

البنك التجاري
COMMERCIAL
BANK



THE COMMERCIAL BANK (P.S.Q.C.)
Financial Results
For the Nine Month Ended 30 September 2017

كل شيء يمكن تحقيقه
everything is possible



- This presentation and subsequent discussion may contain certain forward-looking statements with respect to certain plans and current goals and expectations of Commercial Bank and its associated companies relating to their future financial condition and performance. These forward-looking statements do not relate only to historical or current facts but also represent Commercial Bank's expectations and beliefs concerning future events. By their nature forward-looking statements involve known and unknown risks and uncertainty because they relate to future events and circumstances including a number of factors which are beyond Commercial Bank's control. As a result, Commercial Bank's actual future results or performance may differ materially from the plans, goals and expectations expressed or implied in such statements.
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- **CONSOLIDATED HIGHLIGHTS AND PERFORMANCE**
- COMMERCIAL BANK FINANCIAL PERFORMANCE
- SUBSIDIARIES AND ASSOCIATES FINANCIAL PERFORMANCE
- STRATEGIC INTENT



Strategic Focus

Progress

✓ Results

- Net profit of QAR 259 million. Results continue to be impacted by prudent levels of provisioning on the legacy portfolio
- Net operating profit increased by 9.6% to QAR 1,641.8 million
- We are on track with our strategic plan with focus on strengthening capital, reshaping the loan book, prudent provisioning levels and improving cost to income ratio

✓ Capital

- CET1 improved to 11.2% vs 10.0% in Q316
- Total Capital Adequacy Ratio improved to 16.0% vs 15.8% in Q3 16
- Rights issue of QAR 1.5 billion completed in Q1 17

✓ Reshaping Loan Book

- Domestic loan book growth of 12% year on year ahead of market growth of 7% (QCB August 17 data)
- Re-shaping profile of the lending book, by diversifying risk and opportunity across a wide range of sectors. Built strong pipeline of lending, across various industry sectors including Government and Semi-Government with QAR 6bn of undrawn commitments and deals pending

✓ Provisioning

- Action on NPLs on the legacy book continued as per strategic intent
- We expect current provision levels to continue in Q4
- NPL ratio at 5.6% and loan coverage ratio improved at 91.6%

✓ Costs

- Concerted efforts to reduce costs resulting in 17.2% lower opex in 9M 2017 at consolidated level as compared to 9M 2016 and an improved C/I ratio of 38.1%
- At the domestic level costs are lower by 15.9% with a C/I ratio of 33.7%

✓ Subsidiaries & Associates

- ABank delivered a net profit of QAR 57.7 million compared to a net loss of QAR 33.4 million in 9M 2016
- NBO reported a net profit of QAR 326.4 million, and UAB reported a net profit of QAR 49.3 million
- CB has granted Tabarak Investments, a 90 day period of exclusivity during which the parties will negotiate the terms of definitive transaction documents pertaining to the purchase of CB's stake in UAB.

Progress against our 5-year plan : Continued progress on operating profit and improvement in the cost to income ratio



QAR Million	Group				Bank			
	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2016	Q1 2017	Q2 2017	Q3 2017
CET 1	9.7%	11.4%	11.2%	11.2%	9.6%	11.6%	11.5%	11.7%
CAR	15.2%	16.2%	16.0%	16.0%	14.7%	15.9%	15.8%	15.8%
Lending Volume	77,797	82,029	83,610	84,533	65,910	70,475	71,264	71,101
Real estate ratio	28%	27%	27%	25%	33%	31%	31%	29%
Public sector lending	10%	9%	10%	12%	12%	11%	11%	14%
NIM	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%
NII	540	599	629	608	488	521	516	494
Non interest income	317	286	253	279	237	251	241	286
Operating Income	857	885	882	887	725	772	757	780
Costs	413	355	332	325	324	281	253	245
Operating Profit	444	530	550	562	401	491	504	535
C/I Ratio	48.2%	40.1%	37.6%	36.6%	44.7%	36.4%	33.4%	31.4%

Group Financial Performance – Nine Months Ended 30 September 2017



Group Profitability

QAR Million	9m 2017	9m 2016	%
Net interest income	1,836	1,801	2%
Non-interest income	818	920	-11%
Total costs	(1,012)	(1,222)	17%
Net provisions	(1,488)	(1,176)	-27%
Associates' income	116	159	-27%
Net profit after tax	259	491	-47%

Consolidated Balance Sheet

QAR Million	30.09.17	30.09.16	%
Total assets	133,997	123,922	8%
Loan & advances	84,534	75,995	11%
Investment Securities	19,318	16,214	19%
Customers' deposits	73,282	66,730	10%
Shareholders' equity	21,253	18,843	13%

Performance Ratios

	30.09.17	30.09.16
ROAE	1.7%	3.6%
ROAA	0.3%	0.5%
NIM	2.2%	2.3%

Capital

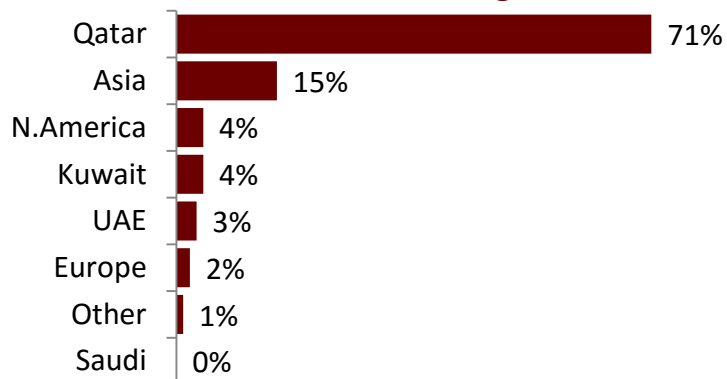
	30.09.17	30.09.16
RWA (QAR million)	120,752	109,873
CET 1 ratio	11.2%	10.0%
Total Capital ratio	16.0%	15.8%

Liquidity Management – Commercial Bank (Domestic): Limited exposure to impacted GCC countries while liquidity levels remain adequate

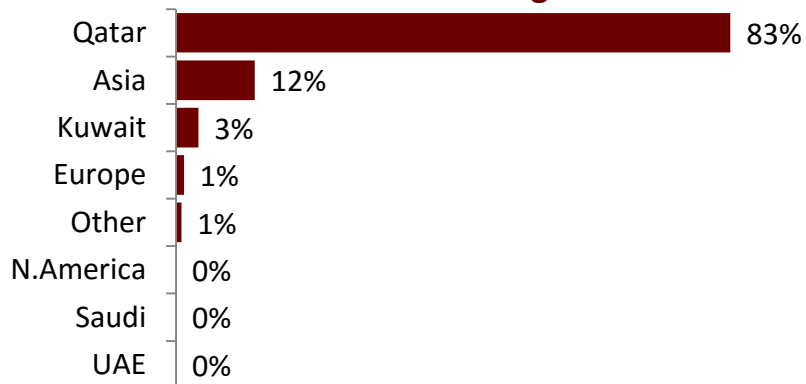


Commercial Bank deposits by Geography

Pre Embargo



Post Embargo



Exposures to "impacted GCC" countries QAR(m)	Mar 17	Sept 17
Customer Deposits	2,497	136
Interbank takings	3,791	370
As % of Total Funding	6.9%	0.7%

Financial Indicators	Mar 17	Sept 17
Customer deposits QAR (m)	64,089	64,202
Loan to deposit	110.0%	110.7%
% of resident deposits	71%	83%
% of non resident deposits	29%	17%

Earnings Performance – Nine Months Ended 30 September 2017

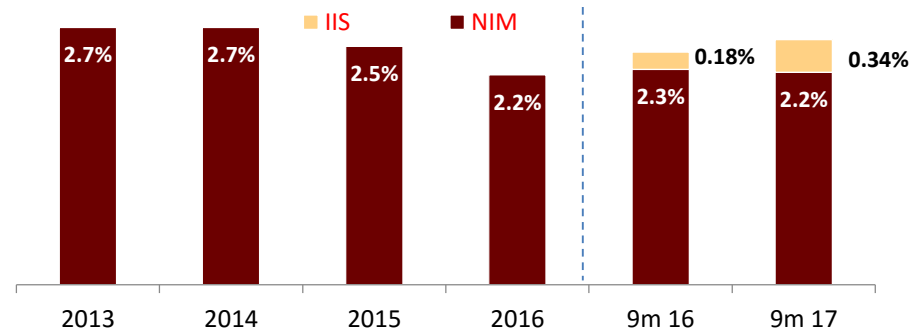


Profitability

- ◆ Net interest income up 1.9% to QAR 1.84bn v 9m 16
 - ◆ Net Interest Income excluding interest in suspense increases 1.9% to 1,836m vs. 9m 16
 - ◆ Interest in suspense increases to QAR 276m vs QAR 145m 9m 16 driven by higher credit provisioning
 - ◆ NIM stable at 2.2% against previous quarters benefiting from active loan book re-pricing to offset the increase in cost of funding and interest in suspense reductions.

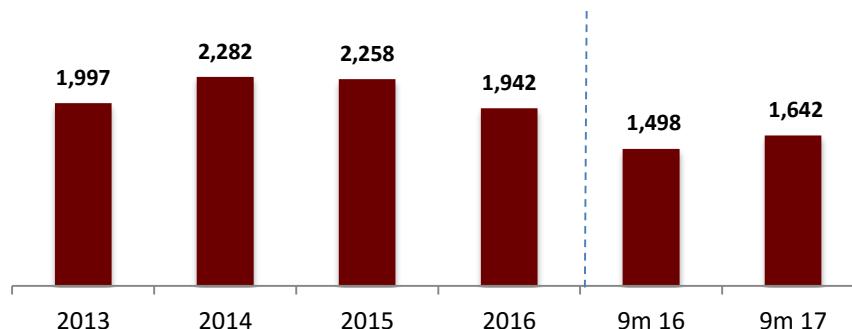
- ◆ Non-interest income down 11% to QAR 818m v 9m 16
 - ◆ Investment portfolio income down by 66.4% to QAR 51m due to lower gains from sale of securities
 - ◆ Net fee income up 0.8% to QAR 557m

Net interest margin



Net interest income as a % of average interest earning assets, including (i) loans and advances to customers, (ii) bonds and (iii) loans to other credit institutions
 IIS – Interest in Suspense

Operating Profit



Cost to Income Ratio improves as cost efficiency measures take effect



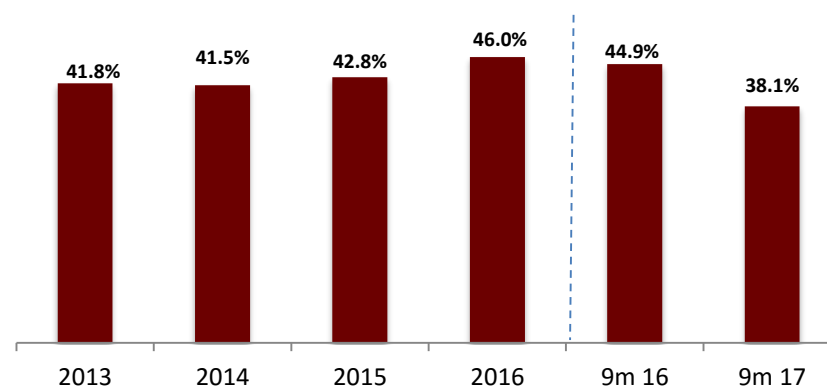
Operating Expenses

- ◆ Cost to income ratio lower at 38.1% v 44.9% in 9m 16 driven by a reduction in staff costs and G&A expenses.
 - ◆ Staff costs reduce by 15.7% in 9m 17 vs. 9m 16
 - ◆ G&A expenses decreases led by lower professional fees, marketing and tighter control across all general and administrative spend.
- ◆ Headcount reduction of 7.4% from 9m 2016 to 1,137 (Commercial Bank) with a minimal impact on operations.
- ◆ Operational efficiencies and automation expected to result in further reduction in cost and headcount. Branch Network Optimization & Streamline front to back end processes will further deliver sustainable savings.

Changes at ABank

- ◆ New CEO: Cenk Kaan Gur.
- ◆ New Non-Executive Directors:
 - ◆ Zafer Kurtul.
 - ◆ Turgay Gonensin.

Cost to Income Ratio



Cost reduction drivers (QAR million)

QAR Million	Q1 2017	Q2 2017	Q3 2017	9m 2017	9m 2016
Commercial Bank					
Staff Costs	150	139	135	424	494
Depreciation	42	30	35	107	97
General & Admin expenses	89	84	75	248	336
Head Count (Nos.)	1,187	1,160	1,137	1,137	1,228
ABank					
Staff Costs	39	39	43	121	152
Depreciation	3	3	3	9	9
General & Admin expenses	25	30	26	81	94
Head Count (Nos.)	931	940	942	942	917

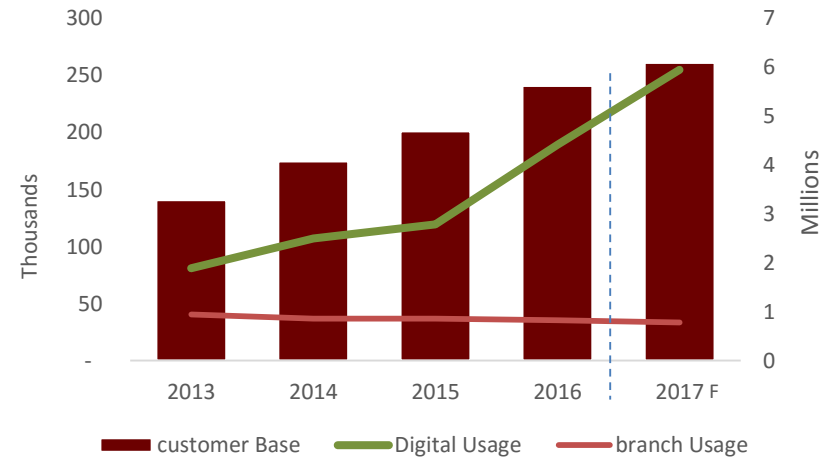
Progress on our Digital Transformation – Focus on Client Experience, Innovation and reducing costs



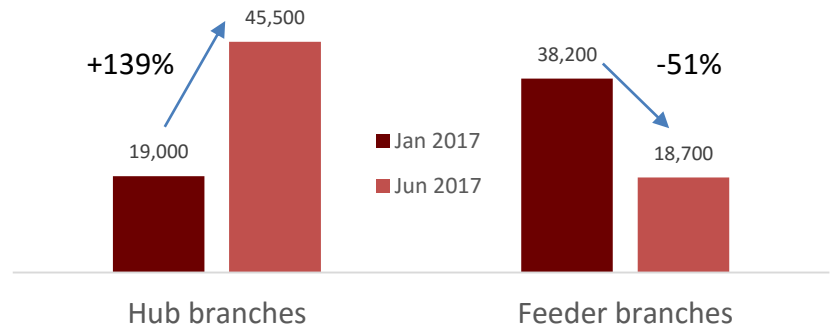
Digital transformation

- ◆ Launch of “first in market” 60 second online remittance service, greatly reducing end to end process time for clients. Initial launch to Indian bank accounts, with progressive roll out to other countries
- ◆ Launch of “first in market” electronic “e-Gifts” allowing clients to instantly send electronic cash gifts with a personal greeting to family and friends (both CB and non-CB clients), cash can be transferred or withdrawn from CB ATM’s
- ◆ Creation of Cash Centres, migrating SME and Corporate transactions to area hubs, improving bulk handling efficiency, reducing branch congestion and improving client experience
- ◆ First Blockchain pilot in Qatar, completed with our regional partner banks. Innovative new fund transfers technology with potential to transform the industry
- ◆ Rollout of “CB Smart” wifi and tablets across CB offices, supporting paperless meetings and, together with digital signature and digital archiving initiatives, reducing internal waste, improving productivity and speed of decision making
- ◆ Review of outsourcing alternatives to better support end to end process automation

Digital Transactions



Cash Centre Migration (Monthly transactions)



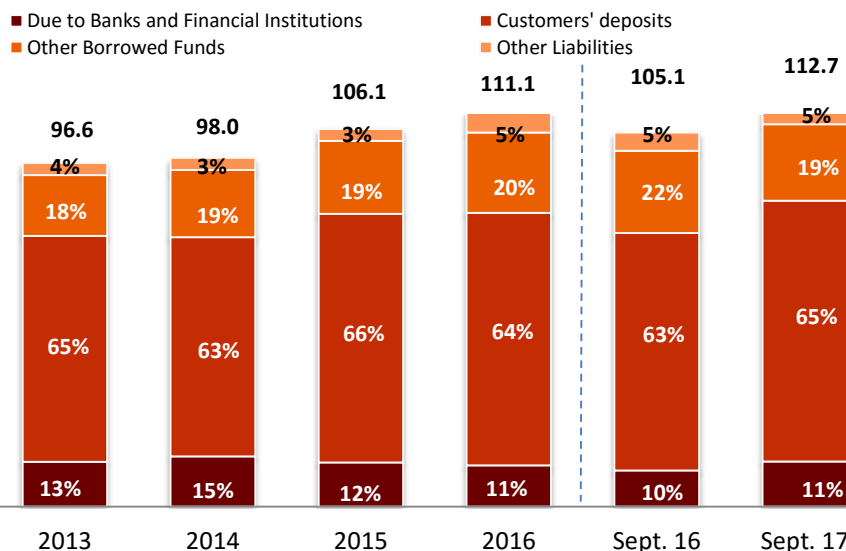
Balance Sheet Structure – 30 September 2017



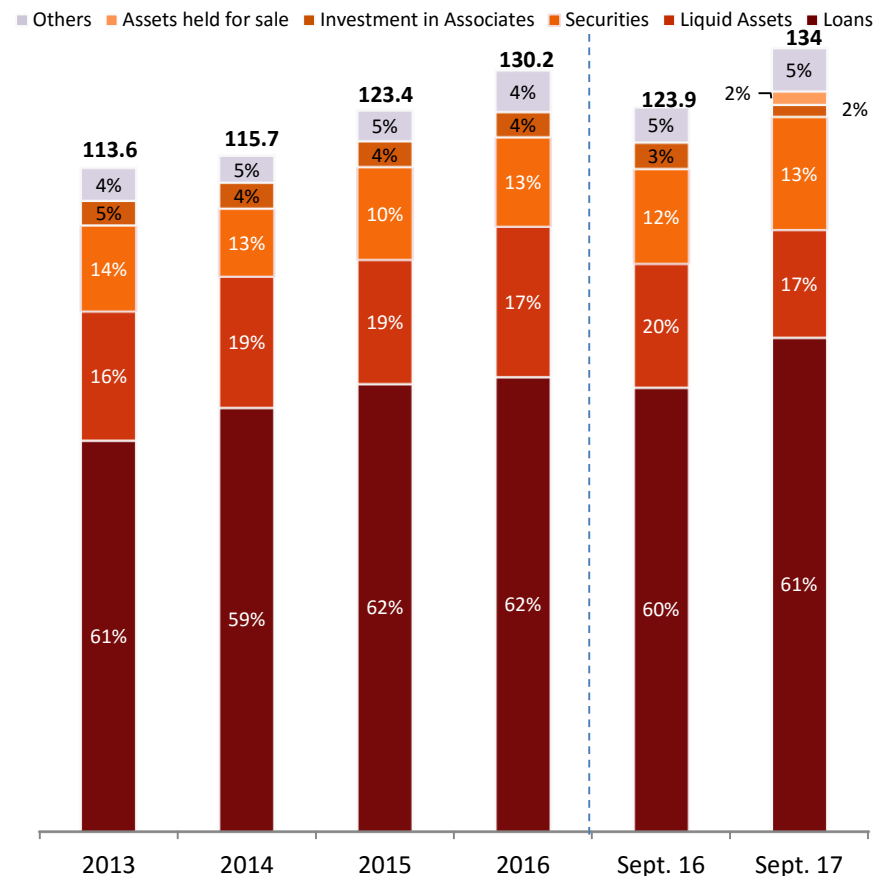
Summary

- ◆ Total assets increased by 8.1% to QAR 134bn v September 16;
 - ◆ Lending to customers up 11.2% to QAR 84.5bn
 - ◆ Due from banks down QAR 4.3bn to QAR 11.4bn
- ◆ Total liabilities increased by 7.3% to QAR 112.7bn v 9m 16;
 - ◆ Customer deposits up QAR 6.5bn to QAR 73.3bn
 - ◆ Due to banks increased by 25.1% to QAR 12.7bn
 - ◆ Debt securities down 2.3% to QAR 11.5bn

Liabilities mix



Assets mix



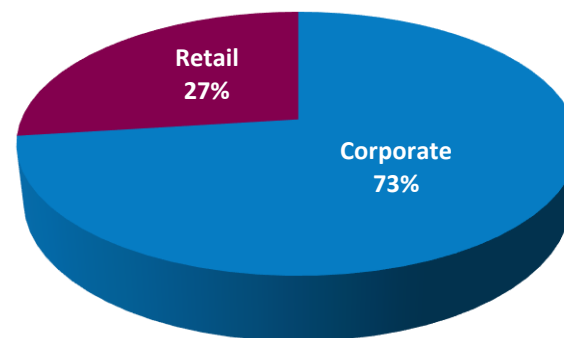
Loan Book Breakdown – 30 September 2017



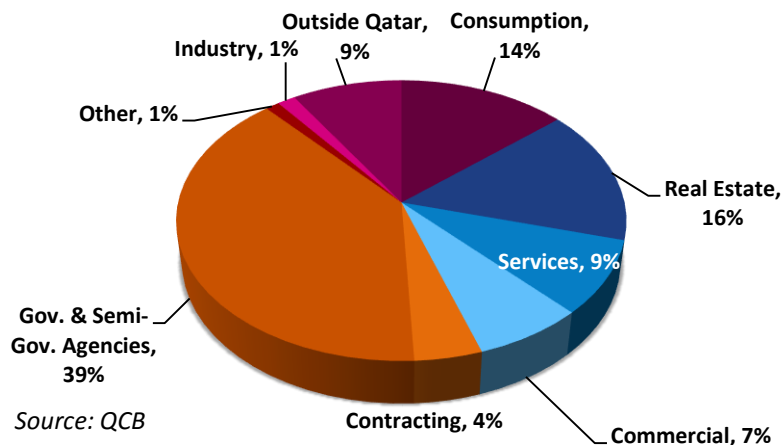
Summary

- ◆ Loans to customers at QAR 84.5bn, up 11% v 9M 16.
 - ◆ Growth mainly in Government & Public sector and Services sector.
- ◆ Loan book diversified across industry sectors
- ◆ Corporate customers represent 73% of total loan book
- ◆ Focus on improving market share in Government and Semi-Government with a strong deal pipeline and undrawn commitments.

Loan book breakdown by division



Qatari banks credit facilities breakdown by sector - Aug 2017



Loan book breakdown by sector – September 2017

Sector	30.9.17	31.12.16
Govt and Public Sector	12%	10%
Industry	7%	7%
Commercial	8%	12%
Services	26%	18%
Contracting	8%	10%
Real Estate *	25%	28%
Consumption	11%	12%
Other	3%	3%
	100%	100%

*Some clients were re-classified into Real-estate sector in June 2017 and previous period post a detailed portfolio review.

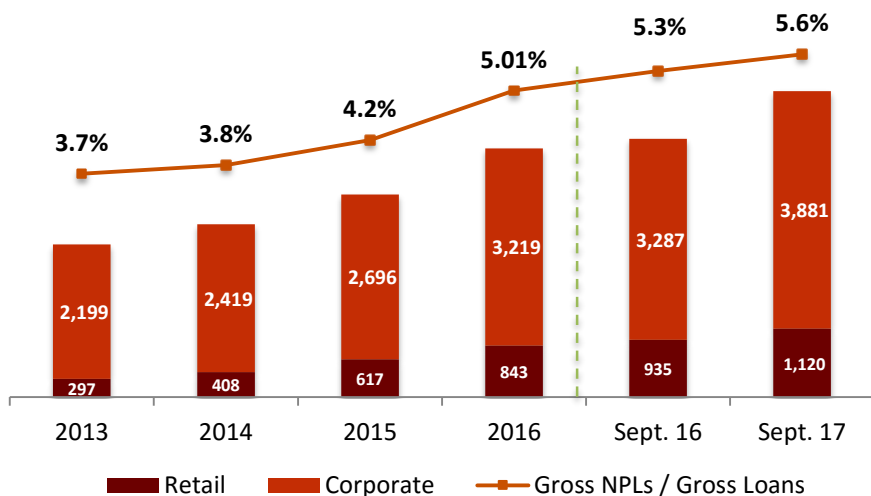
Asset Quality – 30 September 2017: Loan coverage improves as prudent provisioning continues in line with strategic plan



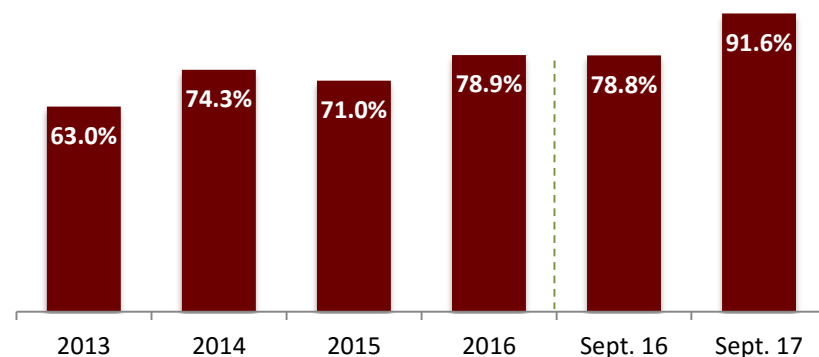
Summary

- ◆ Net Provision for loan loss of QAR 1,451m v QAR 1,108m in 9m 16
 - ◆ QAR 1,142m for Wholesale
 - ◆ QAR 200m for Retail
 - ◆ QAR 109m for ABank
- ◆ NPL ratio 5.6% at 9m 17 v 5.3% at 9m 16
- ◆ Loan coverage at 91.6% v 78.8% at 9m 16
- ◆ Risk reserve of QAR 1,888m; total loan loss coverage of 129.3%

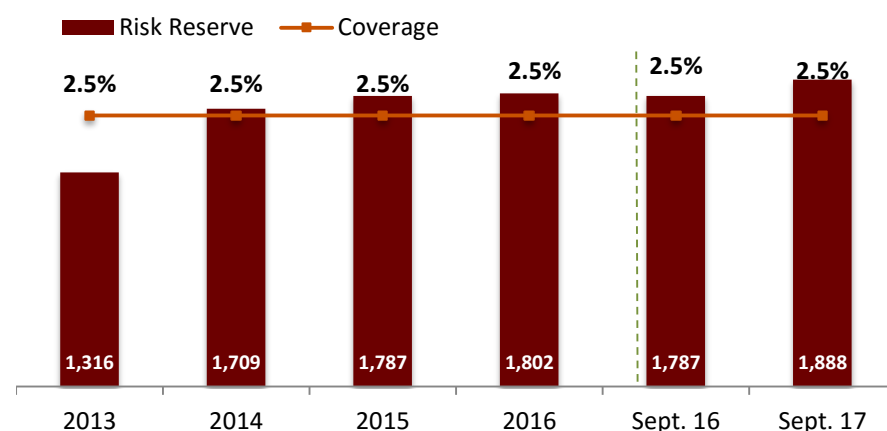
Non-performing loan ('NPL') ratio (90 day basis)



Loan coverage ratio



Risk reserve (QAR million)



Risk reserve ratio represents risk reserve over total loans & advances net of specific provisions, IIS, deferred profits of IB, lending to MOF and cash collateral

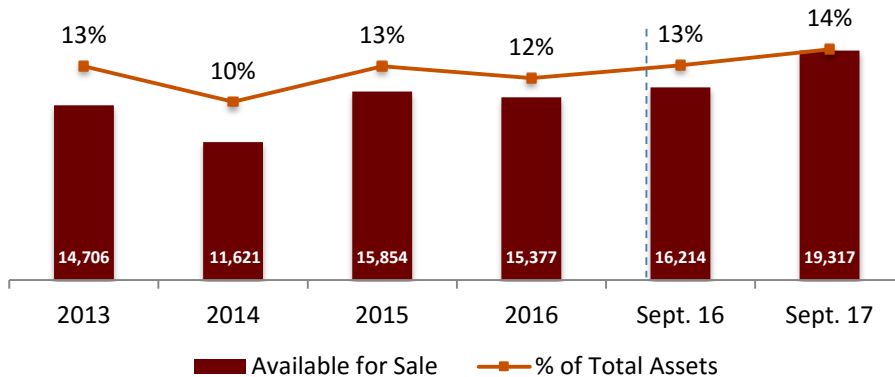
Investment Portfolio – 30 September 2017: High asset quality with 91% of the portfolio invested in HQLA Government Bonds



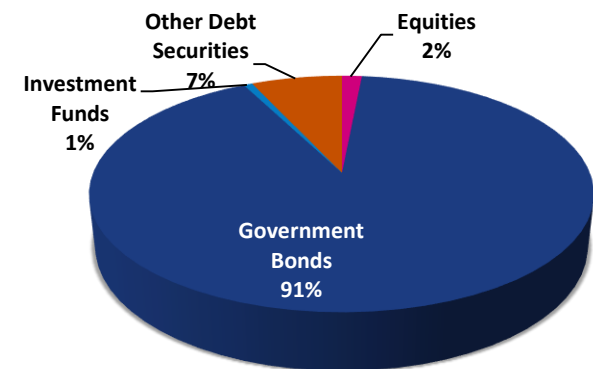
Summary

- ◆ Investment portfolio up 19.1% to QAR 19.3bn v 9m 16
 - ◆ Driven by Purchase of Government Bonds, offset by a decrease in the equity portfolio as we exit from non core business activities
- ◆ 91% Government Bonds and QCB T-Bills
- ◆ Investment income of QAR 51m in 9m 17 v QAR 152m in 9m 16 mainly due to the decrease in gains on sale from securities
- ◆ Investment provisions of QAR 37m in 9m 17 v QAR 68m in 9m 16

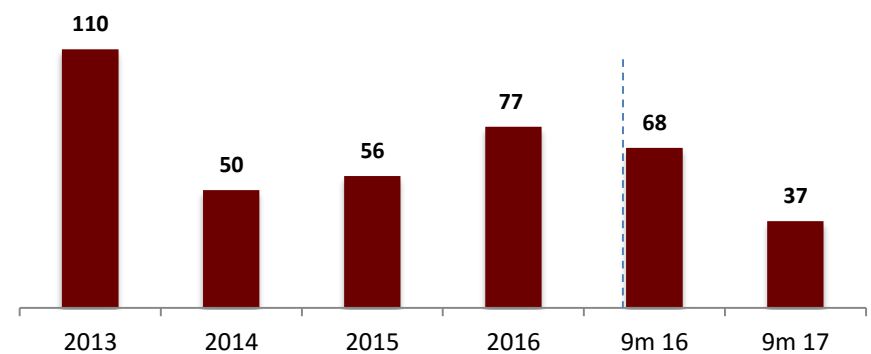
Investment portfolio evolution (QAR million)



Investment portfolio – 30 September 2017



Investment portfolio provisions (QAR million)



Funding Breakdown – 30 September 2017



Summary

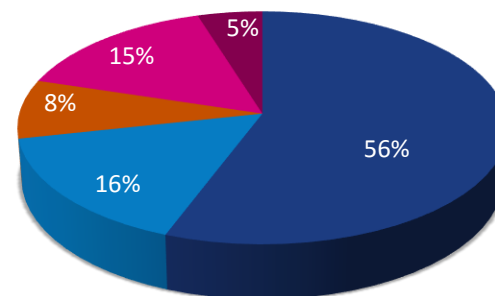
- ◆ Customers' deposits up 9.8% to QAR 73.3bn v 9m 16 representing 56% of the total funding base
- ◆ Well diversified funding mix
- ◆ Shareholders' equity represents 16% of funding mix
- ◆ Key liquidity ratios maintained above levels set by QCB
- ◆ Compliant with Basel III liquidity ratio requirements

Debt issued and other borrowed funds

QAR Million	30.09.17	30.09.16
Subordinated Note	3,434	3,444
EMTN (Bond) (Fixed Rate due Apr 2017)	-	1,817
EMTN (Bond) (Fixed Rate due June 2019)	2,721	2,716
EMTN (Bond) (Fixed Rate due June 2021)	2,707	2,703
Senior Notes	1,152	1,093
Other loans (including CPs)	11,467	11,295
Total	21,481	23,068

Total funding mix – 30 September 2017

- Customers' Deposits
- Total Shareholders' Equity
- Due to Banks and Financial Institutions
- Debt Securities & Other borrowings
- Other Liabilities



Commercial Bank credit ratings

Rating Agency	Foreign Currency Bank Deposits/IDR		Bank Financial Strength / Individual	Outlook	Date
	LT	ST			
Moody's	A2	Prime 1	baa3	Negative	Aug-17
Fitch	A	F1	bbb-	Negative	Aug-17
S&P	BBB+	A-2	bbb-	Negative	Aug-17

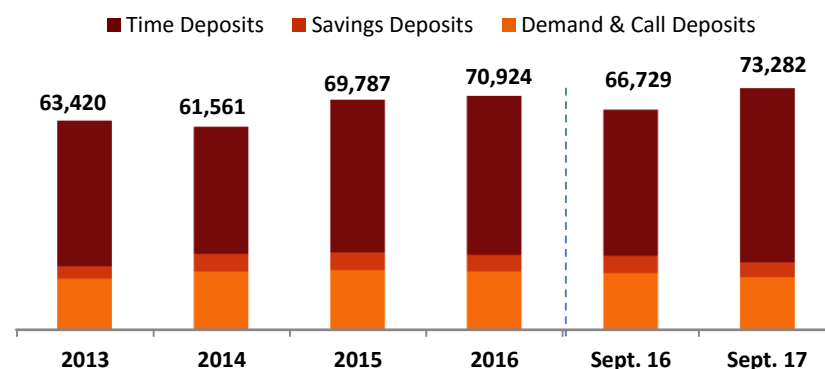
Deposit Breakdown – 30 September 2017



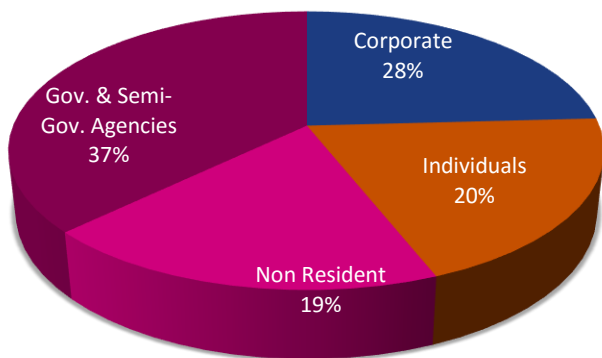
Summary

- ◆ Customers' deposits increased by 9.8% to QAR 73.3bn v 9m 16
- ◆ Diversified deposit mix with Government and Semi-Government at 31% , corporate at 41% and individuals at 28%
- ◆ Qatar resident mix 72% vs non resident 28%
- ◆ Minimal Exposure to Impacted GCC countries of QAR 136m

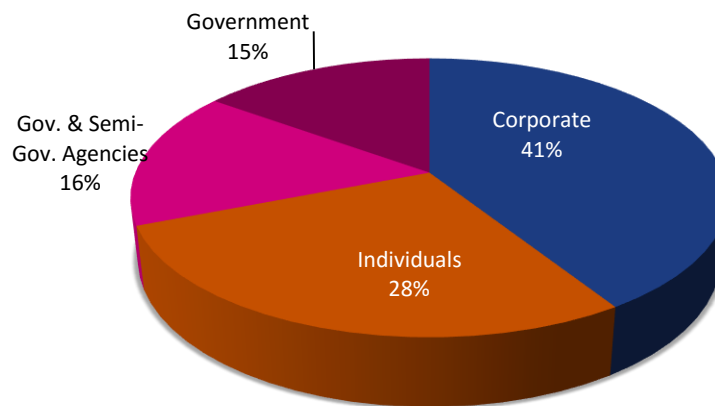
Customers' deposits (QAR million)



Qatari banks deposits breakdown by sector – August 2017



Deposits by customer type – September 2017



Source: QCB

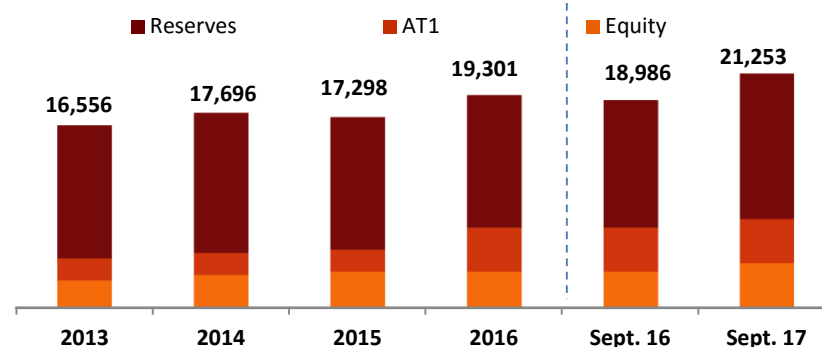
Capitalization Levels – 30 September 2017



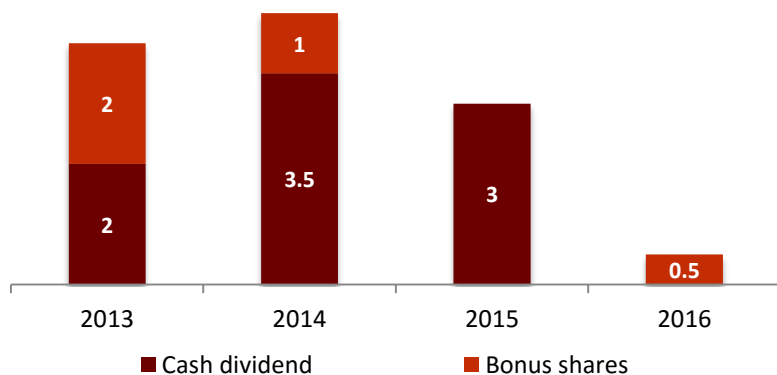
Summary

- ◆ Total equity at QAR 21.3bn, up by QAR 1.9bn from December 16, due to:
 - ◆ 9m 17 profit of QAR 259 m
 - ◆ Rights issue of QAR 1.5bn
 - ◆ Increase in Fair value reserve of QAR 206m
- ◆ Capital Adequacy Ratio at 16.0% (Basel III)

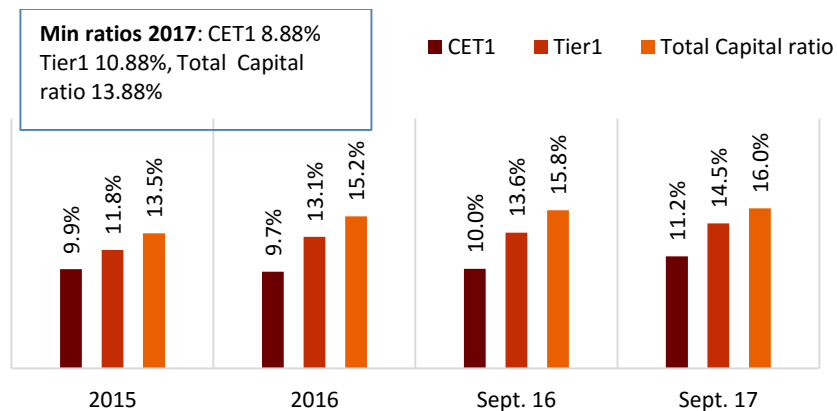
Total equity (QAR million)



Dividend distribution per share (QAR)



Capital Adequacy Ratio (Basel III)



Min ratios 2017: CET1 8.88%
Tier1 10.88%, Total Capital ratio 13.88%



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Commercial Bank Financial Performance – Nine Months Ended 30 September 2017 (Domestic)



Profitability

QAR Million	9m 2017	9m 2016	%
Net interest income	1,531	1,520	1%
Non-interest income	778	829	-6%
Total costs	(779)	(926)	16%
Net provisions	(1,379)	(991)	-39%
Net profit	152	432	-65%

Balance Sheet

QAR Million	30.09.17	30.09.16	%
Total assets	116,876	106,694	10%
Loan & advances	71,101	63,363	12%
Investment Securities	16,868	13,782	23%
Customers' deposits	64,202	58,220	10%
Shareholders' equity	21,686	18,309	18%

Performance Ratios

	30.09.17	30.09.16
ROAE	1.0%	3.3%
ROAA	0.2%	0.5%
NIM	2.2%	2.2%

Capital

	30.09.17	30.09.16
RWA (QAR million)	101,094	91,201
CET 1 ratio	11.7%	10.2%
Total Capital ratio	15.8%	15.6%



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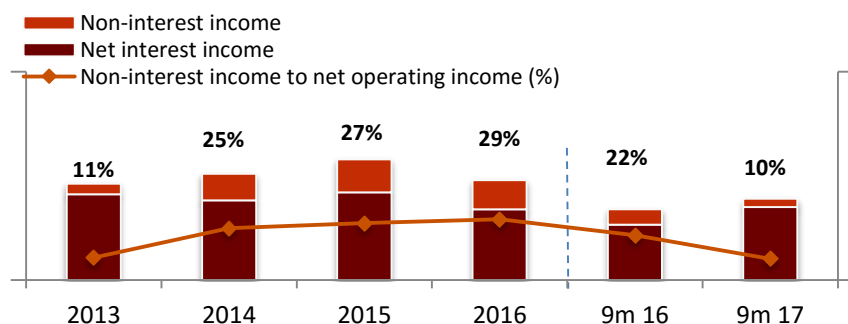
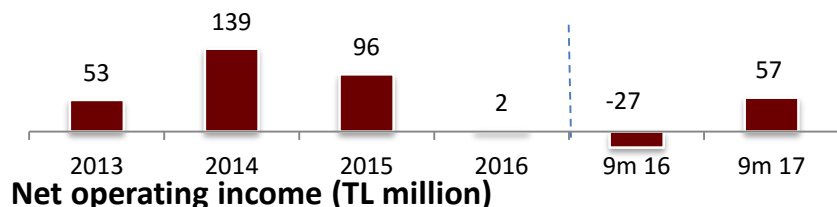
ABank Results – Half -Year Ended 30 September 2017



Alternatifbank of Turkey (ABank)

- ◆ Net profit after tax at TL 57m v net loss after tax of TL 27m in 9m 16
- ◆ Operating income up by TL 52m v 9m 16
- ◆ Operating expenses down by TL 11m v 9m 16
- ◆ Lower provisions by TL 40m compared to 9m 16
- ◆ Loan book up to TL 13bn v TL 10.1bn in Sept. 16
- ◆ Customers' deposits up to TL 8.8bn v TL 6.9bn in Sept. 16

Net Profit (TL million)



Profitability

TL million	9m 2017	9m 2016
Operating Income	391	339
Total Operating Expenses	(215)	(226)
Total Provisions	(108)	(148)
Profit / (Loss) before tax	68	(35)
Tax (Expense) /Credit	(11)	8
Net Profit / (Loss)	57	(27)

Balance Sheet

TL million	30.09.17	30.09.16
Assets		
Cash and Balances with Central Bank	2,070	1,606
Due from banks	431	518
Loans and advances to customers	12,973	10,108
Total Investments	2,395	1,990
Other Assets	1,005	655
Total Assets	18,874	14,877
Liabilities & Equity		
Due to banks	1,414	1,084
Customers' deposit	8,838	6,907
Other borrowed funds	6,243	5,277
Other Liabilities	735	471
Shareholders Equity	1,644	1,138
Total Liabilities and Equity	18,874	14,877

Associates' Performance – Nine Month Ended 30 September 2017



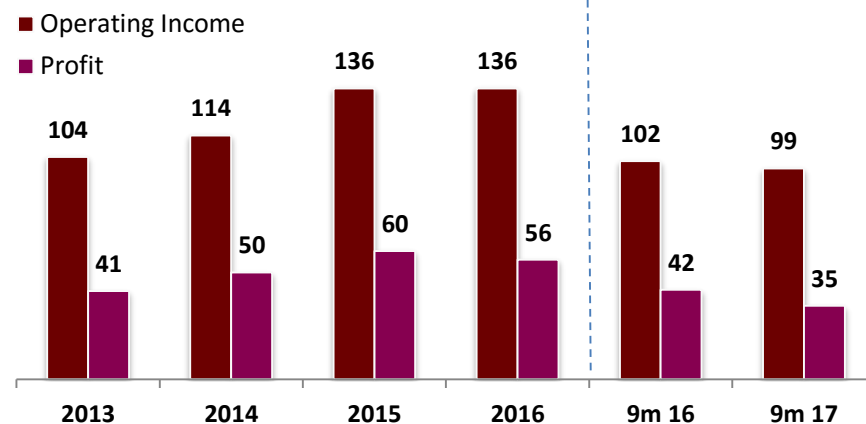
National Bank of Oman (NBO)

- ◆ Net profit after tax at OMR 35m, down 18% from OMR 42m in 9m 16
- ◆ Net operating income OMR 99m, down 3.7% from OMR 102m in 9m 16
 - ◆ Net interest income up 1% to OMR 71m
 - ◆ Non-interest income up 6% to OMR 28m
- ◆ Net provisions OMR 12.6m up by OMR 3.3m from OMR 9.3m in 9m 16
- ◆ Loan book stabilized at OMR 2.7bn v Sept. 16
- ◆ Customers' deposits increased by 2.9% to OMR 2.5bn v Sept. 16

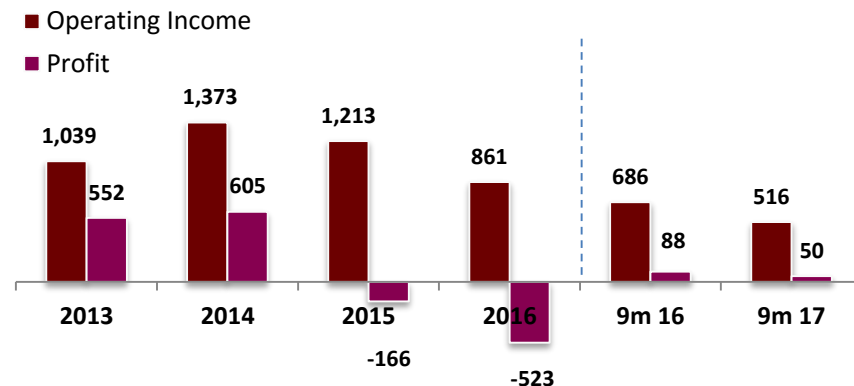
United Arab Bank (UAB)

- ◆ Net profit of AED 50m, down AED 38, from AED 88m in Sept. 16
- ◆ Net operating income down 25% to AED 516m v AED 686m in Sept. 16
 - ◆ Net interest income down 24% to AED 376m
 - ◆ Non-interest income down 27% to AED 140m
- ◆ Provisions decreased to AED 94m v AED 232m in 9m 16
- ◆ Loan book down by 7.4%, to AED 12.9bn v Sept. 16
- ◆ Customers' deposits down 1.5% to AED 14.3bn v Sept. 16

NBO Performance (OMR million)



UAB Performance (AED million)





- CONSOLIDATED HIGHLIGHTS AND PERFORMANCE
- COMMERCIAL BANK FINANCIAL PERFORMANCE
- SUBSIDIARIES AND ASSOCIATES FINANCIAL PERFORMANCE
- **STRATEGIC INTENT**

Strategic intent



- 1** Maintain a minimum CET1 range of 11.0% to 11.5%
- 2** De-risk legacy assets, diversify the portfolio and proactively exit high risk names
- 3** Reshape and diversify our loan book
- 4** Costs broadly held flat until CB moves back into alignment with the market average
- 5** Focus on client experience as a key differentiator
- 6** Deepen our digital leadership through end-to-end process automation
- 7** 'One Team – One Bank' culture
- 8** Market leader for compliance and good governance
- 9** A region-wide 'Alliance of banks' with closer integration of risk protocols and business strategy for sustainable earnings

البنك التجاري
COMMERCIAL
BANK



Thank you

كل شيء يمكن تحقيقه
everything is possible