

البنك التجاري  
COMMERCIAL  
BANK



# THE COMMERCIAL BANK OF QATAR

Financial Results

For the Half Year Ended 30 June 2014

24<sup>th</sup> July 2014

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 2014



## Summary

### ◆ Strong half year results reflecting focus on return on capital

#### ◆ Financial results

- H114 net profit QAR 1.1 bn up 3% v H113
  - Net interest income up 39% to QAR 1.3 bn
  - Fees & Other Income up 6% to QAR 722m
- Operating Income up 25% to QAR 2 bn
- Total assets up 32% to QAR 112.4bn
- NPL ratio 3.82%
- Cost to Income Ratio at 37.8%
- Associates' profitability up 32% to QAR 193.5 m

#### ◆ Expansion and active management of balance sheet

- Lending up 33% to QAR 69.4 bn
- Deposits up 28% to QAR 59.8 bn
- NIM stable at 2.7%

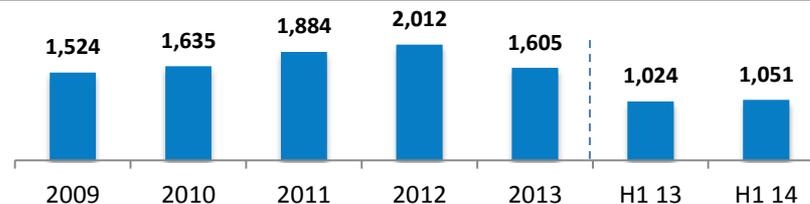
#### ◆ Diversification of funding

- CBQ USD 750 m 5 year Notes
- ABank USD 250 m 5 year Notes (July)

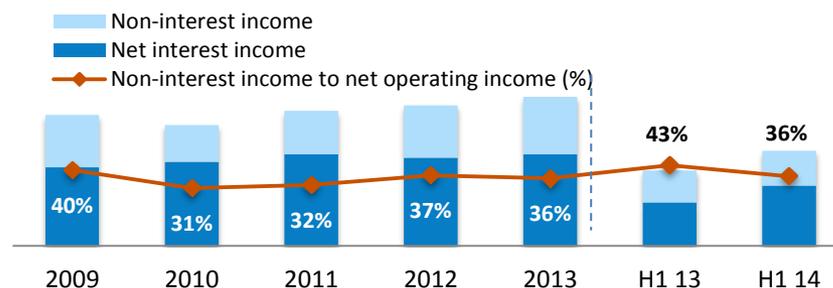
#### ◆ Strong capital base

- CAR of 14.3% at 30 June 2014

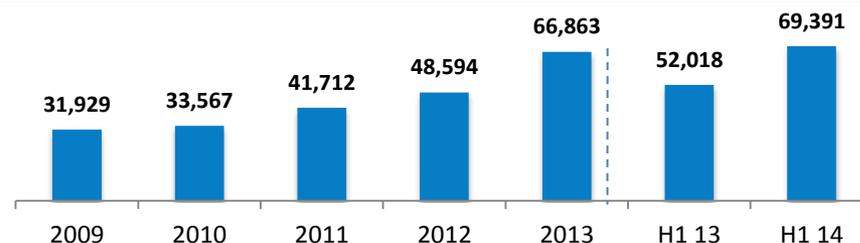
## Net profit (QAR million)



## Net operating income (QAR million)



## Loans and advances to customers (QAR million)



# Group Financial Performance – Half -Year Ended 30 June 2014



## Group Profitability

QAR Million	H1 2014	H1 2013	%
Net interest income	1,273	914	39.3%
Non-interest income	722	684	5.6%
Total costs	828	503	64.6%
Net provisions	286	215	33.0%
Associates' income	194	146	32.2%
Net profit	1,051	1,024	2.6%

## Performance Ratios

	30.06.14	30.06.13
ROAE	12.5%	14.1%
ROAA	1.9%	2.5%
NIM	2.7%	2.6%

## Consolidated Balance Sheet

QAR Million	30.06.14	30.06.13	%
Total assets	112,389	85,436	31.5%
Loan & advances	69,391	52,018	33.4%
Financial investments	14,921	10,847	37.5%
Customers' deposits	59,838	46,901	27.6%
Shareholders' equity	17,182	14,130	21.6%

## Capital

QAR Million	30.06.14	30.06.13
RWA (QAR million)	97,534	75,017
Tier 1 ratio (Basel II)	12.4%	13.9%
Total Capital ratio (Basel II)	14.3%	15.7%

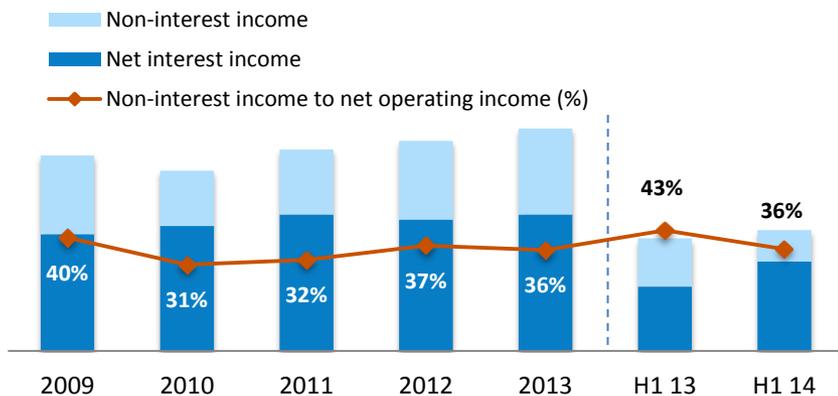
# Earnings Performance – Half -Year Ended 30 June 2014



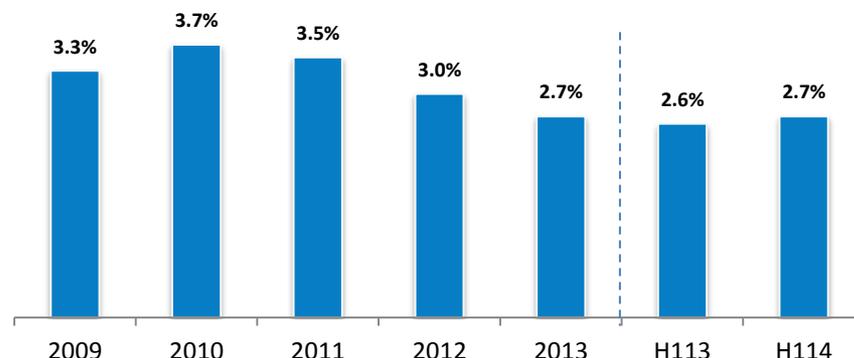
## Profitability

- ◆ Net interest income up 39.4% to QAR 1.27bn v H113
  - ◆ NIM stable at 2.7%
- ◆ Non-interest income up 5.6% to QAR 722m v H113
  - ◆ Fee income up 47.1% to QAR 482m
  - ◆ Foreign exchange income down 16% to QAR 66.5m
  - ◆ Investment portfolio gain down QAR 96.7m to QAR 104.3m
- ◆ Cost to income ratio higher at 37.8% v 29.0% in H113, however trending lower vs. Q4 2013, and Q1 2014.

## Net operating income (QAR million)

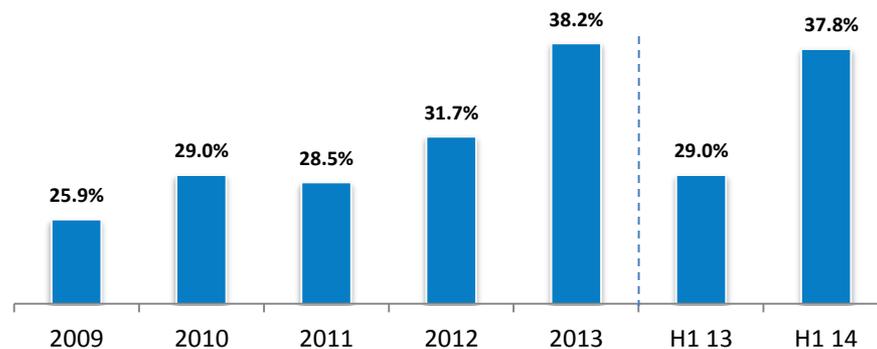


## Net interest margin



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



Income includes share of profit of associates

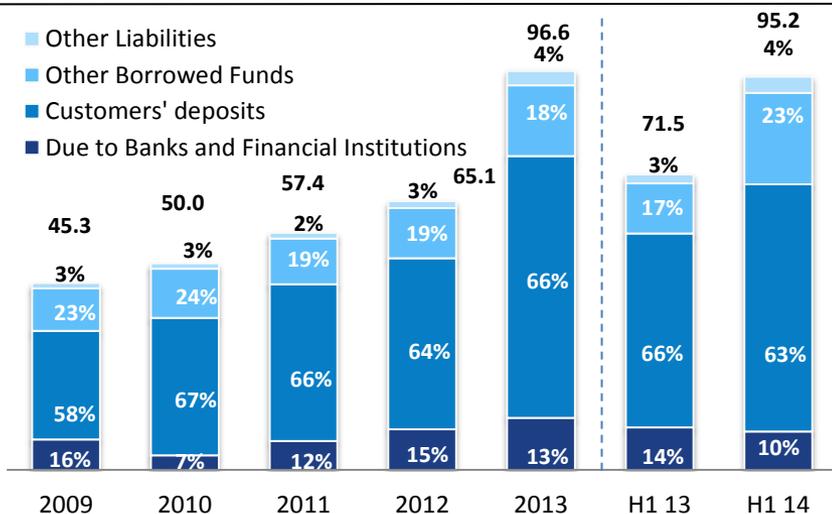
# Balance Sheet Structure – 30 June 2014



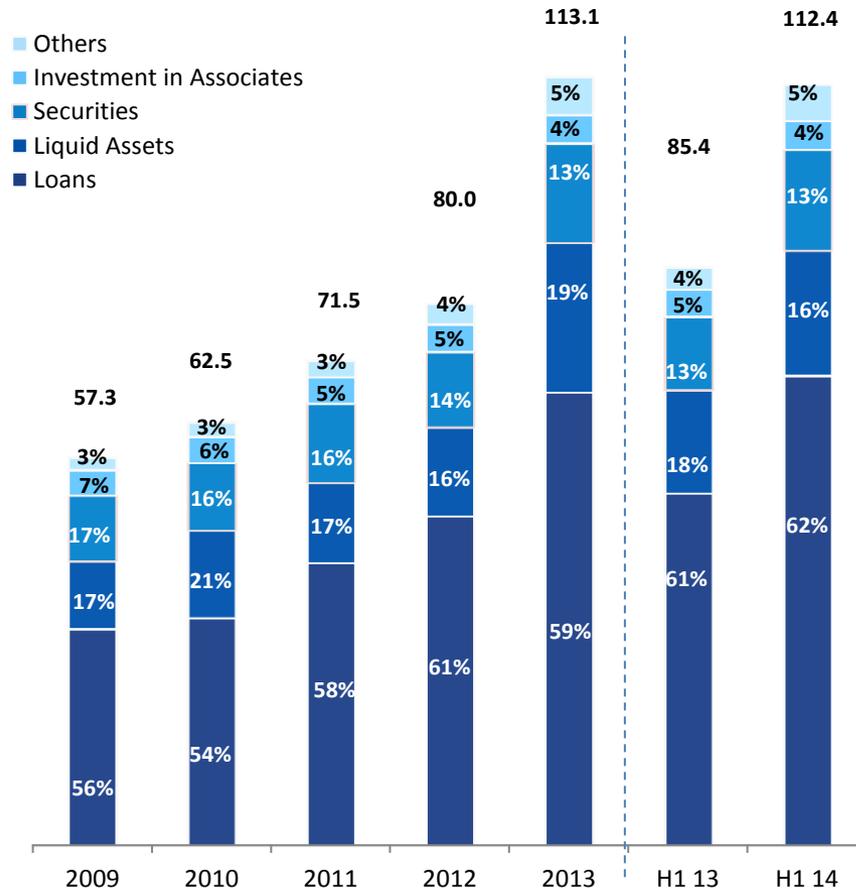
## Summary

- ◆ Total assets increased by 32% to QAR 112bn v H113;
  - ◆ Lending to customers up 33.4% to QAR 69.4bn
  - ◆ Due from banks up QAR 1.5bn
- ◆ Total liabilities increased QAR 23.9bn to QAR 95.2bn v H113;
  - ◆ Customers' deposits up QAR 12.9bn to QAR 59.8bn
  - ◆ Inter-bank takings down QAR 1.0bn
  - ◆ Other borrowed funds up QAR 6.2bn compared to H113

## Liabilities mix



## Assets mix



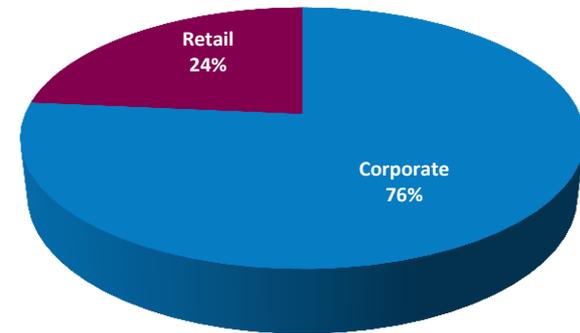
# Loan Book Breakdown – 30 June 2014



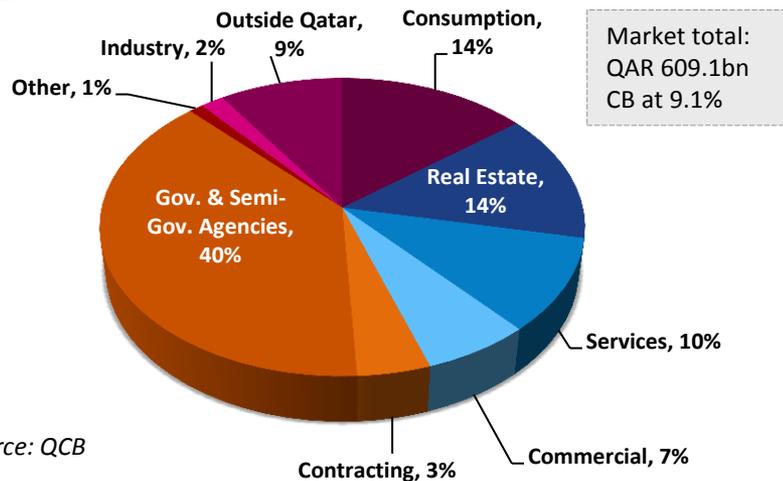
## Summary

- ◆ Loans to customers at QAR 69.4bn, up 33% v H113.
  - ◆ Growth mainly in Industry and Government sectors.
- ◆ Loan book diversified across industry sectors
- ◆ Corporate customers represent 76% of total loan book

## Loan book breakdown by division

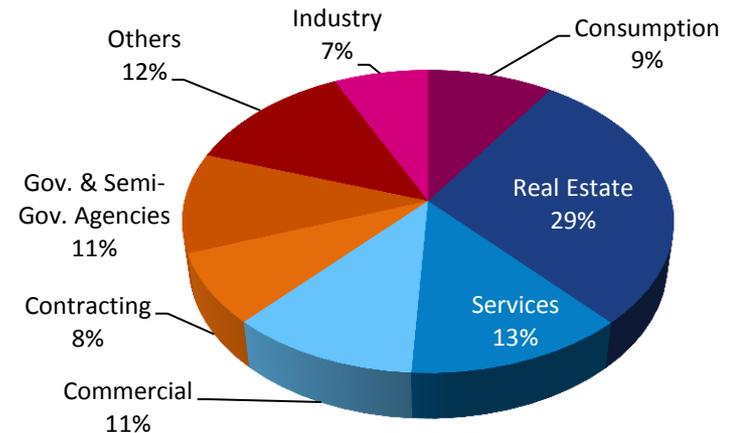


## Qatari banks credit facilities breakdown by sector - Jun 2014



Source: QCB

## Loan book breakdown by sector – Jun 2014

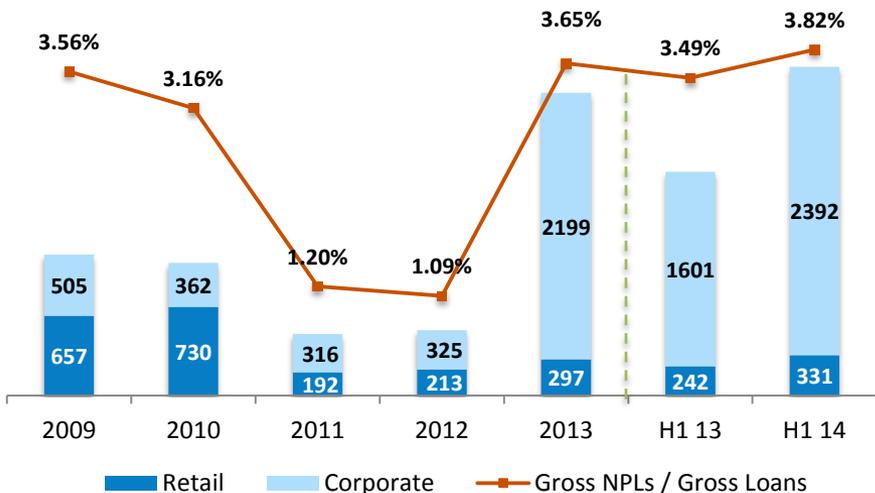




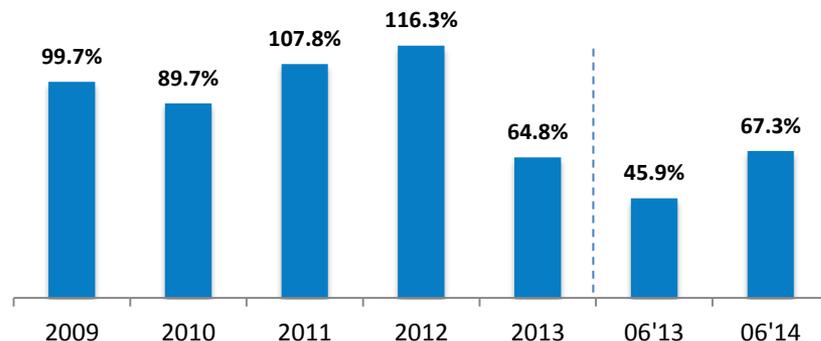
## Summary

- ◆ Net Provision for loan loss of QAR 257m v QAR 194m in H113
  - ◆ Comprising QAR 46m for Retail;
  - ◆ QAR 137m for Wholesale;
  - ◆ QAR 74m for Abank
- ◆ NPL ratio 3.82% at H114 v 3.49% at H113
- ◆ Loan coverage at 67% v 46% at H113
- ◆ Risk reserve of QAR 1,323m; total loan loss coverage of 116%

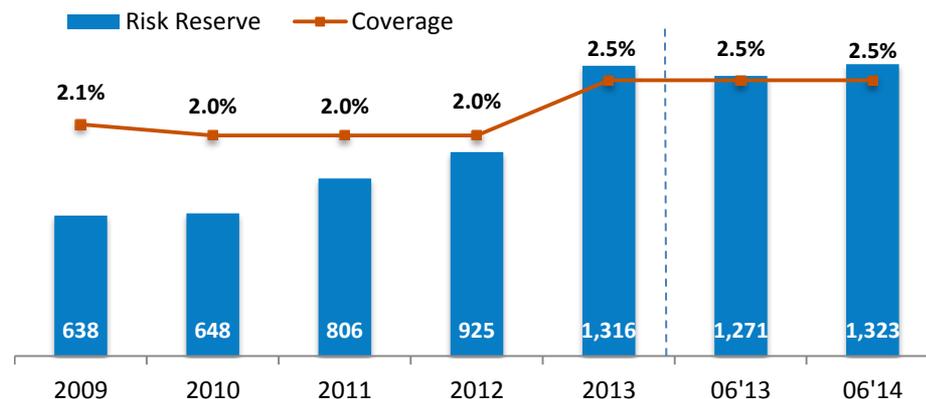
## Non-performing loan ('NPL') ratio (90 day basis)



## 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 2014



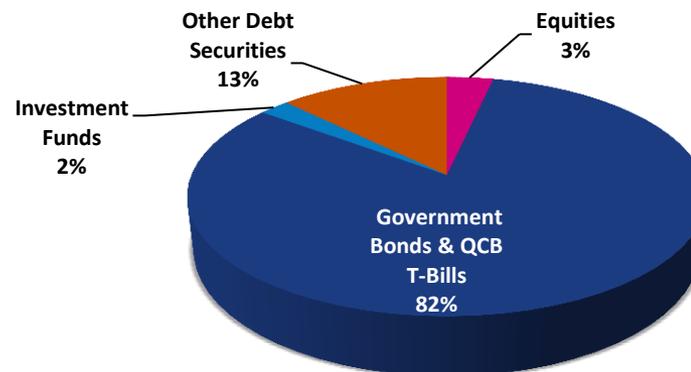
## Summary

- ◆ Investment portfolio up by 38% to QAR 14.9bn v H113
- ◆ 82% Government Bonds and QCB T-Bills
- ◆ Investment income of QAR 104m H114 v QAR 201m in H113
- ◆ Investment provisions of QAR 29m H114 v QAR 21m in H113

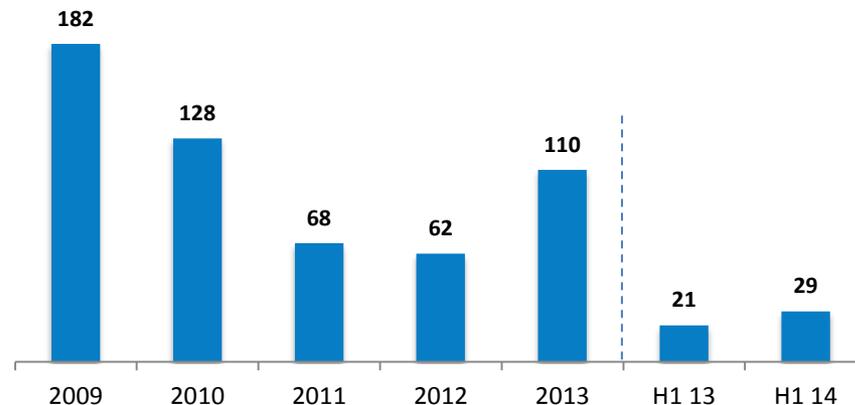
## Investment portfolio evolution (QAR million)



## Investment portfolio – 30 June 2014



## Investment portfolio provisions (QAR million)



# Funding Breakdown – 30 June 2014



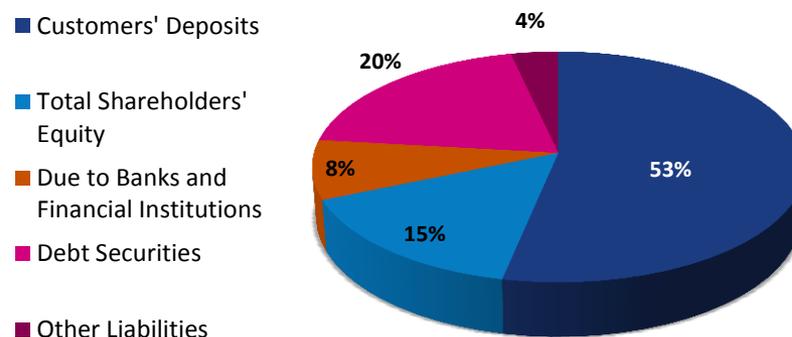
## Summary

- ◆ Customers' deposits up 28% to QAR 59.8bn v H113 representing 53% 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
- ◆ All 3 Rating Agencies have reaffirmed their long-term rating in the past 6 months

## Debt issued and other borrowed funds

QAR Million	30.06. 2014	30.06. 2013
Senior Note (Fixed Rate due Nov 2014)	4,038	3,628
Swiss Franc note (Fixed Rate due Dec 2015)	1,158	1,093
Subordinated Note (Fixed Rate due Nov 2019)	2,691	2,157
Bilateral/club loans	9,703	3,473
EMTN (Bond) ( Fixed Rate due Apr 2017)	1,794	1,794
EMTN (Bond) (Fixed Rate due Jun 2019)	2,720	-
<b>Total</b>	<b>22,105</b>	<b>12,150</b>

## Total funding mix – 30 June 2014



## Commercial Bank credit ratings

Rating Agency	Foreign Currency Bank Deposits/IDR		Bank Financial Strength/ Individual	Outlook	Date
	LT	ST			
Moody's	A1	Prime 1	C	Stable	Dec 13
Fitch	A	F1	bbb	Stable	Apr 14
S&P	A-	A-2	-	Negative	May 14

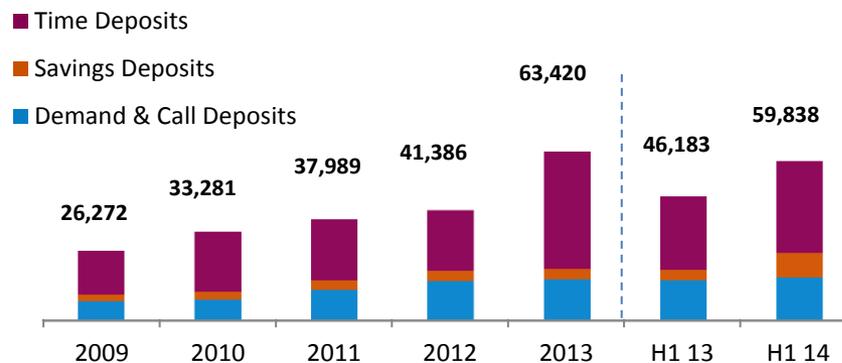
# Deposit Breakdown – 30 June 2014



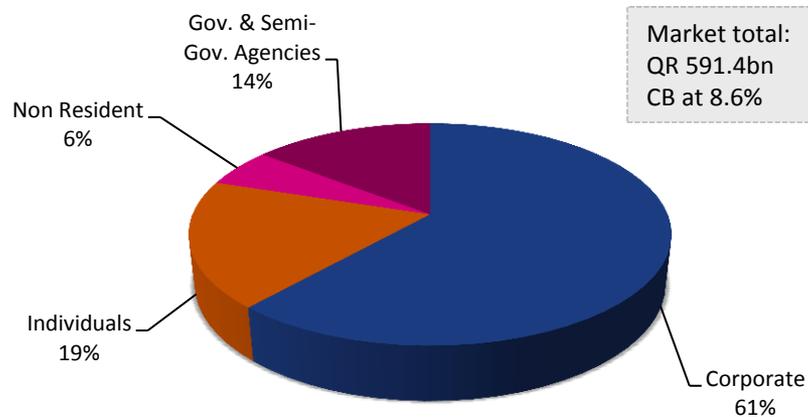
## Summary

- ◆ Customers' deposits increased by 28% to QAR 59.8bn v H113
- ◆ Leveraging strong customer relationships, Individual s' deposit share maintained at 32%
- ◆ Government and Semi-Government at 30% and corporate at 38%

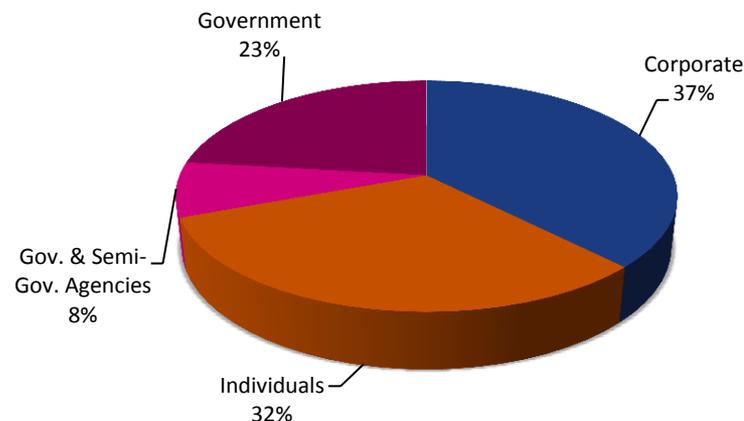
## Customers' deposits (QAR million)



## Qatari banks deposits breakdown by sector – June 2014



## Deposits by customer type – June 2014



Source: QCB

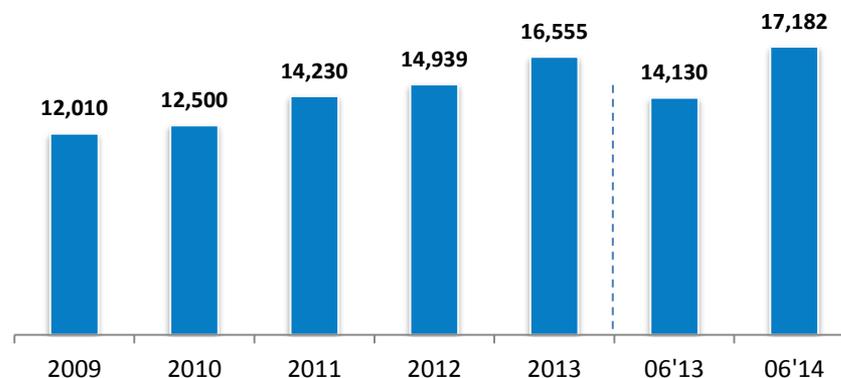
# Capitalization Levels – 30 June 2014



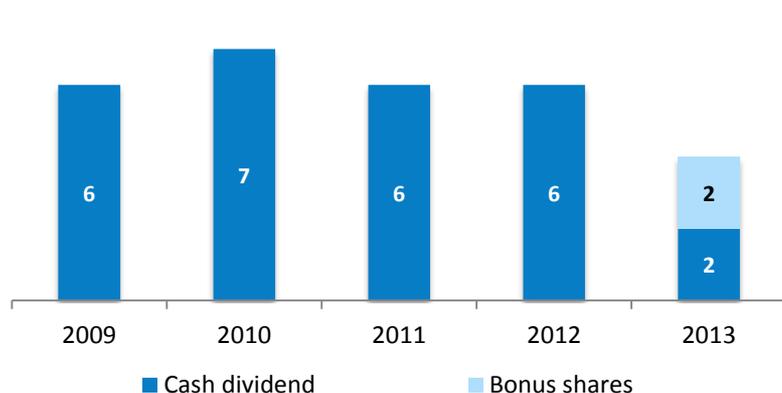
## Summary

- ◆ Total equity at QAR 17.2bn, up QAR 626m from FY13, due to:
  - ◆ H1 14 profit of QAR 1,051m, offset by 20% dividend payment of QAR 495m
- ◆ Capital Adequacy Ratio at 14.3% (Basel II)
- ◆ Capital Adequacy Ratio at 14.8% (Basel III)

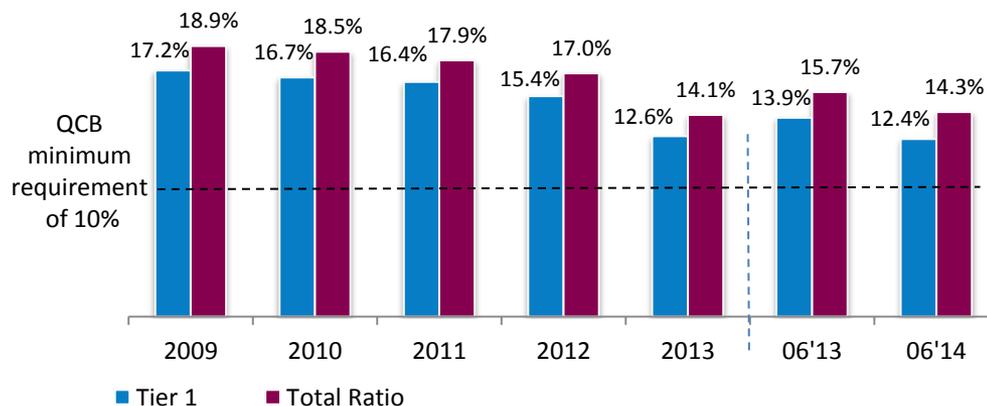
## Total equity (QAR million)



## Dividend distribution per share (QAR)



## Capital Adequacy Ratio (Basel II)





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# Commercial Bank Financial Performance – Half -Year Ended 30 June 2014



## Profitability

QAR Million	H1 2014	H1 2013	%
Net interest income	967	914	5.9%
Non-interest income	594	684	(13.2%)
Total costs	596	503	18.5%
Net provisions	213	218	(2.2%)
Net profit	947	1,024	(7.5%)

## Balance Sheet

QAR Million	30.06.14	30.06.13	%
Total assets	94,228	85,636	10.3%
Loan & advances	55,759	52,018	7.2%
Financial investments	14,141	10,847	30.4%
Customers' deposits	50,575	46,901	7.8%
Shareholders' equity	16,656	14,130	17.9%

## Performance Ratios

	30.06.14	30.06.13
ROAE	11.9%	14.1%
ROAA	2.0%	2.5%
NIM	2.5%	2.6%

## Capital

QAR Million	30.06.14	30.06.13
RWA (QAR million)	80,002	75,017
Tier 1 ratio	14.8%	13.9%
Total Capital ratio	15.0%	15.7%



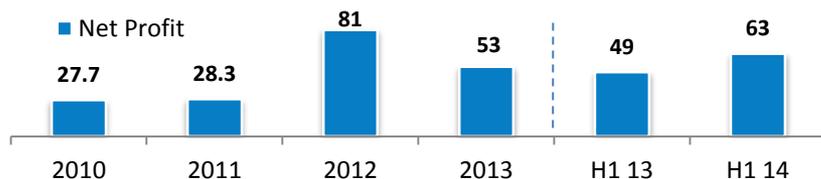
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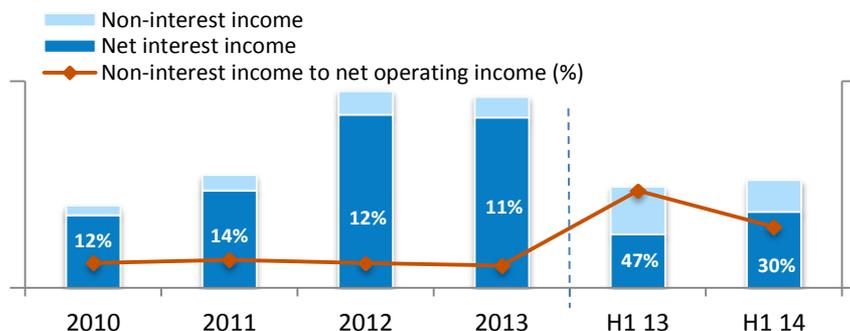
## Alternatifbank of Turkey (ABank)

- ◆ Net profit after tax at TL 63m v TL 49m in H113
- ◆ Operating income up by TL 16m v H113
- ◆ Operating expenses up by TL 32m v H113
- ◆ Lower provisions compared to H113
- ◆ Loan book up to TL 7.6bn v TL 5.6bn in H113
- ◆ Customers' deposits up to TL 5.3bn v TL 4.2bn in H113

### Net Profit ( TL million)



### Net operating income (TL million)



## Profitability

TL million	6M 2014	6M 2013
Net interest income	184	130
Non-interest income	77	115
Operating Income	261	245
Total Operating Expenses	140	108
Total Provisions	44	73
Profit before tax	77	64
Tax	14	16
Net Profit	63	49

## Balance Sheet

TL million	30.06. 2014	30.06. 2013
<b>Assets</b>		
Cash and Balances with Central Bank	1,284	870
Due from banks & financial institutions	101	92
Loans and advances to customers	7,568	5,606
Total Investments	1,628	1,456
Other Assets	721	258
<b>Total Assets</b>	<b>11,301</b>	<b>8,282</b>
<b>Liabilities</b>		
Due to banks and financial institutions	1,643	1,247
Customers' deposit	5,312	4,174
Other borrowed funds	2,816	1,885
Other Liabilities	648	384
Shareholders Equity	881	592
<b>Total Liabilities and Shareholders' equity</b>	<b>11,301</b>	<b>8,282</b>

# Associates' Performance – Half -Year Ended 30 June 2014



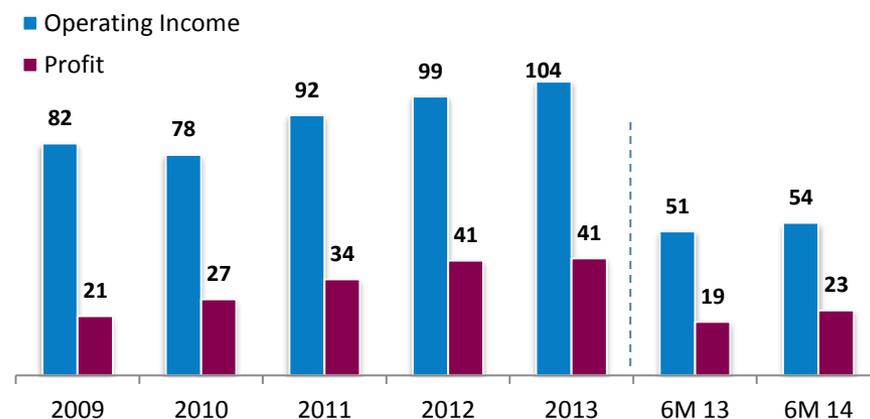
## National Bank of Oman (NBO)

- ◆ Net profit after tax at OMR 23m, up 23% from OMR 19m in H113
- ◆ Net operating income OMR 54m, up 7% from OMR 51m in H113
  - ◆ Net interest income up 5% to OMR 38m
  - ◆ Non-interest income up 11% OMR 16.1m
- ◆ Net provisions were OMR 3.6m lower at OMR 2.2m
- ◆ Loan book grew 7% to OMR 2.2bn v H113
- ◆ Customers' deposits up 34% to OMR 2.79bn v H113

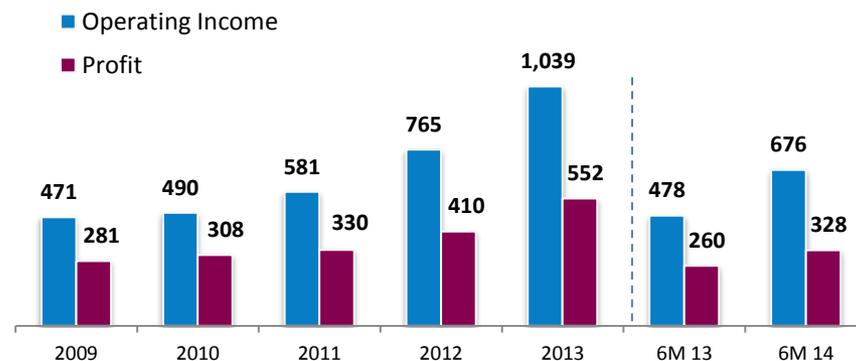
## United Arab Bank (UAB)

- ◆ Net profit of AED 328m, up 26%, from AED 260m in H113
- ◆ Net operating income up 41% to AED 676m v AED 478m in H113
  - ◆ Net interest income up 40% to AED 493m
  - ◆ Non-interest income up 46% to AED 182m
- ◆ Provisions increased to AED 147m v AED 72m in H113
- ◆ Loan book grew 35%, to AED 17.9bn v H113
- ◆ Customers' deposits up 49% to AED 18.6bn v H113

## NBO Performance (OMR million)



## UAB Performance (AED million)





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## Summary

### ◆ Group 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

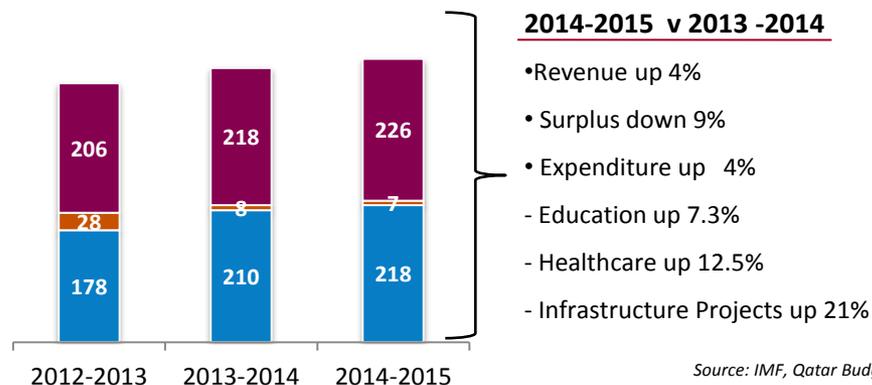
- ◆ New leadership driving growth strategy
- ◆ Create a challenger banking brand
- ◆ Target SME and retail initially
- ◆ Corporate offering
- ◆ Capture trade and investment flows between GCC and Turkey

### ◆ Associates

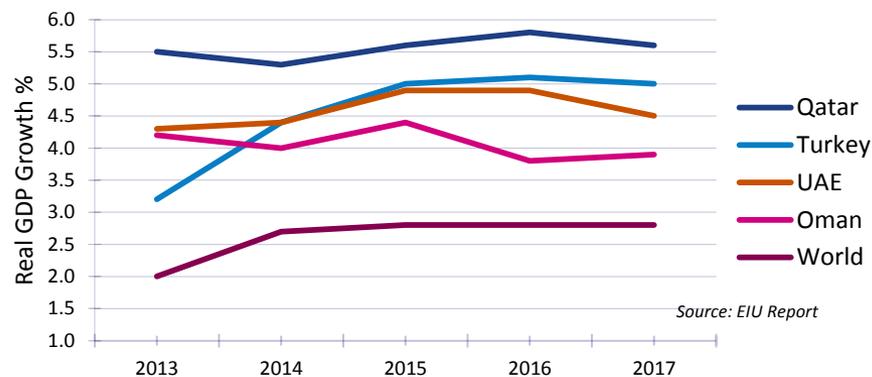
- ◆ Drive local profitability
- ◆ Generate regional revenue opportunity

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

■ Spending ■ Surplus ■ Revenue



## Real GDP growth



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Thank you

كل شيء يمكن تحقيقه  
everything is possible