

البنك التجاري  
COMMERCIAL  
BANK



# THE COMMERCIAL BANK (P.S.Q.C.)

## Investor Presentation

November 2017

كل شيء يمكن تحقيقه  
everything is possible



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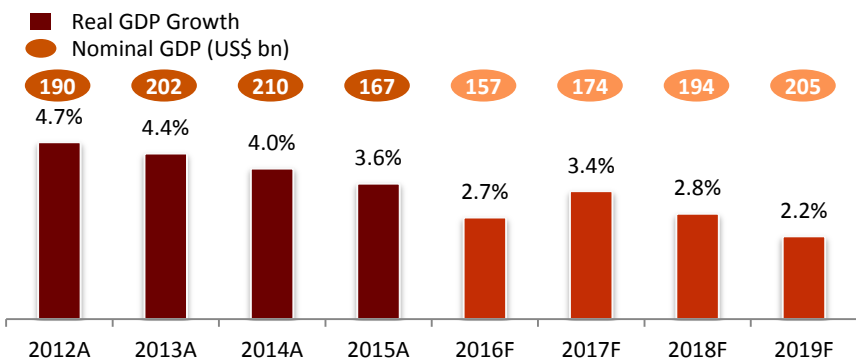
- **QATAR IN PERSPECTIVE**
- COMMERCIAL BANK: SUMMARY HIGHLIGHTS
- STANDALONE FINANCIAL PERFORMANCES
- CONSOLIDATED FINANCIAL HIGHLIGHTS & PERFORMANCE
- APPENDIX

# Qatar in Perspective – A Resilient and Well Diversified Economy...

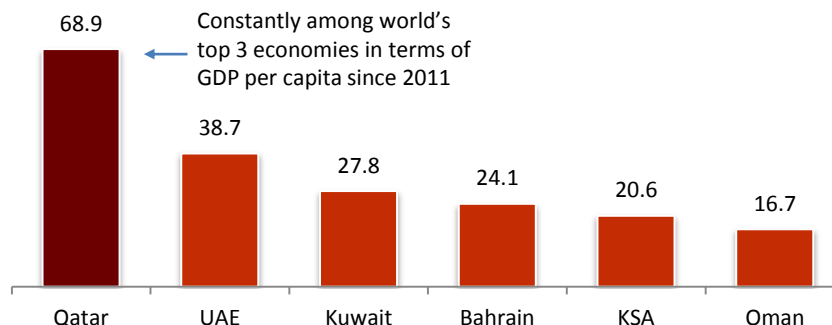
Sovereign Rating: Aa3/ AA- / AA- (Moody's/ S&P/ Fitch)



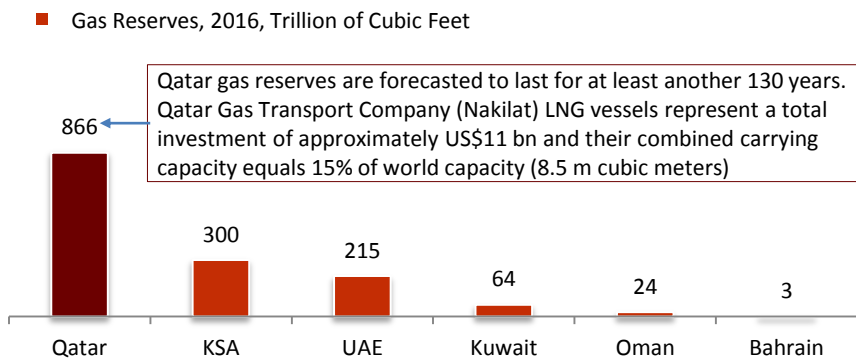
## Attractive Economic Growth



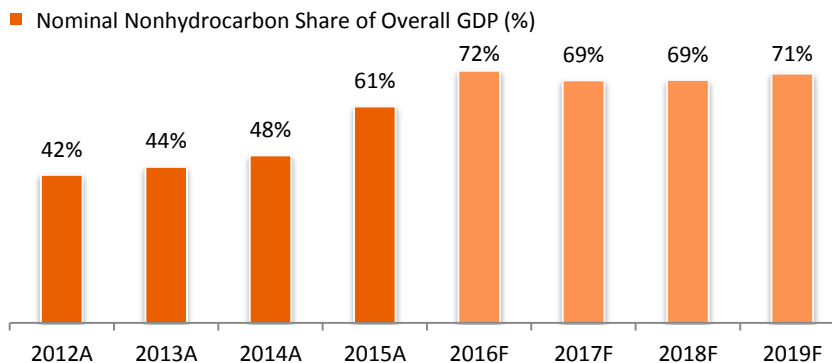
## High GDP per Capita (2015A GDP per Capita, US\$ '000)



## Deep Natural Resources



## Well Diversified Economy, Set for Further Improvement

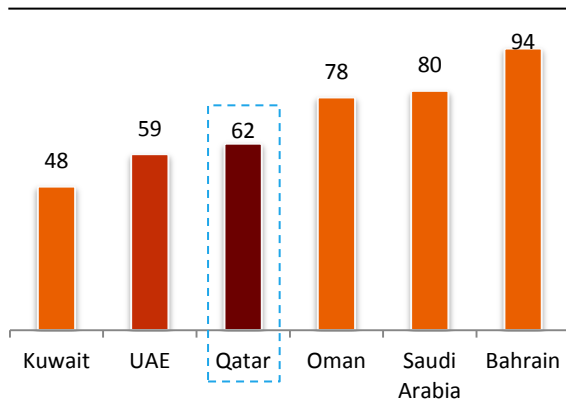


Source: International Monetary Fund, Qatar Country Report; International Monetary Fund, Middle East and Central Africa Regional Economic Outlook; EIA (US Energy Information Administration)

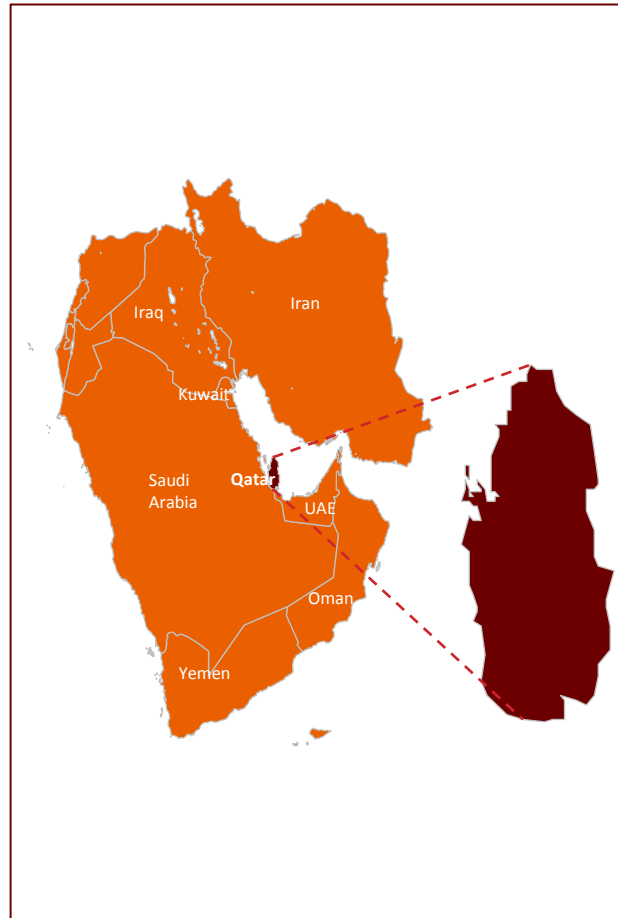
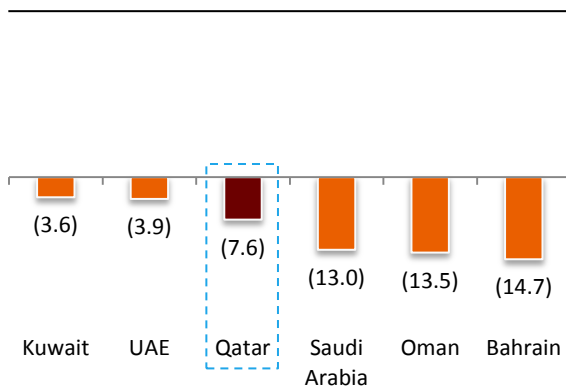
# ...With a Stable Business Environment, Supportive of Foreign Investments



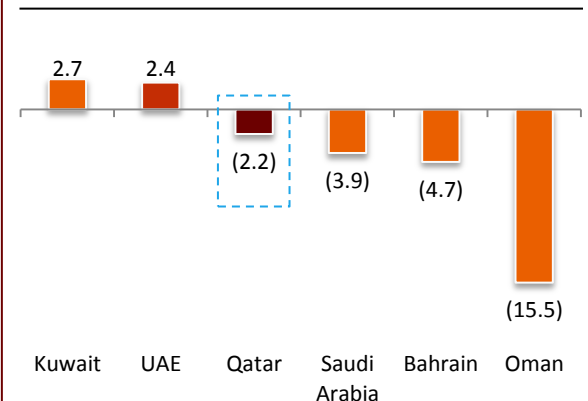
**Fiscal Breakeven Oil Price (US\$) – 2016F**



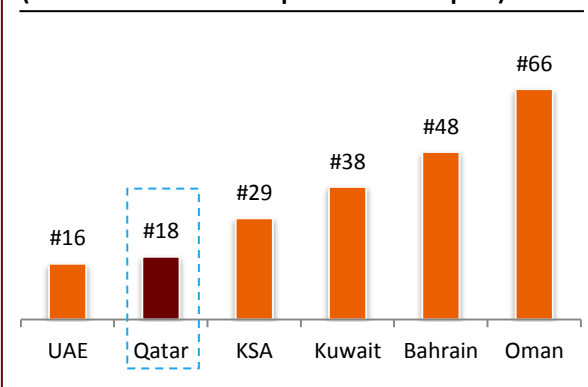
**General Government Fiscal Balance (% of GDP) – 2016F**



**Current Account Balance (% of GDP) – 2016A**



**Highly Competitive Business-friendly Framework (2016-2017 Global Competitiveness Report)**



Source: International Monetary Fund, Middle East and Central Africa Regional Economic Outlook; International Monetary Fund, World Economic Outlook; World Economic Forum, The Global Competitiveness Report

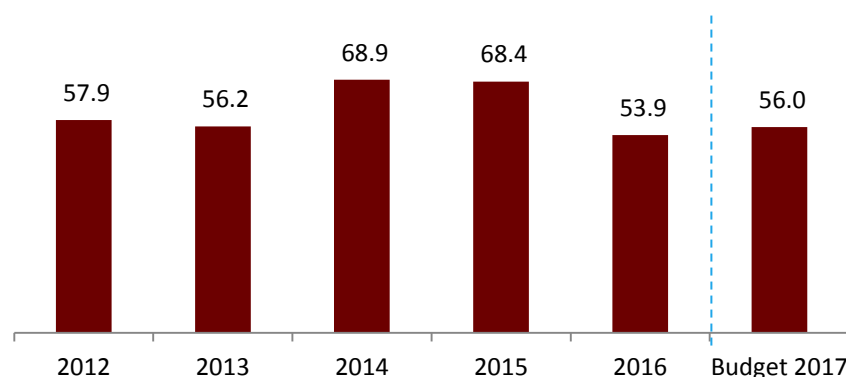
# The Government is Responding to Falling Hydrocarbon Prices



## Ongoing Measures to Improve Government Efficiency

- ◆ In recent years, Qatar’s Government has focused on streamlining and rationalizing its expenditures in light of lower revenues
- ◆ Measures to reduce current expenditures have included reductions of the Government’s subsidy levels in sectors such as fuel
- ◆ Other sectors in which the Government has reduced its subsidy include the healthcare sector and utilities
- ◆ Other measures to reduce current expenditures have included reducing travel and office expenses for Government employees, outsourcing non-core services in Government entities to the private sector and scaling back the activities of State-owned organizations such as Al Jazeera and Qatar Museums
- ◆ In January 2016, H.H. the Emir initiated a Cabinet reshuffle which involved the merger of various Ministries to improve efficiency and reduce redundancies among the Ministries

## Reducing Government Current Expenditure (US\$ billion)



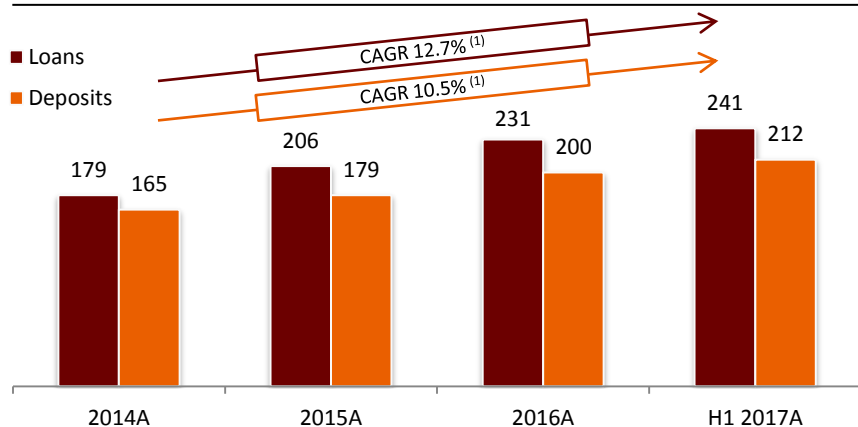
## Subsidy and Tax Reform to Improve Revenues

Removal of Oil Price Subsidies	Healthcare Subsidy Reform	Water and Electricity Reform
<ul style="list-style-type: none"> <li>◆ As a response to the decline in hydrocarbon prices, in 2016, the Government increased domestic prices of gasoline by 30%</li> <li>◆ In addition, until recently local fuel prices were set at fixed prices, which required subsidy spending by the Government</li> <li>◆ However, since May 2016, fuel prices in the local market are now linked to oil products prices in the international market</li> </ul>	<ul style="list-style-type: none"> <li>◆ Until recently, free healthcare was available to all Qatari citizens in the form of Government hospitals as well as private healthcare service providers</li> <li>◆ Under new reforms, Qatari citizens will instead be covered by selected private insurance providers, with any premia being paid by the Government</li> </ul>	<ul style="list-style-type: none"> <li>◆ Previously, residential water consumption was charged at a flat rate and residential electricity consumption was charged at one of two bands</li> <li>◆ Since September 2015 there are five bands with increasing rates per units of consumption for water and six bands for electricity, with overall prices rising</li> <li>◆ The additional revenues generated by this increase in prices will reduce subsidy costs for water and power consumption borne by the Government</li> </ul>

# Qatar Has a Robustly Regulated Banking Sector Benefitting from a Strong Government Support



## Loan Book & Customer Deposit Growth (US\$ billion)



## Strong Prudential Regulatory Framework

<b>Capital</b>	Minimum BIII CAR 13.75% <sup>(2)</sup>
<b>Liquidity</b>	QCB reserve requirement 4.75% of total deposits
<b>Financing</b>	<ul style="list-style-type: none"> <li>Max. financing to deposits (incl. LT debt) ratio 90%</li> <li>Financing to real estate limit: 150% of shareholder's equity and Tier 1 capital</li> </ul>
<b>Ownership</b>	Permitted foreigner ownership up to 49% in listed banks
<b>Provisioning</b>	Risk reserves of min. 2.5% of total credit facilities in addition to NPL provisioning depending on classification of financing

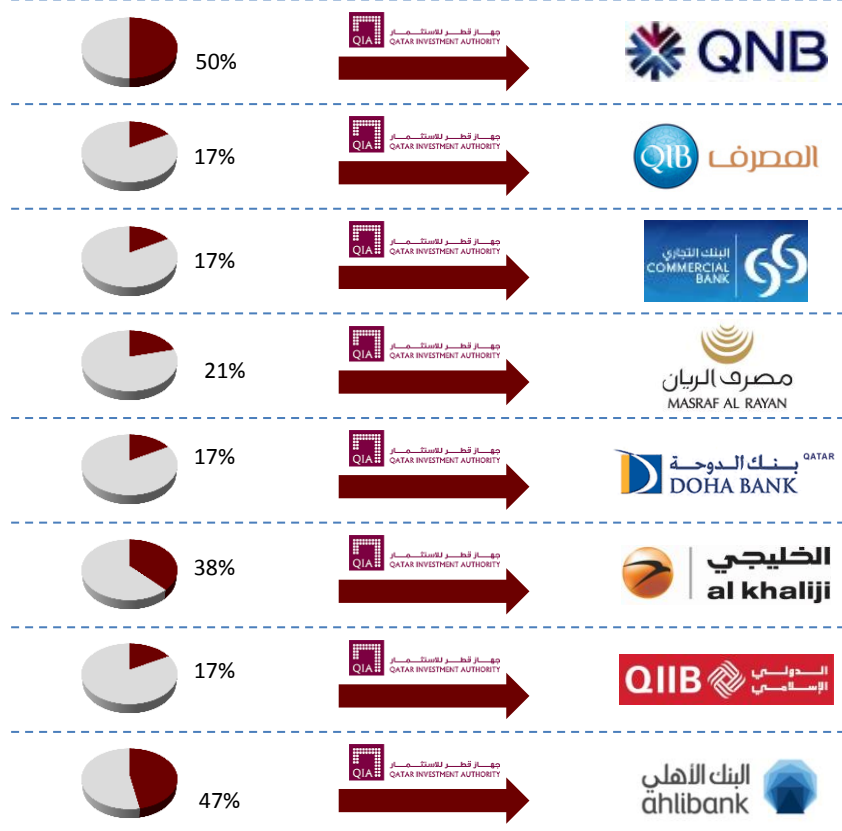
Source: Qatar Central Bank; Bloomberg

(1) CAGR calculated from 31 December 2014 to 30 June 2017

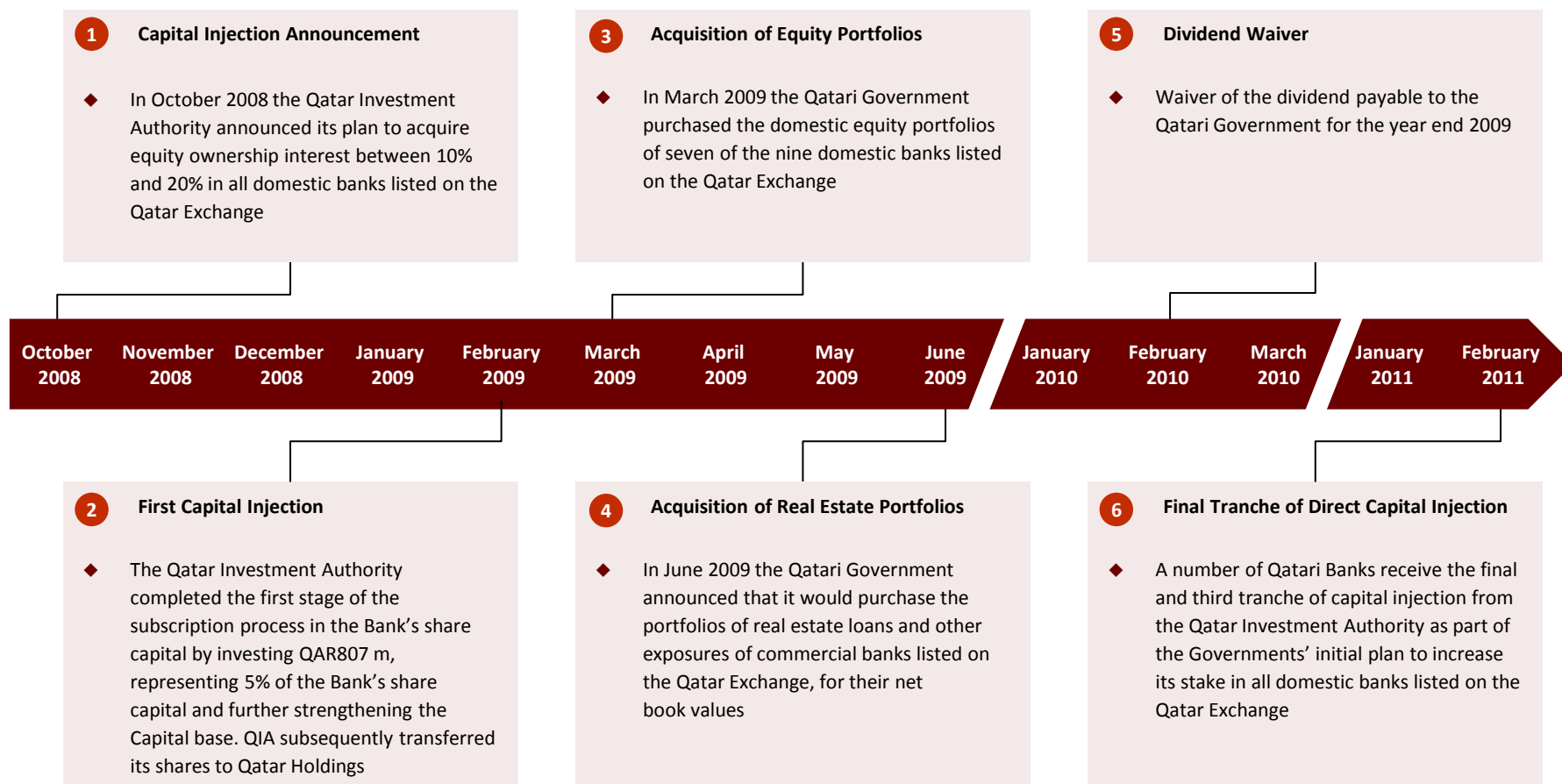
(2) 13.75% includes an ICAAP buffer of 1%

## Qatari Banks Enjoy Strong Government Support

### % Owned by Qatar Investment Authority



# Historical Government Support for the Banking Sector





# Direct Trade Flows Consequences for Qatar



- ◆ Total Qatari exports to Bahrain, Egypt, Saudi Arabia and the United Arab Emirates accounted for 3% of Qatar's GDP in 2016, as Qatar's main export destinations are in Asia
- ◆ Imports from the four countries are also small, accounting for 3% of Qatar's GDP in 2016. Some of these imports are only transited through these countries and trade routes can be diverted, if needed

Country	Exports from Qatar (% GDP)	Imports to Qatar (% GDP)
Saudi Arabia	0.3	0.9
United Arab Emirates	1.9	1.7
Bahrain	0.1	0.2
Egypt	0.7	0.3
Total	3.0	3.1

- ◆ Qatar shifted all imports via shipping channels from the Dubai port to Sohar & Sallalah Ports in Oman
- ◆ Some consumer goods were rapidly substituted by products from Turkey and other countries
- ◆ Most of Qatar Airways flights continue to operate normally, with diversions made where necessary

Source: QNB Economic Research

# Qatar Has One of the Highest Sovereign Credit Ratings



- ◆ Qatar's rating is considered as amongst the highest in GCC (in line with Abu Dhabi and Kuwait)
- ◆ Superior to the credit profile of the likes of Saudi Arabia, Dubai, Oman and Bahrain
- ◆ Three and five year Qatar CDS levels are still low and comparable to Saudi Arabia levels

Country	Moody's	S&P	Fitch	3 year CDS	5 year CDS
Bahrain	B1	BB-	BB+	173	241
Kuwait	Aa2	AA	AA	38	65
Oman	Baa2	BB+	BBB	-	-
Qatar	Aa3	AA-	AA-	67	101
Saudi Arabia	A1	A-	A+	42	81
Abu Dhabi	Aa2	-	-	36	89
Dubai	-	-	-	70	125



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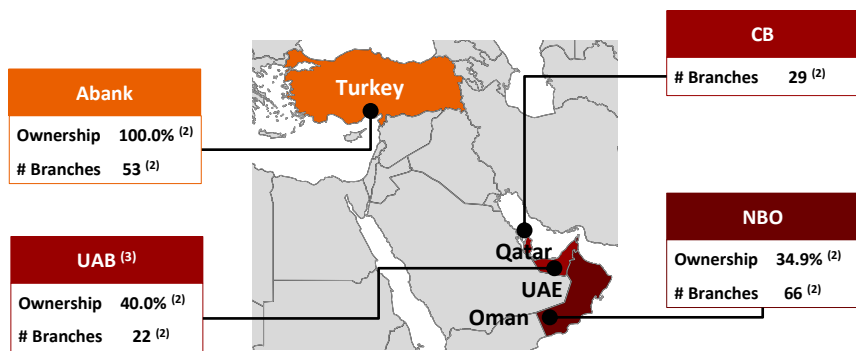
# Commercial Bank Group Overview



## The Commercial Bank Q.S.C. ("CB")

- ◆ Established in 1975, CB is Qatar's 2<sup>nd</sup> largest conventional bank by assets, net loans, customers' deposits and total equity
- ◆ Enjoys an 8.6% <sup>(2)</sup> market share of banks deposits in Qatar
- ◆ Operates a network of 29 branches in Qatar and is present in Turkey, Oman and UAE through its subsidiaries and associates AlternatifBank ("ABank"), National Bank of Oman ("NBO") and United Arab Bank ("UAB")
- ◆ Strong capitalization with Basel III capital adequacy ratio of 16.0% <sup>(2)</sup>
- ◆ Focus on **sustainable controlled growth** in its core business, proactive management of risk, liquidity and capital and continuing improvement in the quality of its service to customers
- ◆ In the long term, **expansion strategy is a blend of strong organic growth in Qatar and international expansion through banking alliances**

## A Diversified Geographical Footprint...

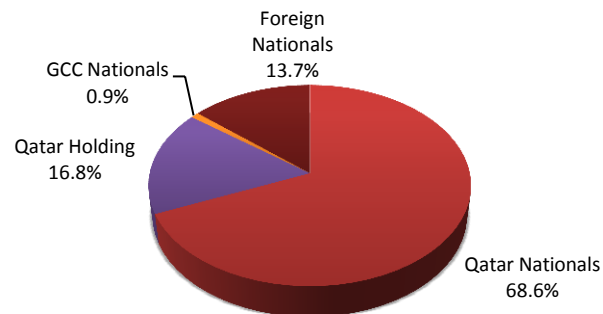


(1) As of 1 November 2017

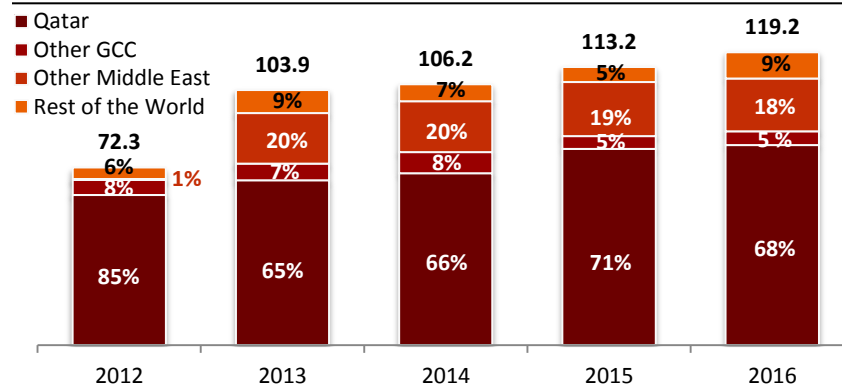
(2) As of 30 September 2017

(3) As of 26 September 2017, CB has agreed to grant a third party purchaser a 90 day exclusivity period during which the parties will negotiate the terms of definitive transaction documents pertaining to the potential purchase of CB's stake in UAB

## Strong and Supportive Shareholding Structure <sup>(1)</sup>

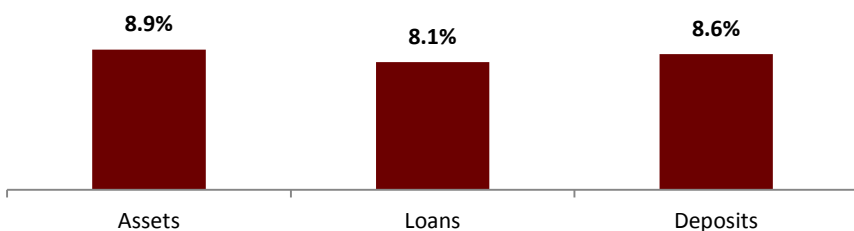


## ...That Has Been Evolving Overtime – Financial Assets (QAR billion)

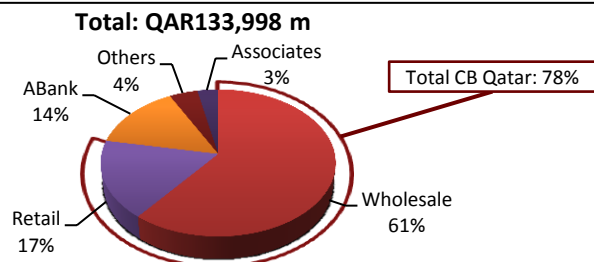




## Leading Market Shares in Qatar (1)



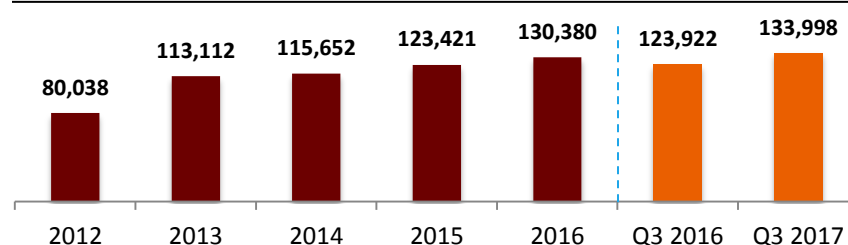
## Total Assets Breakdown by Operating Segment (Q3 2017)



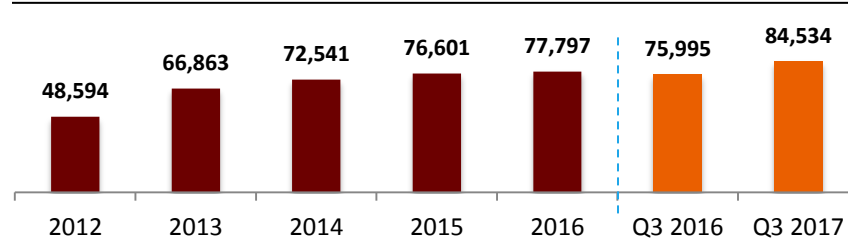
## Commercial Bank Credit Ratings

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

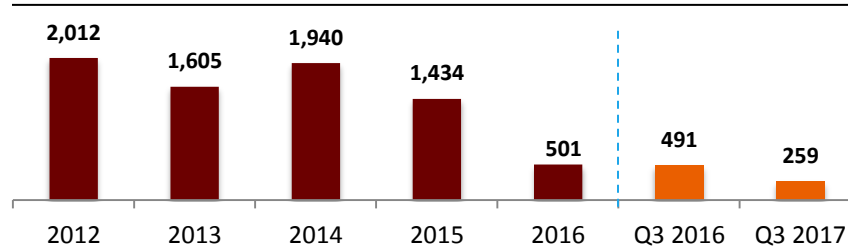
## Total Assets (QAR million)



## Loans and Advances to Customers (QAR million)



## Net Profit (QAR million)



(1) Standalone Qatar Operations, market shares based on Qatar's Market size from Qatar Central Bank as of 30 June 2017

# Key Strengths & Competitive Advantages

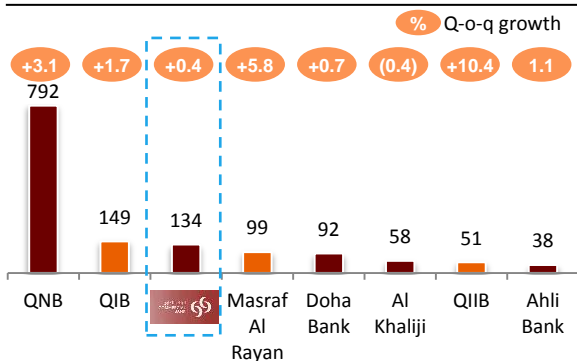


<b>Strong Domestic Franchise; Leading Market Position</b>	<ul style="list-style-type: none"><li>◆ 2<sup>nd</sup> largest conventional bank in Qatar by assets, net loans, customers' deposits and total equity, in operation since 1975</li><li>◆ Strong corporate relationships across public and private sectors</li><li>◆ Proven strength in retail banking, leading credit card provider</li><li>◆ GDR Issue (first by Qatari bank), US\$5.0 bn EMTN programme in place</li></ul>
<b>Experienced Management with Proven Track Record</b>	<ul style="list-style-type: none"><li>◆ Committed and experienced senior management team<ul style="list-style-type: none"><li>◆ Prominent, influential and stable Board of Directors (some Directors have been with the bank since its inauguration)</li><li>◆ Senior managers have significant banking (domestic and international) experience</li><li>◆ Appointment of new key senior management over the past 12 months including; CEO Joseph Abraham, COO Leonie Lethbridge and Kimberly Reid (Organisational Effectiveness and Strategic Leadership)</li></ul></li></ul>
<b>Shareholder Support</b>	<ul style="list-style-type: none"><li>◆ Systemic importance to the Qatari banking sector given the Bank's scale</li><li>◆ Qatar's Government holds a 16.8% in Commercial Bank through QIA; Government has a further 10% through funds and other entities</li></ul>
<b>Strong Financial Profile</b>	<ul style="list-style-type: none"><li>◆ High earnings potential</li><li>◆ Sustainable growth in core loan portfolio with good asset quality</li><li>◆ Diversified revenue base; expansion outside Qatar to increase diversification</li><li>◆ Strong capitalization</li></ul>
<b>Diversified Footprint</b>	<ul style="list-style-type: none"><li>◆ Operates branches in Qatar and is present in Turkey, Oman and UAE through its subsidiaries and associates AlternatifBank ("ABank"), National Bank of Oman ("NBO") and United Arab Bank ("UAB")</li></ul>
<b>Developed 5year strategy to transform banks performance</b>	<ul style="list-style-type: none"><li>◆ New 5 year strategic plan commenced and announced to the investor community in Nov 2016. Focus points include improving CET1 capital (Q1 2017 QAR1.5bn Rights issue &amp; Asset Revaluation QAR 1.1bn), reshaping the loan portfolio to improve asset quality, aligning the cost to income ratio with market peers by streamlining the branch network and operations. (refer slide 18 for details)</li></ul>

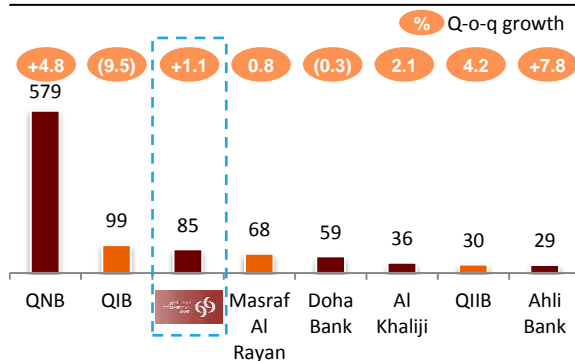
# Commercial Bank is the Second Largest Conventional Bank in Qatar by Assets, Net Loans, Customers' Deposits and Total Equity



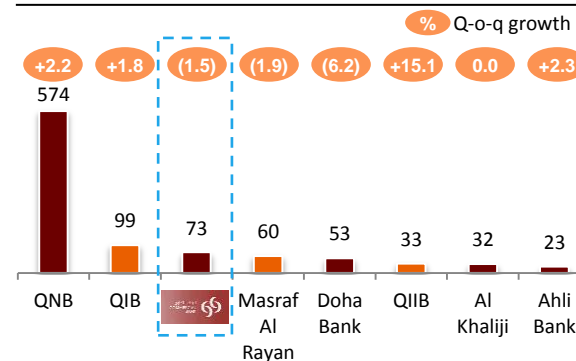
**Total Assets (QAR billion, Q3 2017)**



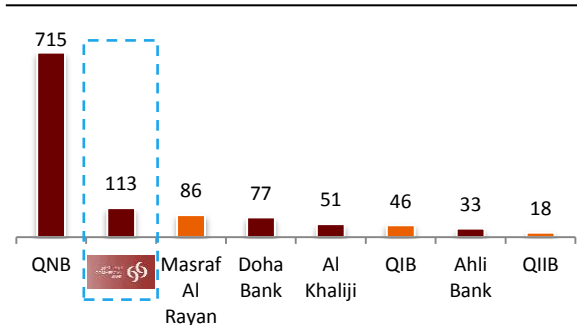
**Net Loans (QAR billion, Q3 2017)**



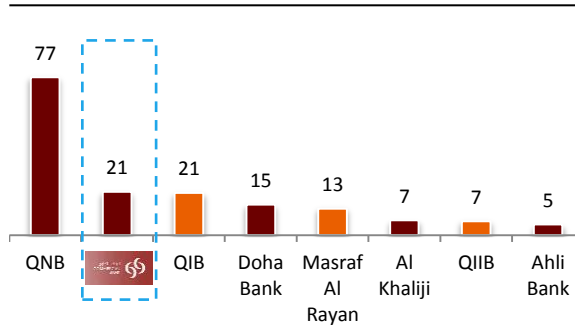
**Customers' Deposits (QAR billion, Q3 2017)**



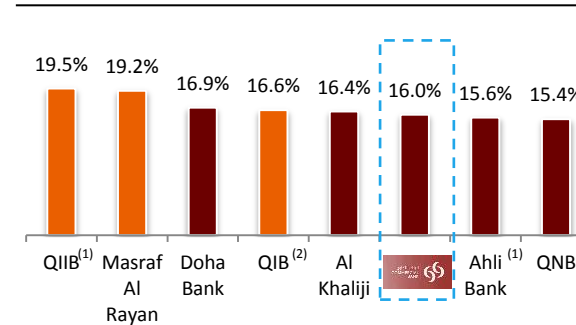
**Total Liabilities (QAR billion, Q3 2017)**



**Total Equity (QAR billion, Q3 2017)**



**Total CAR Ratio (Q3 2017)**



■ Conventional Bank   ■ Islamic Bank

**In Qatar, Islamic and conventional banking operations have to be segregated**

Source: Companies' financial statements

(1) FY 2016

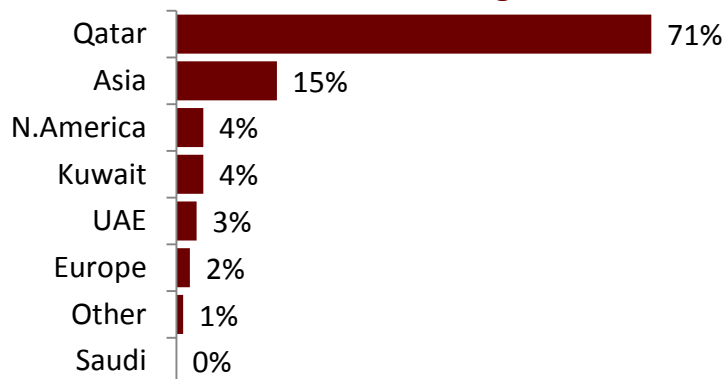
(2) H1 2017

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

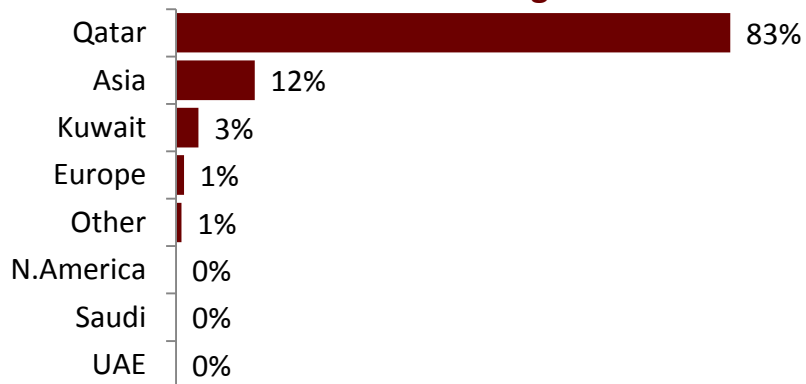


## Commercial Bank deposits by Geography

### 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%



# 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

# Executive summary of Q3 2017 results



## 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%

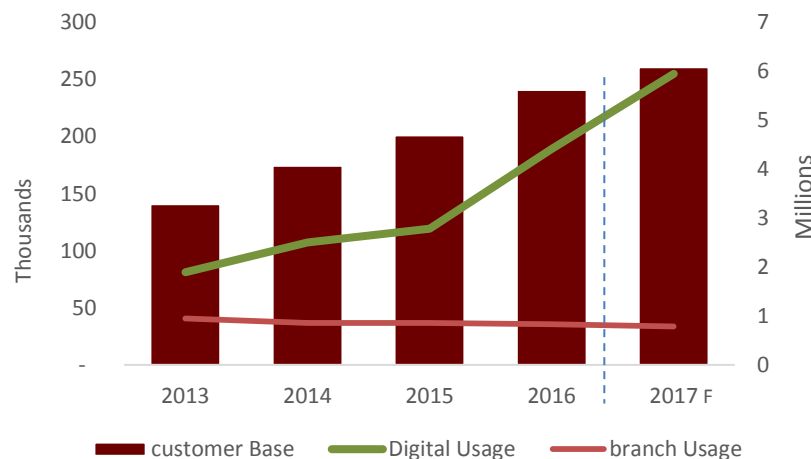
# Progress on our Digital Transformation – Focus on Client Experience, Innovation and reducing costs



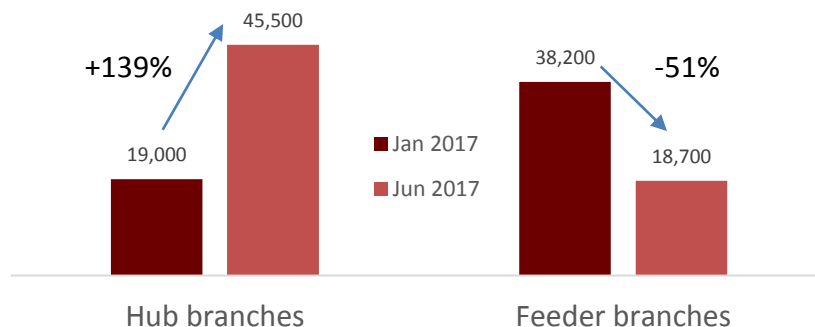
## Digital transformation

- ◆ 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)





- QATAR IN PERSPECTIVE
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# Commercial Bank – Standalone Qatar Operations Overview



## Profitability

QAR million	9m 17	9m 16	%	2016	2015	%
Net Interest Income	1,531	1,520	1%	1,994	2,032	(2%)
Non-Interest Income	778	829	(6%)	1,062	1,181	(10%)
Total Costs	(779)	(926)	16%	(1,247)	(1,223)	2%
Net Provisions	(1,379)	(991)	(39%)	(1,127)	(710)	59%
Net Profit	152	432	(65%)	683	1,280	(47%)

## Performance Ratios

	Q3 17	Q3 16	2016	2015
ROAE	1.0%	3.3%	3.8%	8.0%
ROAA	0.2%	0.5%	0.6%	1.3%
NIM	2.2%	2.2%	2.2%	2.3%

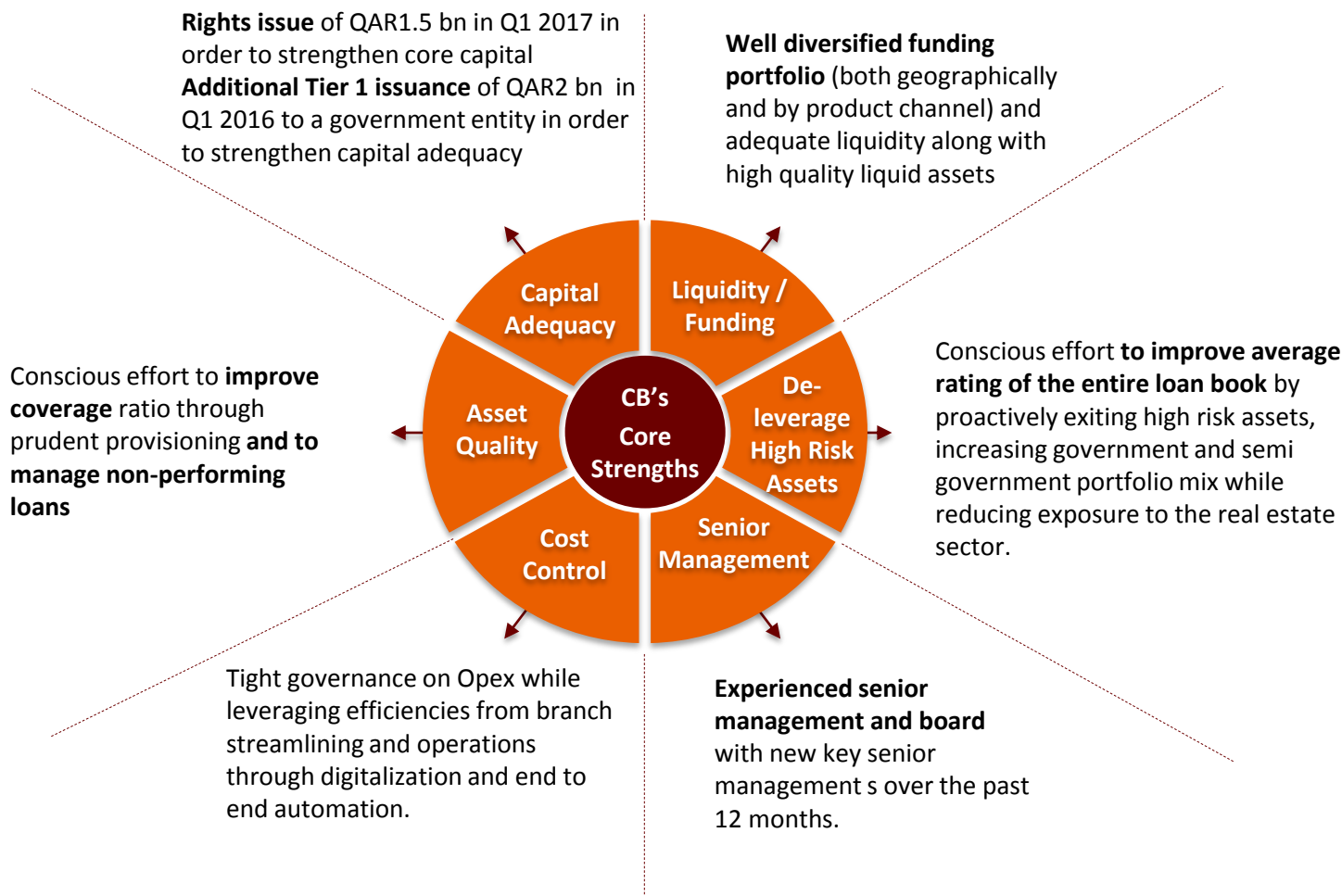
## Balance Sheet

QAR million	Q3 17	Q3 16	%	2016	2015	%
Total Assets	116,876	106,694	10%	114,608	106,781	7%
Loan & Advances	71,101	63,363	12%	65,910	63,737	3%
Financial Investments	16,868	13,782	23%	12,988	14,847	(13%)
Customers' Deposits	64,202	58,220	10%	62,760	62,878	(0%)
Total Equity	21,686	18,309	18%	19,861	16,403	21%

## Capital (Basel III)

	Q3 17	Q3 16	2016	2015
RWA (QAR million)	101,094	91,201	95,699	89,048
Tier 1 Ratio	11.7%	10.2%	9.6%	10.1%
Total Capital Ratio	15.8%	15.6%	14.7%	13.8%

# Commercial Bank – Standalone Qatar Operations Strategy





## Transaction Highlights

- ◆ Commercial Bank now owns 100% of ABank with full Board control
- ◆ Initial 75% stake in Abank acquired in 2013
- ◆ Acquisition in-line with business/geographic diversification strategy

## ABank Key Highlights

- ◆ Established in 1991
- ◆ Mid-size Turkish bank that predominately serves medium sized companies through a country network of 53 branches
- ◆ The Bank's main product ranges cover trade finance instruments, working capital finance, cash management and portfolio management
- ◆ Two major subsidiaries in Leasing and Investment Banking areas

## ABank Financial Highlights

- ◆ Total assets of TL19bn as of 30 September 2017
- ◆ For consolidation into CB's financial statements, ABank Group delivered a net profit of TL57m for 9m 2017 as compared with TL(27)m in 9m 2016

## Governance

- ◆ CB fully controls board
- ◆ CB representation on all Board committees
- ◆ Close liaison between CB and ABank management

**ABank provides commercial/corporate banking services and products, with a special focus on the growing segment of SMEs**



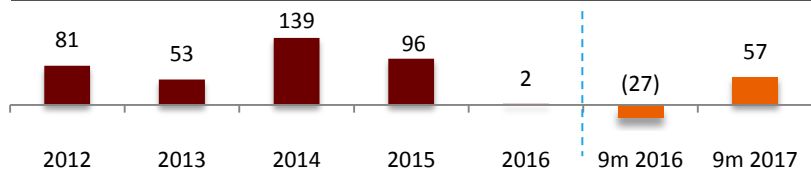
# Alternatifbank of Turkey – Financial Performance



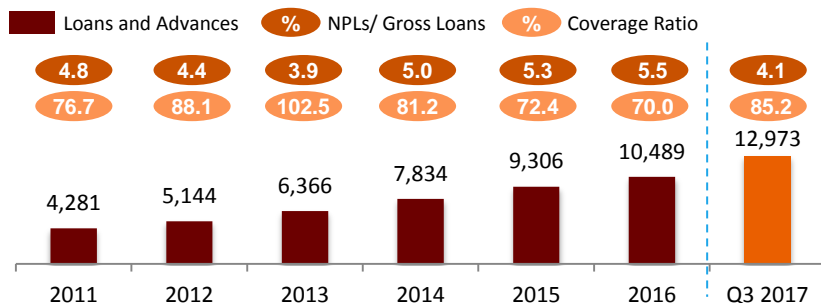
## Alternatifbank of Turkey

- ◆ 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)



## Loans and Advances <sup>(1)</sup> (TL million), NPLs and Cov. Ratio <sup>(2)</sup>



Source: Company reports

(1) Customer loans

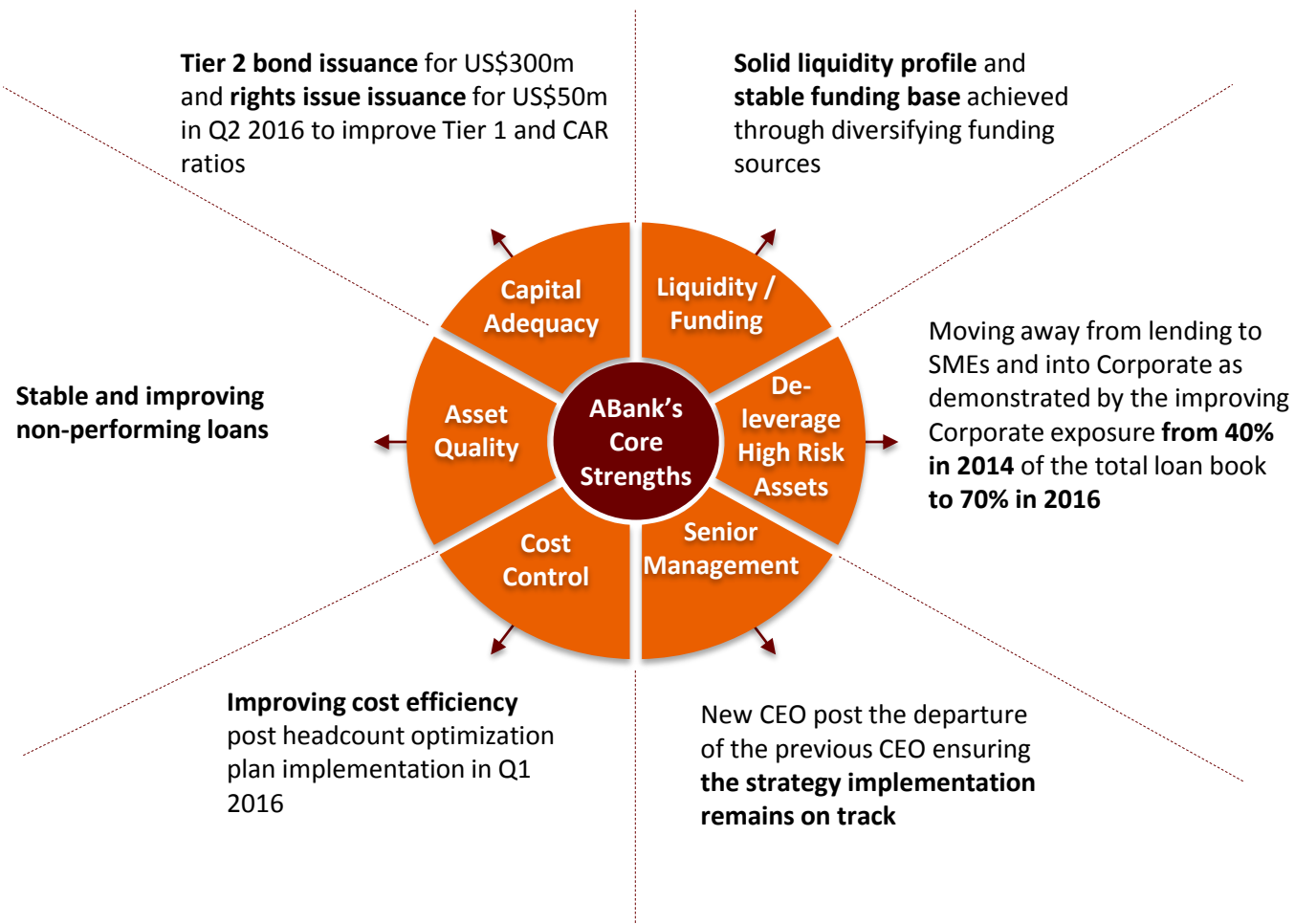
(2) Coverage Ratio calculated as: provision for impairment on loans and advances / non-performing loans

## Profitability

TL million	9m 17	9m 16	%	2016	2015	%
Operating Income	391	339	15%	480	579	(17%)
Operating Expenses	(215)	(226)	(5%)	(301)	(317)	(5%)
Provisions	(108)	(148)	(27%)	(177)	(140)	26%
<b>Profit Before Tax</b>	<b>68</b>	<b>(35)</b>	n.m.	<b>2.3</b>	<b>122</b>	<b>(98%)</b>
Tax	(11)	8	n.m.	0.1	27	(100%)
<b>Net Profit</b>	<b>57</b>	<b>(27)</b>	n.m.	<b>2.1</b>	<b>96</b>	<b>(98%)</b>

## Balance Sheet

TL million	Q3 17	Q3 16	%	2016	2015	%
<b>Assets</b>						
Loans and Advances to Customers	12,973	10,108	28%	11,343	10,098	12%
Investments Securities	2,395	1,990	20%	2,320	805	188%
<b>Total Assets</b>	<b>18,874</b>	<b>14,877</b>	<b>27%</b>	<b>17,476</b>	<b>13,978</b>	<b>25%</b>
<b>Liabilities</b>						
Customers' Deposits	8,838	6,907	28%	8,096	5,660	43%
Other Borrowed Funds & Other Liabilities	6,243	5,277	18%	6,921	6,370	9%
<b>Total Equity</b>	<b>1,644</b>	<b>1,138</b>	<b>44%</b>	<b>1,261</b>	<b>1,035</b>	<b>7%</b>
<b>Asset Quality</b>						
NPLs/ Gross Loans	4.1%	5.4%	(24%)	5.5%	5.3%	3.8%
Coverage Ratio <sup>(1)</sup>	85.2%	79.8%	7%	70.0%	72.4%	(0.3%)





## Transaction Highlights

- ◆ CB holds a 40% stake in UAB, acquired in 2007
- ◆ Acquisition in-line with business/geographic diversification strategy
- ◆ As of 26 September 2017, CB agreed to grant a third party purchaser a 90 day exclusivity period during which the parties will negotiate the terms of definitive transaction documents pertaining to the potential purchase of CB's stake in UAB

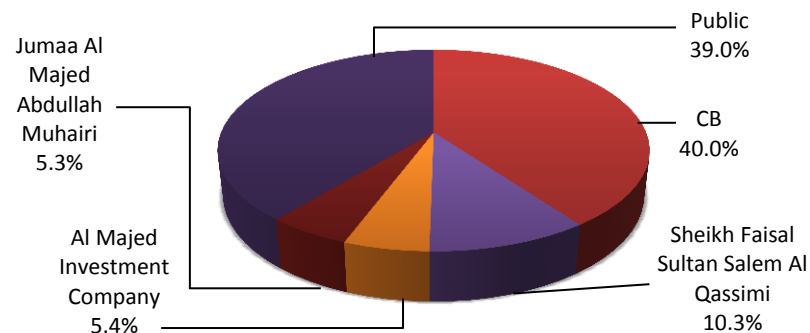
## UAB Key Highlights

- ◆ Founded in 1975
- ◆ Distribution network: 18 branches throughout the UAE
  - ◆ Full service bank
  - ◆ Two principal business segments: retail banking and corporate banking, with growing SME presence
- ◆ Provides platform for unrestricted expansion in the UAE, beyond strict limitations on branch opening for foreign banks
- ◆ Launched Islamic Banking and Sadara offering (premier banking)
- ◆ Outsourced back office and IT Operations to TATA Consultancy Services

## Management Agreement Highlights

- ◆ Three year management services agreement
- ◆ May propose (for Board approval ) broad strategy guidelines, lending, investments as well as dividend policies
- ◆ Exclusive rights and duty to nominate a CEO for the Board's evaluation & approval

## Major Shareholders (1)



**Strategy provides synergies, cost efficiencies through shared capital investments and services, risk diversification, expanded corporate client list, and higher brand/franchise visibility**

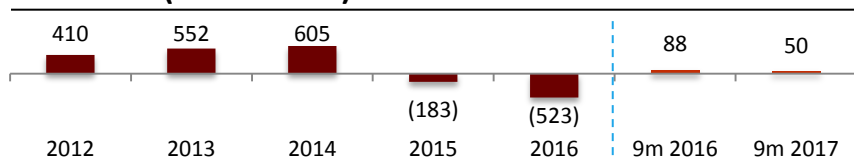
(1) As of 31 October 2017



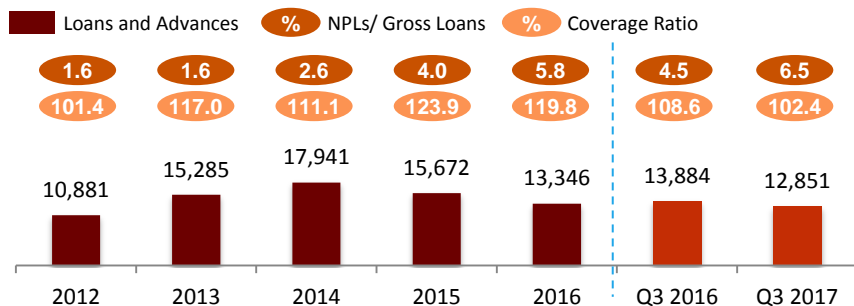
## United Arab Bank

- ◆ Net profit of AED 50m, down AED 38, from AED 88m in Sept. 16
- ◆ Net operating income down 25% to AED 516m v AED 687m in Sept. 16
  - ◆ Net interest income down 24% to AED 376m
  - ◆ Non-interest income down 27% to AED 140m
- ◆ Provisions decreased to AED 210m v AED 336m 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

### Net Profit (AED million)



### Loans and Advances <sup>(1)</sup> (AED million), NPLs and Cov. Ratio <sup>(2)</sup>



Source: Company reports

(1) Customer loans

(2) Coverage Ratio calculated as: provision for impairment on loans and advances / non-performing loans

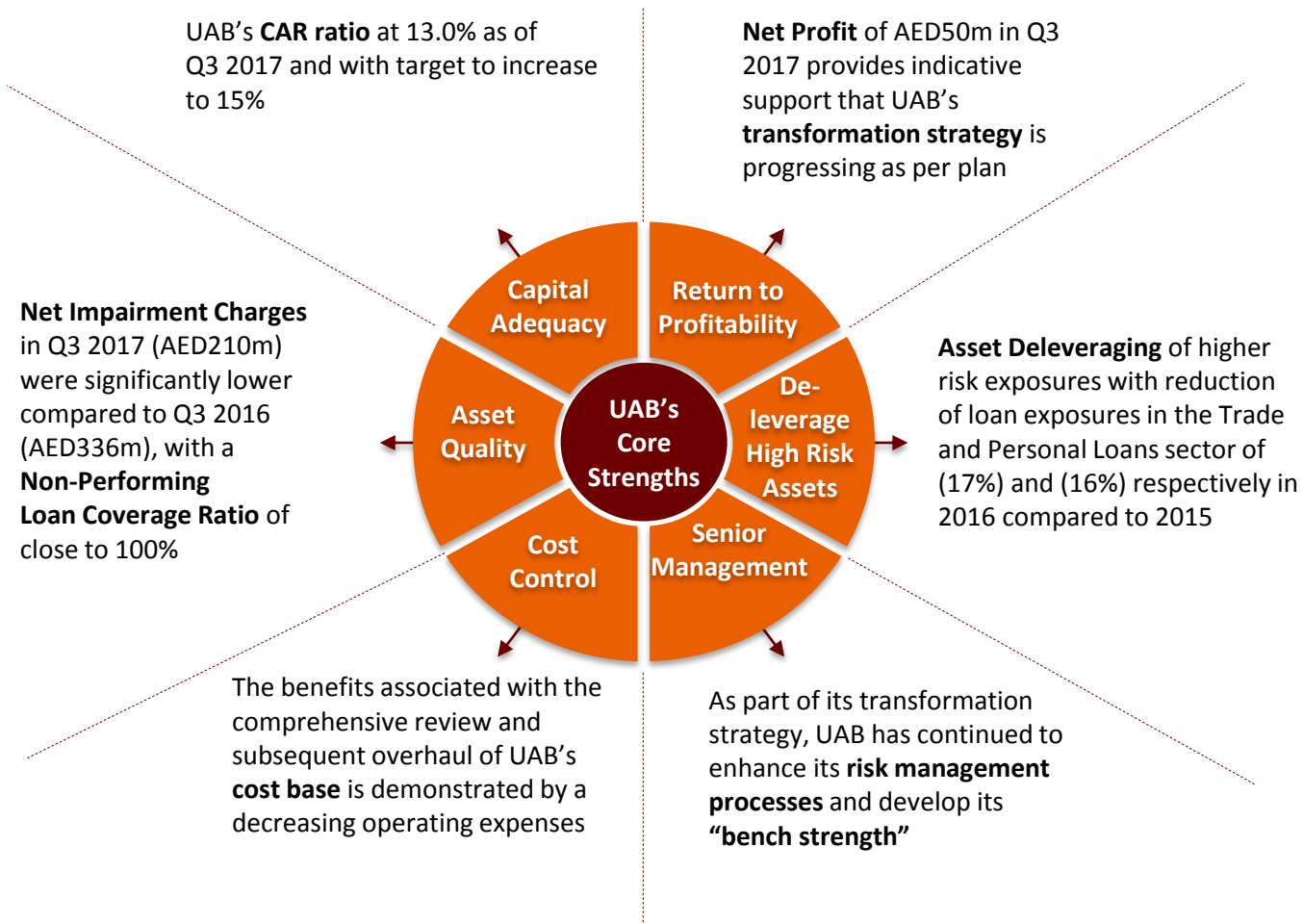
(3) Under Basel II for 2015, 2016 and H1 2016. Under Basel III for H1 2017

## Profitability

AED million	9m 17	9m 16	%	2016	2015	%
Operating Income	516	687	(25%)	861	1,196	(28%)
Operating Expenses	(256)	(263)	(2%)	(373)	(491)	(24%)
Provisions	(210)	(336)	(38%)	(1,011)	(888)	14%
<b>Net Profit</b>	<b>50</b>	<b>88</b>	<b>(43%)</b>	<b>(523)</b>	<b>(183)</b>	<b>(186%)</b>

## Balance Sheet

AED million	Q3 17	Q3 16	%	2016	2015	%
<b>Assets</b>						
Loans and Advances to Customers	12,851	13,884	(7%)	13,346	15,672	(15%)
Investments Securities	3,306	3,286	0%	3,314	2,559	30%
Total Assets	20,599	21,719	(5%)	21,252	23,663	(10%)
<b>Liabilities</b>						
Customers' Deposits	14,316	14,539	(2%)	15,538	16,775	(7%)
Debt Securities & Other Borr. Funds	1,432	1,891	(24%)	1,524	2,314	(34%)
Total Equity	2,187	2,670	(18%)	2,087	2,570	(19%)
<b>Asset Quality</b>						
NPLs/ Gross Loans	6.5%	4.5%	44%	5.8%	4.0%	45%
Coverage Ratio <sup>(3)</sup>	102.4%	108.6%	(5.7%)	119.8%	123.9%	(3%)
Total CAR <sup>(3)</sup>	13.0%	16.1%	(19%)	13.1%	14.6%	(10%)





## Transaction Highlights

- ◆ CB holds 34.9% stake in NBO, acquired in 2005
- ◆ Acquisition in-line with business/geographic diversification strategy

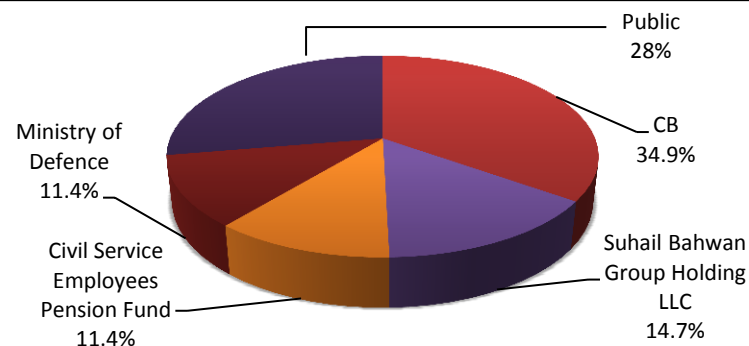
## NBO Key Highlights

- ◆ Oman's 1<sup>st</sup> local bank; in operation since 1973
- ◆ Oman's 2<sup>nd</sup> largest bank by assets, with assets totalling OMR3.4bn as of Q3 2017
- ◆ Presence in Oman (66 branches); 1 branch each in Egypt, Abu Dhabi and Dubai
- ◆ Full service bank, with strong franchise in corporate and retail banking
  - ◆ 1<sup>st</sup> bank in Oman to introduce online banking
  - ◆ Consumer segment offers SMS banking and salary cards
  - ◆ Offers real-time access to account information through its "SAMA" Corporate Internet Banking platform
  - ◆ Sadara offering (premier banking)

## Management Agreement Highlights

- ◆ CB entered into a three year management services agreement ("MSA") in 2005, renewed in 2008 for three years. CB agreed that MSA did not need to be extended upon expiry in March 2011
- ◆ The management and processes of NBO have been substantially strengthened during the past 6 years

## Major Shareholders



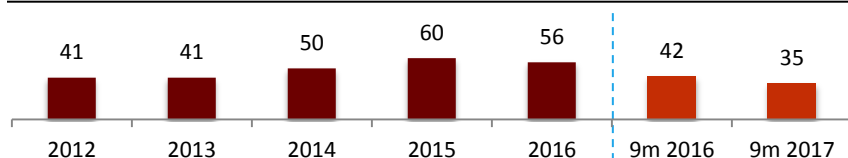
Sharing best practices within the Group i.e. risk management, product innovation, IT, finance and training



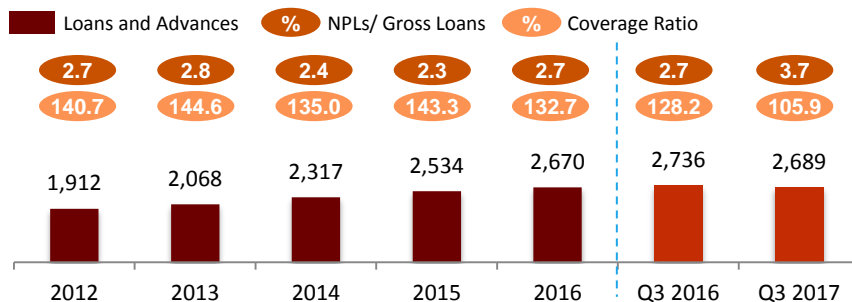
## National Bank of Oman

- ◆ 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

## Net Profit (OMR million)



## Loans and Advances <sup>(1)</sup> (OMR million), NPLs and Cov. Ratio <sup>(2)</sup>



Source: Company reports

(1) NPLs include paired loans on which interest is not being accrued or where interest has been reserved

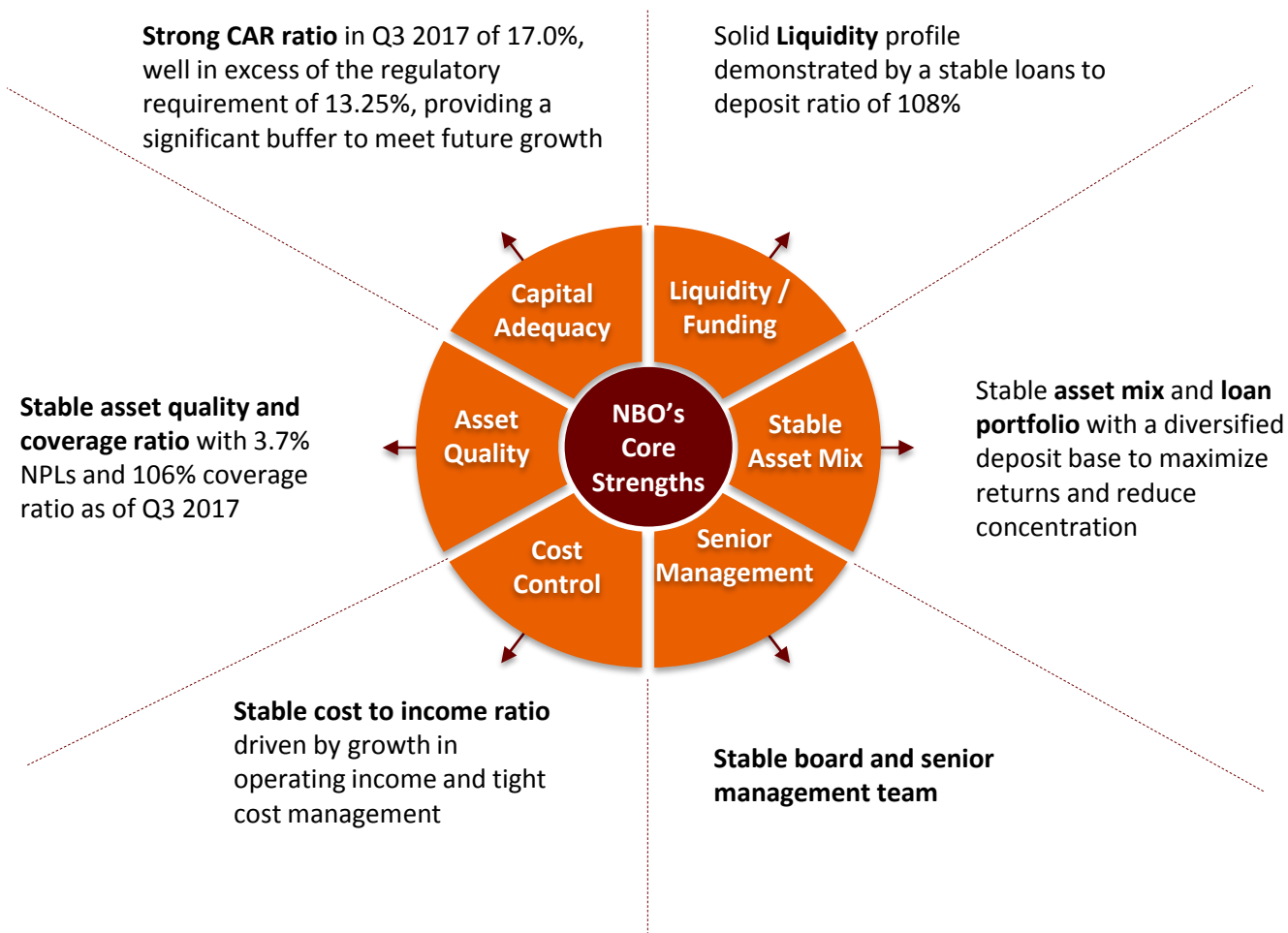
(2) Coverage Ratio calculated as: provision for impairment on loans and advances / non-performing loans

## Profitability

OMR million	9m 17	9m 16	%	2016	2015	%
Operating Income	99	102	(4%)	136	136	0%
Operating Expenses	(45)	(45)	1%	(63)	(60)	5%
Provisions	(19)	(16)	18%	(20)	(15)	33%
<b>Profit before Tax</b>	<b>40</b>	<b>48</b>	<b>(16%)</b>	<b>63</b>	<b>69</b>	<b>(9%)</b>
Tax	(6)	(6)	5%	(8)	(9)	(11%)
<b>Net Profit</b>	<b>35</b>	<b>42</b>	<b>(18%)</b>	<b>56</b>	<b>60</b>	<b>(7%)</b>

## Balance Sheet

OMR million	Q3 17	Q3 16	%	2016	2015	%
<b>Assets</b>						
Loans and Advances to Customers	2,689	2,736	(2%)	2,670	2,534	5%
Investments Securities	196	156	26%	128	157	(18%)
Total Assets	3,445	3,499	(2%)	3,533	3,263	8%
<b>Liabilities</b>						
Customers' Deposits	2,491	2,421	3%	2,399	2,250	7%
Debt Securities & Other Borr. Funds	310	316	(2%)	313	276	13%
Total Equity	542	530	2%	538	515	4%
<b>Asset Quality</b>						
NPLs/ Gross Loans	3.7%	2.7%	37%	2.7%	2.3%	17%
Coverage Ratio	105.9%	128.2%	(17%)	132.7%	143.3%	(7%)
Total CAR	17.0%	16.8%	1%	17.4%	18.2%	(4%)







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# Commercial Bank – Consolidated Financial Performance



## Consolidated Profitability

QAR million	9m 17	9m 16	%	2016	2015	%
Net Interest Income	1,836	1,801	2%	2,341	2,534	(8%)
Non-interest Income	818	920	(11%)	1,253	1,415	(11%)
Total Costs	(1,012)	(1,222)	17%	(1,653)	(1,690)	(2%)
Net Provisions	(1,488)	(1,176)	(27%)	(1,394)	(898)	55%
Associates' Income	116	159	(27%)	(46)	109	(58%)
Net Profit	259	491	(47%)	501	1,434	(65%)

## Consolidated Balance Sheet

QAR million	Q3 17	Q3 16	%	2016	2015	%
Total Assets	133,998	123,922	8%	130,380	123,421	6%
Loans & Advances	84,534	75,995	11%	77,798	76,602	2%
Financial Investments	19,318	16,214	19%	15,378	15,854	(3%)
Customers' Deposits	73,282	66,730	10%	70,926	69,788	2%
Total Equity	21,253	18,843	13%	19,301	17,299	12%

## Performance Ratios

	Q3 17	Q3 16	2016	2015
ROAE	1.7%	3.6%	2.7%	8.2%
ROAA	0.3%	0.5%	0.4%	1.2%
NIM	2.2%	2.3%	2.2%	2.5%

## Capital (Basel III)

	Q3 17	Q3 16	2016	2015
RWA (QAR million)	120,752	109,873	113,907	105,725
CET 1 Ratio	11.2%	10.0%	9.7%	9.9%
Total Capital Ratio	16.0%	15.8%	15.2%	13.5%

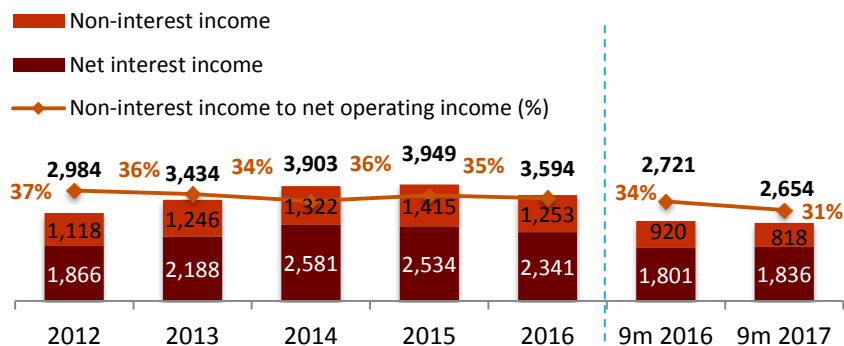
# Stable Earnings Performance



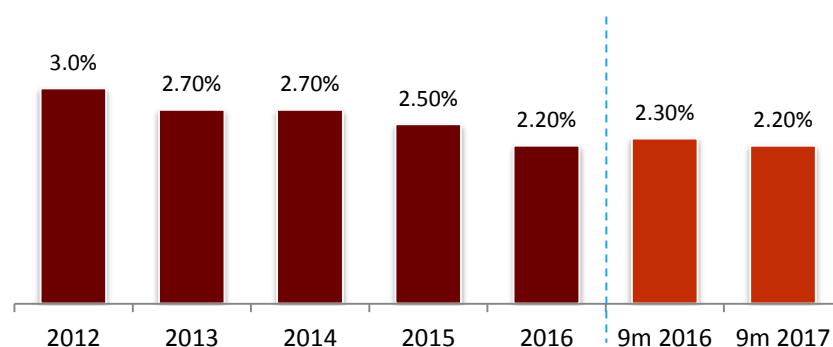
## Summary

- ◆ 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
- ◆ 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

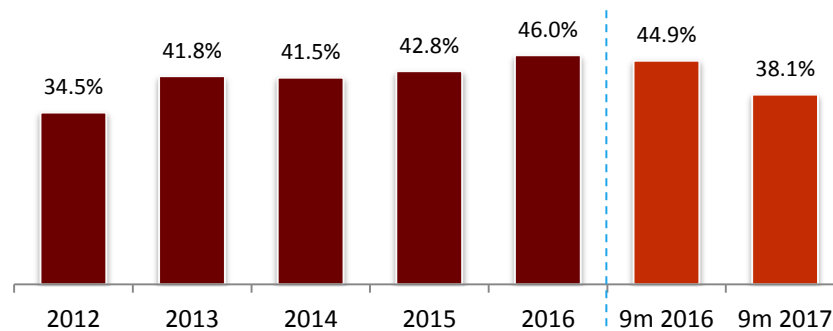
## Net Operating Income (QAR million)



## Net Interest Margin <sup>(1)</sup>



## Cost to Income Ratio



(1) 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

# Diversified Balance Sheet Structure

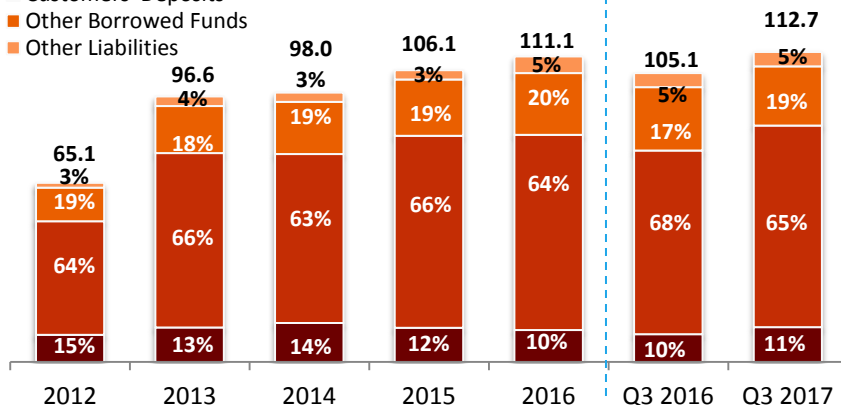


## Summary

- ◆ Total assets increased by 8.1% to QAR 134bn v Q3 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 Q3 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

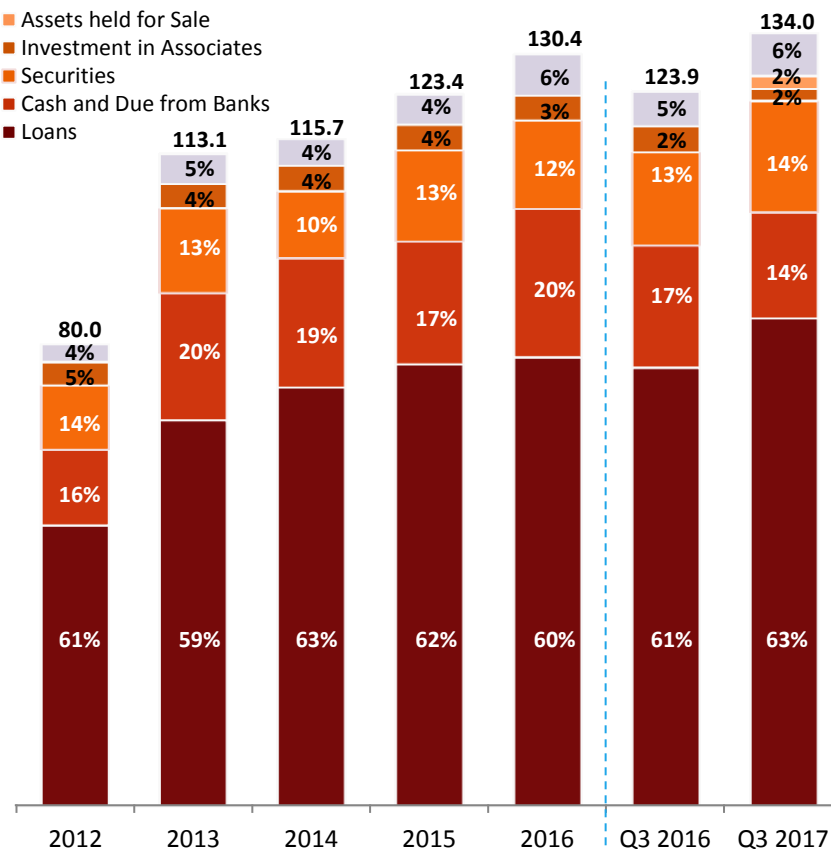
## Liabilities Mix (QAR million)

- Due to Banks
- Customers' Deposits
- Other Borrowed Funds
- Other Liabilities



## Assets Mix (QAR million)

- Others
- Assets held for Sale
- Investment in Associates
- Securities
- Cash and Due from Banks
- Loans



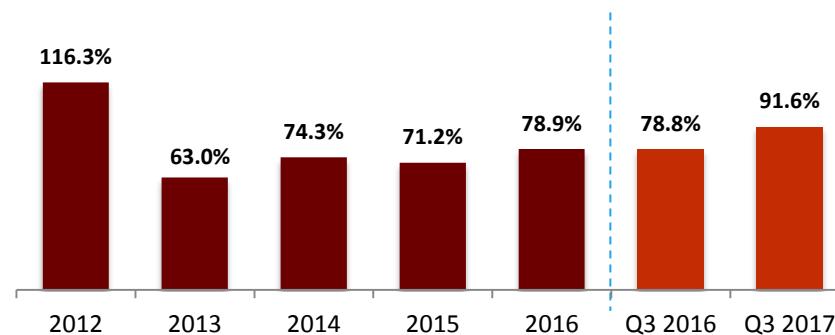
# Improving Asset Quality and Coverage



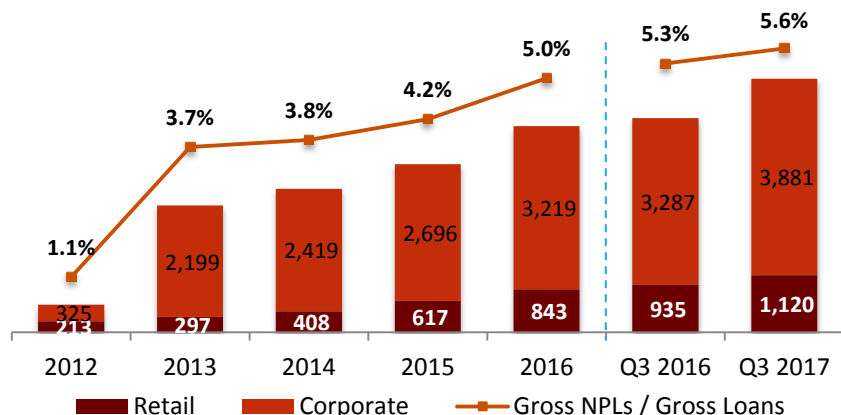
## Summary

- ◆ Net Provision for loan loss of QAR 1,451m v QAR 1,108m in Q3 16
  - ◆ QAR 1,142m for Wholesale
  - ◆ QAR 200m for Retail
  - ◆ QAR 109m for ABank
- ◆ NPL ratio 5.6% at Q3 17 v 5.3% at Q3 16
- ◆ Loan coverage at 91.6% v 78.8% at Q3 16
- ◆ Risk reserve of QAR 1,888m; total loan loss coverage of 129.3%

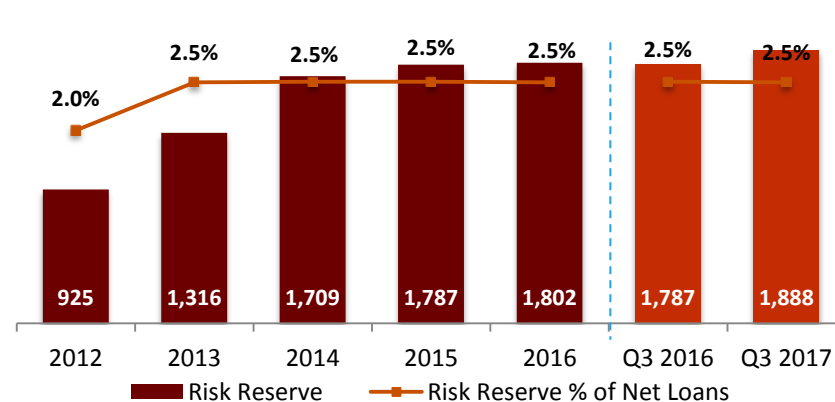
## Loan Coverage Ratio <sup>(1)</sup>



## Non-Performing Loan ('NPL') Ratio (90 day basis)



## Risk Reserve <sup>(2)</sup> (QAR million)



(1) Coverage Ratio calculated as: (allowance for credit losses + interest in suspense)/ non-performing loans

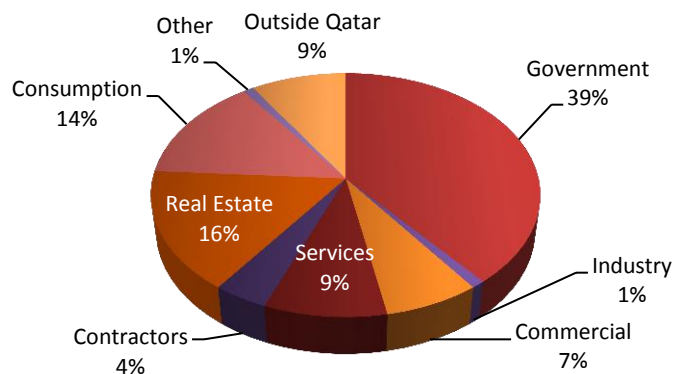
(2) As per Qatar Central Bank calculations



## Summary

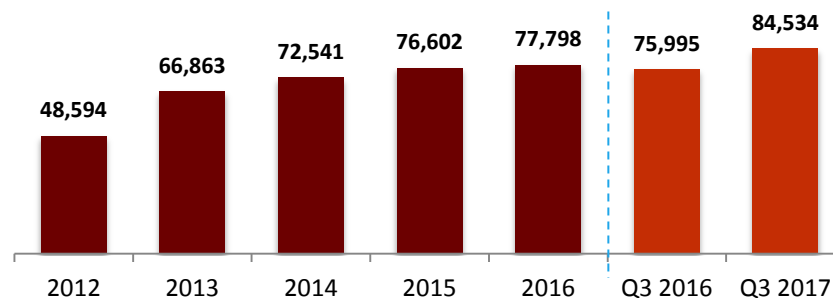
- ◆ Loans to customers at QAR 84.5bn, up 11% v 9m 16
- ◆ Growth mainly in services sector
- ◆ Loan book diversified across industry sectors
- ◆ Corporate customers represent 73% of total loan book
- ◆ Focus on improving market share in Government and Semi-Government with a deal pipeline and undrawn commitments

## Qatari Banks Credit Facilities Breakdown by Sector – August 2017

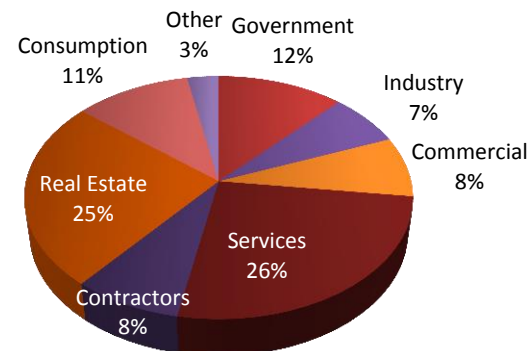


Source: Qatar Central Bank  
 (1) Standalone Qatar Operations

## Loans and Advances to Customers (QAR million)



## Commercial Bank <sup>(1)</sup> Loan Book Breakdown by Sector – September 2017



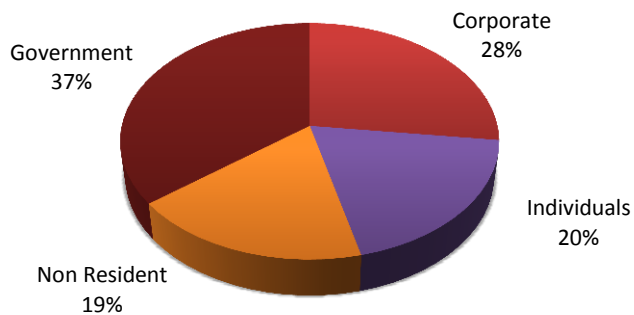
# Strong Deposit Mix



## Summary

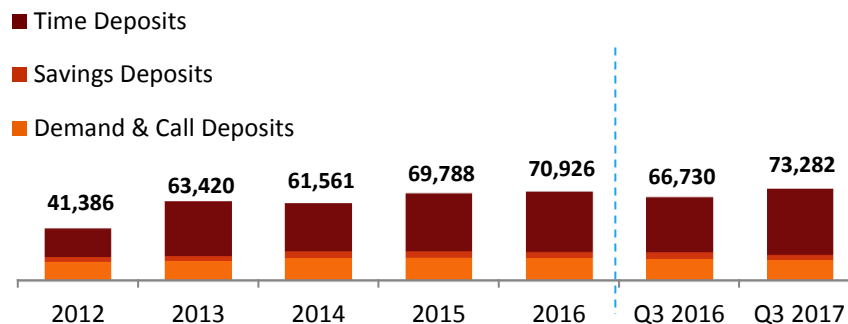
- ◆ Customers' deposits increased by 9.8% to QAR 73.3bn v 9m 16
- ◆ Diversified deposit mix with Government and Semi-Government at 31%, corporate at 41% and individuals at 28%
- ◆ Qatar resident mix 72% v non resident 28%
- ◆ Minimal Exposure to Impacted GCC countries of QAR 136m

## Qatari Banks Deposits Breakdown by Sector – August 2017

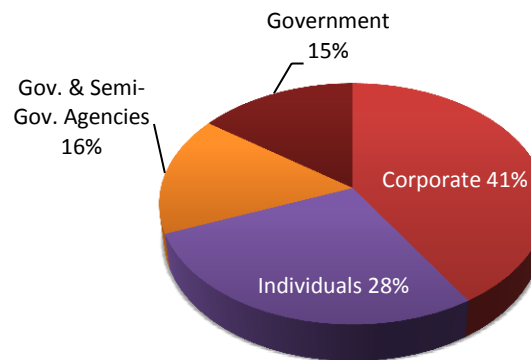


Source: Qatar Central Bank  
(1) Standalone Qatar Operations

## Customers' Deposits (QAR million)



## Commercial Bank <sup>(1)</sup> Deposits Breakdown by Sector – September 2017



# Well Diversified Funding Mix



## Summary

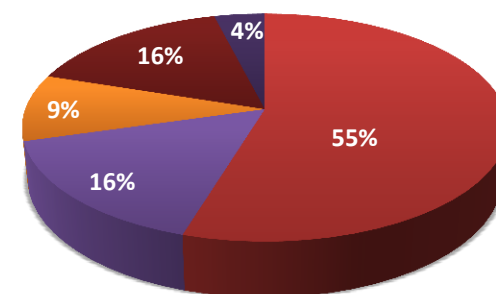
- ◆ Customers' deposits up 9.8% to QAR 73.3bn v 9m 16 representing 56% of the total funding base
- ◆ Well diversified funding mix
- ◆ Shareholders' equity represents 16% of funding mix
- ◆ Key liquidity ratios maintained above levels set by QCB
- ◆ Compliant with Basel III liquidity ratio requirements

## Debt Issued and Other Borrowed Funds

QAR million	Q3 17	Q3 16	2016	2015
Subordinated Notes	3,434	3,444	3,425	2,848
EMTN (Bond) (Fixed Rate due Apr 2017)	-	1,817	1,818	1,812
EMTN (Bond) (Fixed Rate due Jun 2019)	2,721	2,716	2,717	2,713
EMTN (Bond) (Fixed Rate due June 2021)	2,707	2,703	2,704	-
Senior Notes	1,152	1,093	1,053	1,076
Bilateral/Club Loans	11,467	11,295	10,777	12,074
<b>Total</b>	<b>21,481</b>	<b>23,068</b>	<b>22,494</b>	<b>20,524</b>

## Total Funding Mix – 30 September 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		Outlook	Date
	LT	ST		
Moody's	A2	Prime-1	Negative	Aug 17
S&P	BBB+	A-2	Negative	Aug 17
Fitch	A	F1	Negative	Aug 17



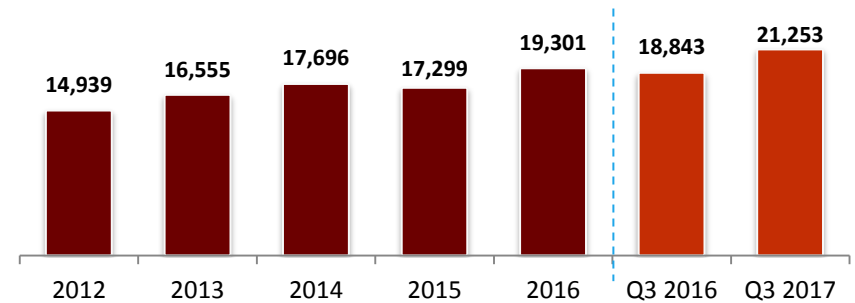
# Strong Capitalization Levels, Above Qatar Central Bank Requirements



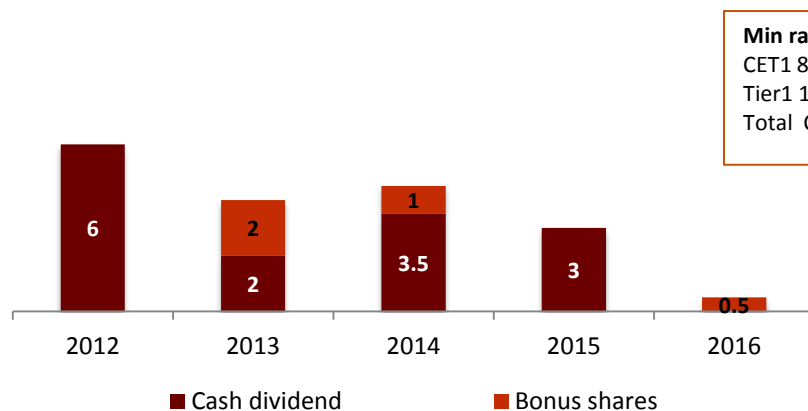
## Summary

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

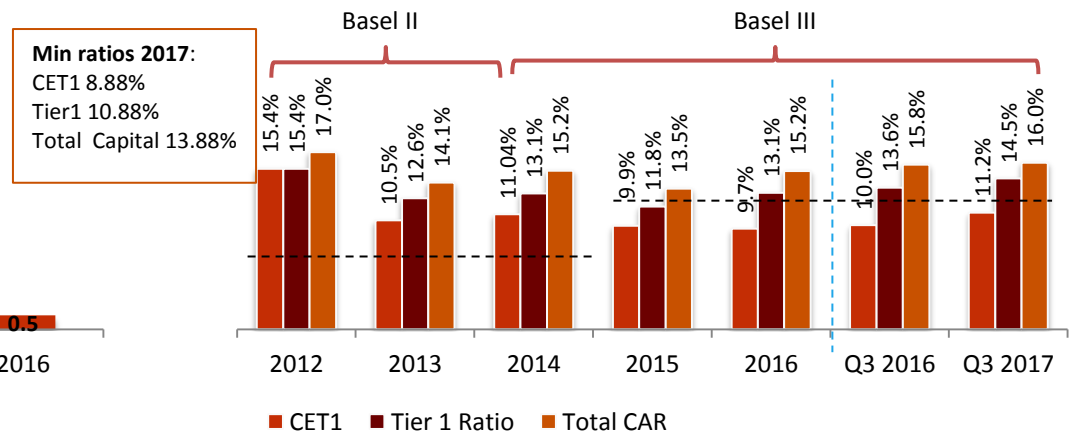
## Total Equity (QAR million)



## Dividend Distribution per Share (QAR)



## Capital Adequacy Ratio

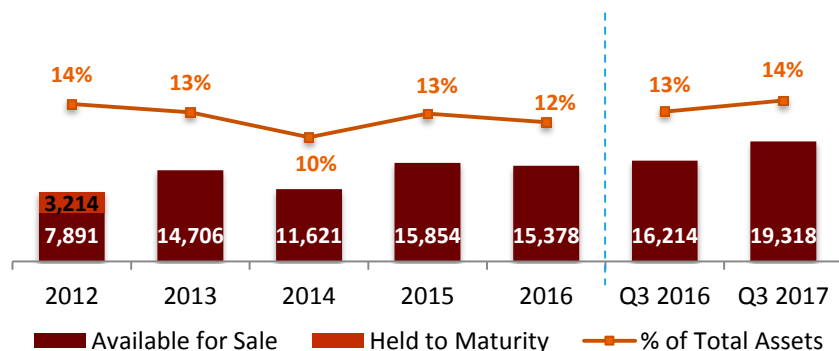




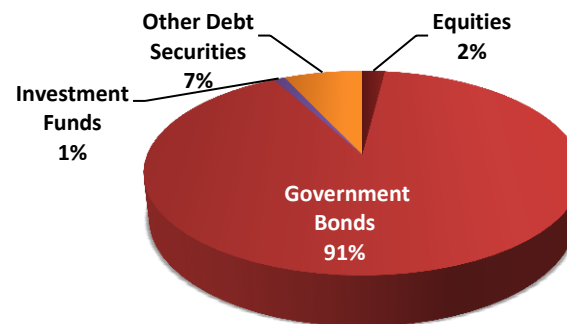
## Summary

- ◆ 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

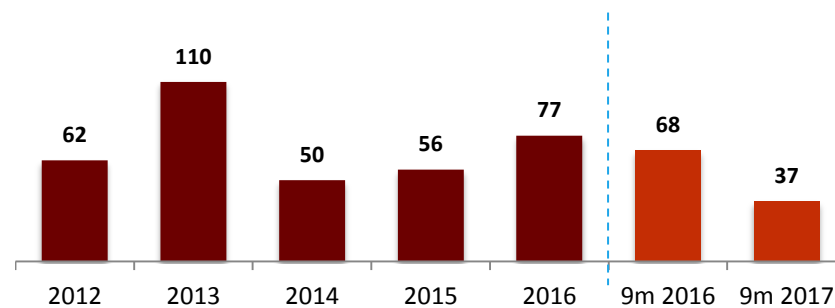
## Investment Portfolio Evolution (QAR million)



## Investment Portfolio – 30 September 2017



## Investment Portfolio Provisions (QAR million)





- QATAR IN PERSPECTIVE
- COMMERCIAL BANK: SUMMARY HIGHLIGHTS
- STANDALONE FINANCIAL PERFORMANCES
- CONSOLIDATED FINANCIAL HIGHLIGHTS & PERFORMANCE
- CREDIT HIGHLIGHTS AND TRANSACTION SUMMARY
- **APPENDIX**

# Commercial Bank – Consolidated Financial Performance in US\$(<sup>1</sup>)



## Consolidated Profitability

US\$ million	9m 17	9m 16	%	2016	2015	%
Net Interest Income	504	495	2%	643	696	(8%)
Non-interest Income	225	253	(11%)	344	389	(11%)
Total Costs	(278)	(336)	(17%)	(454)	(464)	(2%)
Net Provisions	(409)	(323)	27%	(383)	(247)	55%
Associates' Income	32	44	(27%)	(13)	30	(142%)
Net Profit	71	135	(47%)	138	394	(65%)

## Consolidated Balance Sheet

US\$ million	Q3 17	Q3 16	%	2016	2015	%
Total Assets	36,812	34,045	8%	35,818	33,907	6%
Loans & Advances	23,223	20,878	11%	21,372	21,044	2%
Financial Investments	5,307	4,454	19%	4,224	4,355	(3%)
Customers' Deposits	20,133	18,332	10%	19,485	19,172	2%
Total Equity	5,839	5,177	13%	5,302	4,752	12%

## Performance Ratios

	Q3 17	Q3 16	2016	2015
ROAE	1.7%	3.6%	2.7%	8.2%
ROAA	0.3%	0.5%	0.4%	1.2%
NIM	2.2%	2.3%	2.2%	2.5%

## Capital (Basel III)

	Q3 17	Q3 16	2016	2015
RWA (US\$ million)	33,174	30,185	31,293	29,045
CET 1 Ratio	11.2%	10.0%	9.7%	9.9%
Total Capital Ratio	16.0%	15.8%	15.2%	13.5%

(1) QAR/ USD = 0.27; pegged exchange ratio of as of 30 October 2017