نموذج الإفصاح عن تصنيف ائتماني أو صدور تعديل بشأنه

التاريخ:	6 يوليو 2020
اسم الشركة المدرجة:	البنك التجاري الدولي ش.م.ع.
اسم جهة التصنيف / وكالة التصنيف الائتماني:	وكالة فيتش للتصنيف الائتماني
فئات التصنيف:	التصنيف الائتماني طويل الأجل: BBB+ مؤكد التصنيف الائتماني قصير الأجل: F2 مؤكد تقييم الجدوى: b+ مؤكد مستوى الدعم: 2 مؤكد الحد الأدنى لمستوى الدعم: BBB+ مؤكد
شرح مبسط للتصنيف الصادر ودلالاته:	يشير التصنيف الائتماني طويل الأجل LT-IDR من الدرجة الاستثمارية BBB+ إلى احتمالية تعثر منخفضة ويرتبط هذا التصنيف حسب تغيّر نظرة وكالة التصنيف الائتماني "فيتش" بشأن الجدارة الائتمانية في دولة الامارات وإمكانية السلطات على دعم النظام المصرفي أو البنك.
الأثر المالي المتوقع للتصنيف على نتائج أعمال والمركز المالي للشركة:	نظرًا لعدم وجود أي تغيير مقارنة بالتصنيف السابق، فإننا لا نتوقع أي تأثير كبير نتيجة للإعلان عن التصنيف
النظرة المستقبلية للشركة (حسب رأي جهة التصنيف الائتماني):	مستقرة
ملخص التصريح الرسمي الصادر عن الشركة بشأن التصنيف:	لم يقم البنك بإصدار تصريح رسمي في هذا الصدد. مرفق طيه نسخة عن تقرير وكالة فيتش.

المخول بالتوقيع	علي سلطان ركّاض العامري
المسمى الوظيفي	الرئيس التنفيذي بالوكالة
التوقيع	

Commercial Bank International PSC
P.O. Box 4449, Dubai, UAE
Tel (Within the UAE): 600 544 440
Tel (Outside the UAE): +971 4 503 9000
هاتف (داخل الإمارات):
هاتف (خارج الإمارات):
البنك التجاري الدولي ش.م.ع.
ص.ب. 4449، دبي، الإمارات العربية المتحدة
www.cbiuae.com

FitchRatings

RATING ACTION COMMENTARY

Fitch Affirms Commercial Bank International at 'BBB+'; Outlook Stable

Thu 04 Jun, 2020 - 6:55 AM ET

Fitch Ratings - London - 04 Jun 2020: Fitch Ratings has affirmed UAE-based Commercial Bank International's (CBI) Long-Term Issuer Default Rating (IDR) at 'BBB+' with a Stable Outlook and Viability Rating (VR) at 'b+'. A full list of rating actions is at the end of this commentary.

KEY RATING DRIVERS

IDRs, SUPPORT RATING (SR) AND SUPPORT RATING FLOOR (SRF)

CBI's IDRs, SR and SRF reflect a high probability of support available to the bank from the UAE authorities if needed.

Fitch's view of support factors in the sovereign's strong ability to support the banking system, sustained by sovereign wealth funds and recurring revenue, mostly from hydrocarbon production, despite lower oil prices. Fitch also expects a high willingness from the authorities to support the banking sector, which has been demonstrated by the UAE authorities' long track record of supporting domestic banks, and is also underlined by partial government ownership of some banks.

CBI's SRF is two notches below the UAE Domestic Systemically Important Banks' (D-SIB) SRF of 'A', reflecting Fitch's view that CBI is of moderate systemic importance based on its less than 1% market share of total assets in the UAE banking sector at end-2019.

We assign Short-Term IDRs according to the mapping correspondence described in our rating criteria. A 'BBB+' Long-Term IDR can correspond to a Short-Term IDR of either 'F2' or 'F1'. In the case of CBI, we opted for 'F2', the lower of the two Short-Term IDR options. This is because a significant proportion of UAE banking sector funding is related to the government and a stress scenario for banks is likely to come at a time when the sovereign itself is experiencing some form of stress. Fitch judges this "wrong-way" risk to be high in the UAE, and this is reflected in the Short-Term IDR, which primarily reflects CBI's liquidity and funding profile.

VR

CBI's VR reflects the bank's weak franchise (market share below 1%), a less diversified business model than peers, weak and volatile asset quality metrics, low and highly vulnerable capital ratios in light of the bank's concentrated balance sheet, elevated capital encumbrance and weak profitability metrics.

The VR also takes into account acceptable management and strategy, adequate liquidity and the ordinary support, including liquidity support, the bank enjoys from its largest shareholder Qatar National Bank (QNB; A+/Stable/F1; 40% stake).

CBI has a small franchise and market share in the UAE, accounting for about 0.6% of total banking system assets and deposits at end-2019. The bank's business model remains concentrated, with a higher exposure than domestic peers to the trade and services sectors.

Prior to the regional tensions, QNB's shareholding in CBI allowed the two banks to participate together in syndicated transactions, providing CBI with a competitive advantage compared with other UAE small banks. However, these benefits have now diminished.

CBI's loan book is characterised by high single-obligor and sector concentrations, with the top 20 funded exposures representing 3x the bank's common equity Tier 1 (CET1) at end-2019, well above domestic peers and exposing the bank to event risk. CBI also has high exposure to sectors that are vulnerable in the current economic environment, with trade, business and investment, services and real estate and construction making up 70% of the bank's loan book at end-2019. This is compounded by high exposures to problematic exposures, especially New Medical Center (NMC) and related companies, amounting to 24% of the bank's CET1 capital at end-2019.

Despite high levels of write-offs, CBI's asset quality metrics weakened in 2019, with the stage 3 loans ratio rising to 12.7% from 9.4% at end-2018, driven by higher stage 3 inflows in the service and construction sectors. CBI's concentrated underwriting profile heightens the volatility of the bank's asset quality metrics, with the top 20 stage 3 exposures representing about 90% of total stage 3 financing. CBI's reserve coverage of stage 3 financing remained weak at 51% at end-2019 and was one of the lowest among domestic peers.

Stage 2 loans accounted for a further 16.2% of gross loans, giving a problem loans ratio (stage 2 + stage 3 loans) of 29% at end-2019 and heightening the vulnerability of the stage 3 ratio to migration of stage 2 loans. Loan loss coverage of problem loans was low at 23% at end-2019, leaving the bank's financial performance highly vulnerable to asset quality developments. Considering the bank's problematic exposures and the weaker economic and business environment driven by the COVID-19 outbreak and lower oil prices, we expect the bank's problem loans ratio to increase in 2020-2021.

Measures announced in March 2020 by the Central Bank of the United Arab Emirates (CBUAE) allowing a broad range of customers to defer their loan servicing commitments and where necessary to restructure loans will slow impaired loans recognition in the near term. However, borrowers' ability to recover and maintain or resume debt servicing payments will depend to a large extent on the duration of lockdown measures in the UAE, travel restrictions and global economic trends.

Earnings and profitability metrics have remained variable and are much weaker than domestic peers, given high vulnerability to loan impairment charges (LICs) and weaker operating efficiency. Fitch's key earnings and profitability metric - operating profit/risk-weighted assets (RWAs) - demonstrates the variability of the bank's operating profitability, ranging from -2.9% to 1.5% over the last five years. Subdued business conditions and low loan growth as a result of COVID-19 economic-related disruptions will pressure earnings generation in 2020-2021.

LICs are expected to increase in line with expected deterioration in the bank's loan quality metrics and this will be aggravated by the bank's already weak reserve coverage of stage 3 loans.

In line with the bank's transformation plan, CBI has been executing well in scaling back its operating expenses through the rationalisation of the distribution network and headcount reductions, as reflected in the reduction in the Fitch-calculated cost-to-income ratio to 48% in 2019 from 54% in 2016. However, we do not expect the ratio to continue declining given the revenue pressures caused by a less supportive economic environment.

We view CBI's capital ratios as weaker than at other Fitch-rated UAE peers, with a CET1 ratio of only 11.3% at end-2019. The ratio improved in 2019, supported by deleveraging despite low internal capital generation. The bank's total capital adequacy ratio stood at 15.4% at end-2019, providing comfortable buffers over minimum regulatory requirements. We believe regulatory forbearance allowing banks to partially add back increases in stage 1 and stage 2 IFRS 9 expected credit loss provisions to regulatory capital will provide some support to CBI's regulatory capital buffers and partially offset the expected deterioration in asset quality and profitability metrics.

However, CBI's low core capital buffers are highly vulnerable, given the bank's concentrated underwriting, weak underlying asset quality and the high level of unreserved stage 3 loans (45% of CET1 capital at end-2019), underpinning the bank's weak loss-absorption capacity. We expect the bank's core capital buffers to remain weak over our rating horizon, given the absence of planned core capital issuance and expected lower internal capital generation.

CBI is largely funded by stable customer deposits, which accounted for about 85% of total non-equity funding at end-2019. Customer deposits are 46% corporate-related, which have historically been stable, while retail deposits accounted for a further 33% at end-2019. Single-depositor concentration is high, with the 20-largest deposits accounting for 44% of the total at end-2019. CBI complements its deposit funding with interbank funding and perpetual additional Tier 1 securities, demonstrating reasonable access to capital markets as well as ordinary parental support from QNB.

We view CBI's liquidity profile as adequate and comparing well with peers. However, the loans-to-deposits ratio rose to 104% at end-2019 from 88% at end-2018 on the back of the bank's strategy to shed expensive term deposits. CBI maintains a reasonable cushion of net liquid assets (cash and cash equivalents, net short-term interbank placements and liquid securities), which represented 11% of total assets and covered 18% of customer deposits at end-2019.

RATING SENSITIVITIES

IDRS, SR, SRF

CBI's IDRs, SR and SRF are sensitive to a change in Fitch's view of the creditworthiness of the UAE authorities and on their propensity to support the banking system or the bank.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

Deterioration in our view of the creditworthiness of the UAE authorities or their propensity to support the banking system or the bank could lead to a downgrade of the bank's IDRs.

Factors that could, individually or collectively, lead to positive rating action/upgrade:

Given our existing view of the high creditworthiness of the UAE and high propensity to support the banking system and the bank, positive rating action on the bank's Long-Term IDR is unlikely. However, a significantly higher market share could be positive for the ratings if this strengthens our view of the bank's systemic importance in the UAE.

VR

Factors that could, individually or collectively, lead to negative rating action/downgrade:

Pressure on CBI's VR could result from further deterioration in asset quality, especially increasing stage 2 and stage 3 loans as a share of gross loans affecting the bank's profitability and leading to an erosion of the bank's core capital ratios and increasing capital encumbrance.

Factors that could, individually or collectively, lead to positive rating action/upgrade:

Sustained improvement in the bank's asset quality and profitability leading to much lower capital encumbrance and/or an expansion in the bank's domestic franchise could lead to an upgrade of the VR but this is unlikely in the short term.

BEST/WORST CASE RATING SCENARIO

International scale credit ratings of Financial Institutions issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of four notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit https://www.fitchratings.com/site/re/10111579.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS

CBI's IDRs, SR and SRF reflect a high probability of support available to the bank from the UAE authorities if needed.

ESG CONSIDERATIONS

The highest level of ESG credit relevance, if present, is a score of 3. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity(ies), either due to their nature or to the way in which they are being managed by the entity(ies). For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

RATING ACTIONS

ENTITY/DEBT	RATING		
Commercial Bank International P.S.C.	LT IDR	BBB+	Affirmed
	ST IDR	F2	Affirmed
	Viability	b+	Affirmed
	Support	2	Affirmed
	Support Floor	BBB+	Affirmed

VIEW ADDITIONAL RATING DETAILS

FITCH RATINGS ANALYSTS

Huseyin Sevinc
Director
Primary Rating Analyst
+44 20 3530 1027
Fitch Ratings Ltd 30 North Colonnade, Canary Wharf London E14 5GN

Aurelien Mourgues
Director
Secondary Rating Analyst
+44 20 3530 1855

James Watson
Managing Director
Committee Chairperson
+7 495 956 6657

MEDIA CONTACTS

Louisa Williams
London
+44 20 3530 2452
louisa.williams@thefitchgroup.com

Additional information is available on www.fitchratings.com

APPLICABLE CRITERIA

Bank Rating Criteria (pub. 29 Feb 2020) (including rating assumption sensitivity)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

Commercial Bank International P.S.C.	EU Issued

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