



Annual Review
2017

CBI offers a comprehensive portfolio of banking products, as well as tailor-made financial solutions in corporate, Islamic and retail banking; ranging from lending, trade services, cash management and treasury solutions to personal account services and credit cards.

Contents

- 02 Financial highlights
- 04 Chairman's message
- 06 CEO's message
- 08 Board of Directors & Executive Management
- 09 Business overview
- 14 Corporate social responsibility and HR
- 16 Corporate governance



At a glance



17

Branches



533

Employees

Wholesale

Increase in revenue
(AED million)

+5%

AED 500

Retail

Increase in revenue
(AED million)

+3%

AED 307

Fitch ratings

Long-Term Issuer Deposit Rating

BBB+

As of 31 December 2017



Net profit
(AED million)

175
+40%

Net interest income
(AED million)

556
+10%

Operating income
(AED million)

866
+3%

Financial highlights

- ◆ Full year net profit increased by 40% to AED 175 million from AED 125 million in 2016.
- ◆ **Net interest income AED 556 million, up 10% year-on-year.**
- ◆ Operating income rose by 3% for FY 2017 to AED 866 million, driven by both our Wholesale Banking and Retail Banking businesses.
- ◆ **Impairment charges down 8% from previous year.**
- ◆ Non-performing loan ratio (NPL) 7.2% versus 8.7% in 2016.
- ◆ **Capital Adequacy Ratio (CAR) remained stable at 14.8% versus 14.4% at December 31, 2016.**

Impairment charges

-8%

Non-performing loan ratio (NPL) (AED million)

7.2%
-1.5%

Capital Adequacy Ratio (CAR)

14.8%



Chairman's message

On behalf of the Board of Directors, I am pleased to present the Annual Review of Commercial Bank International (CBI) for 2017.

CBI achieved solid financial performance during the year, with net profit rising by 40% to AED 175 million, despite a challenging operating environment. This was led by revenue growth, expense control, a 7% rise in net operating profit and an 8% fall in loan impairment charges.

Operating income rose by 3% to AED 866 million, driven by strong year-on-year growth in our Wholesale and Retail Banking units, while net interest income rose by 10% to AED 556 million. Furthermore, non-performing loans (NPLs) fell substantially, bringing the Bank's NPL ratio down to 7.2%, following the settlement of several material NPLs.



CBI achieved solid financial performance during the year, with net profit rising 40% to AED 175 Million.



**Mr. Mohammad
Sultan Al Qadi**
Chairman

To complement our growing financial strength, we have achieved cost efficiency gains through organisational streamlining, improving performance across our operations. The Bank completed a major development in its core banking platform during 2017, involving significant technology and operational upgrades, and introduced new Internet and Mobile Banking solutions. We also significantly improved our customers' experience, focused on the introduction of digital onboarding, improved processes and improved our turnaround times.

Development of our people remained a key priority for the Bank in 2017, with an emphasis on recruiting and retaining a high performance workforce, while significant investments were made in training, development and recognition programmes for staff at all levels. Meanwhile, our Emiratisation initiatives and career development programmes continued to enhance professional growth opportunities for the UAE Nationals.

We will continue to build upon these significant achievements to grow our business further in 2018, while continuing to focus on delivering strong results for our shareholders.

On behalf of the Board of Directors and our shareholders, I would like to thank our customers for their continued support, and the management and staff of the Bank for their commitment and dedication during 2017.

I also wish to express our 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, 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 for the economy and the nation.

Mohammad Sultan Al Qadi
Chairman

In 2017, net
profit rose by

40%



CEO's message

It gives me great pleasure to review the key achievements that shaped the Bank's operating environment during 2017 and to report on the Bank's financial results.

CBI's turnaround story continued in 2017, with the Bank's strategy producing further improvements in our financial performance. With our strengthened balance sheet and strong franchise, we remained focused on providing our customers with distinguished services that fulfil their needs, delivering sustainable growth and improving our businesses. Guided by an ambitious transformation plan, we also adopted new technologies, enhanced our risk management practices and infrastructure, and streamlined our processes to deliver improved customer experience.

The upgrade to our core-banking platform significantly modernised our technology and operations. It enabled us to improve our operational efficiency and processes, giving us a solid platform for future growth. Another major initiative was the introduction of a new online banking service for both our Personal and Wholesale Banking customers.

Since its launch in June 2017, customer logins to our Internet Banking service have increased by 100%. Perhaps most encouraging is the news that 80% of our customers rate our online banking platform as 'good' or 'very good'; this provides us with an excellent basis to further enhance our Internet Banking service, offering a simple, fast and stress-free banking experience for our customers. The Bank also launched a breakthrough mobile app and a new web site.

Our financial performance in 2017 was strong. We increased our revenues while decreasing our expenses, driving a 7% growth in operating profit compared to the previous year. Combined with lower net provisions, this resulted in a net profit of AED 175 million, representing a 40% increase over 2016. Our investment grade rating remained strong with the Bank maintaining ratings of BBB+ and A- from Fitch and Capital Intelligence, respectively.

Since its launch, customer logins to Internet Banking have increased by

100%

Operating profit grew by

7%

Wholesale banking grew by

5%





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

There was significant growth in Wholesale Banking in 2017, with income up by 5% to AED 500 million compared to 2016. In 2017, our Wholesale Banking business focused on providing our customers with improved services, growing the business, and maintaining the asset quality.

Our Retail Banking business also achieved stronger performance driven by improvements in mobile and internet banking and a renewed emphasis on customer experience, including the launch of a new priority banking proposition, CBI First.

We are very well positioned for future growth, to make CBI an even better bank for our customers and the UAE community.

I would like to thank our staff for the strong results, their tremendous dedication and consistent hard work, and the Board for their leadership and support throughout 2017.

Mark T. Robinson
Chief Executive Officer



Board of Directors

Mr. Mohammad Sultan Al Qadi
Chairman

Mr. Ali Ahmed Al Kuwari
Vice Chairman

Mr. Mubarak Ahmad Bin Fahad Al Mheiri
Board Member

Mr. Ali Rashid Al-Mohannadi
Board Member

Mrs. Fareeda Ali Abu Al Fath
Board Member

Mr. Adel Abdul Aziz Khashabi
Board Member

Mr. Mohammad Ali Musabeh Al Nuaimi
Board Member

Mr. Ahmad Majid Lootah
Board Member

Mr. Abdulla Ghaith Al Suwaidi
Board Member

Executive Management

Mark Robinson
Chief Executive Officer

Marc Adam
Chief Financial Officer

James Greenwood
Chief Operating Officer

Hessa Al Ghurair
Chief Human Resources Officer

Robert Michael Degama
Chief Risk Officer

Omar Khan
Head of Treasury

Ali Sultan Rakkad Al Amri
Chief Wholesale Banking Officer

Shaker Zainal
Head of Retail Banking

Issam Dahman
General Counsel and Company Secretary

Evren Altioik
Head of Strategy, Insight & Communications

Board of Directors & Executive Management

Business overview



Business overview



Increased total number of deposits by

25%

Loan assets grew by

15%



We succeeded in streamlining our service provision and reaching improved levels of efficiency.



Retail Banking

2017 was a year of transformation for our retail banking division. Having completed a major upgrade of our core banking platform involving significant technology and operational upgrades, we succeeded in streamlining our service provision and reaching improved levels of efficiency.

Strategic investments in our digital infrastructure, people and processes allowed us to generate healthy increases in loan growth and customer deposits. This supported a 17% expansion of our retail customer base despite challenging economic and geopolitical conditions, endorsing our strategy of building long-term customer relationships.

Net retail revenue rose to AED 269 million in 2017, representing an 11% increase over 2016, and the number of cards sourced increased by 56%. Meanwhile, our liabilities reached AED 4.51 billion, an increase of AED 457 million (11%) over the previous year.

Having committed to enhancing our customer experience during 2017 while also delivering more efficient services to key business segments, we launched CBI First – our new priority banking service – alongside various complementary premium products, including credit cards, mortgages and remittance services.

2017 also saw the introduction of new internet and mobile banking platforms, and our goal in 2018 will remain the delivery of best-in-class customer services and convenience through more efficient personalised, digitalised processes.

We will also continue to build lasting relationships through long-term lending, deposits and credit cards, as well as offering new, best-in-class wealth management, insurance and money transfer services.

Shaker Zainal

Head of Retail Banking Group

Wholesale Banking

In 2017 CBI adapted its operating strategy to focus on providing our customers with distinguished services; growing our business; and maintaining asset quality.

In line with the UAE's long-term vision and diversification strategy, we sought to add maximum value for our customers in key sectors, supporting the growth of the economy through delivery of smart financing and investment solutions.

Throughout 2017, we continued to launch new products and expand our digital offering, whilst also completing a core banking platform upgrade and enhancing our cash management, internet banking and mobile banking services, which have seen a high rate of registration from new clients.

In addition, a new Liquidity Murabaha product has been introduced to our Islamic banking service, which has expanded to include Islamic Wakala, Islamic term deposits and Islamic debit cards.



We will continue to transform the way in which we operate to improve our customer experience and deepen our client relationships.



Business overview

In terms of transaction banking, new cash and cheque collection products have been launched and our Structured Commodity Trade book, Escrow services and clean negotiation offerings expanded.

Our Wholesale Banking customers now benefit from a broader product offering and a higher level of digitisation, while we have also improved our operations and streamlined our service delivery and customer acquisition strategy across the bank.

Net wholesale revenue increased by 5% from AED 477 million to 500 million during 2017, and with accelerating economic and credit growth forecast for 2018, the prospects for the year ahead

are promising. A stabilisation in oil prices and ongoing economic diversification, accelerated by EXPO 2020 projects and the UAE's landmark tax reform, are expected to bolster the economy and consumer confidence.

Against this backdrop, we will continue to transform the way in which we operate to improve our customer experience and deepen our client relationships to support their needs as a best-in-class banking provider.

Ali Sultan Rakkad Al Amri
Chief Wholesale Banking Officer

Net wholesale
revenue
increased by

5%





As we adapt to the rapidly changing market, we will offer enhanced wealth management solutions.



Treasury

In 2017, CBI continued to build innovative, market-leading structured solutions for our clients. In the face of challenging market conditions, helping our clients to mitigate risks and sustain growth remains our focus; hence, we now offer a range of Islamic and conventional interest rate swaps, structured rates, FX options, forwards and spots in all major currencies, as well as bespoke deposit solutions.

Having achieved net treasury revenue growth of 10% during 2017, in 2018 we will expand our treasury product suites and portfolios. As we adapt to the

rapidly changing market, we will offer enhanced wealth management solutions, including structured investments, gold and commodities hedging, bonds and mutual funds.

Our enduring goal is to provide the best possible customer experience for both our internal and external clients. We remain committed to applying rigorous professional and ethical standards to build a world class platform for the bank.

Omar Khan
Head of Treasury

Corporate social responsibility

At all levels of CBI, we are dedicated to fostering a culture that encourages giving back to the nation and communities we serve. In 2017, to mark the Year of Giving initiative announced by the President, H.H. Sheikh Khalifa bin Zayed Al Nahyan, we launched a new CSR programme founded on four key pillars: charity and volunteering; environment; customers; and employees.

The charity and volunteering aspect of the programme embodies our commitment to the wider community, expressed during the year through donations to hospitals in Ras Al Khaimah, employee volunteering with the Ramadan Aman campaign, and a contribution to the American University in Ras Al Khaimah's student fund. We also introduced a new summer internship programme for people of determination, launched a blood donation campaign, and provided ongoing support for the Supreme Council for Motherhood and Childhood's "My Child's Seat" campaign.

As part of our environmental commitment in 2017, we diligently evaluated the way we manage our properties, with a view to reducing our carbon footprint and minimising our impact on the planet. A printer rationalisation programme was implemented to ensure all used toner cartridges were recycled in an environmentally friendly manner, and electronic bank statements were introduced across our customer base. We also joined other concerned organisations and individuals worldwide by switching off the lights on March 25, 2017 to show our support for the global Earth Hour initiative.

In terms of our customer-focused activities, mindful of the increasing prevalence of digital crime across the globe and in conjunction with the introduction of our new digital banking channels, we launched a customer education programme to ensure greater awareness and understanding of the importance of data protection and security.

Corporate social responsibility and HR

At all levels of CBI, we are dedicated to fostering a culture that encourages giving back to the nation and communities we serve.



2017 was a highly active year for CBI's Human Resources Department.



Human resources

2017 has been a highly active year for CBI in terms of Human Resources (HR). To complement the broad transformation occurring across the bank, HR introduced a Talent Management Framework to identify and attract high calibre candidates, while a simultaneous assessment was undertaken of all managers, leading to the launch of our Banking on Leaders programme delivered in partnership with Korn Ferry Hay. Meanwhile, junior managers, new supervisors and team leaders took part in CBI's internal iLead

programme, which combined soft skills development with team dynamics and general management training.

Other activities and initiatives delivered by HR included a series of Health and Wellness sessions; the introduction of nursing rooms for working mothers; Iftars for office and branch support staff; road safety promotions; a new employee recognition program; and Banking on Women, the first ever women-focused event to be held by CBI, which focused on barriers to gender equality in the corporate world and featured motivational talks from inspiring UAE women.

As an integral part of our HR Recruitment Policy, CBI is fully committed to Emiratisation – building, investing and contributing to the development of the nation through its people.

We achieved our targets allocated by the Central Bank of UAE on Emiratisation considerably, and UAE Nationals constitute a growing proportion of the leadership across the Bank. Three UAE Nationals are members of the Bank's Executive Management Team, while a growing number of Emiratis are appointed to Senior Management positions. We are also one of the only banks in the UAE, in which Emiratis lead both our Corporate and Retail Banking divisions.

Looking ahead to 2018, our HR focus areas include the introduction of an upgraded Human Resources Management System, an innovative social recognition initiative, and the launch of a new online Learning Management System.

Hessa Al Ghurair

Chief Human Resources Officer and Head of CSR



Corporate governance

Strong corporate governance plays a fundamental role in the culture and business practices of CBI. We believe high standards of corporate governance are a key contributor to the long-term success of our bank and create trust and valuable engagement with our stakeholders.

In recent years, we have worked to enhance and improve the standards and framework that support our governance model, in line with the guidelines issued by the Central Bank of the UAE. CBI complies with the Central Bank, UAE Securities and Commodities Authority, and Abu Dhabi Securities Exchange regulatory requirements, and adopts industry best practices. The consolidated financial statements of the Bank are prepared in accordance with the International Financial Reporting Standards (IFRS) and external auditors for the year 2017 were PricewaterhouseCoopers.

The governance framework adopted by CBI ensures adequate Board oversight over the risks and results associated with our business. It focuses on the separation of the Board of Directors' and the Executive Management's duties and responsibilities, the effectiveness of the Board and Management Committees, the role of the external and internal auditors, transparency and accuracy and timely disclosure of information, and co-operation with supervisory and regulatory authorities to ensure full compliance with applicable regulations and best practices.

Role of the Board of Directors

The Board of Directors is empowered, to carry out the activities and functions required to fulfil the objectives of the Bank. The Board responsibilities include establishing the Bank's strategy and ensuring that the Bank manages risk effectively through approving and monitoring the Bank's risk appetite.

The Board has overall responsibility for the management of the Bank's activities and affairs. Adopting the Bank's Corporate Governance framework falls within the responsibilities of the Board to help ensure the implementation of solid internal controls and disclosures and the establishment of adequate policies and procedures, which are necessary for the Bank's sound operations and compliance with applicable regulatory and statutory requirements at all times.

Role of the Management Team

CBI's management is led by the Chief Executive Officer (CEO). The CEO manages the business of CBI and its subsidiaries. There are five committees to effectively support management. The roles, responsibilities and authorities of each of these committees are set out in their Terms of Reference.

Board Structure and Meetings

The CBI Board comprises of nine directors. Five directors (including the Chairman) are independent and four directors (including the Vice Chairman) represent the major shareholder (Qatar National Bank). All the directors of the Board are non-executive directors.

Meetings of the Board

The Board meets at least six times per year or whenever necessary at the invitation of the Chairman or Vice Chairman, or at the request of two Board members. A detailed agenda is circulated to the members well ahead of the meetings.

Committees of the Board

The Board has established the following committees in line with good corporate governance principles and to ensure periodic guidance and direction to the Management of the Bank:

The roles, responsibilities and authorities of each of these committees are set out in their Terms of Reference. The Board may establish additional committees as necessary or appropriate on either a permanent basis or to deal with specific issues.

Risk Committee

The Board Risk Committee is responsible for providing oversight and advice to the Board in relation to current and potential future risk exposures of CBI, future risk strategy, risk appetite and tolerance. It is also responsible for promoting a risk awareness culture within the Bank. The committee comprises of the Chairman of the Risk Committee, one Board member and two independent members who have expertise in risk management.

Credit Committee

The Credit Committee has the authority to make a final decision on approval or rejection of proposed transactions as well as to establish personal limits and client limits in accordance with its powers.

Audit Committee

The Audit Committee monitors the integrity of the Bank's financial statements, the soundness of internal controls, the compliance with legal and regulatory requirements, the

independence and qualifications of the external auditor, and the performance, output and reports submitted by the internal audit function.

The committee comprises of the Chairman of the Audit Committee, one Board member and two independent members who have expertise in accounting, auditing and finance. The committee meets a minimum of four times per year and immediately prior to publication of the annual, half yearly and quarterly results.

Strategy and Executive Committee

The Strategy and Executive Committee is primarily responsible for the development and overseeing of the Bank’s long-term strategy, its implementation, and review and recommendation of the Bank’s annual budgets and business plans. Other responsibilities include review of the Bank’s financial and operating performance, business planning, corporate social responsibility, marketing and communications.

The committee meets a minimum of four times a year.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is responsible for the establishment and implementation of a remuneration policy for employees and directors, which is designed to support long term business strategy and values of CBI and its subsidiaries as well as promote effective risk management and comply with applicable legal and regulatory requirements.

Board of Directors

Mr. Mohammad Sultan Al Qadi	Chairman
Mr. Ali Ahmed Al Kuwari	Vice Chairman
Mr. Mubarak Ahmad Bin Fahad Al Mheiri	Board Member
Mr. Ali Rashid Al-Mohannadi	Board Member
Mrs. Fareeda Ali Abu Al Fath	Board Member
Mr. Adel Abdul Aziz Khashabi	Board Member
Mr. Mohammad Ali Musabeh Al Nuaimi	Board Member
Mr. Ahmad Majid Lootah	Board Member
Mr. Abdulla Ghaith Al Suwaidi	Board Member

External Independent Committees Members

Mrs. Vanessa Fisk	External Member
Mr. Douglas Dowie	External Member
Mrs. Mona Hussain	External Member
Mrs. Fatima Al Suwaidi	External Member

Risk Committee Composition

Mr. Ahmad Majid Lootah	Chairman
Mr. Mubarak Ahmad Bin Fahad Al Mheiri	Vice Chairman
Mrs. Vanessa Fisk	External Member
Mr. Douglas Dowie	External Member

Credit Committee Composition

Mrs. Fareeda Ali AbulFath	Chairman
Mr. Mohamed Ali Musabeh Al Nuaimi	Vice Chairman
Mr. Abdulla Ghaith Al Suwaidi	Member
Mrs. Vanessa Fisk	Non-Voting Member

Audit Committee Composition

Mr. Ali Rashid Al-Mohannadi	Chairman
Mr. Mohamed Sultan Al Qadi	Vice Chairman
Mrs. Mona Hussain	External Member
Mrs. Fatma Al Suwaidi	External Member

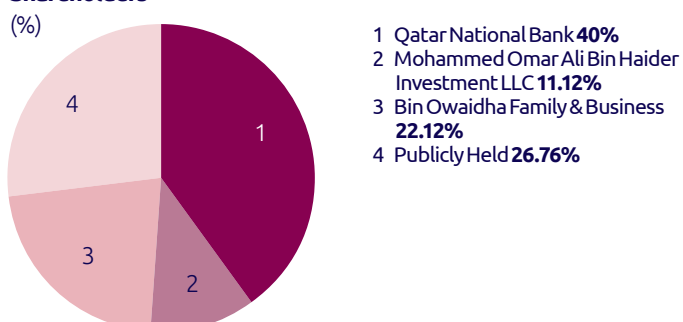
Strategy and Executive Committee Composition

Mr. Ali Ahmed Al Kuwari	Chairman
Mr. Mohamed Ali Musbeh Al Nuaimi	Vice Chairman
Mr. Mubarak Ahmad Bin Fahad Al Mheiri	Member
Mr. Ahmed Majid Lootah	Member

Nomination and Remuneration Committee Composition

Mr. Mohamed Sultan Al Qadi	Chairman
Mr. Adel AbdulAziz Khashabi	Vice Chairman
Mr. Abdulla Ghaith Al Suwaidi	Member

Shareholders



CBI

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