technical committees and senior management. We will continue to invest in the development of our business and build on the solid foundations to enable the Bank to accelerate the growth of its core business to achieve sustainable returns for our shareholders.

On behalf of the Board of Directors, I would like to thank the management and staff of the Bank for their efforts during 2016 and the Bank's customers for their continued support and confidence.

On behalf of the shareholders and the Board, I would like to express my gratitude to His Highness Sheikh Khalifa bin Zayed Al Nahyan, President of the UAE; His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President

and Prime Minister of the UAE and Ruler of Dubai; His Highness Sheikh Saud Bin Saqr Al Qasimi, Member of the Federal Supreme Council and Ruler of Ras Al Khaimah; and His Highness Sheikh Mohammed bin Saud Bin Saqr Al Qasimi, Crown Prince of Ras Al Khaimah, for their leadership, vision and continuous support to the economy and the nation.

Mr. Mohammad Sultan Al Qadi
Chairman



**Mr. Mohammad
Sultan Al Qadi**
Chairman

Increased total
number of customers
by more than

13%

It gives me great pleasure to review the key developments that shaped the Bank's operating environment during 2016 as well as to review the Bank's financial performance.

CBI's overall performance took place in what was quite a challenging year for our customers and for banks in general. The economic environment, especially in the light of the lower oil price, was reflected in tighter liquidity, not just in the banking sector, but in the wider business community, affecting some of our customers and their business operations.

Our ability to support our customers through this difficult year was a result of actions we took in 2015 to strengthen CBI's balance sheet. The investment grade rating from Fitch enabled CBI to broaden its funding sources – ultimately allowing us to be a better partner to our customers in 2016 and in the future.

The Bank experienced significant growth in 2016 and outperformed the market in our primary business areas, and I am pleased to be able to report we recorded a net profit of AED 125 million after a loss of AED 467 million in 2015. The Bank also strengthened its operations as a result of a number of operational and structural improvements implemented throughout the year.

We moved our Headquarters to Dubai Festival City and upgraded our office space to create a more effective and dynamic working environment for our teams. Major core banking system improvements commenced and we are well under way with the roll-out of a new core banking platform that will significantly improve the Bank's digital banking capabilities.

There were a number of new products developed over the year which led to a 25% growth in deposits, the majority of which was in current and savings accounts. Loan assets grew by 15% in our target sectors across both corporate and retail banking.

Our focus for 2017 remains on improving the lives of our people, both customers and staff. The investments we are making in improving our core banking system will form a key part of our enhanced digital capability. We believe our new and innovative customer experience will place us among the leading providers, delivering banking services safely, conveniently and efficiently.

Mark T. Robinson
Chief Executive Officer

CEO's message

Increased
total number
of deposits by

25%

Loan assets
grew by

15%



The Bank also strengthened its operations as a result of a number of operational and structural improvements implemented throughout the year.



Mark T. Robinson
Chief Executive Officer

Board of Directors

Mr. Mohammad Sultan Al Qadi
Chairman

Mr. Ali Ahmed Al Kuwari
Vice Chairman

Mr. Mohamed Omar Bin Haider
Board Member

Sheikh Abdulla Bin Humaid Al Qasimi
Board Member

Mr. Ali Rashid Al-Mohannadi
Board Member

Mrs. Fareeda Ali AbulFath
Board Member

Mr. Adel Abdul Aziz Khashabi
Board Member

Mr. Obaid Mohamed Ahmed Al Salami
Board Member

Mr. Ahmad Majid Lootah
Board Member

Executive Management

Mark Robinson
Chief Executive Officer

Marc Adam
Chief Financial Officer

James Nelson-Parker
Chief Operating Officer

Robert Michael Degama
Chief Risk Officer

Ali Sultan Rakkad Al Amri
Head of Wholesale Banking

Anil Kumar
Head of Retail Banking

Omar Khan
Head of Treasury

Issam Dahman
General Counsel

Hessa Al Ghurair
Chief Human Resources Officer

Board of Directors & Executive Management



Business overview



Business overview

Deposit Book grew

23%

Asset Book grew

19%

Retail Banking

2016 marked a return to growth for the Retail Banking business after a period of stabilisation in 2015. Our approach of fostering deeper relationships with our customers to gain insight and understanding of their financial requirements continued to bear fruit, and our success in achieving this was reflected across some of our key financial measures. We experienced above market growth in our Deposit Book, which grew by 23%, our Asset Book, which grew by 19% and our total number of customers, which grew by 14% during the course of 2016.

In 2016, our focus remained on developing the existing suite of Retail products and services while looking at new ways of serving our customer base. We successfully launched new products such as a new overdraft product, CBI Ready Money and a new savings product, CBI saver.

Priority was also given to developing our existing product range to ensure market competitiveness, while reducing end-to-end turnaround times, and simplifying our documentation, policies and processes.

During the year significant investment was also made in developing our core banking system to enhance our digital capability and customer experience.

In 2017, enhancing capabilities in Digital Channels, including Online Banking, Mobile Banking and in-branch experience, is key to our Retail Banking strategy. Our aim is to build a cutting edge infrastructure in the E-Channel space to make our customer experience superior and seamless. We will also prioritise the launch of our Priority Banking offering as well as further developing our Wealth Management proposition.

Anil Kumar

Head of Retail Banking



In 2016, our focus remained on developing the existing suite of Retail products and services while looking at new ways of serving our customer base.



Wholesale Banking

In 2016, external market conditions were challenging in the Wholesale Banking sector with low oil prices and tighter credit and liquidity conditions impacting the UAE market in particular.

During this phase of volatility, higher engagement levels with our customers enabled us to get closer to them to better understand their current circumstances and how we can support them. In fact, for some of our customers, we increased our lending marginally during this challenging period.

Despite the economic climate, we also continued to invest in our business and infrastructure, including the continuing development of our core banking system and digital initiatives to improve service and enhance customer experience.

Looking at the year ahead, we are optimistic about how 2017 will turn out. Global conditions are turning positive, albeit at a slower pace. Nonetheless, we remain cautiously optimistic for the rest of the year.

Ali Sultan Rakkad Al Amri
Head of Wholesale Banking



In 2016, external market conditions were challenging in the Wholesale Banking sector with low oil prices and tighter credit and liquidity conditions impacting the UAE market in particular.



Business overview

The Bank increased deposits by 25% based on high credit ratings

25%

Treasury

During 2016, CBI managed the tighter credit and liquidity cycle well considering the turbulence in local and global markets. Overall, the cost of liquidity increased, however, CBI managed to maintain interest margins at the desired level and absorb this extra cost of liquidity.

Despite tighter liquidity, the Bank managed to increase deposits by 25% based on high credit ratings and deliberate efforts to maintain a comfortable position. Our smaller size advantage allowed us to adapt much quicker to changes in the local market conditions and our partnership with QNB helped us maximise available opportunities for the Treasury and Markets Division.

During 2017, the Bank will continue to approach the markets cautiously when looking for opportunities to invest. The strategy is to ensure that the risk/return metrics remain within our defined targets. The Bank has a clear goal to continue to build up cost-effective liquidity, deploy capital to optimise shareholder returns and prudently manage risk in this environment.

Omar Khan
Head of Treasury



The strategy is to ensure that the risk/return metrics remain within our defined targets.



2016 was a transformational year for CBI's Human Resources Department.

Human Resources

2016 was a transformational year for CBI's Human Resources Department. Our main objective was to support the development of our people and help them achieve their full potential; and, ultimately, to help the Bank achieve its growth plans and goals.

In the past year, we conducted an employee engagement survey to establish a base-level for employee satisfaction and enhance understanding of our employees' roles and responsibilities. Ultimately, we wanted to see what we as a Bank need to do in order to empower our people to achieve their full potential. The response from our employees was extraordinary, with a 91% participation rate, which exceeded our expectations.

The survey provided us with key insights into how we can engage with our employees to enhance satisfaction, and helped us create a blueprint for improvement, something which we will focus on in 2017.

In the year ahead we will continue to ensure that CBI provides an environment that promotes employee growth and career development, enabling the Bank to achieve its business goals.

Hessa Al Ghurair
Chief Human Resources Officer



In the year ahead we will continue to ensure that CBI provides an environment that promotes employee growth and career development.

