

# COMMERCIAL BANK OF DUBAI

## INVESTOR PRESENTATION

January 2016

بنك دبي التجاري  
Commercial Bank of Dubai



# Disclaimer



The following applies to this document and the oral presentation of the information in this document by Commercial Bank of Dubai PSC (CBD) and any question-and-answer session that follows the oral presentation (collectively, the Information). In accessing the Information, you agree to be bound by the following terms and conditions.

This document is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation, nor does it constitute an offer of securities in, the United States, the United Kingdom, Canada, Australia, Japan or any other jurisdiction. In particular this document and the information contained herein do not constitute an offer of securities for sale, nor a solicitation of an offer to buy securities in the United States and this document may not be disseminated, directly or indirectly, into the United States, its territories or possessions, except outside the United States to persons that are not U.S. persons (as defined in Regulation S under the Securities Act) in offshore transactions in compliance with Regulation S. Any failure to comply with this restriction may constitute a violation of United States securities law. Accordingly, each person viewing this document will be deemed to have represented that it is not a U.S. person within the meaning of Regulation S of the Securities Act.

The Information is strictly private and confidential and is being provided to you solely for your information and may not be retransmitted, further distributed to any other person or published, in whole or in part, by any medium or in any form for any purpose. The opinions presented herein are based on general information gathered at the time of writing and are subject to change without notice. The Bank relies on information obtained from sources believed to be reliable but does not guarantee its accuracy or completeness. The financial information contained within this presentation is, unless otherwise specified, taken from the Bank's annual audited consolidated financial statements as at and for the year ended 31 December 2015.

This presentation contains data compilations, writings and information that are proprietary and protected under copyright and other intellectual property laws, and may not be redistributed or otherwise transmitted by you to any other person for any purpose.

The Information has not been independently verified and no responsibility is accepted, and no representation, undertaking or warranty is made or given, in either case, expressly or impliedly, by CBD or any of its officers or advisers as to the accuracy, reliability or completeness of the Information or as to the reasonableness of any assumptions on which any of the same is based or the use of any of the same. Accordingly, no such person will be liable for any direct, indirect or consequential loss or damage suggested by any person resulting from the use of the Information or for any opinions expressed by any such person, or any errors, omissions or misstatements made by any of them. The statements contained in this presentation are made as at the date of this presentation, unless another time is specified in relation to them, and delivery of this presentation shall not give rise to any implication that there has been no change in the facts set forth in this document since that date. Save as otherwise expressly agreed, none of the above persons should be treated as being under any obligation to update or correct any inaccuracy contained herein or be otherwise liable to you or any other person in respect of any such information. Market data used in the Information not attributed to a specific source are estimates of the Bank and have not been independently verified. No reliance may be placed for any purpose whatsoever on the information contained in this document or on its completeness.

Nothing contained in this presentation shall be deemed to be a forecast, projection or estimate of CBD's future financial performance. This presentation may contain statements, statistics and projections that include words such as "intends", "expects", "anticipates", "estimates" and words of similar import. All statements included in this presentation other than statements of historical facts, including, without limitation, those regarding financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives) are forward-looking statements. By their nature, such statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. No assurances can be given that such expectations will prove to be correct and actual results may differ materially from those projected because such statements are based on assumptions as to future economic performance and are not statements of fact. CBD expressly disclaims to the fullest extent permitted by law any obligation or undertaking to disseminate any updates to these forecasts, projections or estimates to reflect events or circumstances after the date hereof, nor is there any assurance that the policies, strategies or approaches discussed herein will not change. Nothing in the foregoing is intended to or shall exclude any liability for, or remedy in respect of, fraudulent misrepresentation.

For any enquires, please contact investor relations team [investor.relations@cbd.ae](mailto:investor.relations@cbd.ae)

# Overview of the United Arab Emirates

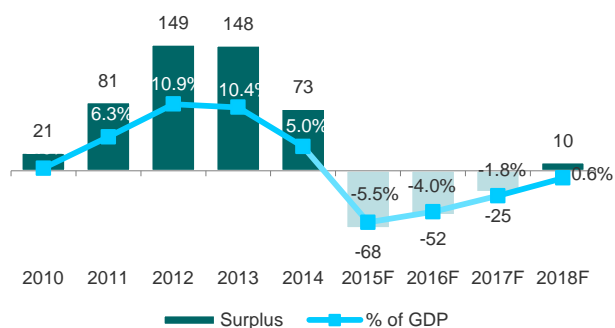


## Snapshot of the UAE

- ▶ The United Arab Emirates (rated Aa2 by Moody's) comprises seven Emirates with Abu Dhabi and Dubai being the largest contributors to its gross domestic product ("GDP").
- ▶ The UAE benefits from several buffers, including a rapid non-oil growth, robust external reserves (estimated at USD 76.8bn)<sup>1</sup> and a relatively low fiscal breakeven oil price.
- ▶ ADIA does not disclose its total assets under management but the US-based Sovereign Wealth Fund Institute, which tracks the industry, estimates them at \$773 billion.
- ▶ For instance, and although oil has been the mainstay of the UAE economy (with 98 billion barrels of proven oil reserves and a reserves-to-production ratio of 93 years<sup>2</sup>) and continues to contribute significantly to economic prosperity, a determined and far-seeing policy of economic diversification has ensured that non-oil sectors now account for approximately 65% of the gross domestic product, with the oil sector comprising the remaining portion.
- ▶ In addition, in August 2015, the UAE Government announced the phasing out of its fuel subsidy; this should lead to fiscal gains, partly offsetting the negative effect of lower oil prices.

Source: <sup>1</sup>International Monetary Fund, UAE Interact <sup>2</sup>OPEC

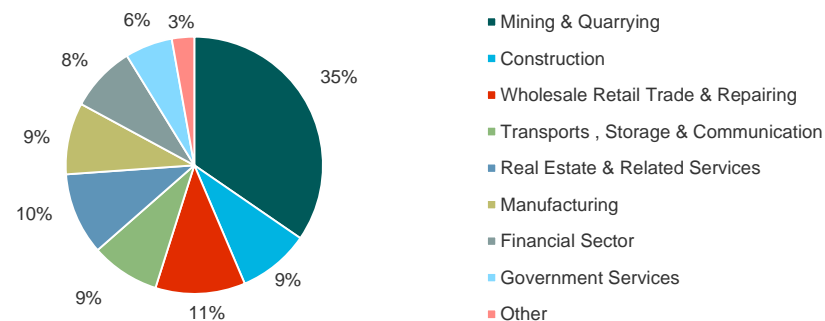
### Limited Fiscal Deficit to be Posted (AED bn)



Source: International Monetary Fund

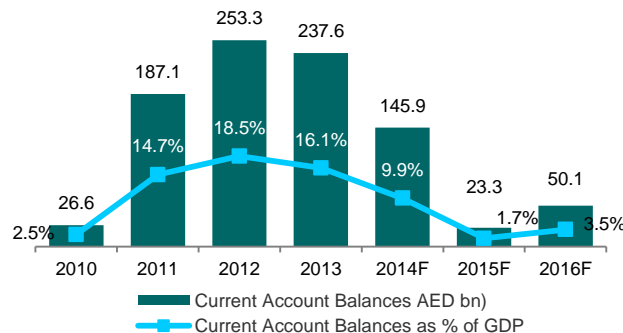
## UAE GDP Composition (AED 1476.6 bn)

For the Full-Year ended 31 December 2014



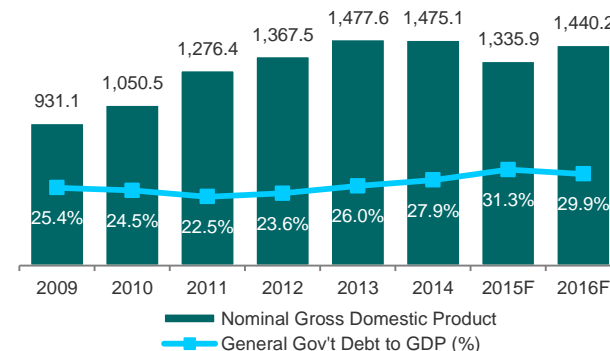
Source: UAE National Bureau of Statistics

### Positive Current Account Balances



Source: Moody's - UAE Country Statistics

### UAE GDP and Public Debt (AED bn)



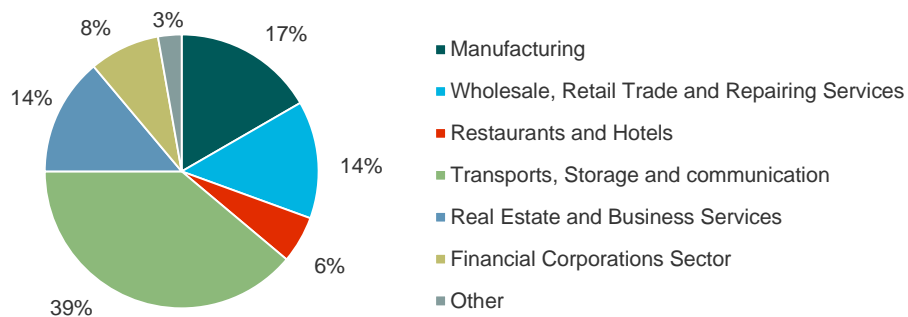
Source: Moody's - UAE Country Statistics



## Snapshot of Dubai

- ▶ The Emirate of Dubai is the second largest Emirate in the UAE after the Emirate of Abu Dhabi. Dubai is situated on the west coast of the UAE in the south-western part of the Arabian Gulf.
- ▶ Reflecting the Emirate's strategic geographic location, rising levels of international trade and the Government's long-standing strategy of positioning Dubai as a trading centre, Dubai's GDP has increasingly shifted away from reliance on the oil and gas sectors.
- ▶ Dubai's diversified economy has exhibited robust growth levels in recent years on the back of Government initiatives and policies which were aimed to improving the economic and business environment.

## Limited Oil Contribution to Dubai's GDP



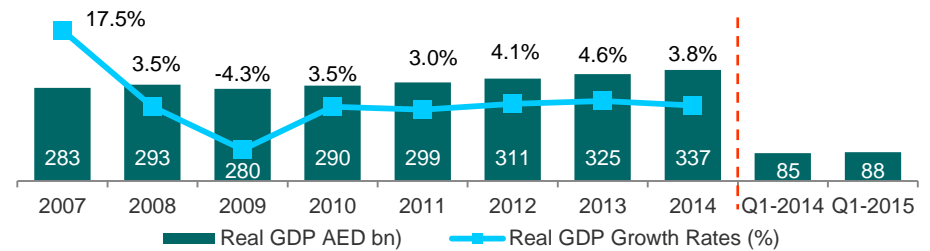
Source: Dubai Statistics Centre

## Foreign Trade (AED billion)



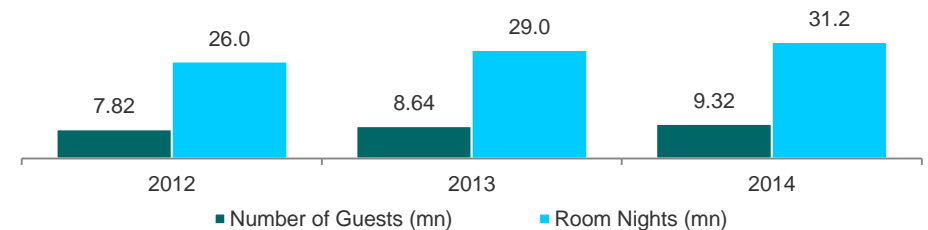
Source: Dubai Statistics Centre

## Growth in Economy



Source: Dubai Statistics Centre

## Tourism Remains Robust



Source: Dubai Statistics Centre

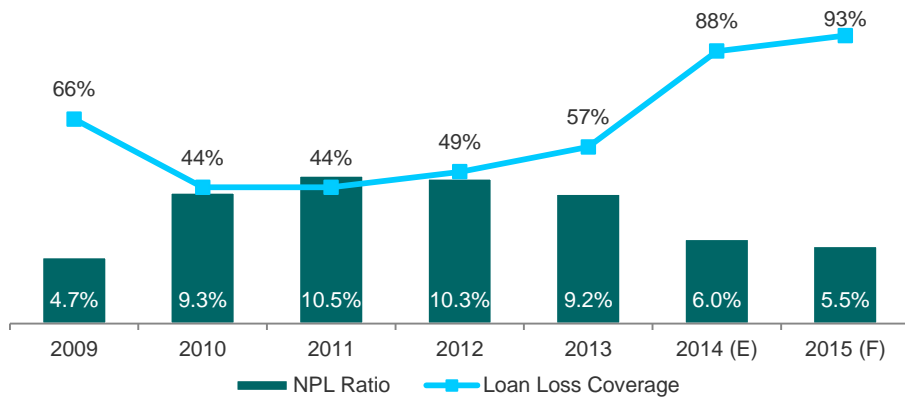
# Overview of UAE Banking Sector



## Snapshot of the UAE

- ▶ The UAE banking industry, which is the largest banking industry in the GCC, comprises 49 banks, 23 of which are domestically-incorporated banks while the remaining are 26 foreign banks.
- ▶ The industry is regulated by the UAE Central Bank, which was established in 1980 and is considered the lender of last resort. The UAE Central Bank has a strong track record of providing systemic support to the banking industry, as and when needed
- ▶ During 2015, the UAE banking sector witnessed a 8.1% growth in the banking loan book against a modest 2% increase in deposits. In addition, loan to deposit ratio currently sits at 94.8%.

## Improving Industry Asset Quality



Source: Moody's Financial Institutions: Dubai World's Second Debt Restructuring is a Credit Positive for the UAE Banking System (February 2015)

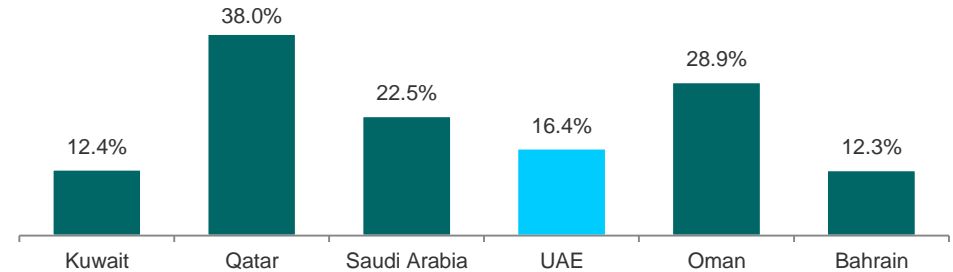
## Key Industry Indicators (AED billion)

	2011	2012	2013	2014	2015
<b>Total Assets</b>	1,734	1,877	2,101	2,305	2,474
<b>Deposits</b>	1,070	1,168	1,279	1,421	1,472
<b>Loans &amp; Advances</b>	1,143	1,185	1,276	1,378	1,486
<b>Specific Provision</b>	55	68	78	71	73
<b>General Provision</b>	16	18	19	24	26
<b>Loan to Deposit (%)</b>	106.8%	101.4%	99.7%	97.0%	94.2
<b>CAR (%)</b>	20.8%	21.0%	19.3%	18.2%	18.3%
<b>Tier 1 Ratio (%)</b>	16.3%	17.6%	16.9%	16.2%	16.6%

Source: UAE Central Bank

## UAE Banking Sector in Context (Govt. Deposits as % of Total Deposits)

*The UAE banking system is one of the least dependent amongst GCC countries on Government deposits this makes the sector relatively less vulnerable than the others*



Source: Moody's Financial Institutions GCC Banks: Oman and Bahrain Most Vulnerable to Lower Oil Prices (March 2015)

# CBD 2015 - Key financial highlights



## Balance sheet

- Total assets of AED 57.9 billion as at 31st December 2015 were 23.4% higher when compared to the AED 46.9 billion as at the end of last year.
- Loans and advances at AED 39.0 billion as at 31st December 2015 were 22.6% higher than the AED 31.8 billion as at 31st December 2014.
- Customers' deposits of AED 40.5 billion as at 31st December 2015 were 25.9% higher than the AED 32.2 billion as at the end of last year.

## Income statement

- Operating income for the year was 5% higher at AED 2.35 billion as compared to AED 2.24 billion for 2014 driven by higher net interest income and fees income.
- Operating expenses increased by 13.8% to AED 858.8 million as compared to AED 754.4 million for the last year.
- Operating profit for the year ended 31st December 2015 increased by 0.5% to AED 1.49 billion as compared to AED 1.48 billion for the last year.
- Net profit for the year ended 31st December 2015 was 11.3% lower at AED 1.066 billion as compared to AED 1.202 billion for last year as net impairment charges increased by AED 143 million.

## Financial ratios




- Advances to stable resources ratio at 81.9%.
- Loans to Deposits ratio (LDR) at 96.4%.
- Capital adequacy ratio continues to be robust at 16.6%, after dividend payout.
- Cost to income ratio at 36.5%.
- Coverage ratio for non-performing loans at 92.4%.
- The Board has proposed a 20% cash dividend for the year 2015 (20 fils per share) equivalent to 53% of the net profit.



## Snapshot

- ▶ Commercial Bank of Dubai (“CBD” or the “Bank”) was established in 1969 pursuant to an Emiri Decree.
- ▶ CBD offers a range of banking products and services primarily to corporate, commercial and consumer customers, including loans, working capital financing, trade finance products and deposit accounts. In addition, since 2008, CBD has provided Shari'a compliant financial services to corporate and retail customers through its “Attijari Al Islami” finance division.
- ▶ The Bank also provides, via subsidiaries and associates, brokerage facilities for local shares and bonds, self-owned property management services and life and general insurance and reinsurance underwriting.
- ▶ CBD operates via four business segments: Corporate Banking, Commercial Banking, Personal Banking (including Business Banking) and Treasury and Investment.
- ▶ The Bank conducts its operations across the UAE through a network of 27 branches (of which 17 are in Dubai) and 2 digital kiosks.

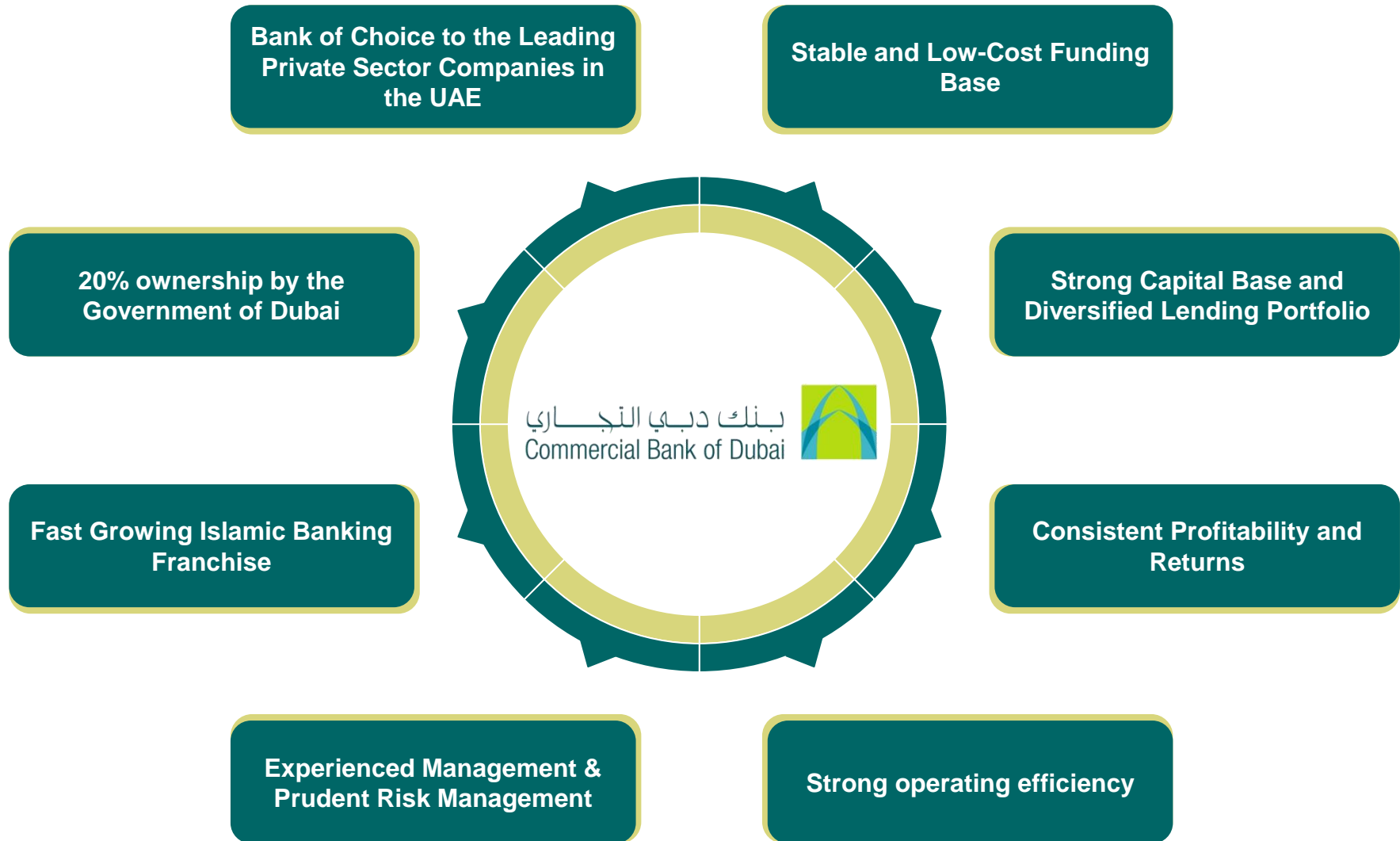
## Credit Rating

	Long-term IDR	Outlook	Date
	Baa1	Stable	September-15
	A-	Stable	August-15
	A-	Stable	July-15

## Financial Highlights

AED million	2013	2014	2015
<b>Key financial indicators</b>			
Total assets	44,476	46,879	57,864
Loans and advances	30,287	31,822	39,021
Customers' deposits	30,943	32,161	40,475
Total liabilities	37,260	39,068	49,635
Total equity	7,216	7,810	8,229
Total operating income	1,405	1,486	1,493
Net profit	1,010	1,202	1,066
<b>Profitability ratios</b>			
Efficiency ratio	30.9%	33.7%	36.5%
Return on assets	2.4%	2.6%	2.0%
Return on equity	15.1%	16.7%	13.8%
<b>Liquidity ratios</b>			
Loan to Deposit ratio	97.9%	98.9%	96.4%
Tier 1 capital	17.7%	16.8%	15.5%
Capital adequacy ratio	19.0%	18.1%	16.6%
NPL ratio	10.1%	9.3%	6.9%
NPL coverage ratio	84.9%	93.7%	92.4%

# Credit Strengths



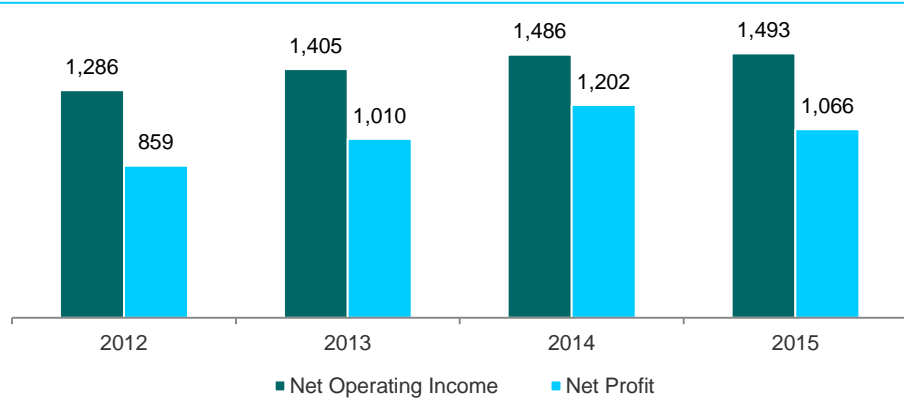


# Operating Performance and Profitability



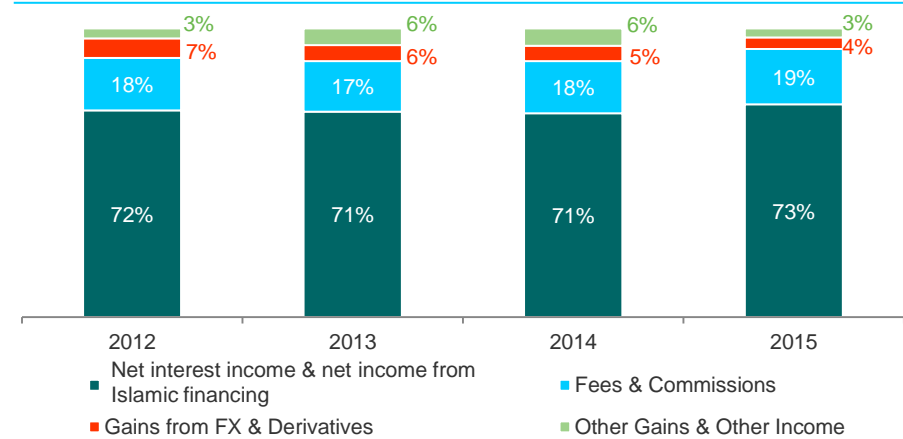
► While the economic outlook is challenging, CBD continues to register a robust financial performance

**Robust and Growing Profitability (AED mn)**

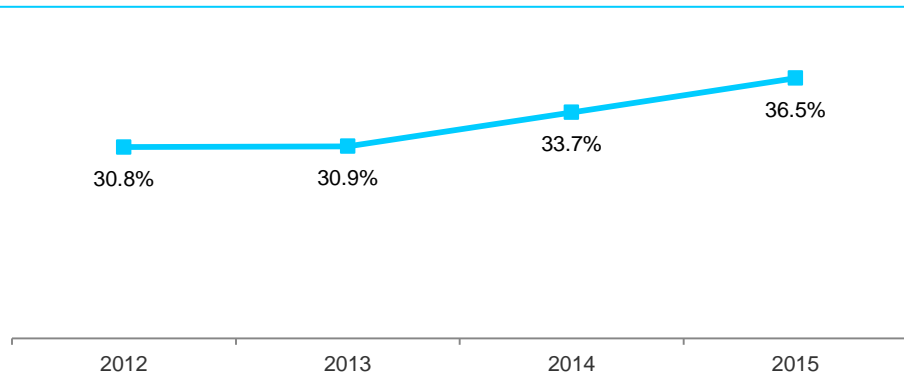


Note: Net Operating Income excludes impairment allowances and recoveries

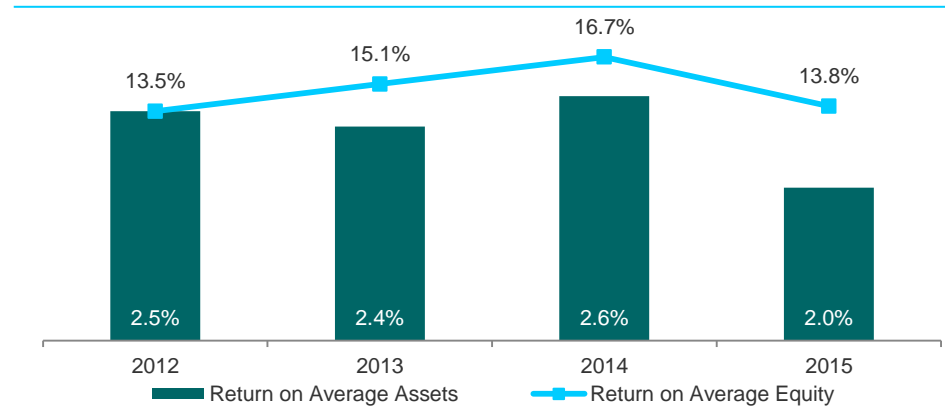
**Components of Total Operating Income**



**Cost Efficiency (Cost to Income Ratio, %)**



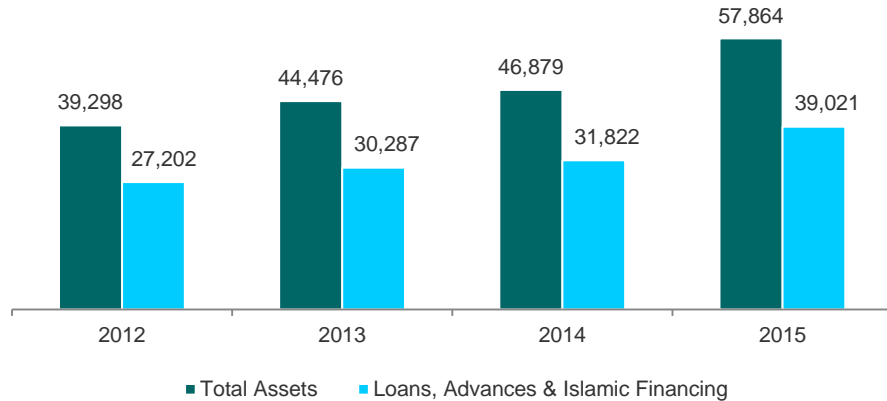
**Strong and Consistent Returns (%)**





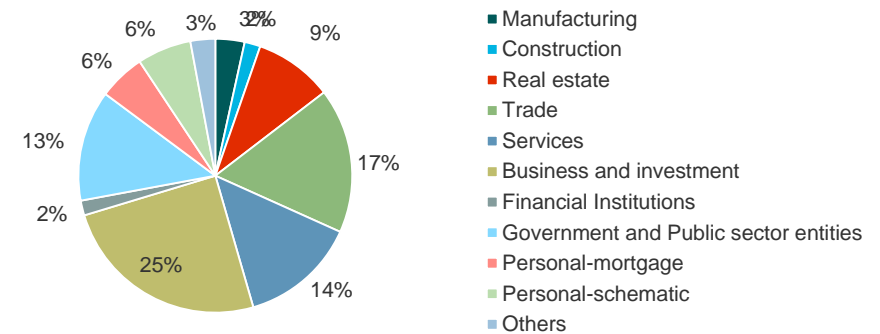
- ▶ CBD's loan portfolio has experienced robust growth in recent years, with the Bank targeting focus in select sectors.

Assets and Loans (AED mn)



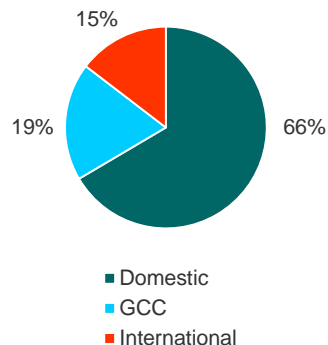
Breakdown of Gross Loans, Advances & Islamic Financing (AED mn)

As at 31 December 2015

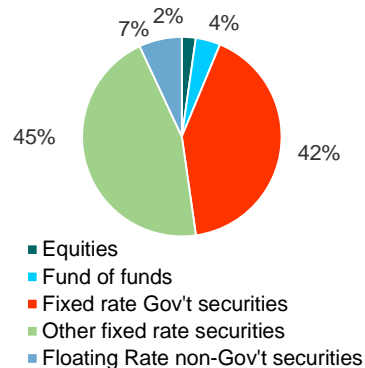


Investment Securities Portfolio (AED 6.6bn, as at 31 December 2015)

By Geography



By Type



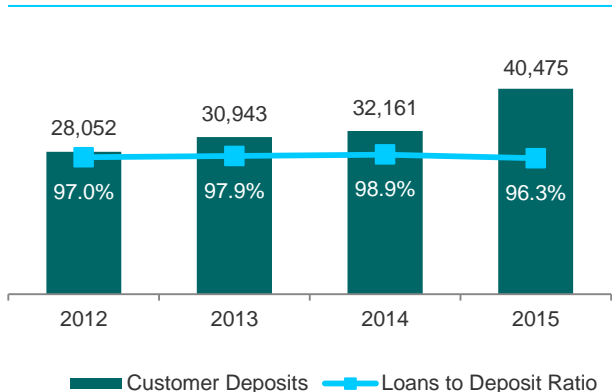
## Key Highlights

- ▶ Loans and Advances of AED 39.0 billion as at 31<sup>st</sup> December 2015 registered an increase of 22.6% when compared to AED 31.8 billion as at 31<sup>st</sup> December 2014. Loan book growth was across all business segments.
  - Personal and business banking net loans were at AED 6.7 billion; registering an increase of 46% when compared to the AED 4.6 billion as at last year end.
  - Corporate and Commercial banking net loans were at AED 32.3 billion, a 19% increase when compared to AED 27.2 billion last year end.
- ▶ In accordance with its strategy to maintain a higher level of liquid assets in line with new regulatory liquidity ratios, CBD maintains a portfolio of investment grade securities which are classified as “available for sale”.
- ▶ The average life of the fixed income investment portfolio is 3 years with 84% being investment grade securities.

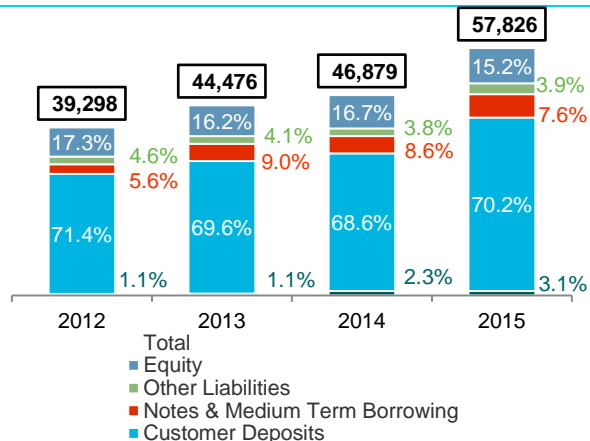
# Funding Sources & Liquidity



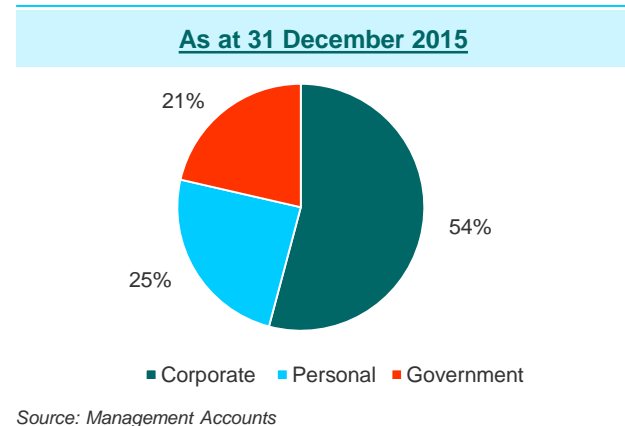
## Steady Growth in Deposit Base (AED mn)



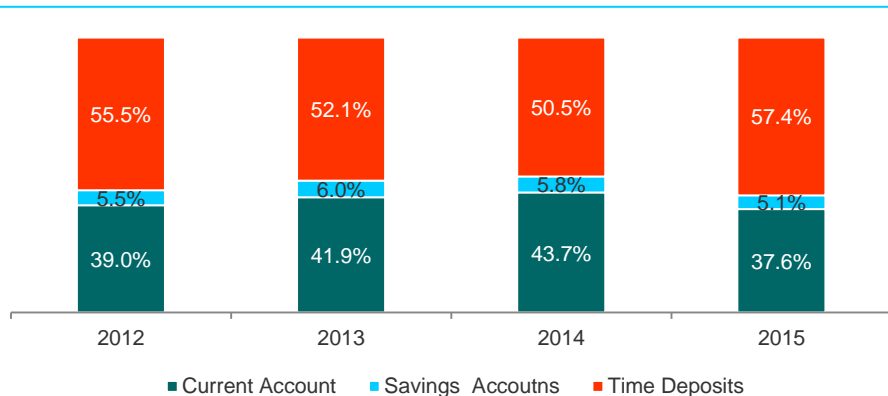
## Overview of Funding Sources (AED mn)



## Breakdown of Customer Deposits (%)



## Breakdown of Customer Deposits by Type (%)



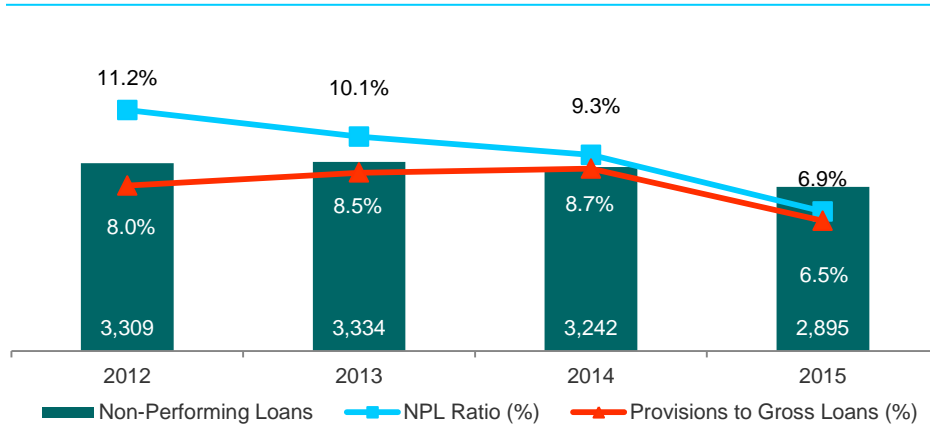
## Key Highlights

- ▶ Customer deposits constitute the majority of the Bank's funding sources, comprising 70.2% of the Bank's funding sources, as at 31 December 2015.
- ▶ CBD's corporate customer deposits constitute the majority of the Bank's deposits, accounting for 54% of total deposits.
- ▶ CBD has significantly increased lower cost current and savings accounts over the last few years which contributes to maintaining its relatively low cost of funds.
- ▶ CBD strives to maintain a target 1:1 loans to deposit ratio
- ▶ CBD tracks its liquidity ratios based on Basel 3 published guidelines by Central Bank UAE. As at 31 December 2015, all of the current liquidity ratio requirements were in compliant.



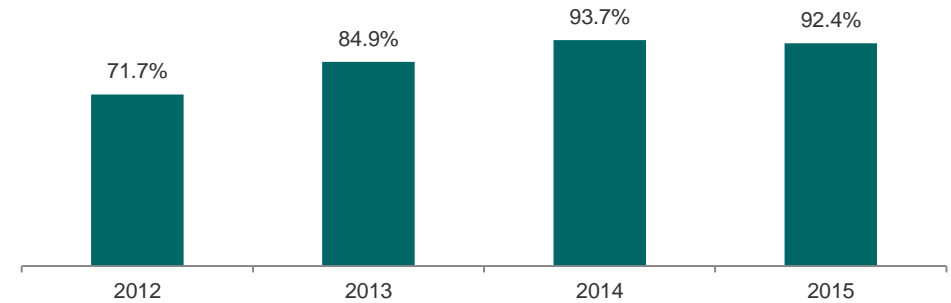
- ▶ CBD's asset quality has improved significantly in recent years on the back of the implementation of a prudent risk management policy.

Continued Improvement in Asset Quality (AED mn)

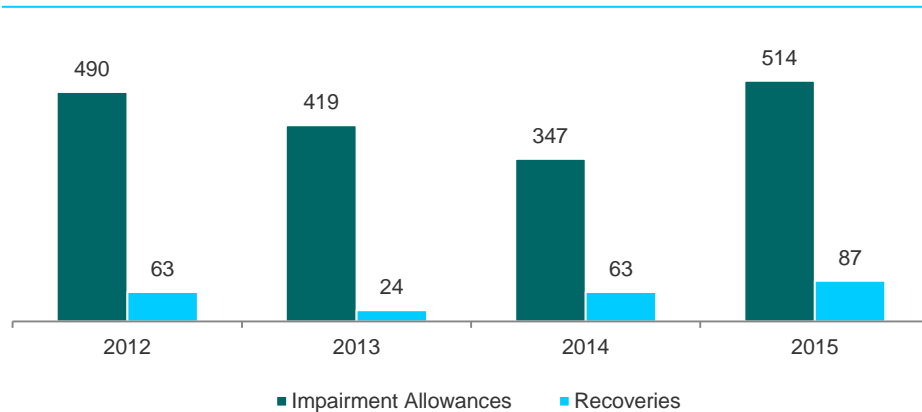


Loan Loss Coverage Ratio(%)

The Bank also maintains tangible security of AED 1 billion against its impaired loan portfolio.



Impairment Allowances & Recoveries (AED mn)



Key Highlights

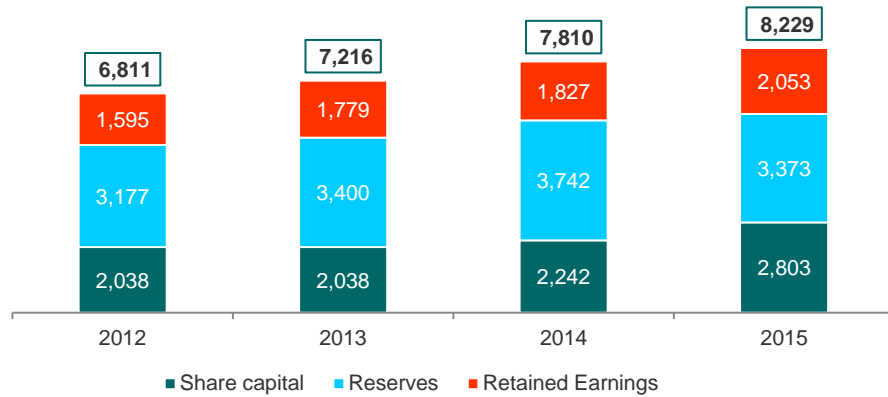
- ▶ CBD has significantly improved its asset quality as highlighted by the:
  - ▶ Decline in the Bank's NPLs, with the NPL ratio declining to 6.9% as at 31 December 2015 from 9.3% as at 31 December 2014;
  - ▶ Increase in recoveries reflecting CBD's focus on monitoring its non-performing loan portfolio and collection procedures; and
  - ▶ Stable loan loss coverage ratio (which was at 92.4% as at 31 December 2015), highlighting the Bank's prudent provisioning policy.
- ▶ Meanwhile, impairment allowances increased by 51% from AED 284 million for the year 2014 to AED 427 million for the year ended 31 December 2015. General provisions represent 1.5% of total Credit Risk Weighted Assets (CRWA).

# Overview of Capitalisation

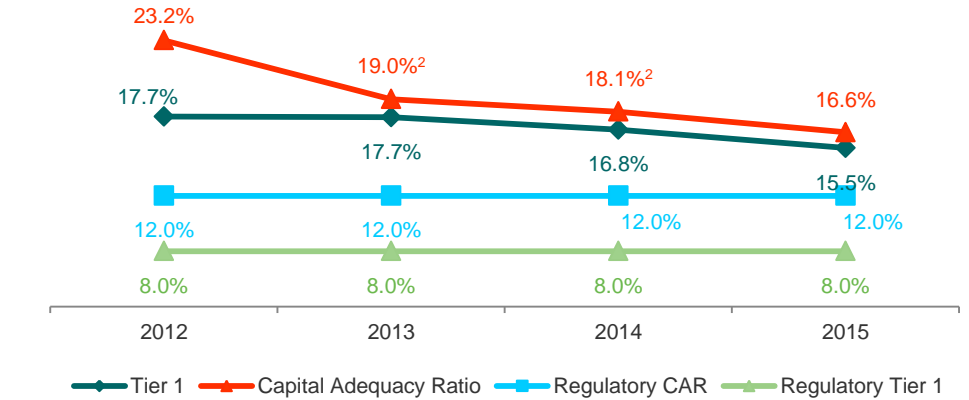


► CBD has maintained a strong capital base to support the growth of its business

Composition of Equity<sup>1</sup> (AED mn)

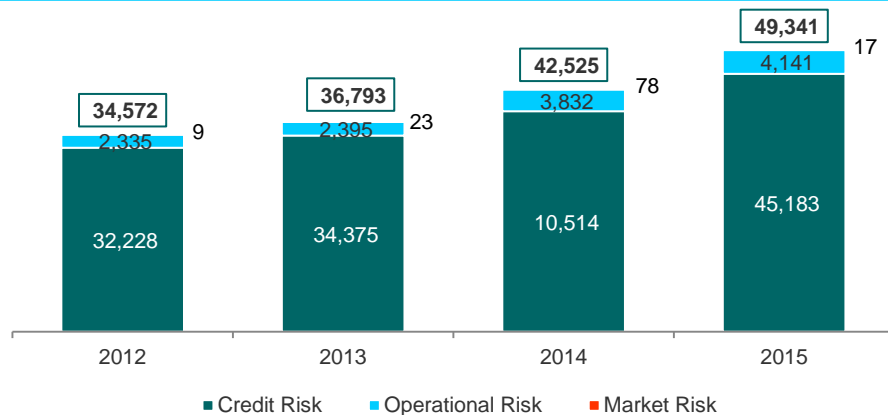


Overview of Capitalisation (%)

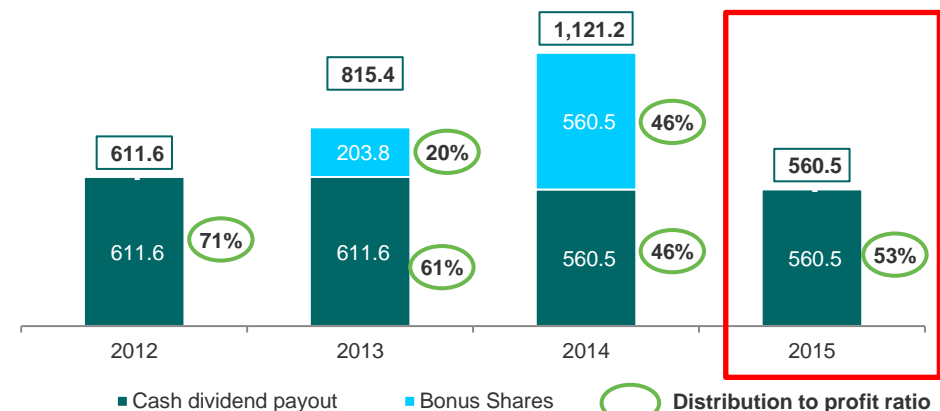


<sup>2</sup>Decline in Total Capital Adequacy Ratio reflects the pre-payment of the Bank's Tier 2 deposits

Risk Weighted Assets (AED mn)



Consistent Dividend Payments (AED mn)



<sup>1</sup>Equity attributable to equity holders of the parent

<sup>3</sup>Proposed by the Board for approval in the Annual General Meeting of the shareholders

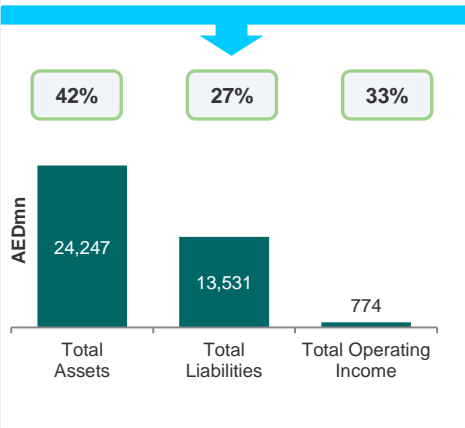
# Overview of Business Segments



- ▶ CBD categorizes its business into four main business segments: Corporate Banking, Commercial Banking, Personal Banking (including Business Banking) and Treasury & Investments

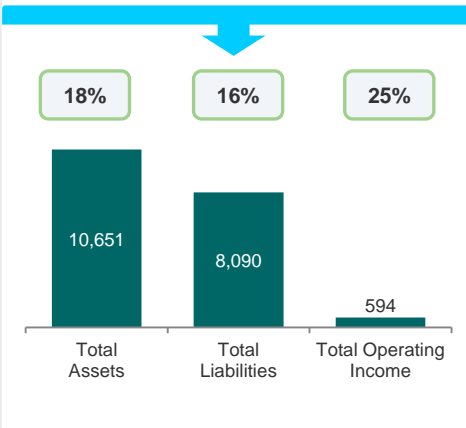
## Corporate Banking

- ▶ Provides a range of credit and non-credit banking products and services to large corporate clients (including government related entities).
- ▶ Focuses on its core competencies in lending, specifically in trade finance and in short- and medium-term funding for working capital and financing of fixed assets, respectively.



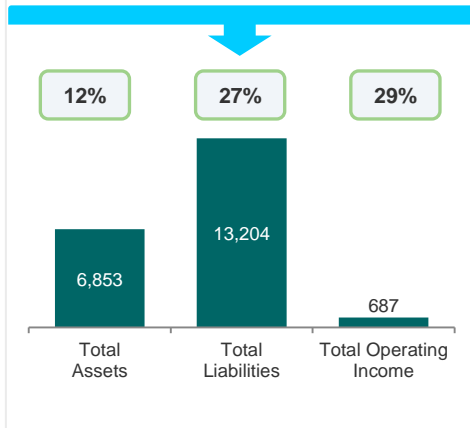
## Commercial Banking

- ▶ Provides overdrafts, loans working capital finance, trade finance & deposit products to commercial (mid-sized) clients with annual sales between AED 40mn to AED 250mn.
- ▶ Offers a new corporate credit card payment product which is expected to become increasingly profitable as UAE Government moves towards e-services.



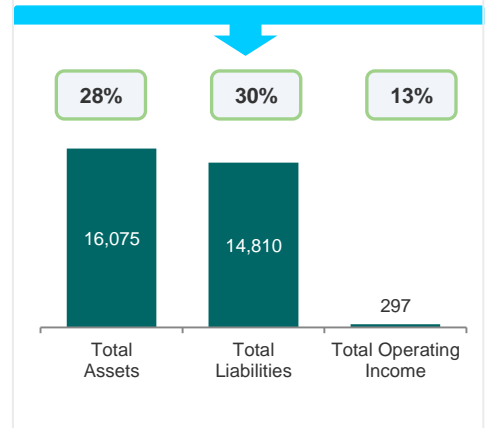
## Personal Banking

- ▶ Offers a range of banking products and services including loans, cards, deposits and payment services to affluent and mass affluent customers depending on their income and wealth.
- ▶ It also offers small businesses with sales turnover up to AED 40mn a broad portfolio of business banking products and services across multiple delivery platforms.



## Treasury & Investment

- ▶ Services corporate and commercial clients, offering hedging solutions and whole sale investment products in foreign exchange, interest rates and commodities.
- ▶ Ensures proactive balance sheet management, adequate funding and prudent liquidity management to support the Bank's asset growth.



% of Total

Note: Data as at 31 December 2015

# Board of directors and management team



- ▶ CBD has adopted a corporate governance framework consistent with international best practice; it is created on principles of fair treatment for all stakeholders, forming the basis for an effective relationship between CBD, its Board, its shareholders and other stakeholders including customers, regulators and supervisors.

## Board of Directors



**Mr. Saeed Ahmed Ghobash**  
Chairman



**Mr. Khalid Abdul Wahed Al Rostamani**  
Vice-Chairman



**Mr. Omar Abdulla Al Futtaim**  
Director



**Mr. Shehab Mohamed Gargash**  
Director



**Mr. Abdulla Saif Al Hathboor**  
Director



**Mr. Ali Fardan Al Fardan**  
Director



**Mr. Hamed Ahmed Kazim**  
Director



**Mr. Mohamed Ali Alabbar**  
Director



**H.E. Humaid Mohammad Al Qutami**  
Director



**H.H. Sheikh Maktoum Hasher Al Maktoum**  
Director



**Mr. Buti Saeed Al Ghandi**  
Director

## Shareholders



\*Investment Corporation of Dubai (ICD)

## Management Team



**Mr. Peter Baltussen**  
Chief Executive Officer



**Mr. Thomas Pereira**  
Chief Finance Officer



**Mr. Murray Sims**  
General manager – Personal banking group



**Mr. Alain Renaud**  
General manager – Corporate, Commercial and Investment Banking Group



**Mr. Fahad Almheiri**  
General Manager – Attijari Al Islami



**Mr. Anand Sharma**  
Chief Risk Officer



**Mr. Asem Fikree**  
Head of Information Technology and Operations



**Mr. Walter Lironi**  
Chief Transformation Officer

# Corporate Governance



CBD has adopted a Corporate Governance framework consistent with international best practice. The framework is created on principles of fair treatment of all stakeholders, forming the basis of an effective relationship between CBD, its Board of Directors, its shareholders and other stakeholders including customers, regulators and supervisors.

## Board of Directors

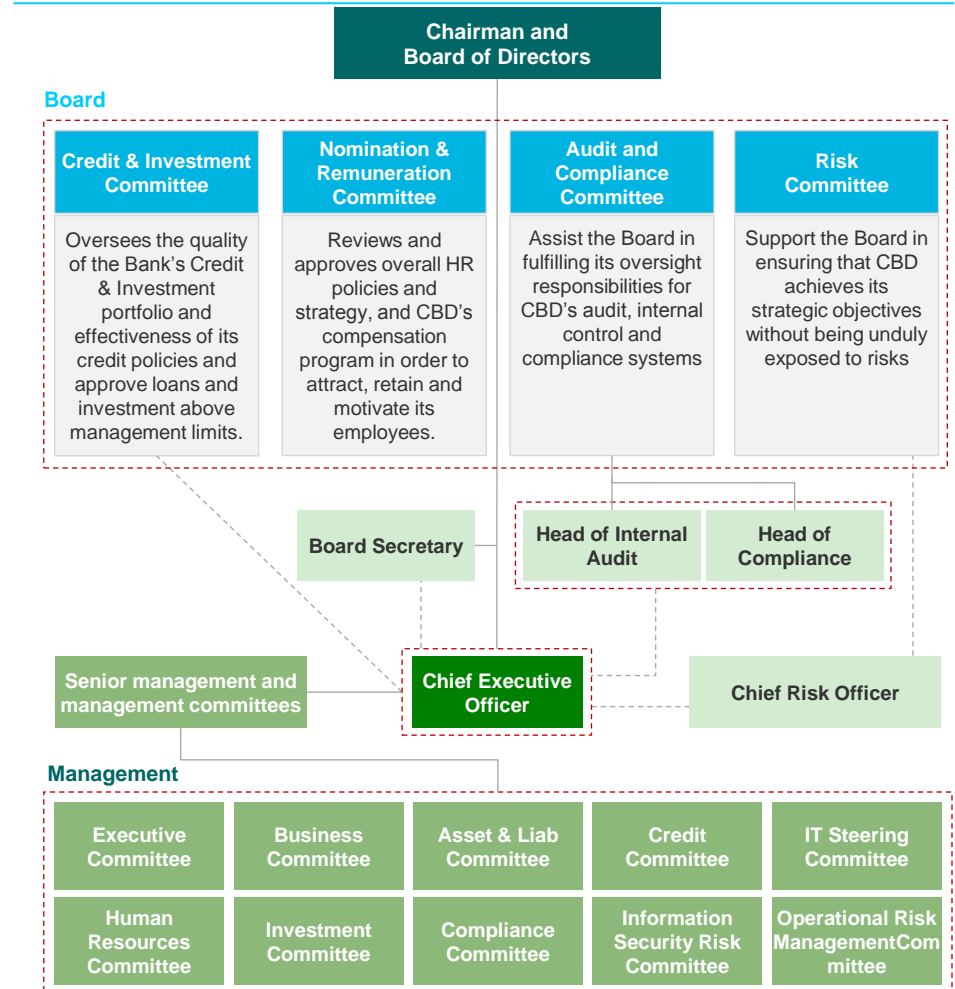
The Board of Directors has the collective responsibility to ensure the long-term success of CBD and to provide overall direction, supervision and control. It has complete responsibility for CBD's operations and financial stability.

The Board sets CBD's strategic objectives and oversees the senior management. It also ensures the effectiveness of internal control systems and keep a watch on the extent to which CBD abides by the strategic plans and approved policies. In addition, it is responsible for the credibility of CBD's financial reports, the application of appropriate risk policies as well as compliance with all laws in force.

The formation of the Board of Directors is governed by the Federal Law No.8 of 1984 (as amended). The Board comprises of 11 Directors, each elected for a tenure of three years.

The Board of Directors has delegated authority to CBD's executive management to enter into transactions which are consistent with the Bank's Risk Strategy and policy guidelines.

## Organisational Structure







## Purpose

Building sustainable prosperity through extraordinary banking experiences.



## Mission

To be loved for our passion and excellence.



**A**uthenticity  
**S**implicity  
**P**artnership  
**I**nnovation  
**R**esponsibility  
**E**xcellence

# Corporate Social Responsibility: 2015

- ✓ CBD signature CSR event is the annual **CBD Youth Athletics Competition** which was held for the first time in 2012. The event in association with the Dubai Sports Council and the UAE Athletics Federation is aimed at promoting public health and fitness through sport. The 4th edition of the CBD Youth Athletics competition finals held on 24 January 2015 at Dubai Police Officers Club. Over 2,200 students from 94 schools participated in the competition.
- ✓ CBD's inaugural sponsorship to the second edition of the **Dubai Tour 2015**. The cycling event witnessed the participation of teams composed of the world's elite cyclists, professional continental teams and national teams. The 663-kilometre event has four stages and is a showcase event as sprint riders race on mostly flat track in and around Dubai.
- ✓ The **UAE School Olympics** have received a boost with the Commercial Bank of Dubai (CBD) agreeing to a three year contract to support the grass-roots initiative of the UAE National Olympic Committee (UAE NOC).
- ✓ CBD's (silver) sponsorship to the **Careers UAE 2015** held at the Dubai International Convention and Exhibition Centre.



## The four elements of CBD's CSR framework :

### **Governance and Transparency**

The Bank has established and adopted policies and procedures for governance, risk management, professional ethics and code of conduct, compliance and AML, security and data protection, consumer protection and product responsibility etc.

### **Employees**

The Bank proactively implements the Emiratisation initiative to recruit, train and develop as well as retain Emirati staff at all levels. The Bank also strictly adheres to 'SA8000' norms, proactively seeks and addresses employee concerns through various channels, including the Employee Engagement Survey, imparts training and nurtures career development for all employees, ensures health and safety of all stakeholders in all its premises, and has extended various benefits and measures to boost staff welfare etc.

### **Society and Culture**

The Bank promotes awareness of Social Accountability amongst its partners and suppliers, extends philanthropy generously for the needy, supports and participates in creating awareness of issues concerning health, promotes education and sports among youth, and supports and celebrates the local UAE culture etc.

### **Environment and Sustainability**

The Bank supports and participates in creating awareness of environmental issues, has inducted CSR into its core business i.e. lending, by extending credit facilities to green projects and has implemented internal measures to conserve resources by recycling, reducing, reusing etc.



## Banker Middle East Awards



- Best Kiosk Interface
- Best New Online Service
- Best Online Banking Services

## International Business Excellence Awards



- Overall Discipline and People
- E-Commerce
- Digital Experience

## Prepaid Middle East Awards



- Best Corporate/Government Prepaid Programme

## Gulf Digital Experience Awards 2015



- Best Integrated Approach / Best Use of Mobile
- Best Use of SEO category

## Dubai Service Excellence Scheme



دائرة التنمية الاقتصادية  
DEPARTMENT OF ECONOMIC DEVELOPMENT

- Best Service Performance Outlets in 2014

