

البنك التجاري
COMMERCIAL
BANK



THE COMMERCIAL BANK (Q.S.C)

Financial Results

For the Quarter Ended 31 March 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

<p>✓ Results</p>	<ul style="list-style-type: none"> • Net profit of QAR 91.2 million. Results continue to be impacted by loan loss provisioning. • Net operating income increased by 4% to QAR 530 million. Highest in the last 5 quarters. • Results are a conscious outcome of the strategic plan that was communicated. We are on track with our strategic plan.
<p>✓ Capital</p>	<ul style="list-style-type: none"> • Increased capital through revaluation of fixed assets in Q4 2016 and a rights issue in Q1 2017. • Retained capital through a 5% bonus share pay-out and no cash dividend. • CET1 now at 11.2%, Tier 1 at 14.6% and CAR at 16.1%.
<p>✓ Reshaping Loan Book</p>	<ul style="list-style-type: none"> • Loan book growth of 5% in Q1 2017 as compared to 2.4% in Q4 2016. • Re-shaping profile of the lending book, by diversifying risk and opportunity across a wide range of sectors. Built strong pipeline of lending.
<p>✓ Provisioning</p>	<ul style="list-style-type: none"> • Action on NPLs continued as per strategic intent • We expect provision levels to continue for the next few quarters. • NPL ratio stable at 5% and loan coverage ratio improved to 86%.
<p>✓ Costs</p>	<ul style="list-style-type: none"> • Concerted efforts to reduce costs resulting in 15% lower opex in Q1 2017 at consolidated level as compared to Q1 2016 and an improved C/I ratio of 40%. • At the domestic level costs are lower by 8% with a C/I ratio of 36%.
<p>✓ Subsidiaries & Associates</p>	<ul style="list-style-type: none"> • ABank now a 100% subsidiary with full Board control; ABank delivered a net profit of QAR 14.4 million as compared to a loss of QAR 55.8 million in Q1 2016. • NBO improved performance due to lower provisions, whilst UAB continues to make positive progress in re-shaping its business.

Progress against our 5-year plan



QAR Million	Group			Bank		
	Q1 2017	Q4 2016	Q1 2016	Q1 2017	Q4 2016	Q1 2016
CET 1	11.2%	9.7%	10.3%	11.4%	9.6%	10.8%
CAR	16.1%	15.2%	15.0%	15.2%	14.7%	15.7%
Costs	355	413	421	281	324	301
Operating profit	531	444	508	491	386	531
C/I Ratio	40%	48%	45%	36%	45%	36%
Lending Volume	82,029	77,797	75,514	70,475	65,910	63,711
Real estate lending	22%	23%	26%	26%	30%	32%
Public sector lending (*)	9%	10%	10%	11%	12%	11%
NIM (**)	2.2%	2.2%	2.3%	2.2%	2.2%	2.3%
NII	599	540	624	531	488	519
Non interest income (***)	287	317	305	251	237	313

* - Impacted by seasonal movement of one entity otherwise would have been 10%

** - NIM impacted by increased suspended interest, impact is 4 bps

*** - Non interest income impacted by QAR 13 m due to fee amortisation

Consolidated Highlights – Quarter Ended 31 March 2017



Summary

◆ Financial results

- Q1 2017 **Net profit** QAR 91m
- **Net operating income** increased 4% to QAR 530m
- **Total Assets** up 9.5% to QAR 135.1 bn vs Q1 2016
- NPL ratio at 5%, loan coverage up to 85%
- Cost to Income Ratio decreased to 40% from 45% in Q1 2016

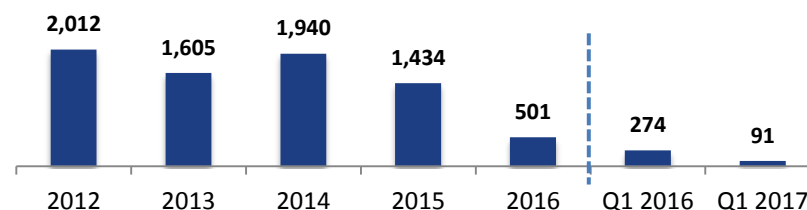
◆ Expansion and active management of balance sheet

- Lending up 8.6% to QAR 82bn
- Deposits stable at QAR 72.6bn
- NIM down at 2.2%, compared to 2.3% in Q1 2016

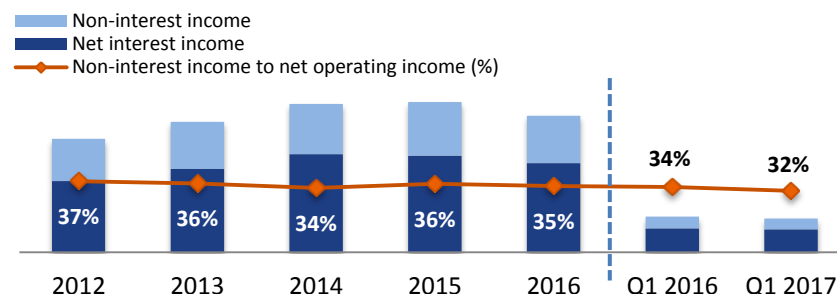
◆ Strong capital base maintained (as at 31 March 2017)

- CET 1 under Basel III of 11.2%
- CAR under Basel III of 16.1%
- Rights Issue of QAR 1.5 billion completed in Q1 2017

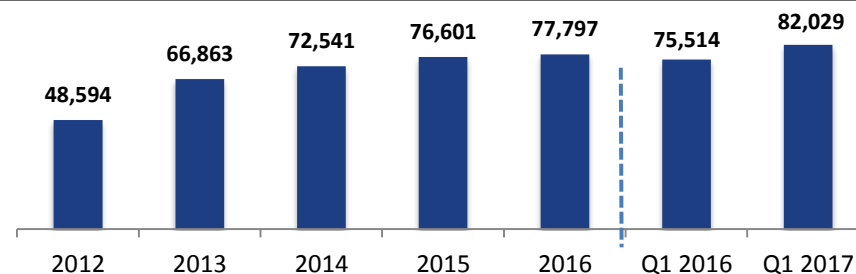
Net profit (QAR million)



Net operating income



Loans and advances to customers (QAR million)





Consolidated Financial Performance – Quarter Ended 31 March 2017

Consolidated Profitability

QAR Million	31.3.17	31.3.16	%
Net interest income	598	624	(4.2%)
Non-interest income	287	300	(4.3%)
Total costs	355	416	(14.7%)
Net provisions	485	279	73.8%
Associates' income	51	30	70.0%
Net profit	91	274	(66.8%)

Performance Ratios

	31.3.17	31.3.16
ROAE	1.8%	6.1%
ROAA	0.3%	0.9%
NIM	2.2%	2.3%

Consolidated Balance Sheet

QAR Million	31.3.17	31.3.16	%
Total assets	135,061	123,312	9.5%
Loan & advances	82,029	75,514	8.6%
Financial investments	17,168	13,500	27.2%
Customers' deposits	71,878	72,130	(0.3%)
Total equity	20,983	18,731	12.0%

Capital

QAR Million	31.3.17	31.3.16
RWA (QAR million)	118,835	108,015
CET 1 ratio (Basel III)	11.2%	10.3%
Total Capital ratio (Basel III)	16.1%	15.0%

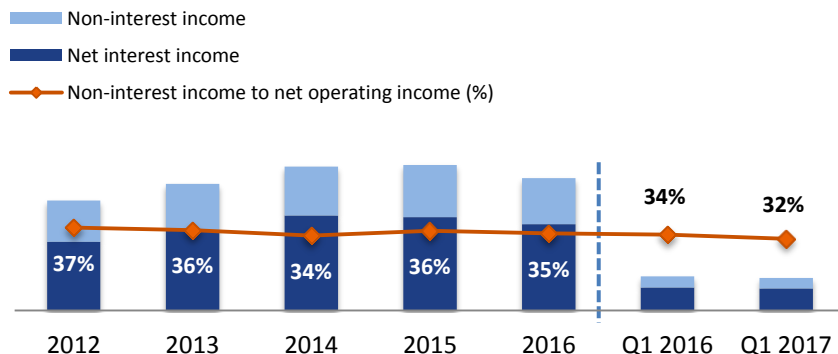
Earnings Performance – Quarter Ended 31 March 2017



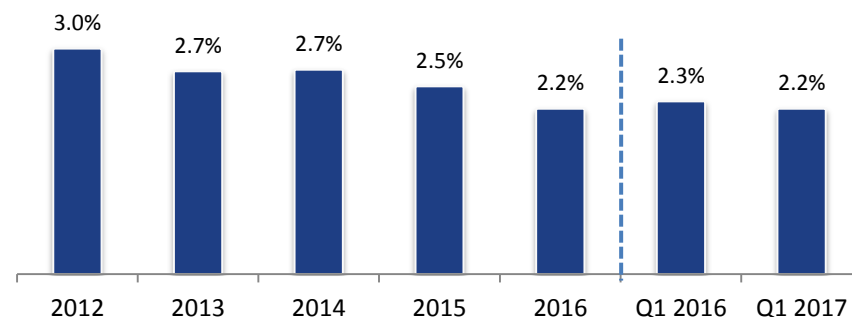
Profitability

- ◆ Net interest income down 4.1% to QAR 598.5m v same period last year
 - ◆ NIM decreased marginally to 2.2%
 - ◆ Non-interest income down 4.3% to QAR 286.9m v Q1 2016
 - ◆ Net fee income down 1.7% to QAR 196.5m
 - ◆ Foreign exchange income up 147% to QAR 58.1m
 - ◆ Investment income down 62% to QAR 16.6m
- ◆ Cost to income ratio at 40.1% v 45.0% in Q1 2016

Net operating income

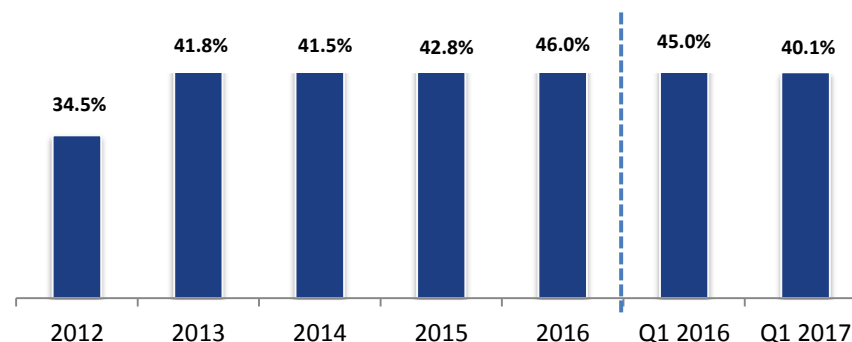


Net interest margin



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

Cost to income ratio



Income includes share of profit of associates

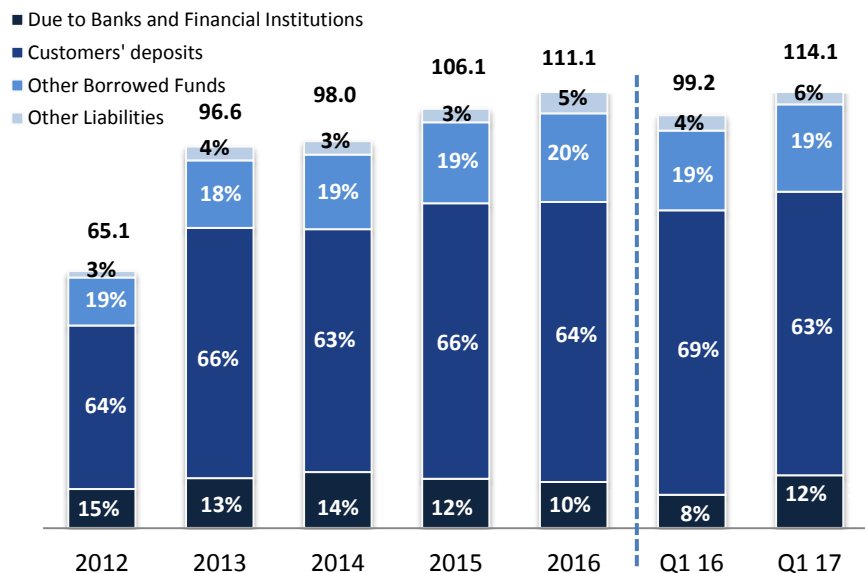
Balance Sheet Structure – Quarter Ended 31 March 2017



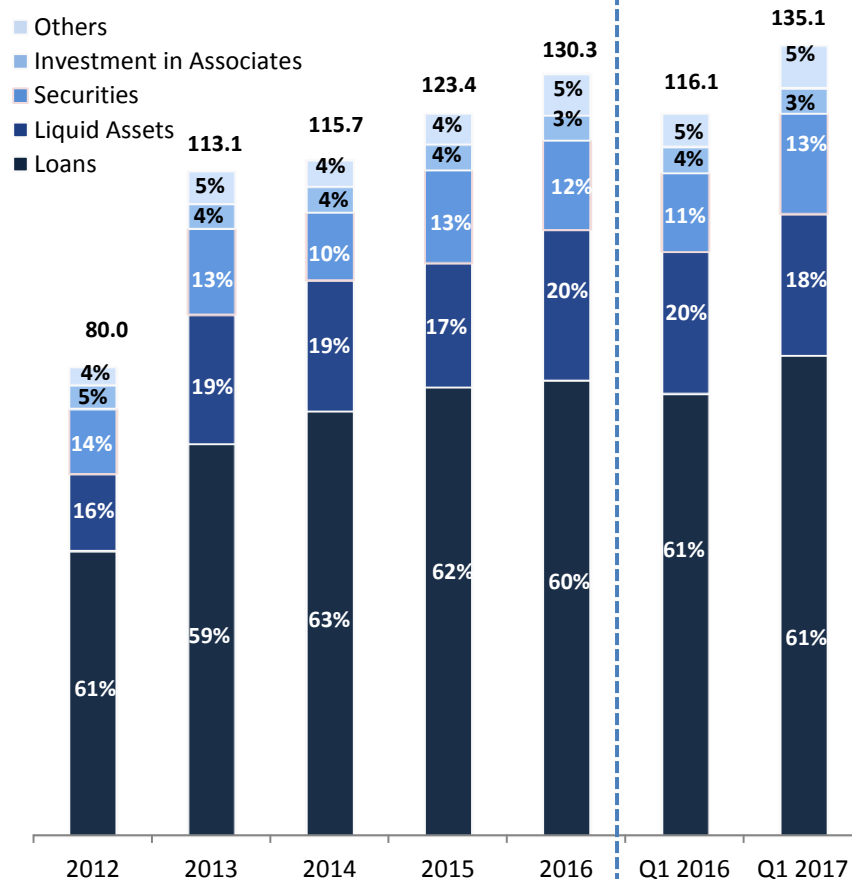
Summary

- ◆ Total assets increased by 9.5% to QAR 135.1bn v Q1 16
 - ◆ Lending to customers up 8.6% to QAR 82bn
 - ◆ Due from banks up 7% to QAR 18.7bn
- ◆ Total liabilities increased by 8.3% to QAR 114.1bn v Q1 16
 - ◆ Inter-bank takings up 59% to QAR 13.3bn
 - ◆ Other borrowings down 15.4% to QAR 10.3bn

Liabilities mix



Assets mix



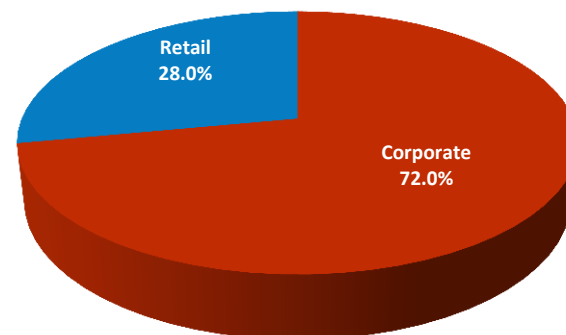
Loan Book Breakdown – 31 March 2017



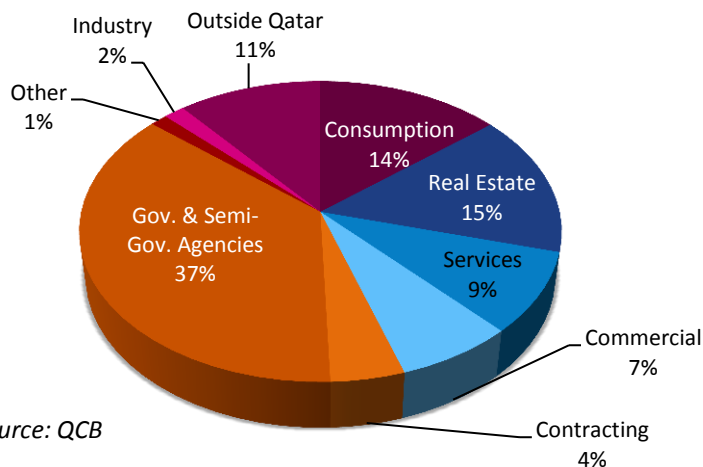
Summary

- ◆ Loans to customers at QAR 82bn, up 8.6% v Q1 16
 - ◆ Growth mainly in services, industry and consumption sectors
- ◆ Loan book diversified across industry sectors
- ◆ Corporate customers represent 72% of total loan book
- ◆ Loan growth in the Qatari bank sector YTD Feb 2017 was 2.8% whereas for CB it was 3.4%

Loan book breakdown by division



Qatari banks credit facilities breakdown by sector – Feb 2017



Source: QCB

Loan book breakdown by sector

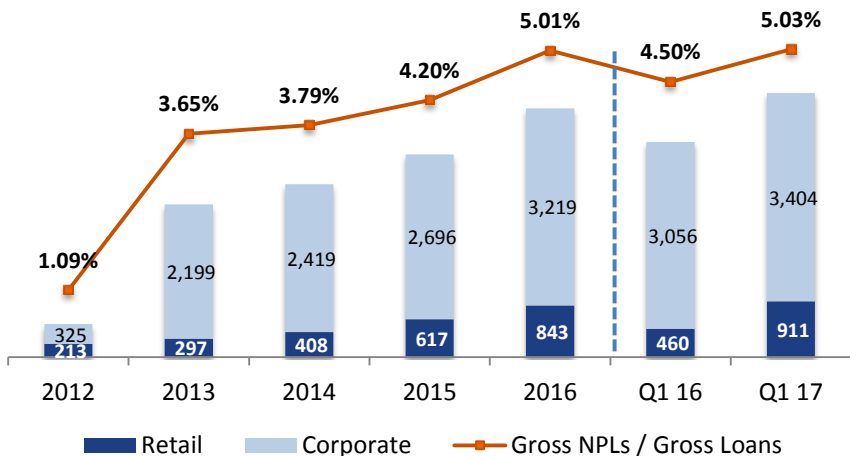
Sector	Mar 17	Dec 16	Mar 16
Govt and Public Sector	9%	10%	12%
Industry	7%	7%	6%
Commercial	8%	13%	12%
Services	27%	20%	14%
Contracting	10%	10%	8%
Real Estate	22%	23%	26%
Consumption	13%	13%	11%
Other	4%	4%	11%
	100.0%	100.0%	100.0%



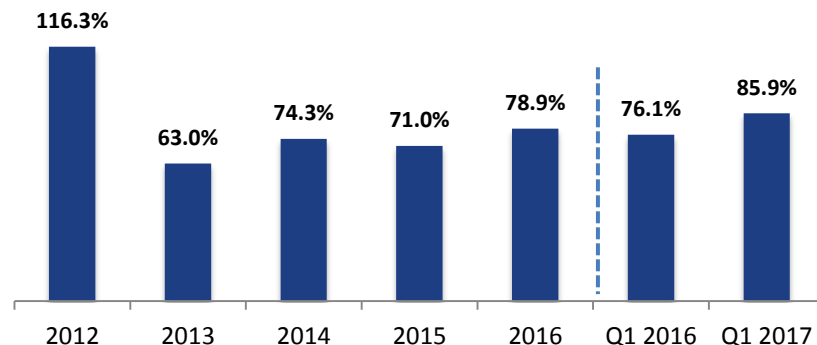
Summary

- ◆ Net Provision for loan loss of QAR 478.7m v QAR 259.1m in Q1 16
 - ◆ Comprising QAR 99.1m for Retail;
 - ◆ QAR 337.6m for Wholesale;
 - ◆ QAR 42m for ABank
- ◆ NPL ratio 5.0% at Q1 17 v 4.5% at Q1 16
- ◆ Loan coverage at 85.9% v 76.1% at Q1 16
- ◆ Risk reserve of QAR 1.92bn; total loan loss coverage of 130.5%

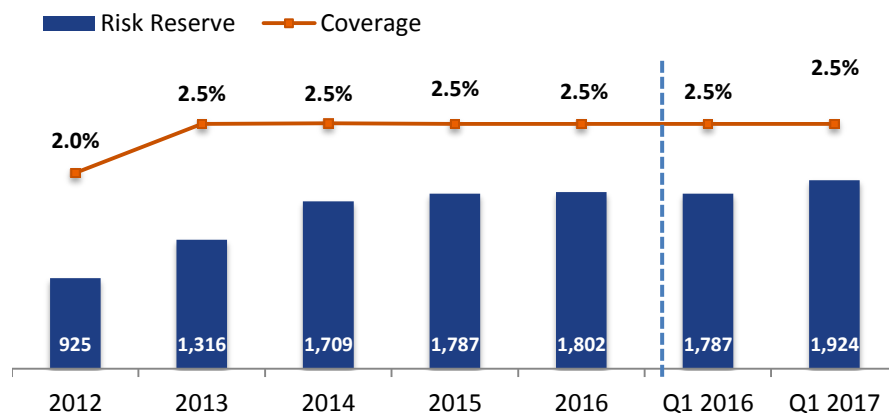
Non-performing loan ('NPL') ratio (90 day basis)



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

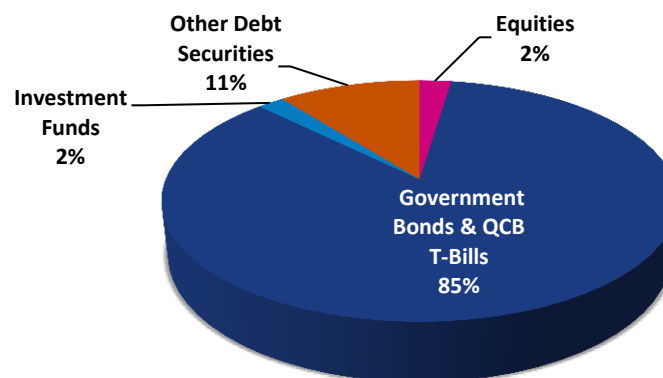
Investment Portfolio – 31 March 2017



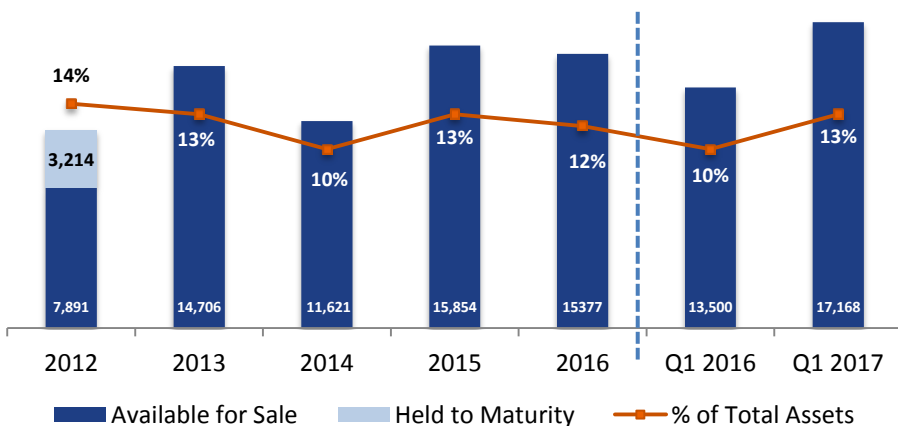
Summary

- ◆ Investment portfolio up 27% to QAR 17.2bn v Q1 16
 - ◆ Due to Purchase of Government Bonds.
- ◆ 85% Government Bonds and QCB T-Bills
- ◆ Strategically running down equity portfolio 4% to 2% in 2 years
- ◆ Investment income of QAR 16.6m Q1 17 v QAR 44.3m in Q1 16
- ◆ Investment provisions of QAR 6m Q1 17 v QAR 20m in Q1 16

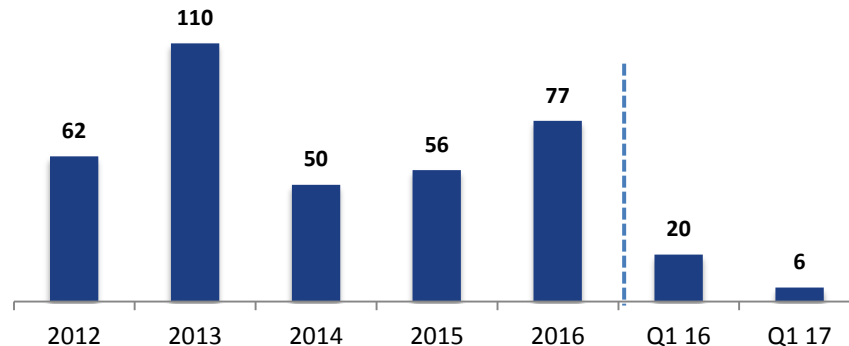
Investment portfolio – 31 March 2017



Investment portfolio evolution (QAR million)



Investment portfolio provisions (QAR million)



Funding Breakdown – 31 March 2017



Summary

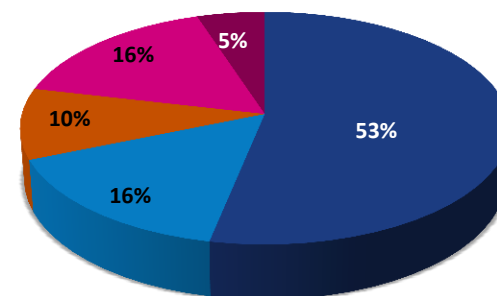
- ◆ Customers' deposits stable at QAR 71.9bn v Q1 16 representing 53% of the total funding base
- ◆ Well diversified funding mix
- ◆ Total equity represents 16% of funding mix
- ◆ Compliant with Basel III liquidity ratio requirements
- ◆ Fitch affirmed the long term IDR to A+ in April 17

Debt issued and other borrowed funds

QAR Million	31.3. 2017	31.3. 2016
Subordinated Note	3,429	2,349
EMTN (Bond) (Fixed Rate due Apr 2017)	1,818	1,813
EMTN (Bond) (Fixed Rate due June 2019)	2,719	2,714
EMTN (Bond) (Fixed Rate due June 2021)	2,705	-
Senior Notes	1,095	1,082
Bilateral/club loans	10,318	12,195
Total	22,085	20,154

Total funding mix – 31 March 2017

- Customers' Deposits
- Total Equity
- Due to Banks and Financial Institutions
- Debt Securities
- 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	Baa2	Stable	Oct 16
Fitch	A+	F1	bbb-	Stable	Apr 17
S&P	BBB+	A-2	bbb-	Negative	June 16

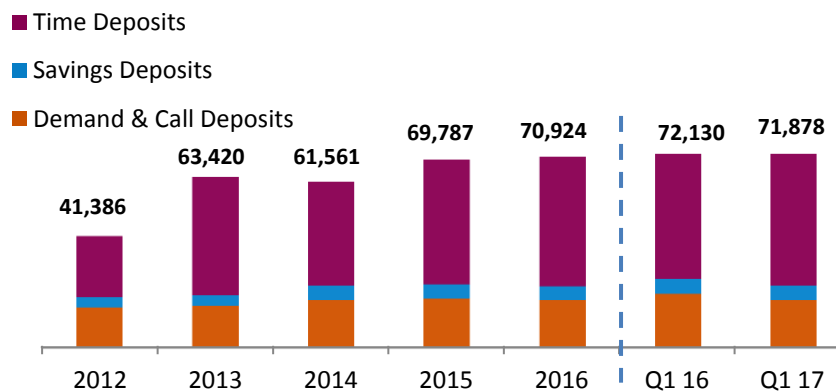
Deposit Breakdown – 31 March 2017



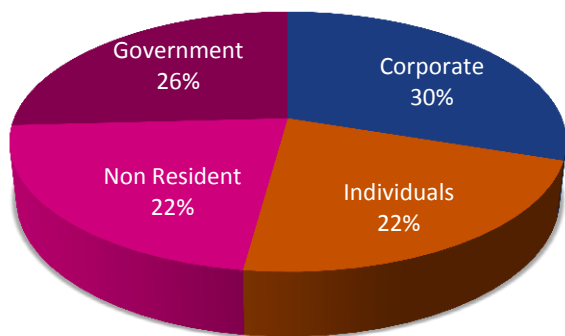
Summary

- ◆ Customers' deposits stable at QAR 71.9bn v Q1 16
- ◆ Good deposit mix with Government and Semi-Government at 18%, corporate at 52%, and individuals at 30%.

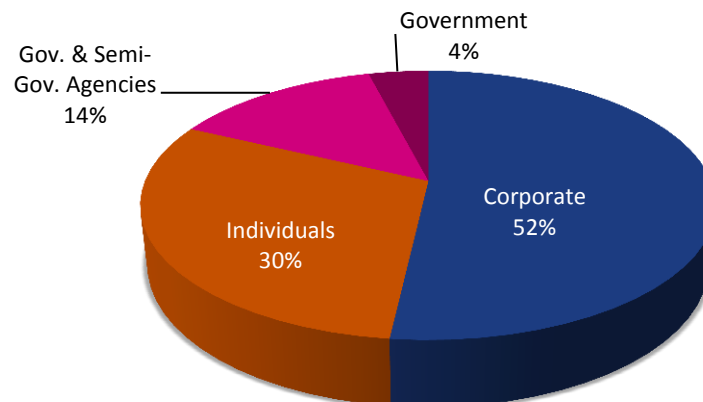
Customers' deposits (QAR million)



Qatari banks deposits breakdown by sector – Feb 2017



Deposits by customer type – Q1 2017



Source: QCB

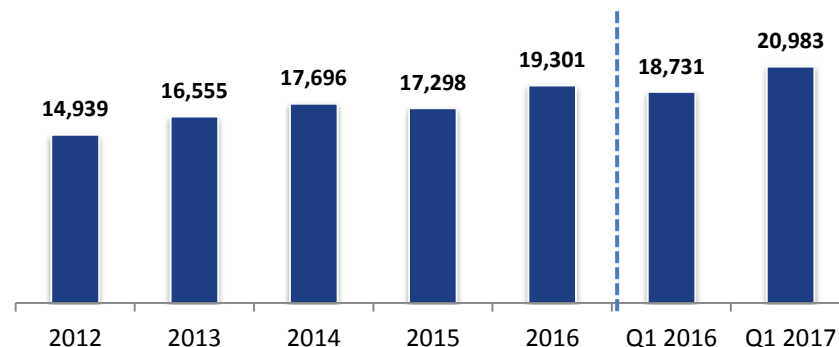
Capitalization Levels – 31 March 2017



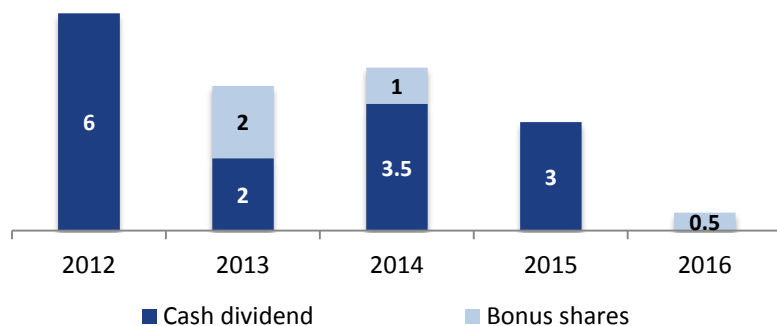
Summary

- ◆ Total equity at QAR 20.9bn, up QAR 1.6bn from Q4 16, due to:
 - ◆ Rights issue of QAR 1.5bn
 - ◆ Increase in risk reserve by QAR 0.1bn
 - ◆ Reduction in negative fair value reserve by QAR 0.2bn
 - ◆ Increase in foreign currency translation reserve by QAR 0.1bn
- ◆ Capital Adequacy Ratio at 16.1% (Basel III)

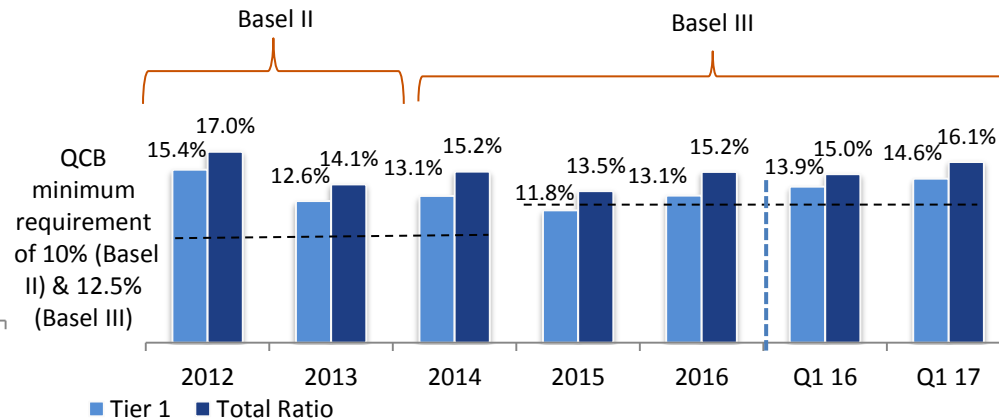
Total equity (QAR million)



Dividend distribution per share (QAR)



Capital Adequacy Ratio





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Commercial Bank Financial Performance – Quarter Ended 31 March 2017



Profitability

QAR Million	Q1 2017	Q1 2016	%
Net interest income	531	529	0.2%
Non-interest income	251	308	(19.2%)
Total costs	281	305	(7.9%)
Net provisions	443	199	122.6%
Net profit	58	334	(80.3%)

Balance Sheet

QAR Million	31.3.17	31.3.16	%
Total assets	119,015	107,053	11.2%
Loan & advances	70,476	63,711	10.6%
Financial investments	16,929	14,045	20.5%
Customers' deposits	64,089	63,855	0.4%
Total equity	21,462	18,285	17.5%

Performance Ratios

	31.3.17	31.3.16
ROAE	1.2%	7.6%
ROAA	0.2%	1.2%
NIM	2.2%	2.3%

Capital

QAR Million	31.3.17	31.3.16
RWA (QAR million)	102,319	91,316
CET 1 ratio (Basel III)	11.4%	10.3%
Total Capital ratio (Basel III)	15.7%	15.7%



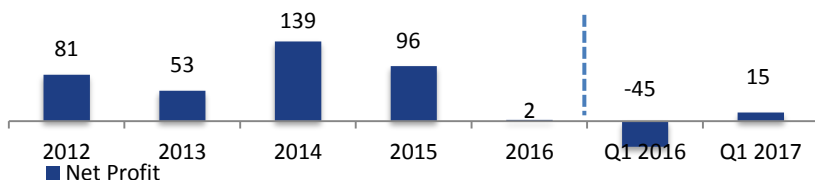
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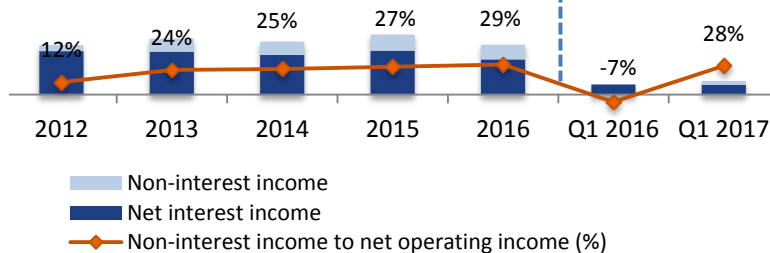
Alternatifbank of Turkey (ABank)

- ◆ Net profit after tax at TL 14.6m v a net loss of TL 45m in Q1 16
- ◆ Operating income up by TL 40m v Q1 16
- ◆ Operating expenses down to TL 70m
- ◆ Provisions down by TL 22.4m compared to Q1 16
- ◆ Loan book up to TL 11.4bn v TL 9bn in Q1 16
- ◆ Customers' deposits up to TL 7.8bn v TL 6.4bn in Q1 16

Net Profit (TL million)



Net operating income (TL million)



Profitability

TL million	Q1 2017	Q1 2016
Operating Income	132	92
Total Operating Expenses	70	85
Total Provisions	43	65
Profit before tax	19	(58)
Tax	(5)	12
Net Profit	14	(45)

Balance Sheet

TL million	31.3. 2017	31.3. 2016
Assets		
Cash and Balances with Central Bank	1,804	1,350
Loans and advances to customers	11,392	8,960
Due from Banks	1,403	1,804
Total Investments	2,452	789
Other Assets	982	620
Total Assets	18,033	13,523
Liabilities		
Customers' deposit	7,763	6,375
Other borrowed funds	7,018	5,153
Due to Banks	1,283	344
Other Liabilities	669	647
Shareholders Equity	1,300	1,004
Total Liabilities and Shareholders' equity	18,003	13,523

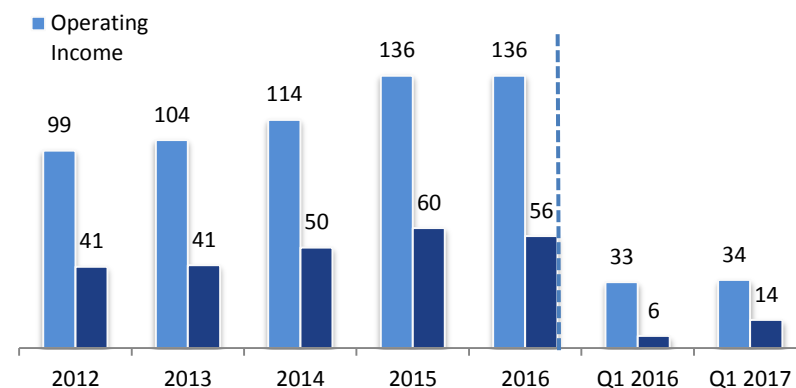
Associates' Performance – Quarter Ended 31 March 2017



National Bank of Oman (NBO)

- ◆ Net profit after tax at OMR 13.8m, up 153% from OMR 5.9m in Q1 16
- ◆ Net operating income OMR 34m, up 2.7% from OMR 33.1m in Q1 16
 - ◆ Net interest income down 3% to OMR 23.9m
 - ◆ Non-interest income up 22% to OMR 10m
- ◆ Net provisions down by 74% to OMR 2.9m
- ◆ Loan book grew 5% to OMR 2.8bn v Q1 16
- ◆ Customers' deposits grew 3% to OMR 2.5bn v Q1 16

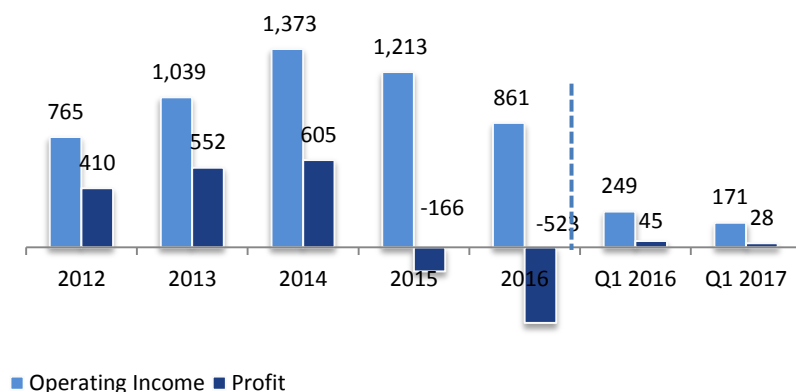
NBO Performance (OMR million)



United Arab Bank (UAB)

- ◆ Net profit of AED 27.8m, down from AED 45m in Q1 16
- ◆ Net operating income down 32% to AED 170m v Q1 16
 - ◆ Net interest income down 37% to AED 119.3m
 - ◆ Non-interest income down 15% to AED 51.4m
- ◆ Provisions decreased to AED 56m v AED 114m in Q1 16
- ◆ Loan book down 12%, to AED 13.5bn v Q1 16
- ◆ Customers' deposits increased by 4% to AED 15.7bn v Q1 16

UAB Performance (AED million)





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Strategic intent



- 1 **Maintain CAR above 15%**
- 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**

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Thank you

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