

البنك التجاري
COMMERCIAL
BANK



THE COMMERCIAL BANK (Q.S.C.)

Financial Results

For the Half Year Ended 30 June 2016

20th July 2016

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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- **GROUP HIGHLIGHTS AND PERFORMANCE**
- COMMERCIAL BANK FINANCIAL PERFORMANCE
- SUBSIDIARIES AND ASSOCIATES' FINANCIAL PERFORMANCE
- OUTLOOK

Group Highlights – Half -Year Ended 30 June 2016



Summary

◆ Financial results

- H1 2016 **net profit** QAR 482m
- **Operating profit** of QAR 1bn
- **Total Assets** up 6.9% to QAR 127.3 bn vs H1 2015
- NPL ratio at 4.81%
- Cost to Income Ratio stable at 44.5%
- Associates' profitability down 47.8% but UAB back to profitability

◆ Expansion and active management of balance sheet

- Lending up 6.6% to QAR 74.4 bn
- Deposits up 12.4% to QAR 72.1 bn
- NIM at 2.3%, stable vs Q1 2016

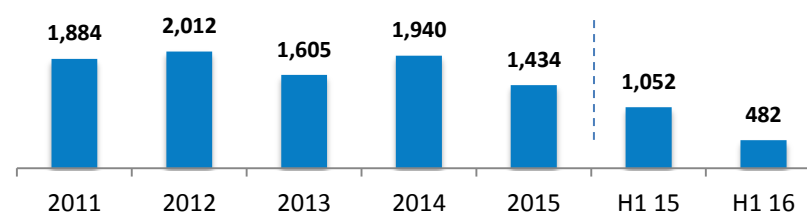
◆ Strong capital base maintained (as at 30 June 2016)

- CET1 under Basel III of 9.9%
- CAR under Basel III of 15.6%
- 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

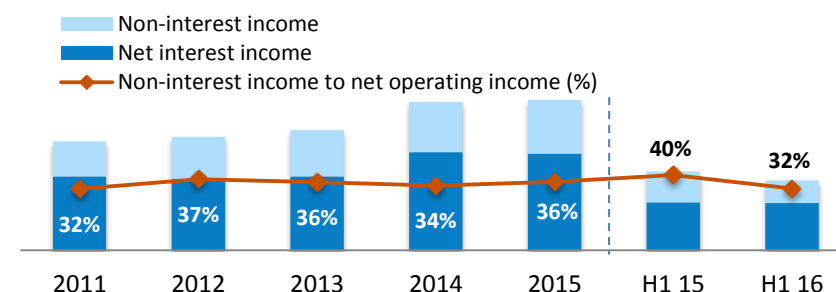
◆ Strengthened leadership team

- Joseph Abraham appointed CEO

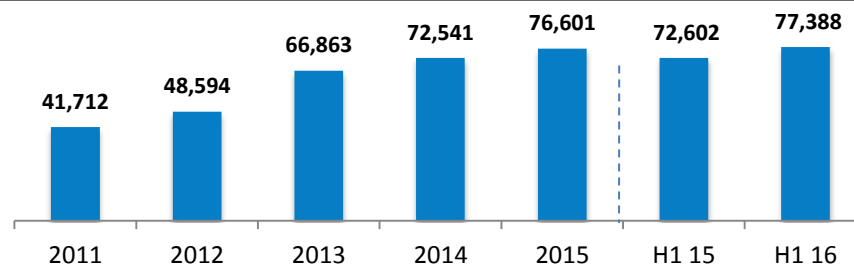
Net profit (QAR million)



Net operating income (QAR million)



Loans and advances to customers (QAR million)



Group Financial Performance – Half -Year Ended 30 June 2016



Group Profitability

QAR Million	H1 2016	H1 2015	%
Net interest income	1,238	1,252	(1.2%)
Non-interest income	595	822	(27.7%)
Total costs	831	823	0.9%
Net provisions	653	388	68.1%
Associates' income	113	217	(47.8%)
Net profit	482	1,052	(54.1%)

Performance Ratios

	30.06.16	30.06.15
ROAE	5.3%	12.0%
ROAA	0.8%	1.8%
NIM	2.3%	2.5%

Consolidated Balance Sheet

QAR Million	30.06.16	30.06.15	%
Total assets	127,321	119,134	6.9%
Loan & advances	77,388	72,602	6.6%
Investment Securities	15,399	14,883	3.5%
Customers' deposits	72,085	64,127	12.4%
Shareholders' equity	18,986	17,350	9.4%

Capital

QAR Million	30.06.16	30.06.15
RWA (QAR million)	111,372	102,881
Tier 1 ratio	13.5%	12.4%
Total Capital ratio	15.6%	14.1%

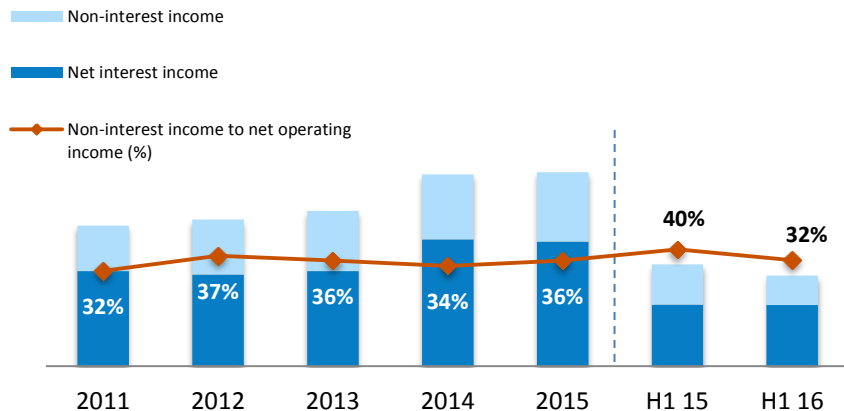
Earnings Performance – Half -Year Ended 30 June 2016



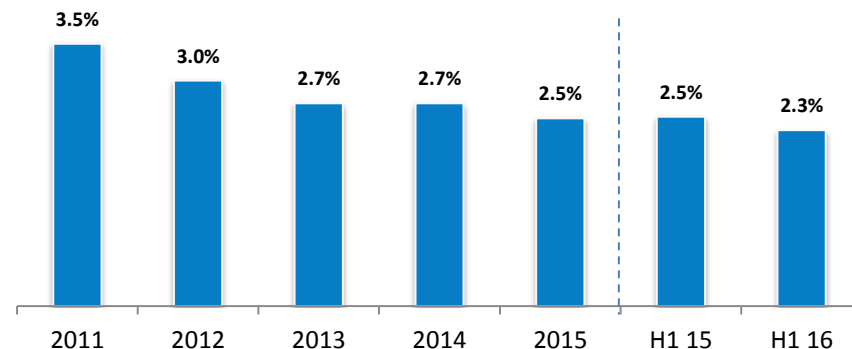
Profitability

- ◆ Net interest income down 1.2% to QAR 1.24bn v H115
 - ◆ NIM down at 2.3%. Stable in Qatar but reduced in Turkey as we increase focus from SME to mid corporate segment
- ◆ Non-interest income down 27.7% to QAR 595m v H115
 - ◆ Net fee income down 26.7% to QAR 381m mainly at ABank
 - ◆ Foreign exchange income down 24.8% to QAR 71m mainly at ABank
 - ◆ Investment portfolio income up by 10.3% to QAR 82m
 - ◆ H1 2015 other operating income was boosted by sale of property
- ◆ Cost to income ratio higher at 45.4% v 39.7% in H115.

Net operating income (QAR million)

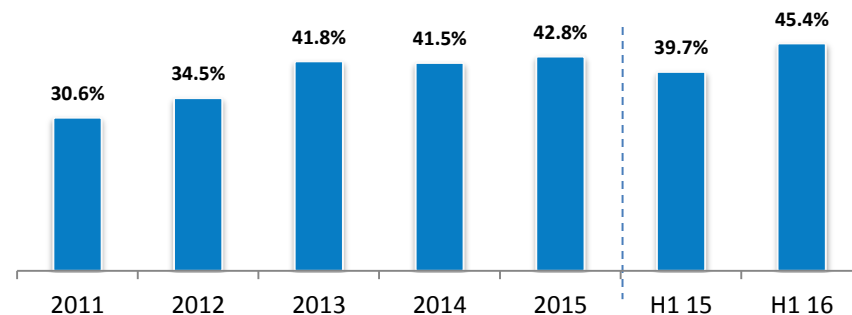


Net interest margin



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



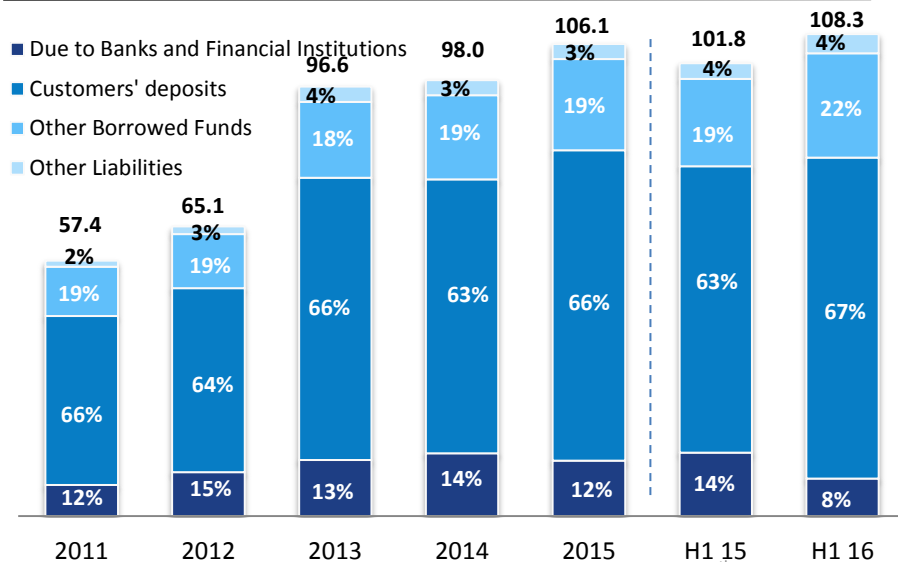
Balance Sheet Structure – 30 June 2016



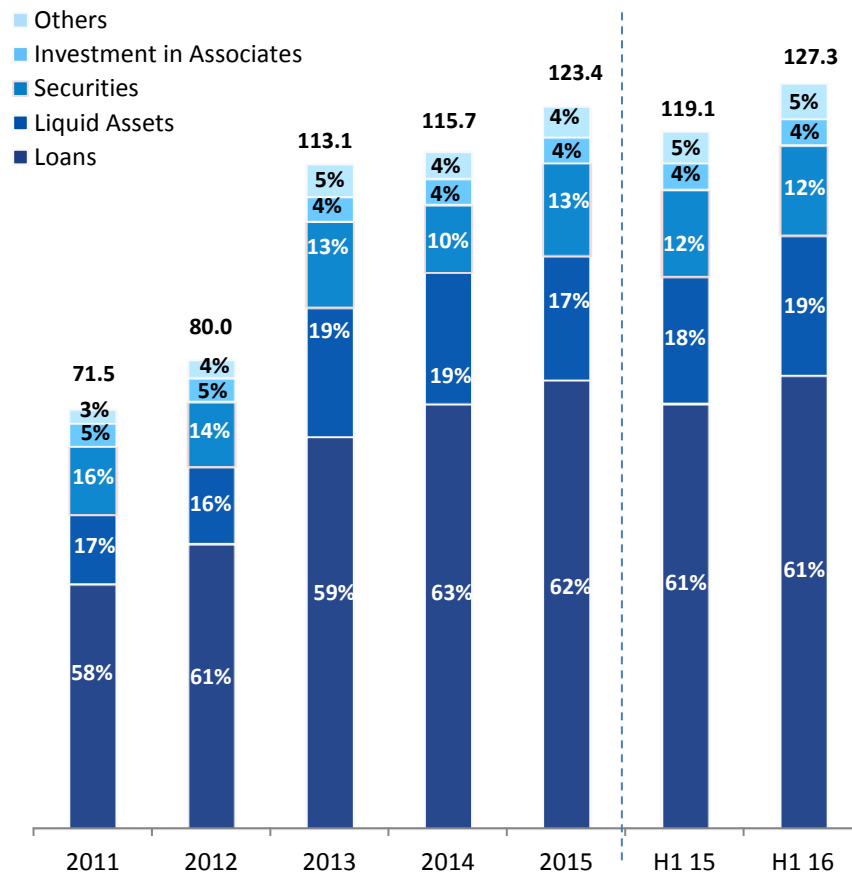
Summary

- ◆ Total assets increased by 6.9% to QAR 127.3bn v H115;
 - ◆ Lending to customers up 6.6% to QAR 77.4bn
 - ◆ Due from banks up QAR 1.7bn to QAR 15.6bn
- ◆ Total liabilities increased QAR 6.4% to QAR 108.3bn v H115;
 - ◆ Customers' deposits up QAR 8bn to QAR 72.1bn
 - ◆ Inter-bank takings down 40.7% to 8.5bn v H1 15
 - ◆ Debt securities up 20.4% to QAR 11.7bn

Liabilities mix



Assets mix



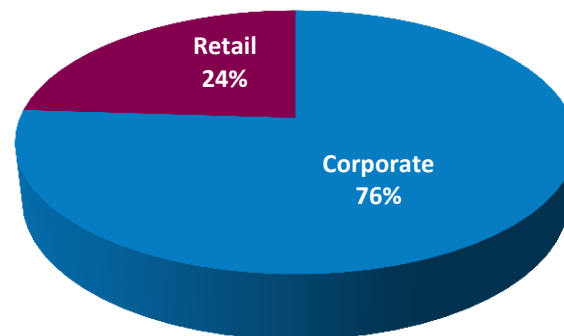
Loan Book Breakdown – 30 June 2016



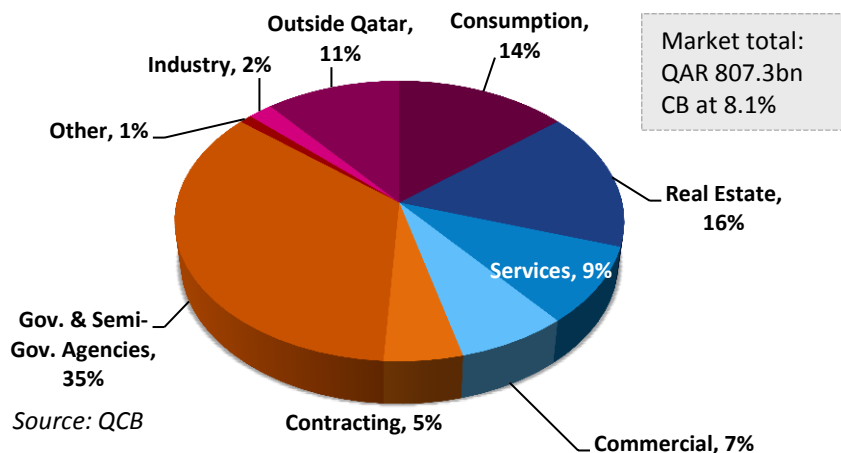
Summary

- ◆ Loans to customers at QAR 77.4bn, up 6.6% v H115.
 - ◆ Growth mainly in Services, Commercial and Industry sectors.
- ◆ Loan book diversified across industry sectors
- ◆ Corporate customers represent 76% of total loan book

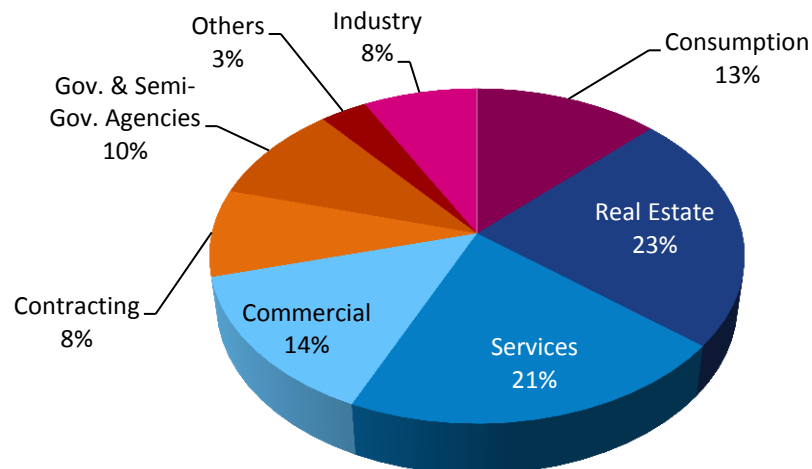
Loan book breakdown by division



Qatari banks credit facilities breakdown by sector - May 2016



Loan book breakdown by sector – Jun 2016



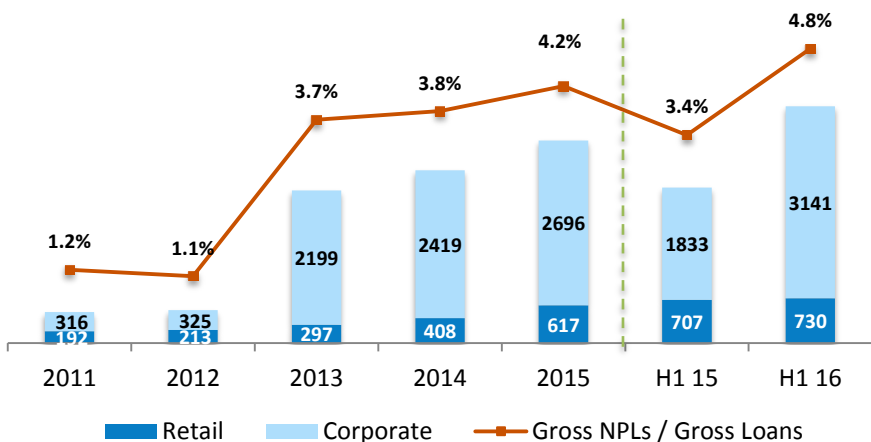
Asset Quality – 30 June 2016



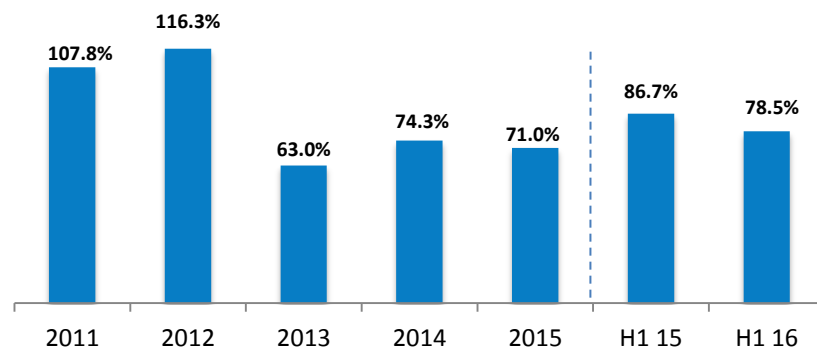
Summary

- ◆ Net Provision for loan loss of QAR 603m v QAR 376m in H115
 - ◆ QAR 350m for Wholesale and QAR 108m for Retail
 - ◆ QAR 145m for ABank
- ◆ NPL ratio 4.8% at H116 v 3.4% at H115
- ◆ Loan coverage at 78.5% v 86.7% at H115
- ◆ Risk reserve of QAR 1,787m; total loan loss coverage of 125%

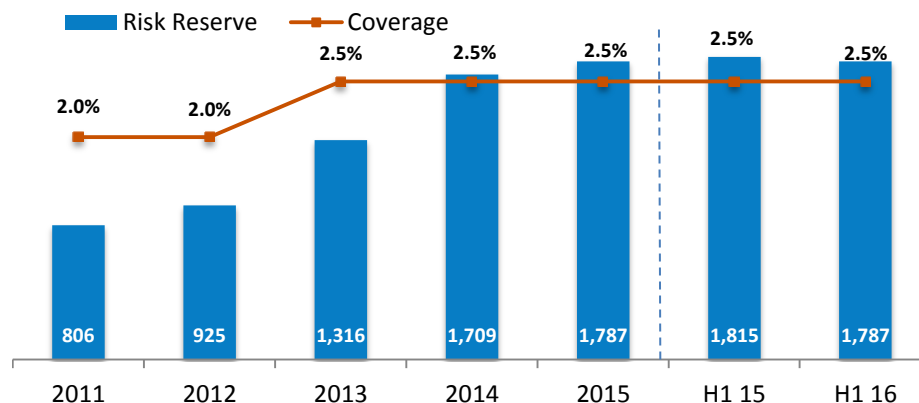
Non-performing loan ('NPL') ratio (90 day basis)



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

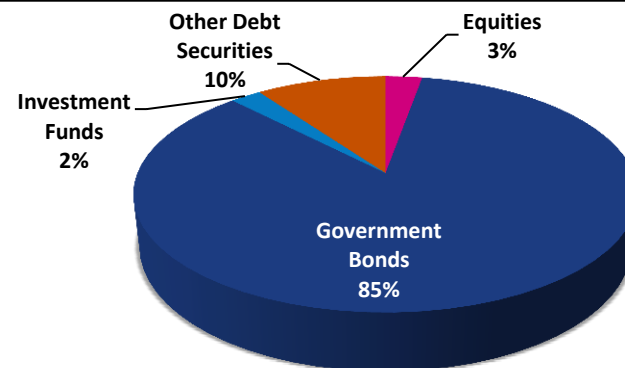
Investment Portfolio – 30 June 2016



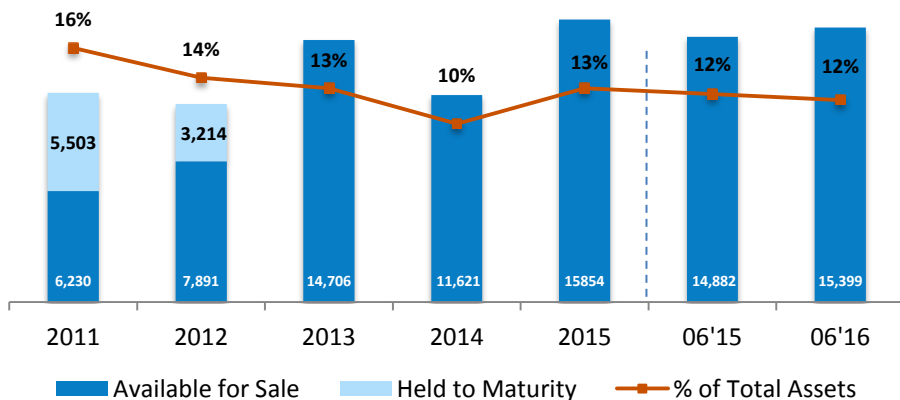
Summary

- ◆ Investment portfolio up 3.5% to QAR 15.4bn v H115
 - ◆ Due to Purchase of Government Bonds
- ◆ 82% Government Bonds and QCB T-Bills
- ◆ Investment income of QAR 82m H116 v QAR 75m in H115
- ◆ Investment provisions of QAR 50m H116 v QAR 12m in H115

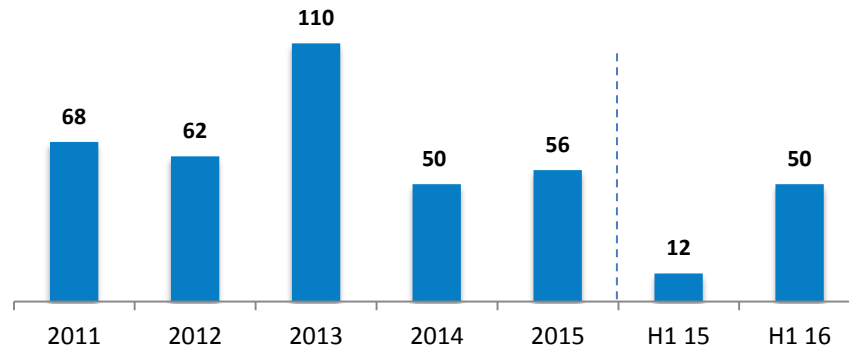
Investment portfolio – 30 June 2016



Investment portfolio evolution (QAR million)



Investment portfolio provisions (QAR million)



Funding Breakdown – 30 June 2016



Summary

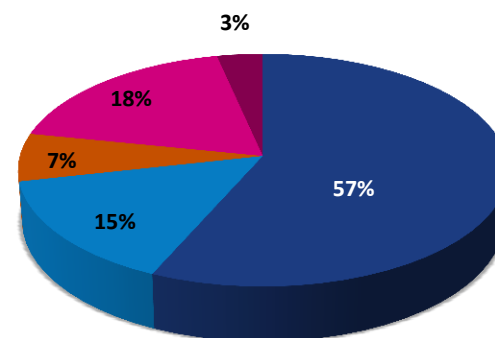
- ◆ Customers' deposits up 12.4% to QAR 72.1bn v H115 representing 57% of the total funding base
- ◆ Well diversified funding mix
- ◆ Shareholders' equity represents 14.9% of funding mix
- ◆ Key liquidity ratios maintained above levels set by QCB

Debt issued and other borrowed funds

QAR Million	30.06. 2016	30.06. 2015
Subordinated Notes	3,431	3,118
EMTN (Bond) (Fixed Rate due Apr 2017)	1,815	1,809
EMTN (Bond) (Fixed Rate due Jun 2019)	2,715	2,710
EMTN (Bond) (Fixed Rate due Jun 2021)	2,704	-
Swiss Franc note (Fixed Rate due Dec 2015)	-	1,097
Senior Notes	1,082	1,024
Bilateral/club loans	11,719	9,879
Total	23,466	19,637

Total funding mix – 30 June 2016

- Customers' Deposits
- Total Shareholders' 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	May 16
Fitch	A+	F1	bbb	Stable	April 16
S&P	BBB+	A-2	bbb-	Negative	May 16

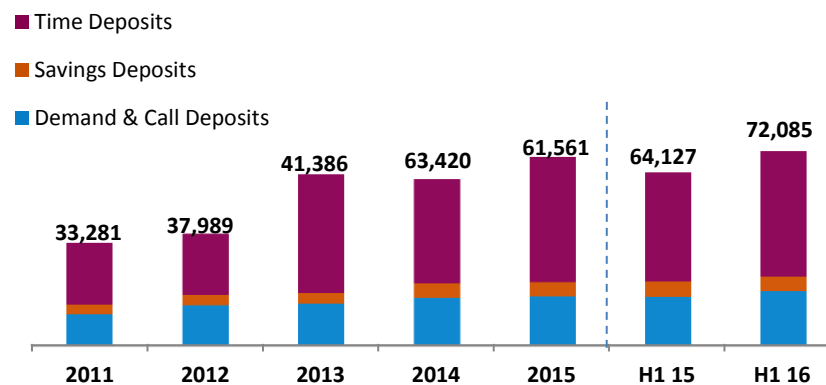
Deposit Breakdown – 30 June 2016



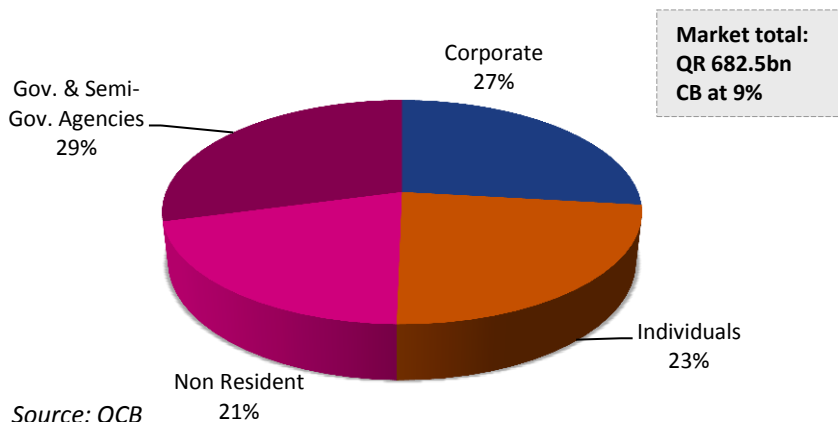
Summary

- ◆ Customers' deposits increased by 12.4% to QAR 72.1bn v H115
- ◆ Good deposit mix with Government and Semi-Government at 25% , corporate at 44% and individuals at 31%

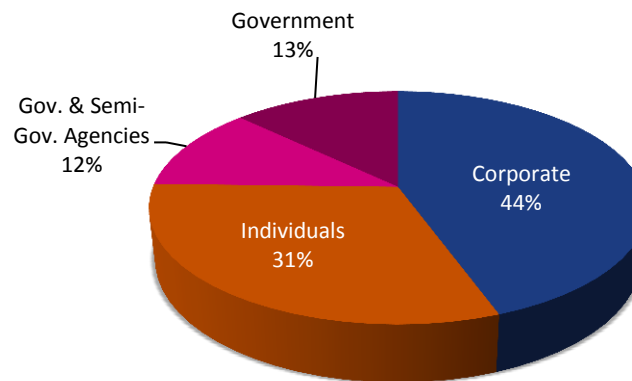
Customers' deposits (QAR million)



Qatari banks deposits breakdown by sector – May 2016



Deposits by customer type – June 2016



Source: QCB

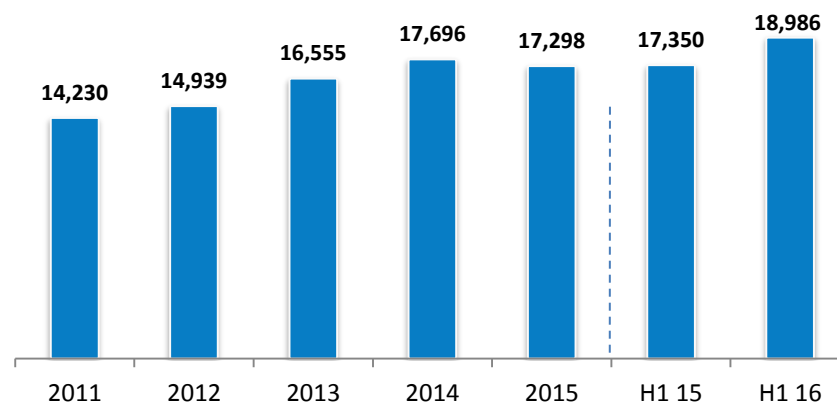
Capitalization Levels – 30 June 2016



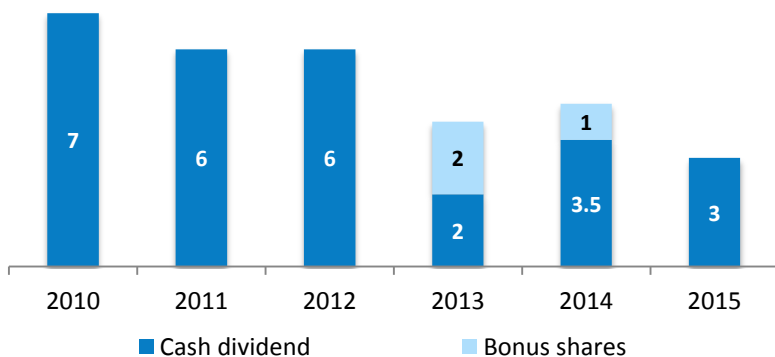
Summary

- ◆ Total equity at QAR 19bn, up by QAR 1.7bn from FY15, due to:
 - ◆ H1 16 profit by QAR 482 m
 - ◆ Issuance of additional Tier 1 capital QAR 2bn
 - ◆ Dividend payment for 2015 QAR 980m
 - ◆ Increase in Other Comprehensive Income by QAR 0.2bn
- ◆ Capital Adequacy Ratio at 15.6% (Basel III)

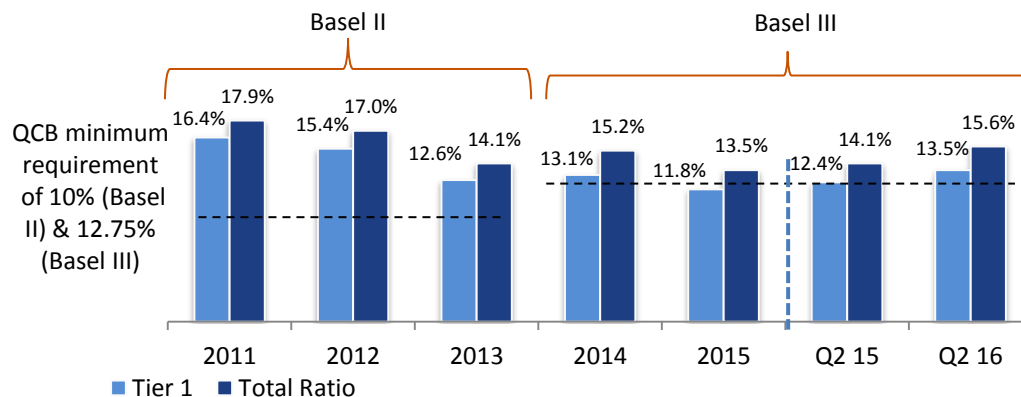
Total equity (QAR million)



Dividend distribution per share (QAR)



Capital Adequacy Ratio





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Commercial Bank Financial Performance – Half -Year Ended 30 June 2016



Profitability

QAR Million	H1 2016	H1 2015	%
Net interest income	1,038	1,011	2.6%
Non-interest income	579	666	(13.1%)
Total costs	624	603	3.4%
Net provisions	507	301	68.4%
Net profit	486	773	(37.1%)

Balance Sheet

QAR Million	30.06.16	30.06.15	%
Total assets	109,637	102,702	12.1%
Loan & advances	64,366	59,408	8.3%
Investment Securities	13,022	13,726	(5.1%)
Customers' deposits	62,957	55,846	12.7%
Shareholders' equity	18,397	17,230	6.8%

Performance Ratios

	30.06.16	30.06.15
ROAE	5.5%	9.0%
ROAA	0.9%	1.5%
NIM	2.3%	2.3%

Capital

QAR Million	30.06.16	30.06.15
RWA (QAR million)	91,230	86,055
Tier 1 ratio	14.5%	13.2%
Total Capital ratio	15.4%	14.7%



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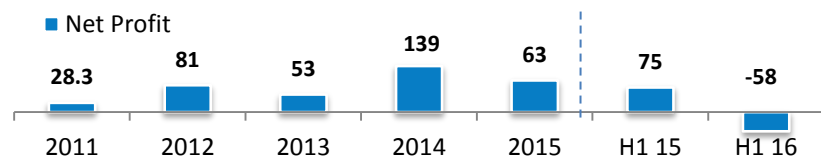
ABank Results – Half -Year Ended 30 June 2016



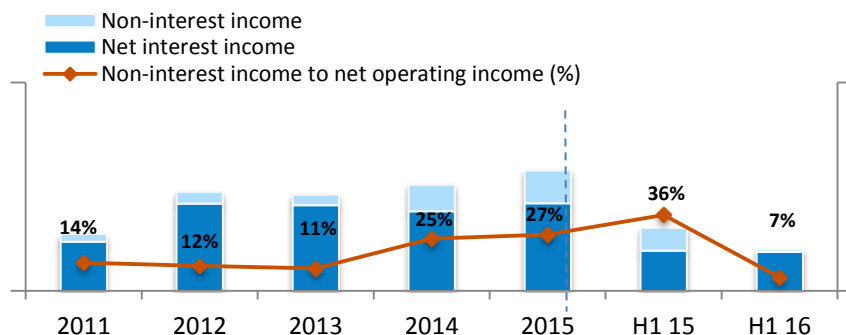
Alternatifbank of Turkey (ABank)

- ◆ Net loss after tax at TL 58 m v net profit after tax of TL 75m in H115
- ◆ Operating income down by TL 102m v H115
- ◆ Operating expenses up by TL 11m v H115
- ◆ Higher provisions compared to H115
- ◆ Loan book up to TL 10bn v TL 9.5bn in H115
- ◆ Customers' deposits up to TL 7.2bn v TL 6.1bn in H115

Net Profit (TL million)



Net operating income (TL million)



Profitability

TL million	6M 2016	6M 2015
Net interest income	187	193
Non-interest income	13	110
Operating Income	200	303
Total Operating Expenses	158	147
Total Provisions	117	61
Profit before tax	(75)	95
Tax (Credit)/Expense	(17)	20
Net (Loss)/Profit	(58)	75

Balance Sheet

TL million	30.06. 2016	30.06. 2015
Assets		
Cash and Balances with Central Bank	1,453	1,506
Due from banks & financial institutions	754	808
Loans and advances to customers	10,074	9,505
Total Investments	1,880	853
Other Assets	650	534
Total Assets	14,812	13,206
Liabilities		
Due to banks and financial institutions	428	826
Customers' deposit	7,174	6,074
Other borrowed funds	5,563	4,537
Other Liabilities	484	739
Shareholders Equity	1,163	1,030
Total Liabilities and Shareholders' equity	14,812	13,206

Associates' Performance – Half -Year Ended 30 June 2016



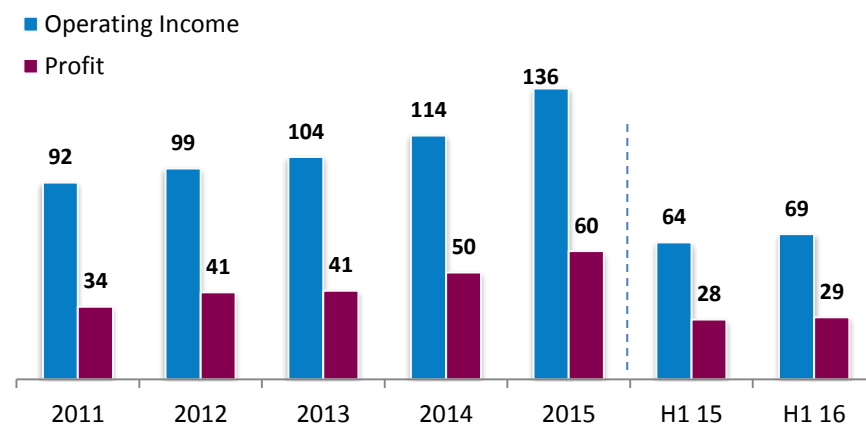
National Bank of Oman (NBO)

- ◆ Net profit after tax at OMR 29m, up 5% from OMR 28m in H115
- ◆ Net operating income OMR 68m, up 5% from OMR 64m in H115
 - ◆ Net interest income up 10% to OMR 48m
 - ◆ Non-interest income stable at OMR 20m
- ◆ Net provisions OMR 5.2m up 45% from OMR 3.6m in H115
- ◆ Loan book increased by 14% to OMR 2.8bn v H115
- ◆ Customers' deposits reduced marginally to OMR 2.4bn v H115

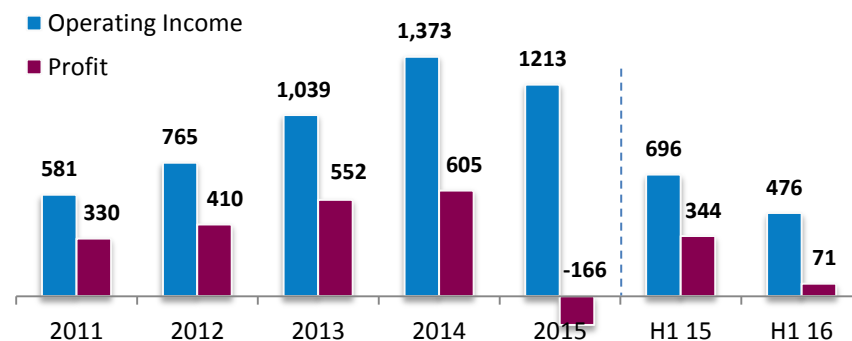
United Arab Bank (UAB)

- ◆ Net profit of AED 71m, down 79%, from AED 344m in H115
- ◆ Net operating income down 32% to AED 476m v AED 695m in H115
 - ◆ Net interest income down 34% to AED 347m
 - ◆ Non-interest income down 23% to AED 128m
- ◆ Provisions increased to AED 232m v AED 134m in H115
- ◆ Loan book down by 5%, to AED 14.8bn v H115
- ◆ Customers' deposits down 9% to AED 15.2bn v H115

NBO Performance (OMR million)



UAB Performance (AED million)





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◆ CB Strategy

- ◆ Focus on return on capital
- ◆ Grow market share and cross-sell
- ◆ Optimise yields, attract lower cost funds and manage costs

◆ Qatar

- ◆ Retail: grow market share
- ◆ Wholesale: defend and drive profitability
- ◆ Margin: stabilisation

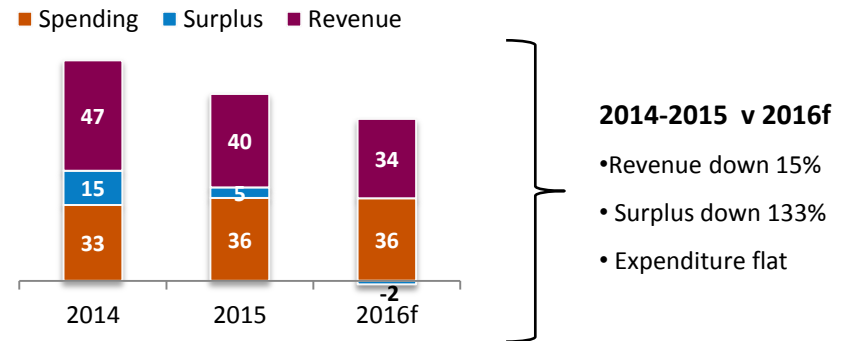
◆ Turkey

- ◆ Target the corporate market
- ◆ Grow loan book with new funding
- ◆ Capture GCC and Turkey trade and investment flow
- ◆ Focus on medium-term growth

◆ Associates

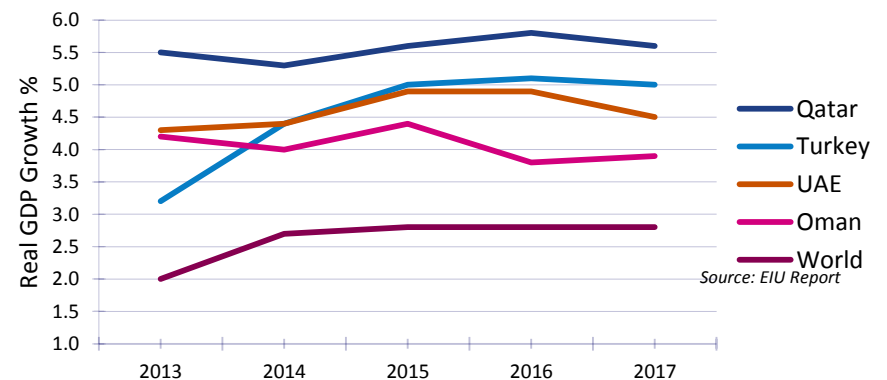
- ◆ Deliver UAB turnaround strategy
- ◆ Generate regional revenue opportunity

State of Qatar 2012 – 2015f budgets (QAR billion)



Source: IMF, Qatar Budget

Real GDP growth



Source: EIU Report

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Thank you

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