

البنك التجاري
COMMERCIAL
BANK



THE COMMERCIAL BANK (Q.S.C.)

Financial Results

For the Nine Months Ended 30 September 2016

19th October 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 – Nine Months Ended 30 Sept 2016



Summary

◆ Financial results

- 9M 2016 **net profit** QAR 491m
- **Net operating income** QAR 2.7bn
- **Total Assets** up 4% to QAR 123.9 bn vs 9M 2015
- Enhanced levels of prudent provisioning to QAR 1 bn
- NPL ratio at 5.33%
- Associates' profits up 5%

◆ Active management of balance sheet

- Lending up 4% to QAR 75.9bn
- Deposits up 4% to QAR 66.7 bn
- NIM at 2.3%, reflecting market competition
- June 2016: USD 750m 5 year bond via USD 5bn EMTN

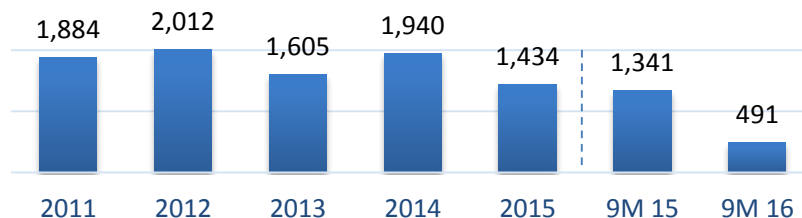
◆ Strong capital base maintained

- CET1 under Basel III of 10.0%
- CAR under Basel III of 15.8%
- March 2016: QAR 2 billion Tier 1 Perpetual Capital Notes
- May 2016: USD 300m 10 year Tier 2 issuance by ABank

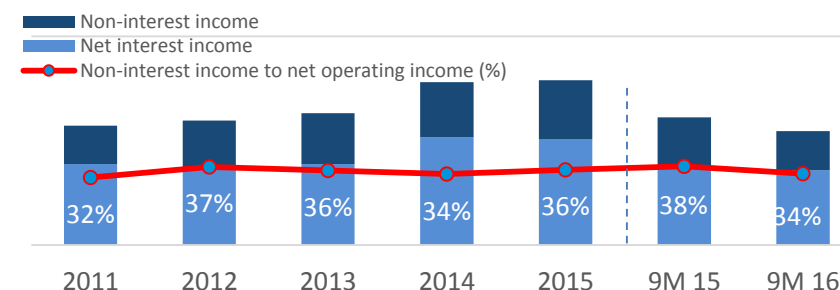
◆ Strategy Review

- Market update planned for November 2016

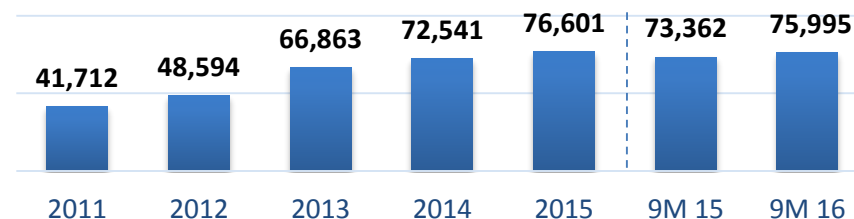
Net profit (QAR million)



Net operating income (QAR million)



Loans and advances to customers (QAR million)



Group Financial Performance – Nine Months Ended 30 Sept 2016



Group Profitability

QAR Million	9M 2016	9M 2015	%
Net interest income	1,800	1,903	(5%)
Non-interest income	933	1,155	(19%)
Total costs	1,235	1,256	(2%)
Net provisions	1,176	569	107%
Associates' income	158	152	5%
Net profit	491	1,341	(63%)

Performance Ratios

	30.09.16	30.09.15
ROAE	3.6%	10.3%
ROAA	0.5%	1.5%
NIM	2.3%	2.5%

Consolidated Balance Sheet

QAR Million	30.09.16	30.09.15	%
Total assets	123,922	119,164	4%
Loan & advances	75,995	73,362	4%
Investment Securities	16,214	18,385	(12%)
Customers' deposits	66,730	64,120	4%
Shareholders' equity	18,843	17,351	8%

Capital

QAR Million	30.09.16	30.09.15
RWA (QAR million)	109,873	104,794
CET1 ratio	10.0%	10.1%
Total Capital ratio	15.8%	13.7%

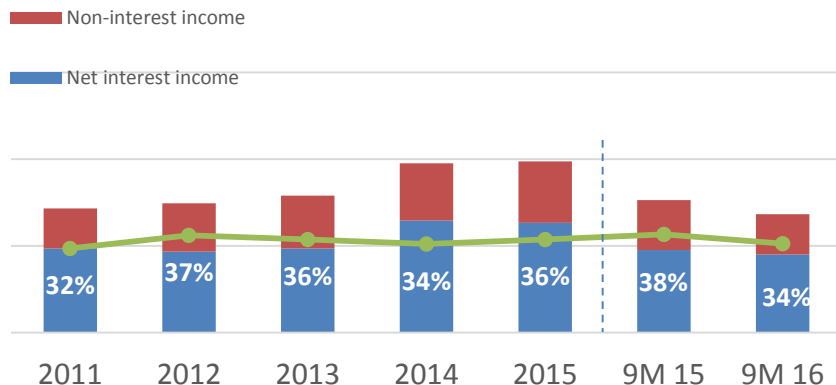
Earnings Performance – Nine Months Ended 30 Sept 2016



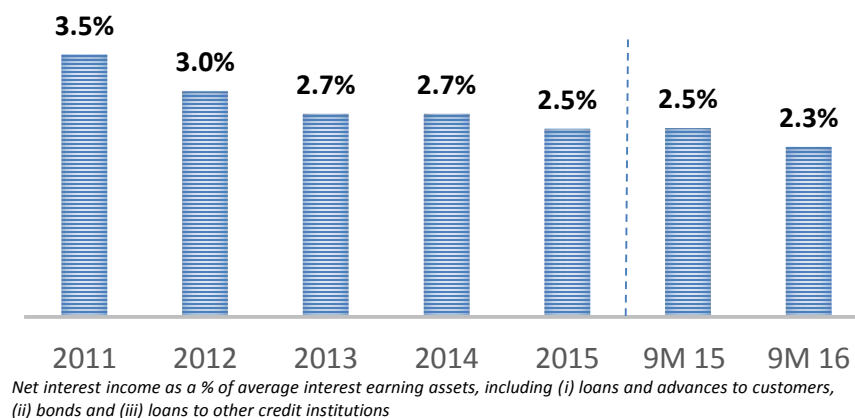
Profitability

- Net operating income decreased by 11% to QAR 2,733m
- Net interest income down 6% to QAR 1.8bn v 9M 15
 - NIM down at 2.3% v 2.5% in 9M 15
- Non-interest income down 19% to QAR 933m v 9M 15
 - Net fee income down 28% to QAR 552m
 - Foreign exchange income up 12% to QAR 143.6m
 - Investment income up 69% to QAR 152.5m
 - Cost to income ratio higher at 45.2% v 41.1% in 9M 15

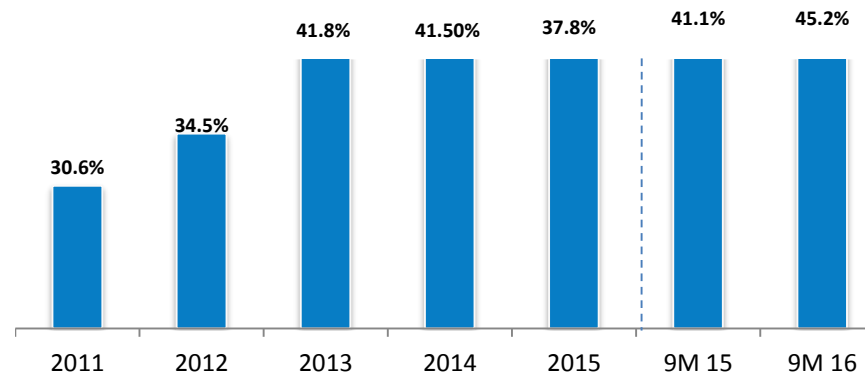
Net operating income (QAR million)



Net interest margin



Cost to income ratio



Income includes share of profit of associates

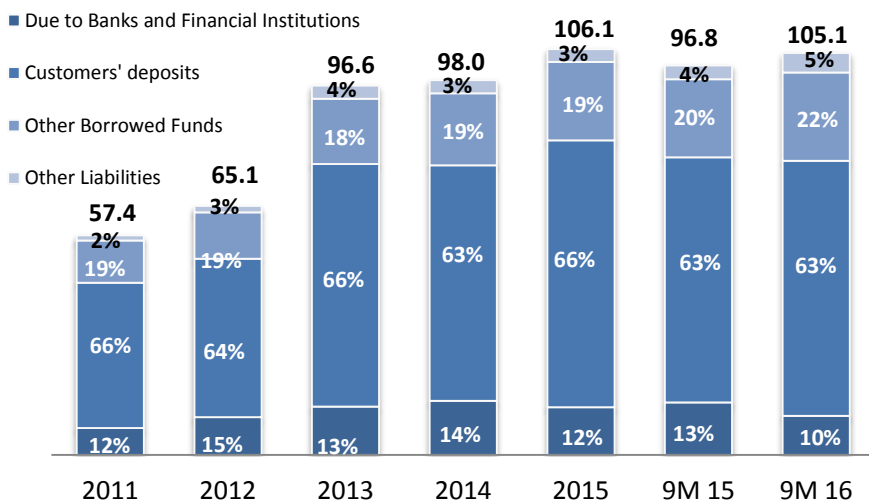
Balance Sheet Structure – 30 Sept 2016



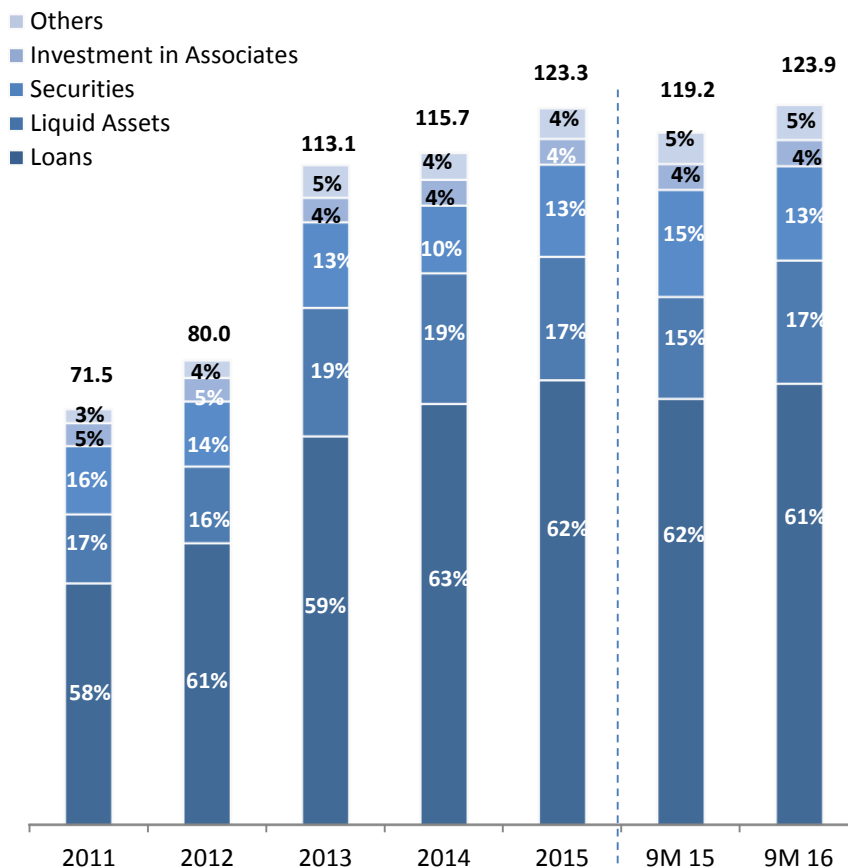
Summary

- Total assets increased by 4% to QAR 123.9bn v Q3 15;
 - Lending to customers up 4% to QAR 75.9bn
 - Due from banks up by QAR 3.6 bn to QAR 15.7bn
- Total liabilities increased by 3.2% to QAR 105.1bn v Q3 15;
 - Customers' deposits up QAR 2.6 bn to QAR 66.7 bn
 - Inter-bank takings down 25% to QAR 10.2 bn
 - Other borrowed fund up 13% to QAR 23.1 bn

Liabilities mix



Asset mix



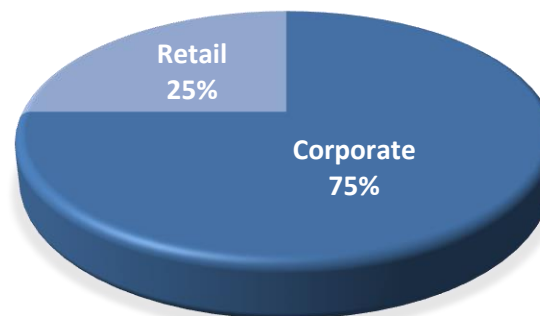
Loan Book Breakdown – 30 Sept 2016



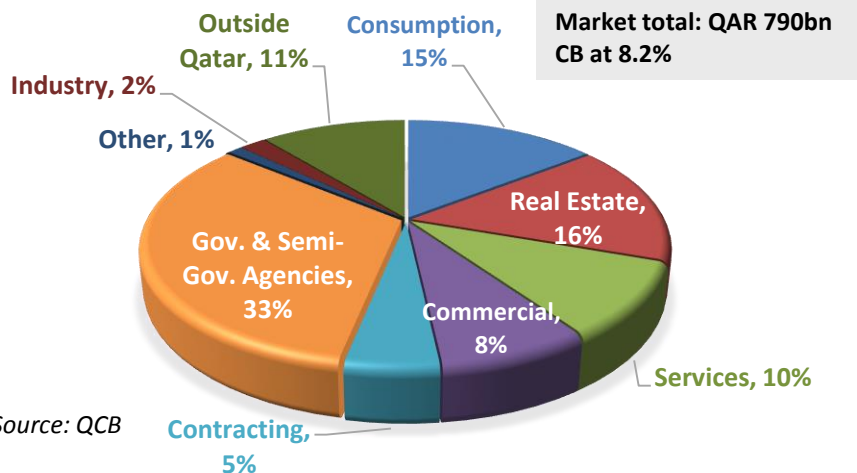
Summary

- Loans to customers at QAR 75.9bn, up 4% v Q3 15
 - Growth mainly in Services, Commercial and Industry
- Loan book diversified across industry sectors
- Corporate customers represent 75% of total loan book

Loan book breakdown by division

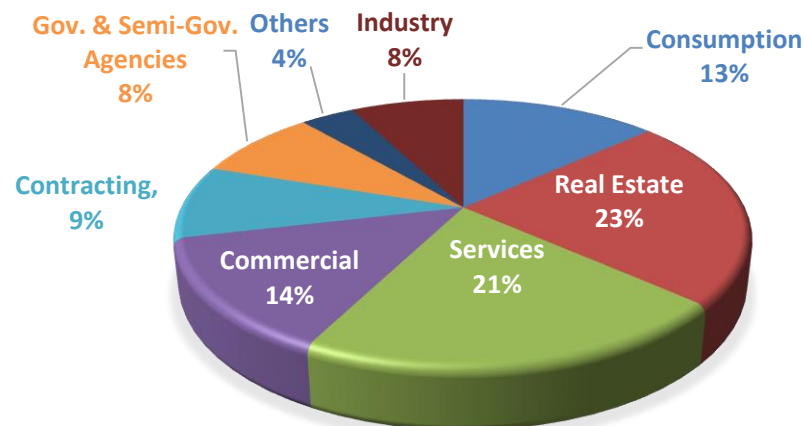


Qatari banks credit facilities breakdown by sector - Aug 2016



Source: QCB

Loan book breakdown by sector – Sept 2016



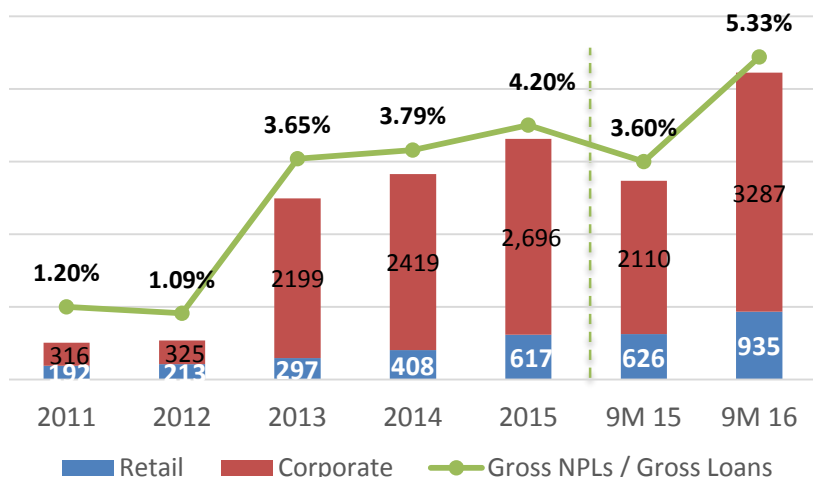
Asset Quality – 30 Sept 2016



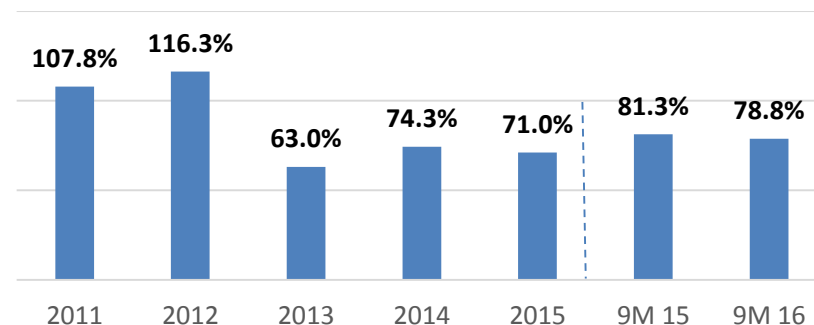
Summary

- Net Provision for loan loss of QAR 1,108m v QAR 543m in 9M 15
 - QAR 189m for Retail;
 - QAR 735m for Wholesale;
 - QAR 184m for ABank
- NPL ratio 5.3% at 9M 16 v 3.6% at 9M 15
- Loan coverage at 78.8% v 81.3% at Q3 15
- Risk reserve of QAR 1,787m; total loan loss coverage of 121%

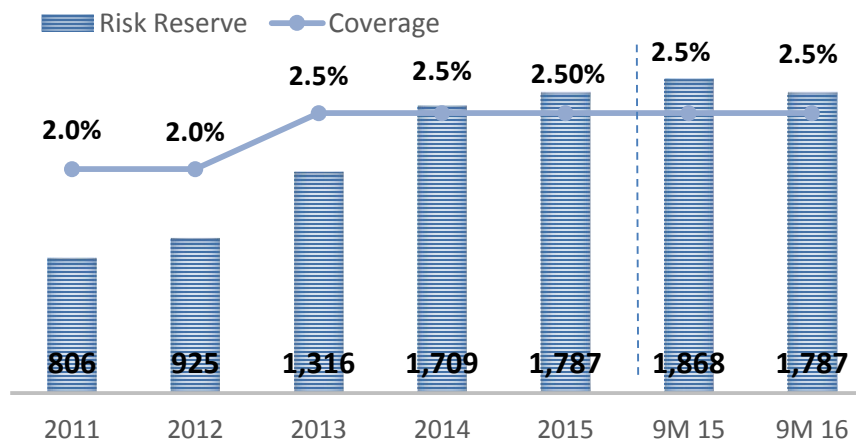
Non-performing loan ('NPL') ratio (90 day basis)



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

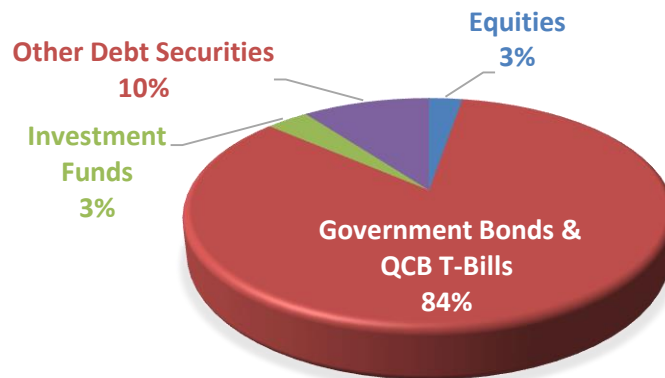
Investment Portfolio – 30 Sept 2016



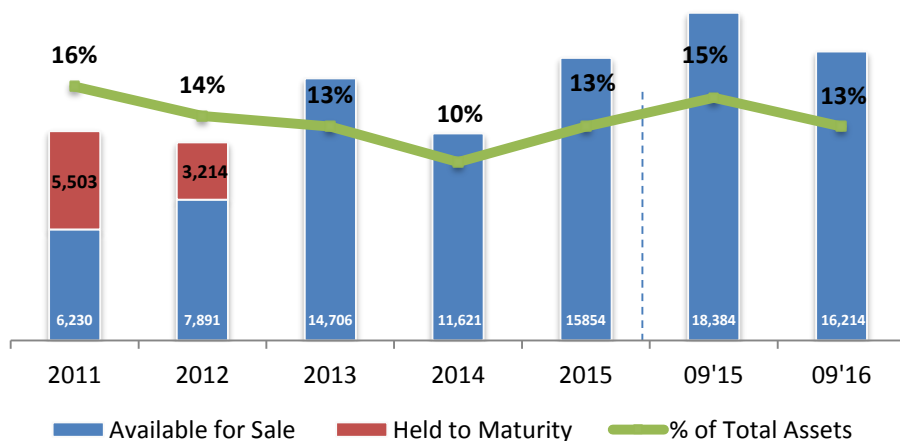
Summary

- Investment portfolio down 12% to QAR 16.2bn v 9M 15
- 84% Government Bonds and QCB T-Bills
- Investment income of QAR 152.5m 9M 16 v QAR 90.2m in 9M 15
- Investment provisions of QAR 68m 9M 16 v QAR 25m in 9M 15

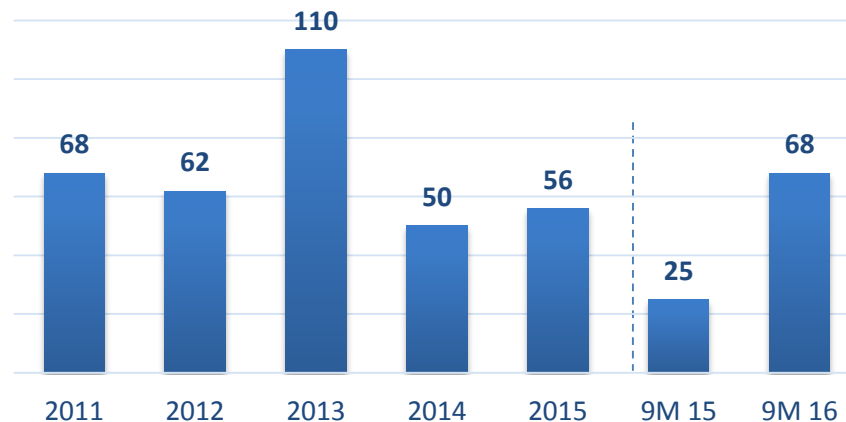
Investment portfolio – 30 Sept 2016



Investment portfolio evolution (QAR million)



Investment portfolio provisions (QAR million)



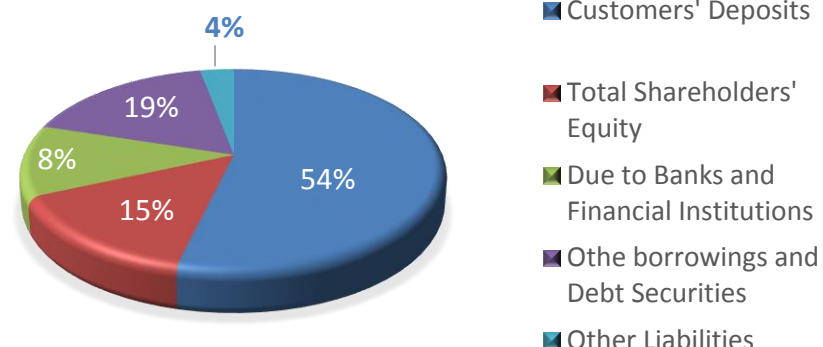
Funding Breakdown – 30 Sept 2016



Summary

- Customers' deposits up 4% to QAR 66.7bn v Q3 15 representing 54% of the total funding base
- Well diversified funding mix
- Shareholders' equity represents 15% of funding mix
- Key liquidity ratios maintained above levels set by QCB

Total funding mix – 30 September 2016



Debt issued and other borrowed funds

QAR Million	30.09.2016	30.09.2015
Subordinated Notes	3,444	3,122
EMTN (Bond) (Fixed Rate due Apr 2017)	1,817	1,811
EMTN (Bond) (Fixed Rate due Jun 2019)	2,716	2,711
EMTN (Bond) (Fixed Rate due Jun 2021)	2,703	-
Swiss Franc note (Fixed Rate due Dec 2015)	-	1,052
Senior Notes	1,093	1,033
Bilateral/club loans	11,295	10,704
Total	23,068	20,435

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	April 16
S&P	BBB+	A-2	bbb-	Negative	June 16

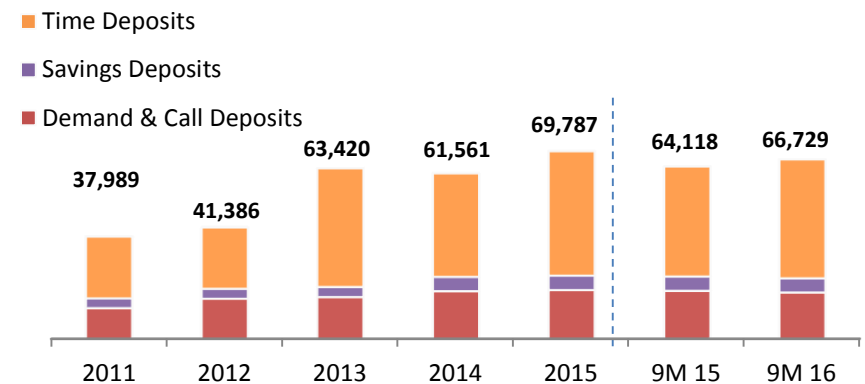
Deposit Breakdown – 30 Sept 2016



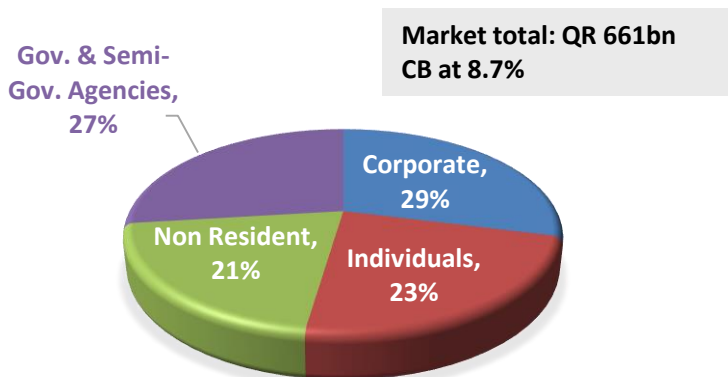
Summary

- Customers' deposits increased by 4% to QAR 66.7 bn v Q3 15
- Good deposit mix with Government and Semi-Government at 20% , Corporate at 47% and Individuals at 33%

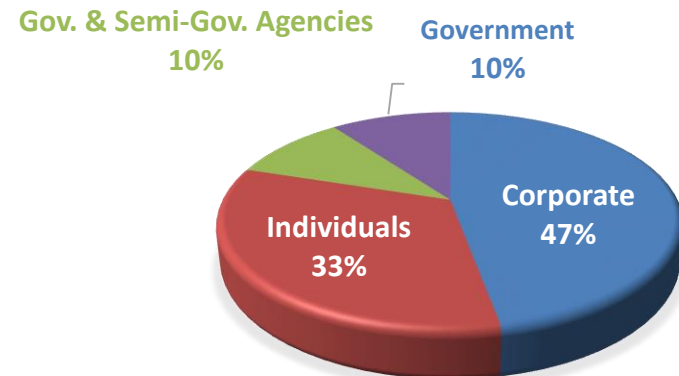
Customers' deposits (QAR million)



Qatari banks deposits breakdown by sector – Aug 2016



Deposits by customer type –Sept 2016



Source: QCB

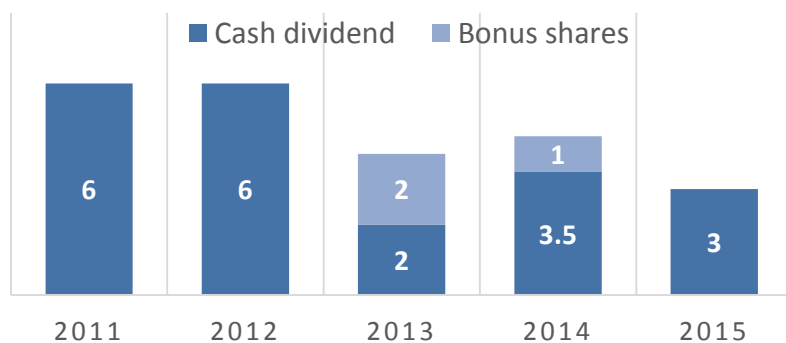
Capitalization Levels – 30 Sept 2016



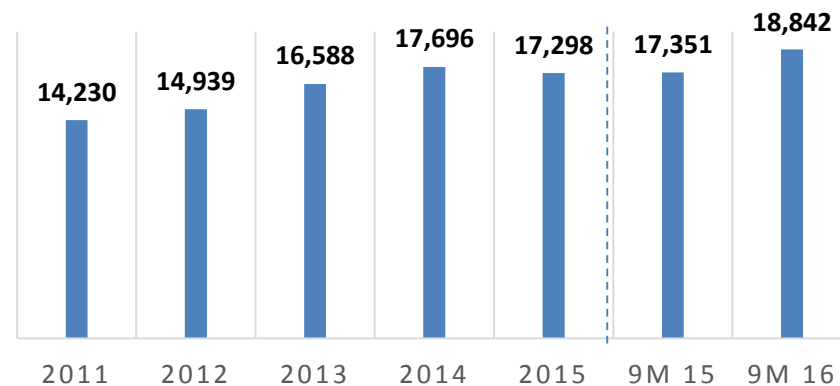
Summary

- Total equity at QAR 18.8bn, up QAR 1.5bn from FY 15, due to:
 - 9M 16 profit of QAR 491m
 - Reduction in foreign currency translation reserve of QAR 0.35bn
 - Issuance of Tier 1 capital QAR 2bn
 - Dividends payment for 2015 QAR 980 m
- Capital Adequacy Ratio at 15.8% (Basel III)

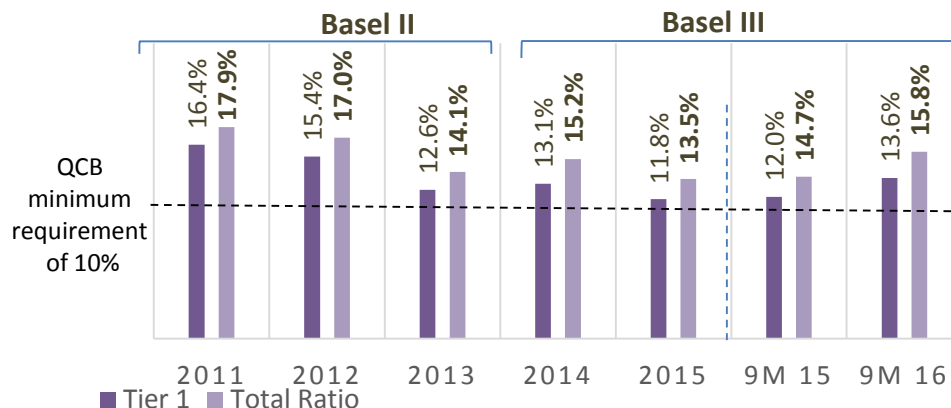
Dividend distribution per share (QAR)



Total equity (QAR million)



Capital Adequacy Ratio





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Commercial Bank Financial Performance

Nine Months Ended 30 Sept 2016



Profitability

QAR Million	9M 2016	9M 2015	%
Net interest income	1,520	1,483	3%
Non-interest income	842	925	(9%)
Total costs	939	930	1%
Net provisions	991	450	120%
Net profit	432	1,029	(58%)

Balance Sheet

QAR Million	30.09.16	30.09.15	%
Total assets	106,693	103,147	3%
Loan & advances	63,362	60,200	5%
Investment Securities	15,262	19,322	(21%)
Customers' deposits	58,220	56,597	3%
Shareholders' equity	18,308	17,406	5%

Performance Ratios

	30.09.16	30.09.15
ROAE	3.6%	9.1%
ROAA	0.5%	1.6%
NIM	2.2%	2.3%

Capital

QAR Million	30.09.16	30.09.15
RWA (QAR million)	91,201	86,838
CET1 ratio	10.2%	10.7%
Total Capital ratio	15.6%	14.5%



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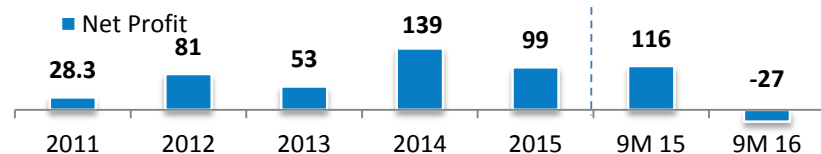
ABank Results – Nine Months Ended 30 Sept 2016



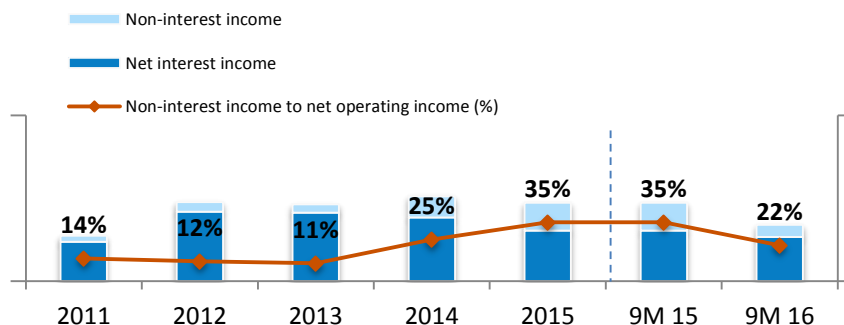
Alternatifbank of Turkey (ABank)

- ◆ Net loss after tax at TL 27m v net profit of TL 116m in 9M 15
- ◆ Operating income down by TL 133m v 9M 15
- ◆ Operating expenses down by TL 11m v 9M 15
- ◆ Higher provisions compared to 9M 15
- ◆ Loan book down to TL 10.1bn v TL 10.7bn in Q3 15
- ◆ Customers' deposits up to TL 6.9bn v TL6.2bn in Q3 15

Net Profit/(Loss) (TL million)



Net operating income (TL million)



Profitability

TL million	9M 2016	9M 2015
Net interest income	266	305
Non-interest income	73	167
Operating Income	339	472
Total Operating Expenses	226	237
Total Provisions	148	87
(Loss)/Profit before tax	(35)	148
Tax (Credit)/Expense	(8)	32
Net (Loss)/Profit	(27)	116

Balance Sheet

TL million	30.09. 2016	30.09. 2015
Assets		
Cash and Balances with Central Bank	1,606	1,640
Due from banks & financial institutions	518	762
Loans and advances to customers	10,108	10,723
Total Investments	1,990	825
Other Assets	655	623
Total Assets	14,877	14,573
Liabilities		
Due to banks and financial institutions	1,084	897
Customers' deposit	6,907	6,208
Other borrowed funds	5,277	5,813
Other Liabilities	471	602
Shareholders Equity	1,138	1,053
Total Liabilities and Shareholders' equity	14,877	14,573

Associates' Performance – Nine Months Ended 30 Sept 2016



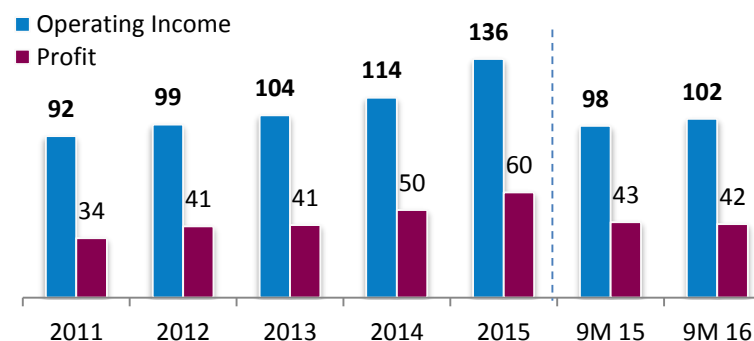
National Bank of Oman (NBO)

- ◆ Net profit after tax at OMR 42m, down 2% from OMR 43m in 9M 15
- ◆ Net operating income OMR 102m, up 5% from OMR 98m in 9M 15
 - ◆ Net interest income up 10% to OMR 73m
 - ◆ Non-interest income down 6% OMR 29m
- ◆ Net provisions OMR 9m up 95% from OMR 5m in 9M 15
- ◆ Loan book grew 8% to OMR 2.7bn v Q3 15
- ◆ Customers' deposits up 1% to OMR 2.4bn v Q3 15

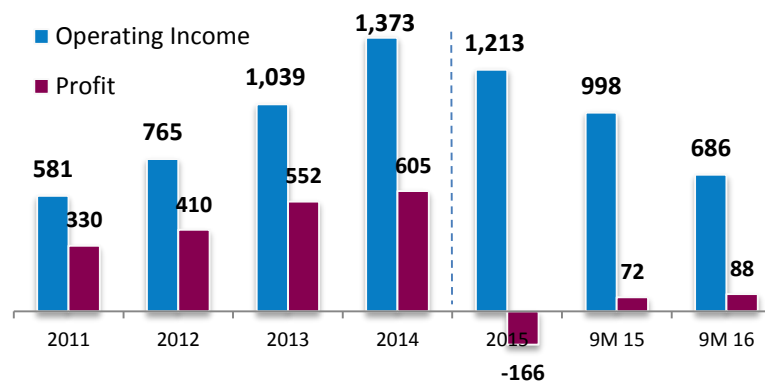
United Arab Bank (UAB)

- ◆ Net profit of AED 88m, up 22 % from AED 72m in 9M 15
- ◆ Net operating income down 31% to AED 687m v AED 998m in 9M 15
 - ◆ Net interest income down 37% to AED 495m
 - ◆ Non-interest income down 9% to AED 191m
- ◆ Provisions decreased to AED 336m v AED 600m in 9M 15
- ◆ Loan book down 11%, to AED 13.8bn v Q3 15
- ◆ Customers' deposits down 13% to AED 14.5bn v Q3 15

NBO Performance (OMR million)



UAB Performance (AED million)





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Summary

◆ CB Strategy

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

◆ Qatar

- ◆ Retail: grow market share
- ◆ Wholesale: defend and drive profitability
- ◆ Margin: stabilisation
- ◆ Cost: reduce C/I

◆ Turkey

- ◆ Creating a challenger banking brand
- ◆ Enhance core SME and retail business
- ◆ Build corporate offering, client and product
- ◆ Capture trade and investment flows between GCC and Turkey

◆ Associates

- ◆ Drive local profitability
- ◆ Generate regional revenue opportunity

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Thank you

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