

البنك التجاري
COMMERCIAL
BANK



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

Financial Results

For the full year ended 31 December 2016

Feb 2017

كل شيء يمكن تحقيقه
everything is possible

Forward Looking Statements



- 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.
- Any forward-looking statements made by or on behalf of Commercial Bank speak only as of the date they are made. Commercial Bank does not undertake to update forward-looking statements to reflect any changes in Commercial Bank's expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based. The information, statements and opinions contained in this presentation do not constitute a public offer under any applicable legislation or an offer to sell or solicitation of an offer to buy any securities or financial instruments or any advice or recommendation with respect to such securities or other financial instruments.



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



- **Results** – Net profit of QAR 501 million. Results impacted by associate losses and provisioning. Results are a conscious outcome of the strategic plan that was communicated. We are on track with our strategic plan.
- **Capital** – Increased capital through revaluation of fixed assets in Q4 2016 and a rights issue in Q1 2017.
- **NPLs** – Action on NPLs continued as per strategic intent.
- **Costs** – Concerted efforts to reduce costs resulting in 2% lower costs in 2016 (excluding goodwill) at consolidated level as compared to 2015 despite inflation. At the domestic level costs are higher by 2%, however, active measures have been taken across all costs lines and this will flow through in 2017 results.
- **Subsidiaries/Associates** – ABank now a 100% subsidiary with full Board control.
- **Business momentum** – Net loans and advances increased in Q4 by 2.3% as compared to Q3 reduction of 1.8% and the momentum is carried forward into 2017.

Consolidated Highlights – Full Year Ended 31 December 2016



Summary

◆ Financial results

- FY 2016 **Net profit** QAR 501m
- **Net operating income** decreased by 9.0% to QAR 3,594m
- **Total Assets** up 5.6% to QAR 130.4 bn vs FY2015
- NPL ratio at 5.0%
- Cost to Income Ratio at 46.0%
- Associates' loss of QAR 46m

◆ Expansion and active management of balance sheet

- Lending up 1.6% to QAR 77.8bn
- Deposits up 1.6% to QAR 70.9bn
- NIM down at 2.2%, compared to 2.5% in 2015

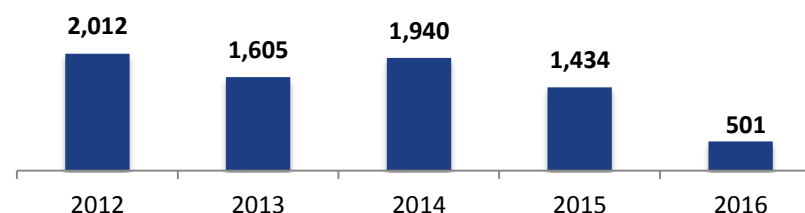
◆ Strong capital base maintained (as at 31 December 2016)

- CET 1 under Basel III of 9.7%
- CAR under Basel III of 15.2%
- February 2016: QAR 2 billion Tier 1 Perpetual Capital Notes
- April 2016: ABank issued USD 300m of Tier 2 Capital notes
- June 2016: USD 750m EMTN
- Rights Issue of QAR 1.5 billion in Q1 2017

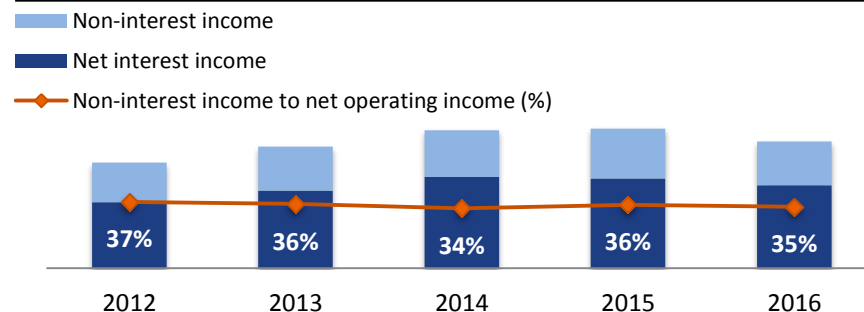
◆ ABank

- Purchased remaining 25% from Anadolu and now a 100% subsidiary

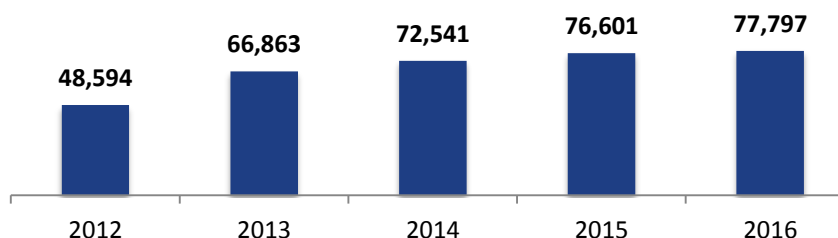
Net profit (QAR million)



Net operating income



Loans and advances to customers (QAR million)





Consolidated Financial Performance – Full Year Ended 31 December 2016

Consolidated Profitability

QAR Million	12M 2016	12M 2015	%
Net interest income	2,341	2,534	(7.6%)
Non-interest income	1,253	1,415	(11.4%)
Total costs	1,653	1,690	(1.7%)
Net provisions	1,394	898	55.2%
Associates' income	(46)	109	(142.2%)
Tax expense	0	36	(100.0%)
Net profit	501	1,434	(65.0%)

Performance Ratios

	31.12.16	31.12.15
ROAE	2.7%	8.2%
ROAA	0.4%	1.2%
NIM	2.2%	2.5%

Consolidated Balance Sheet

QAR Million	31.12.16	31.12.15	%
Total assets	130,380	123,421	5.6%
Loan & advances	77,797	76,601	1.6%
Financial investments	15,377	15,854	(3.0%)
Customers' deposits	70,926	69,787	1.6%
Total equity	19,301	17,299	11.6%

Capital (Basel III)

QAR Million	31.12.16	31.12.15
RWA (QAR million)	113,907	105,725
CET 1 ratio	9.7%	9.9%
Total Capital ratio	15.2%	13.5%

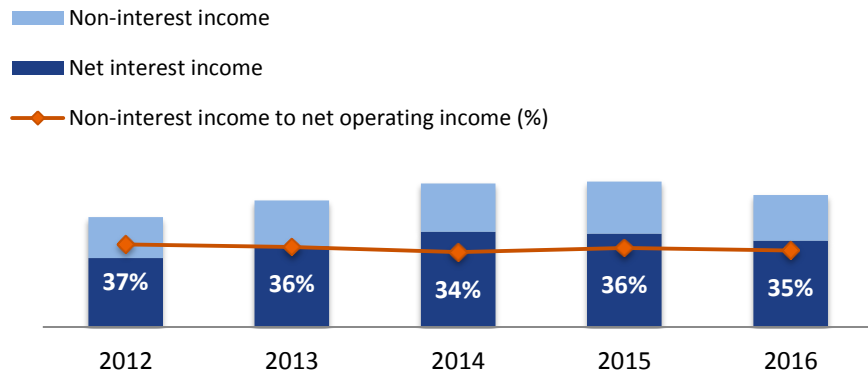
Earnings Performance – Full Year Ended 31 December 2016



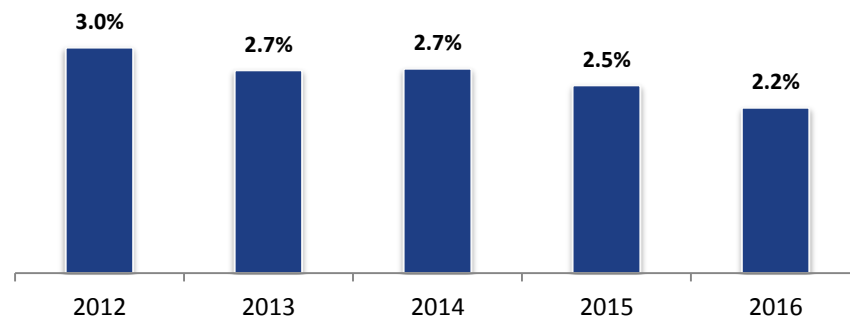
Profitability

- ◆ Net interest income down 7.6% to QAR 2,341m v FY15
 - ◆ NIM down at 2.2% vs 2.5% FY15
- ◆ Non-interest income down 11.4% to QAR 1,253m v FY15
 - ◆ Net fee income down 24.1% to QAR 736m
 - ◆ Foreign exchange income up 73.5% to QAR 245m
 - ◆ Investment income up 55.4% to QAR 163m
- ◆ Cost to income ratio higher at 46% v 42.8% in FY15.

Net operating income

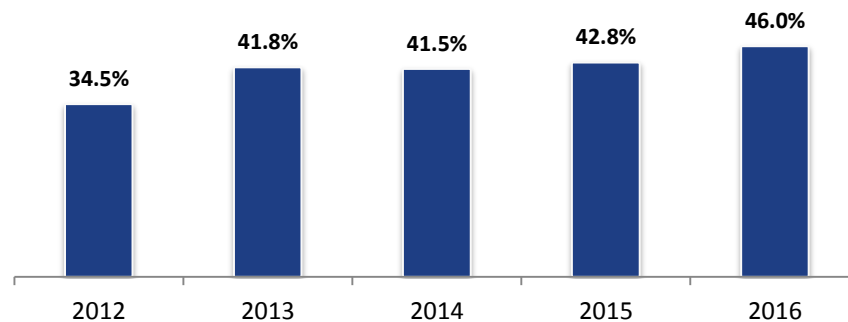


Net interest margin



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



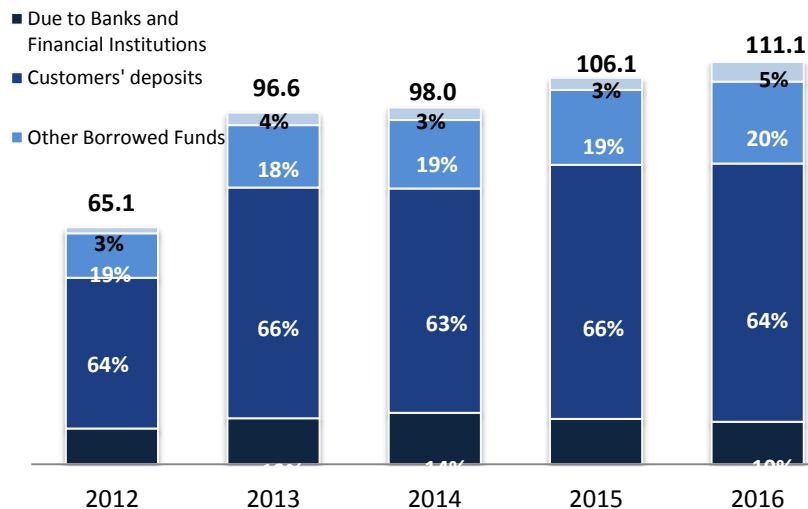
Balance Sheet Structure – 31 December 2016



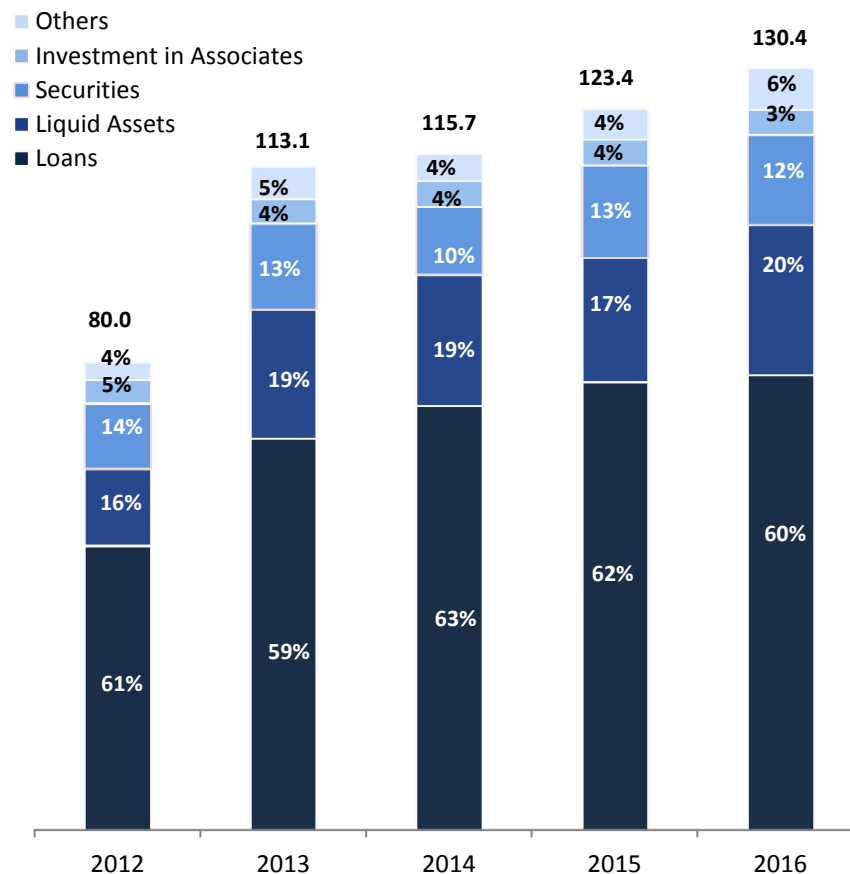
Summary

- ◆ Total assets increased by 5.6% to QAR 130.4 bn v FY15
 - ◆ Lending to customers up 1.6% to QAR 77.8bn
 - ◆ Due from banks up 21.9% to QAR 19.3bn
- ◆ Total liabilities increased QAR 5bn to QAR 111.1bn v FY15
 - ◆ Inter-bank takings down 6.6% to QAR 11.6bn
 - ◆ Other borrowings down 10.7% to QAR 10.7bn

Liabilities mix



Assets mix



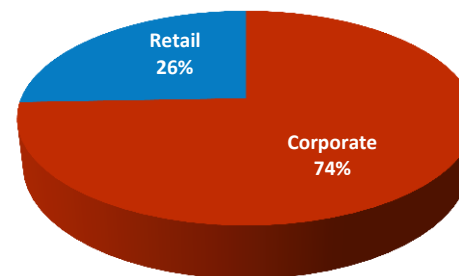
Loan Book Breakdown – 31 December 2016



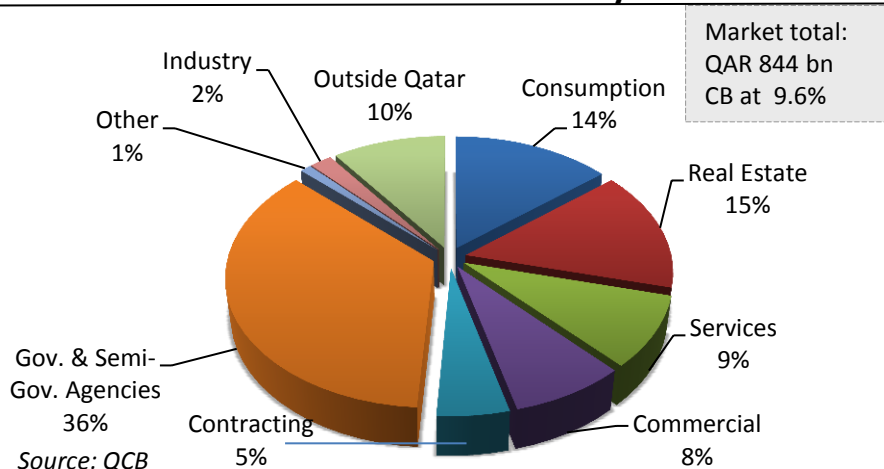
Summary

- ◆ Loans to customers at QAR 77.8bn, up 1.6% v FY15
 - ◆ Growth mainly in industry, Commercial and Services sectors
- ◆ Loan book diversified across industry sectors
- ◆ Corporate customers represent 74% of total loan book

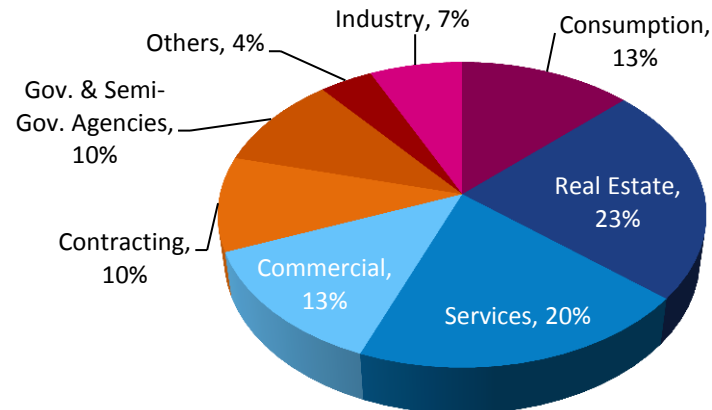
Loan book breakdown by division



Qatari banks' credit facilities breakdown by sector - Dec 2016



Loan book breakdown by sector – Dec 2016

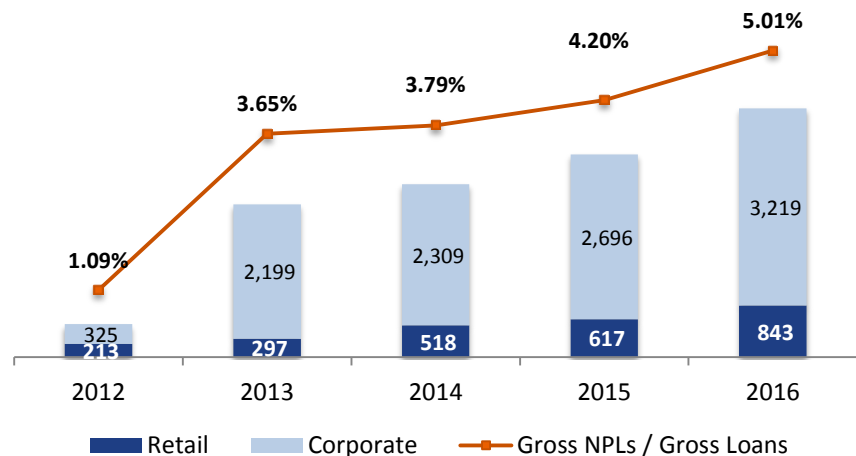




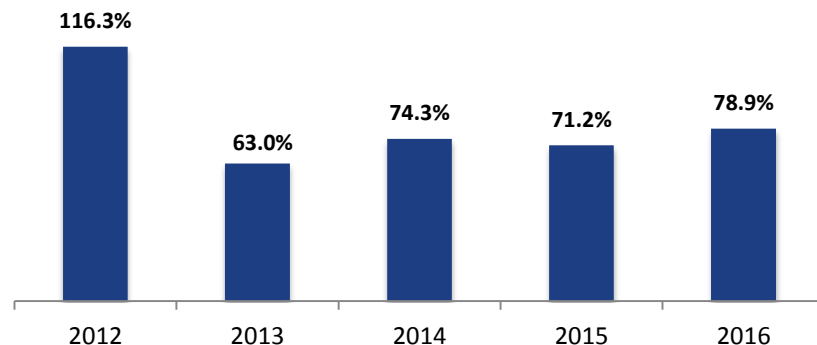
Summary

- ◆ Net Provision for loan loss of QAR 1,268m v QAR 842m in FY15, comprising of:
 - ◆ Corporate QAR 779m
 - ◆ Retail QAR 275m
 - ◆ ABank QAR 214m
- ◆ NPL ratio 5.0% at FY16 v 4.2% at FY15
- ◆ Loan coverage at 78.9% v 71.2% at FY15
- ◆ Risk reserve of QAR 1.8bn; total loan loss coverage of 123%

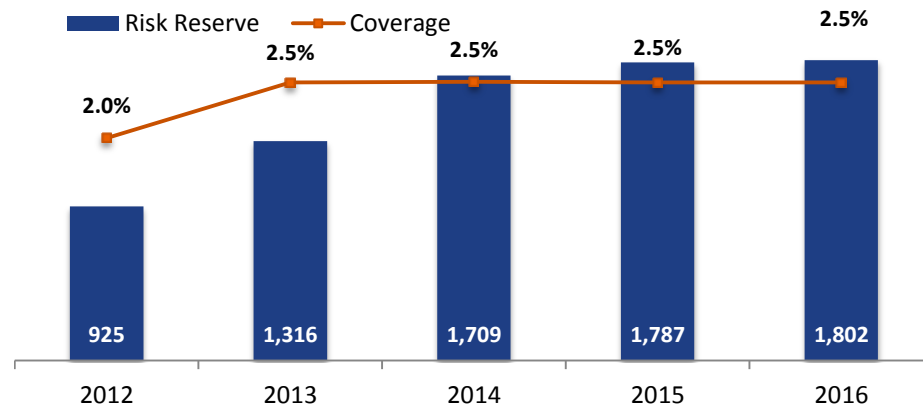
Non-performing loan ('NPL') ratio (90 day basis)



Loan coverage ratio



Risk reserve (QAR million)



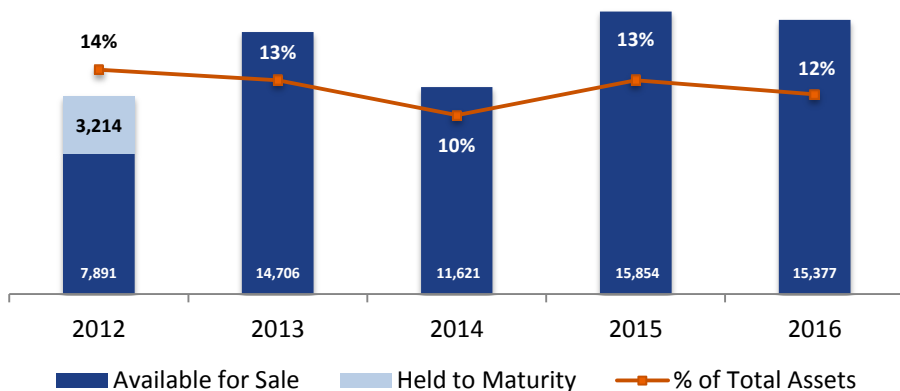
Risk reserve ratio represents risk reserve over total loans & advances net of specific provisions, IIS, deferred profits of IB, lending to MOF and cash collateral



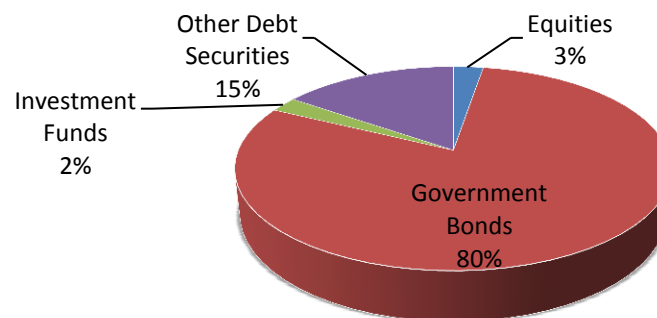
Summary

- ◆ Investment portfolio down 3.0% to QAR 15.4bn v FY15
 - ◆ Reduction due to maturity of Government debt securities.
- ◆ 80% of portfolio comprised Government Bonds and QCB T-Bills
- ◆ Investment income of QAR 167m FY16 v QAR 104m in FY15
- ◆ Investment provisions of QAR 77m FY16 v QAR 56m in FY15

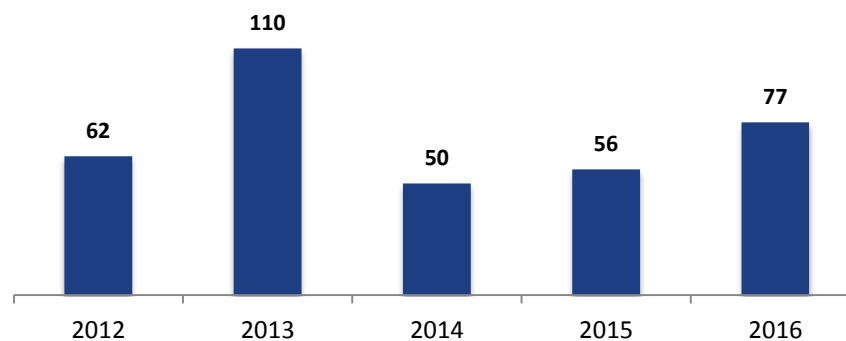
Investment portfolio evolution (QAR million)



Investment portfolio – 31 December 2016



Investment portfolio provisions (QAR million)



Funding Breakdown – 31 December 2016

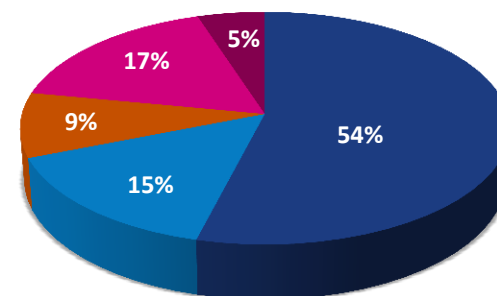


Summary

- ◆ Customers' deposits up 1.6% to QAR 70.9bn v FY15 representing 54% of the total funding base
- ◆ Well diversified funding mix
- ◆ Total equity represents 15% of funding mix
- ◆ Key liquidity ratios maintained above levels set by QCB

Total funding mix – 31 December 2016

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



Debt issued and other borrowed funds

QAR Million	31.12.2016	31.12.2015
Subordinated Notes	3,425	2,848
EMTN (Bond) (Fixed Rate due Apr 2017)	1,818	1,812
EMTN (Bond) (Fixed Rate due Jun 2019)	2,717	2,713
EMTN (Bond) (Fixed Rate due Jun 2021)	2,704	-
Senior Notes	1,053	1,077
Bilateral/club loans	10,777	12,074
Total	22,494	20,524

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	Stable	Oct 16
Fitch	A+	F1	bbb-	Stable	Nov 16
S&P	BBB+	A-2	bbb-	Negative	June 16

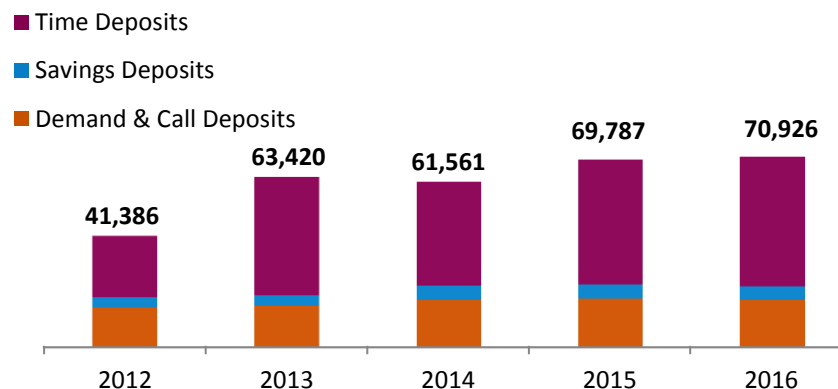
Deposit Breakdown – 31 December 2016



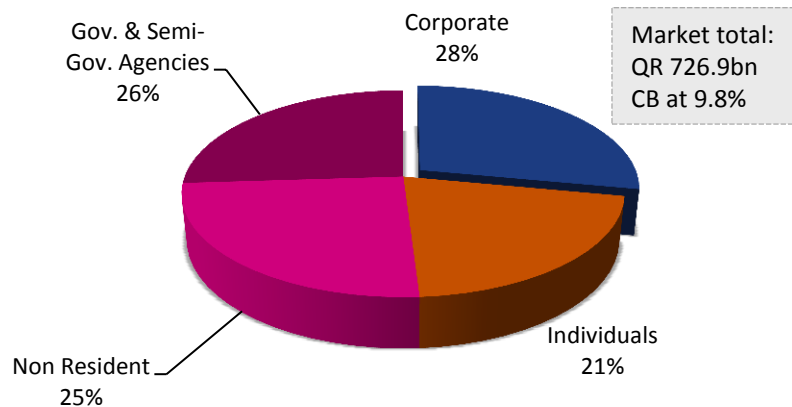
Summary

- ◆ Customers' deposits increased by 1.6% to QAR 70.9bn v FY15
- ◆ Good deposit mix with Government and Semi-Government at 18%, corporate at 52%, and individuals at 29%.

Customers' deposits (QAR million)

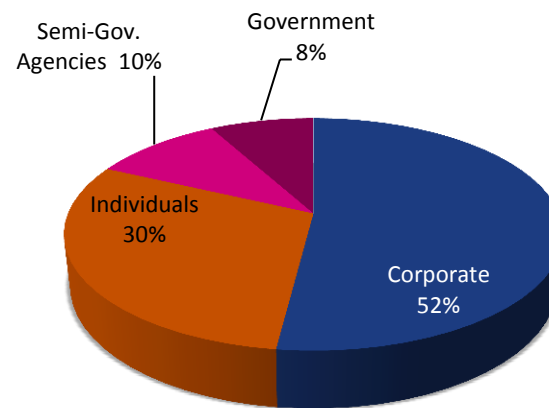


Qatari banks' deposits breakdown by sector – Dec 2016



Source: QCB

Deposits by customer type – December 2016



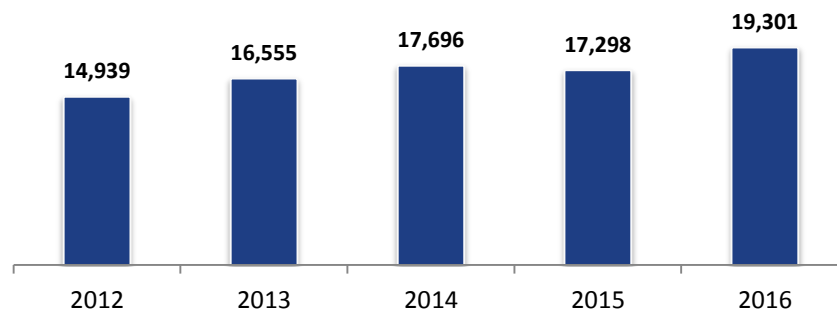
Capitalization Levels – 31 December 2016



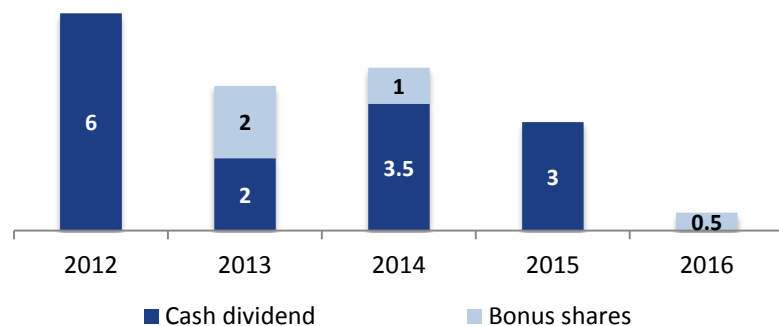
Summary

Total equity (QAR million)

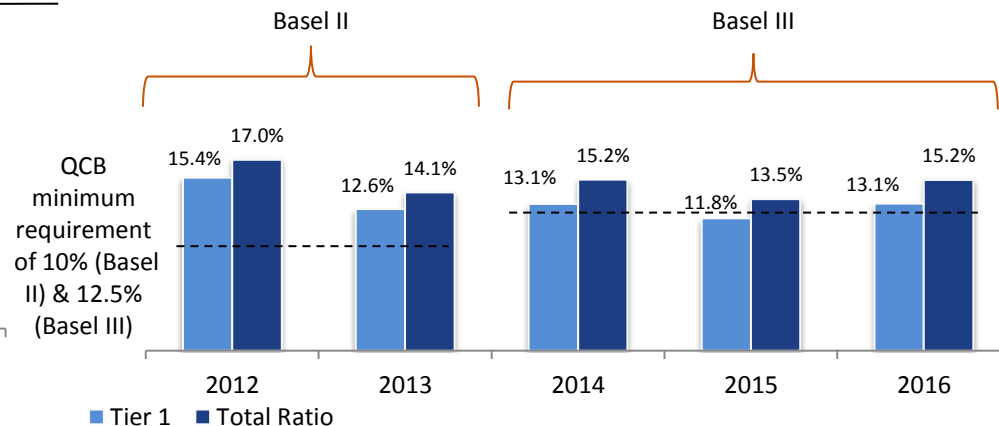
- ◆ Total equity at QAR 19.3bn, up QAR 2bn from FY15, due to:
 - ◆ Issuance of new AT1 at QAR 2bn in 1Q 2016
 - ◆ Fixed assets valuation reserve of QAR 1.3bn
 - ◆ FY 16 profit of QAR 501mn
 - ◆ Dividend payment of QAR 980m
 - ◆ Increase in negative foreign currency translation reserve of QAR 455m
 - ◆ Dividend for additional tier 1 capital QAR 220m
- ◆ Capital Adequacy Ratio at 15.2% (Basel III)



Dividend distribution per share (QAR)



Capital Adequacy Ratio





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Profitability

QAR Million	FY 2016	FY 2015	%
Net interest income	1,994	2,032	(2.0%)
Non-interest income	1,063	1,181	(10.1%)
Total costs	1,247	1,223	2.0%
Net provisions	1,127	710	58.7%
Net profit	683	1,280	(46.6%)

Balance Sheet

QAR Million	31.12.16	31.12.15	%
Total assets	114,608	106,781	7.3%
Loan & advances	65,910	63,737	3.4%
Financial investments	12,987	14,847	(12.5%)
Customers' deposits	62,760	62,878	(0.2%)
Total equity	19,861	16,860	21.1%

Performance Ratios

	31.12.16	31.12.15
ROAE	3.8%	8.0%
ROAA	0.6%	1.3%
NIM	2.2%	2.3%

Capital (Basel III)

QAR Million	31.12.16	31.12.15
RWA (QAR million)	95,699	89,048
CET 1 ratio	9.6%	10.1%
Total Capital ratio	14.7%	13.8%



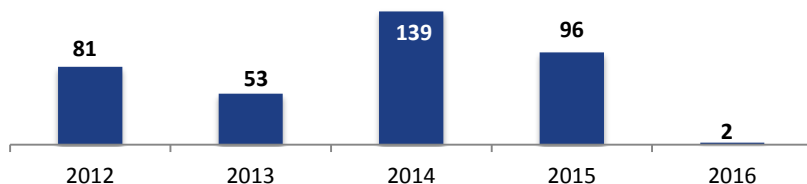
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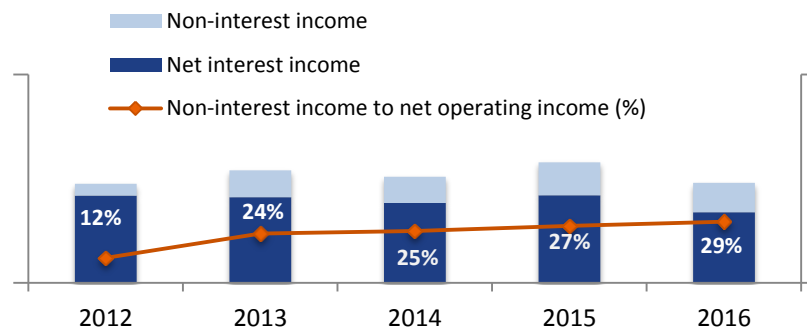
Alternatifbank of Turkey (ABank)

- ◆ Net profit after tax at TL 2m v TL 96m in FY15
- ◆ Operating income down by TL 100m v FY15
- ◆ Operating expenses down by TL 22m v FY15
- ◆ Provisions up by 26.3% compared to FY15
- ◆ Loan book up to TL 11.3bn v TL 10.1bn in FY15
- ◆ Customers' deposits up to TL 8.1bn v TL 5.6bn in FY15

Net Profit (TL million)



Net operating income (TL million)



Profitability

TL million	FY 2016	FY 2015	%
Net Interest income	339.03	421.39	(20%)
Non-Interest income	140.68	157.8	(11%)
Operating income	479.71	579.19	(17%)
Operating expenses	300.89	317.17	(5%)
Provisions	176.54	139.76	26%
Profit before tax	2.3	122.26	(98%)
Tax	0.1	26.54	(100%)
Net profit	2.1	95.72	(98%)

Balance Sheet

TL million	31.12. 2016	31.12. 2015	%
Assets			
Cash and balance with central bank	1,968	1,544	27%
Due from banks and financial institutions	935	962	-3%
Loans and advances to customers	11,343	10,098	12%
Financial Investments	2320	805	188%
Other Assets	910	569	60%
Total Asset	17,476	13,978	25%
Liabilities & Shareholders' equity			
Due to banks and financial institutions	1,198	913	31%
Customers deposits	8,096	5,660	43%
Other borrowed fund	6,429	5,890	9%
Other liabilities	492	480	3%
Shareholders' equity	1,261	1,035	22%
Total Liabilities and Shareholders' equity	17,476	13,978	25%

Associates' Performance – Full Year Ended 31 December 2016



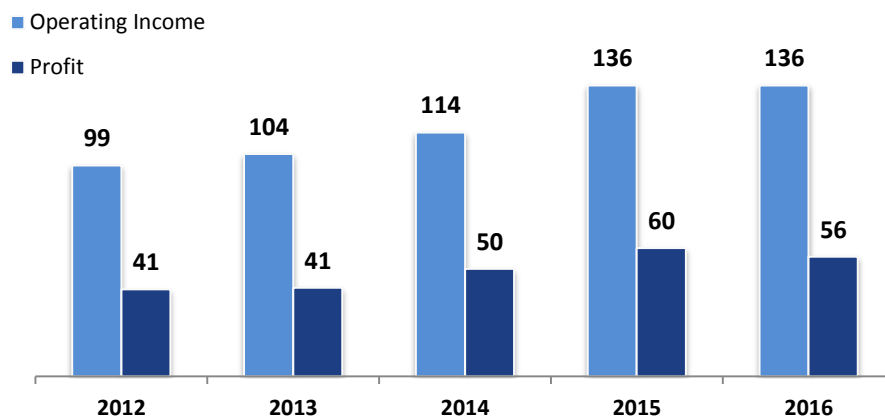
National Bank of Oman (NBO)

- ◆ Net profit after tax at OMR 56m, down 7.2% from OMR 60m in FY15
- ◆ Net operating income OMR 136m
 - ◆ Net interest income up 7.1% to OMR 98m
 - ◆ Non-interest income down 13.9% to OMR 38m
- ◆ Net provisions were 58.3% higher at OMR 10m
- ◆ Loan book grew 5.4% to OMR 2.7bn v FY15
- ◆ Customers' deposits increased by 6.6% to OMR 2.4bn v FY15

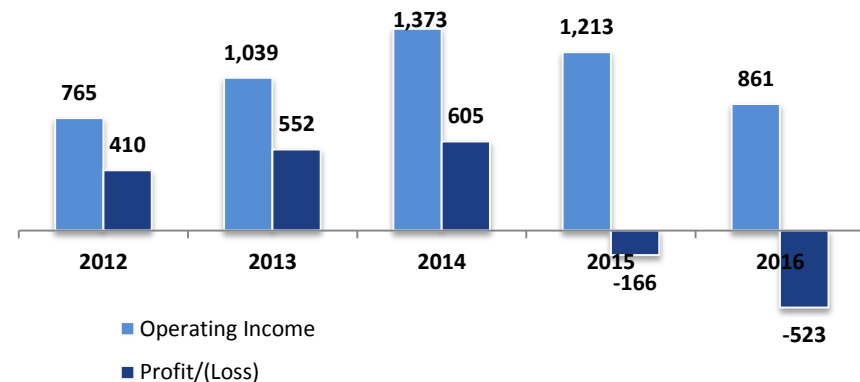
United Arab Bank (UAB)

- ◆ Net loss of AED 523m, down 214.6%, from a net loss of AED 166m in FY15
- ◆ Net operating income down 29.0% to AED 861m v AED 1,213m in FY15
 - ◆ Net interest income down 35.8% to AED 634m
 - ◆ Non-interest income up 0.9% to AED 228m
- ◆ Provisions increased to AED 1,011m v AED 888m in FY15
- ◆ Loan book decreased by 14.8%, to AED 13.3bn v FY15
- ◆ Customers' deposits down 7.4% to AED 15.5bn v FY15

NBO Performance (OMR million)



UAB Performance (AED million)





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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**

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Thank you

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