

البنك التجاري
COMMERCIAL
BANK



THE COMMERCIAL BANK (Q.S.C.)

Financial Results

For the Half Year Ended 30 June 2015

16th July 2015

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 2015



Summary

◆ Solid first half with good quarterly profit growth

◆ Financial results

- H1'15 net profit QAR 1.1bn
- Total Assets up 6% to QAR 119.1bn
- NPL ratio improves to 3.4%
- Cost to Income Ratio down to 36% v H1'14 38%
- Associates' profitability up 12% to QAR 217m

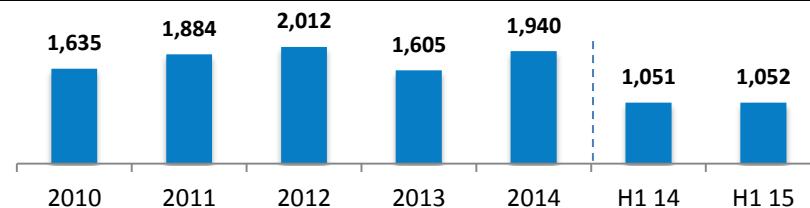
◆ Expansion and active management of balance sheet

- Lending up 5% to QAR 72.6bn
- Deposits up 7% to QAR 64.1bn
- NIM at 2.52%, despite market competition

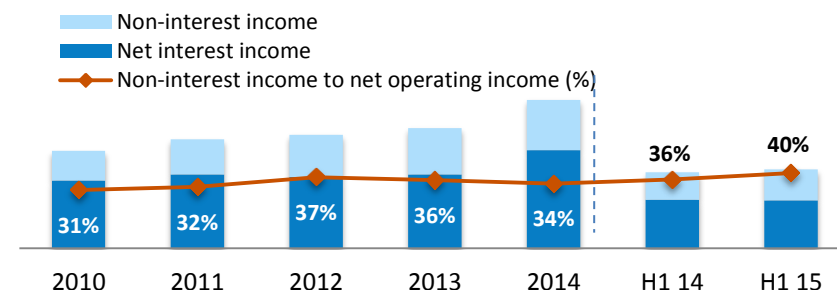
◆ Strong capital base maintained (as at 30 June 2015)

- CET1 under Basel III of 10.4%
- CAR under Basel III of 14.1%

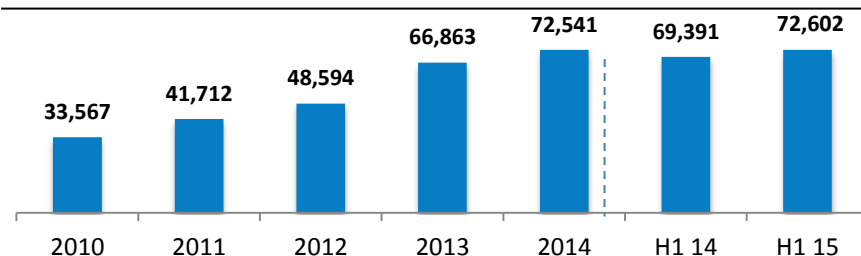
Net profit (QAR million)



Net operating income (QAR million)



Loans and advances to customers (QAR million)



Group Financial Performance – Half -Year Ended 30 June 2015



Group Profitability

QAR Million	H1 2015	H1 2014	%
Net interest income	1,252	1,273	(1.6%)
Non-interest income	822	722	13.9%
Total costs	823	828	(0.6%)
Net provisions	388	286	35.7%
Associates' income	217	194	11.9%
Net profit	1,052	1,051	0.1%

Performance Ratios

	30.06.15	30.06.14
ROAE	12.2%	12.5%
ROAA	1.8%	1.9%
NIM	2.5%	2.7%

Consolidated Balance Sheet

QAR Million	30.06.15	30.06.14	%
Total assets	119,134	112,389	6.0%
Loan & advances	72,602	69,391	4.6%
Investment Securities	14,883	14,921	(0.3%)
Customers' deposits	64,127	59,838	7.2%
Shareholders' equity	17,290	17,182	0.6%

Capital

QAR Million	30.06.15	30.06.14
RWA (QAR million)	102,881	97,801
CET1 ratio	10.4%	10.5%
Total Capital ratio	14.1%	14.8%

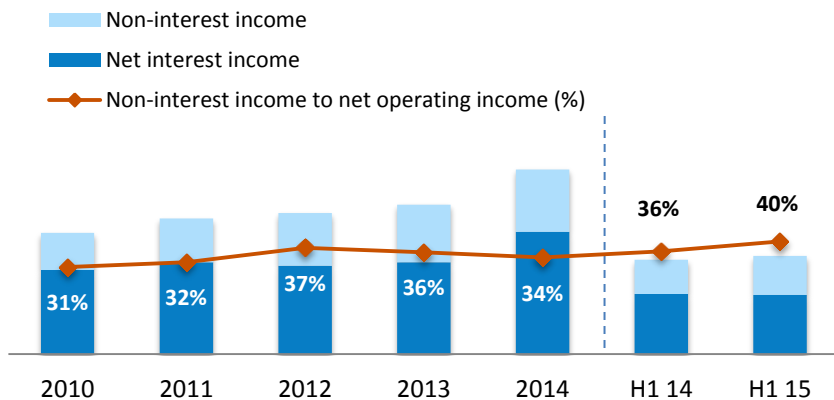
Earnings Performance – Half -Year Ended 30 June 2015



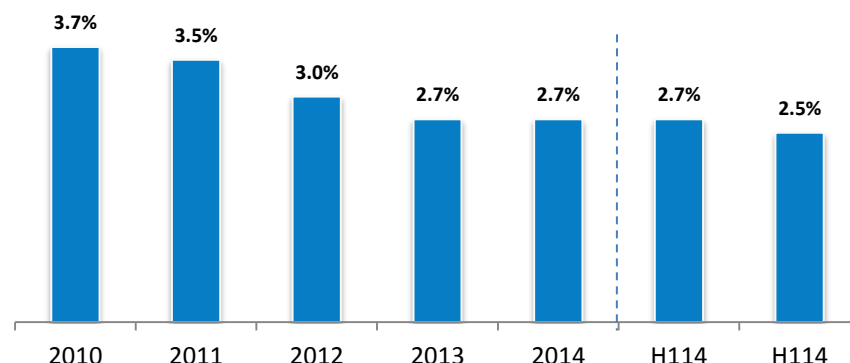
Profitability

- ◆ Net interest income down 1.6% to QAR 1.25bn v H114
 - ◆ NIM down at 2.52%. Stable in Qatar but reduced in Turkey as we increase focus from SME to mid corporate segment
- ◆ Non-interest income up 14% to QAR 822m v H114
 - ◆ Net fee income up 8% to QAR 520.4m
 - ◆ Foreign exchange income up 41% to QAR 93.8m
 - ◆ Investment portfolio gain down by 29% to QAR 74.6m
 - ◆ Other operating income boosted by sale of property
- ◆ Cost to income ratio lower at 36% v 37.8% in H114, and trending lower vs. Q1 2015.

Net operating income (QAR million)

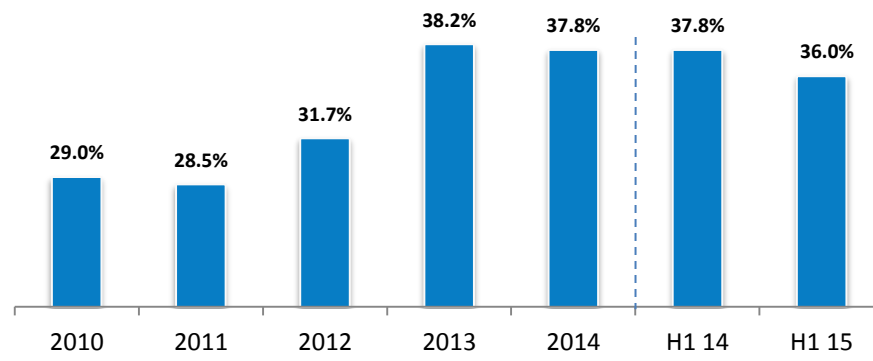


Net interest margin



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

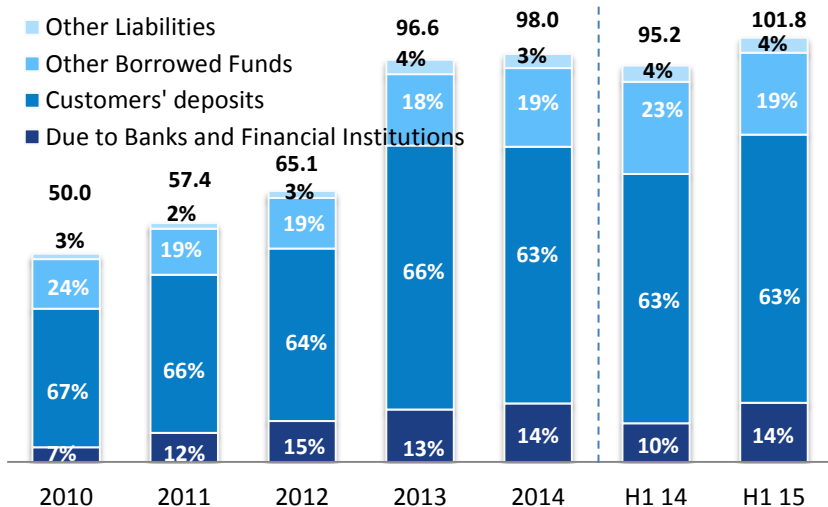
Balance Sheet Structure – 30 June 2015



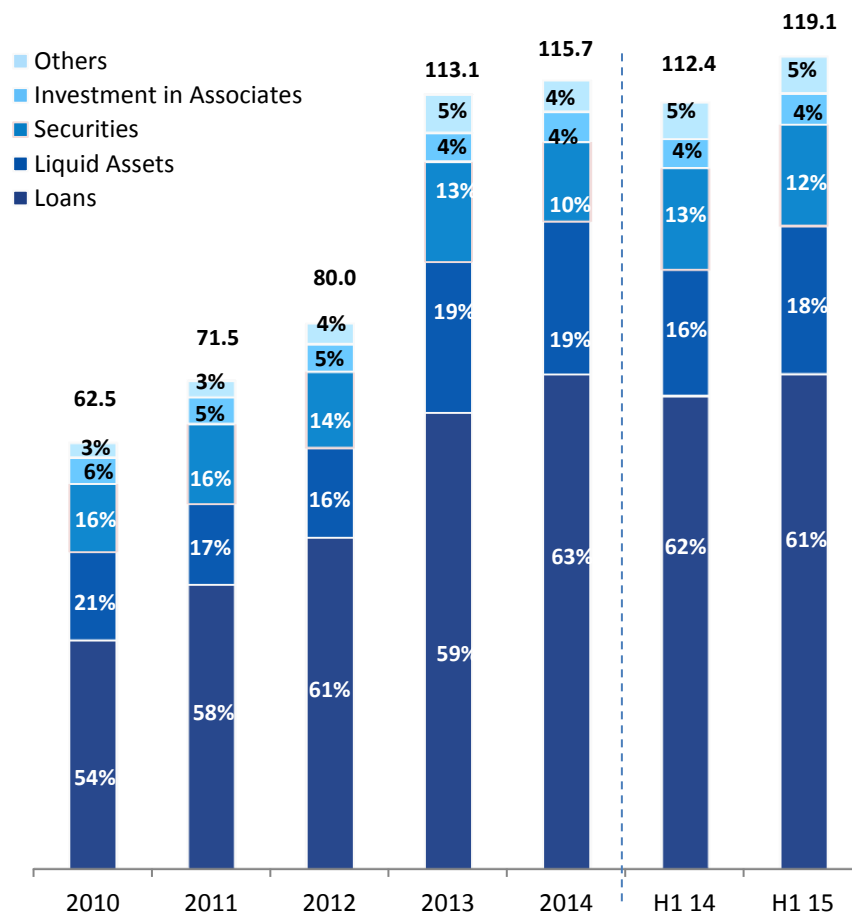
Summary

- ◆ Total assets increased by 6% to QAR 119.1bn v H114;
 - ◆ Lending to customers up 4.6% to QAR 72.6bn
 - ◆ Due from banks up QAR 1.4bn to QAR 13.8bn
- ◆ Total liabilities increased QAR 7% to QAR 101.8bn v H114;
 - ◆ Customers' deposits up QAR 4.3bn to QAR 64.1bn
 - ◆ Inter-bank takings up 53% to 14.3bn v H1 14
 - ◆ Debt securities down 21% to QAR 9.8bn

Liabilities mix



Assets mix



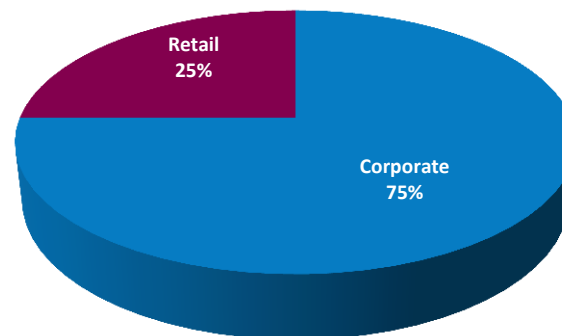
Loan Book Breakdown – 30 June 2015



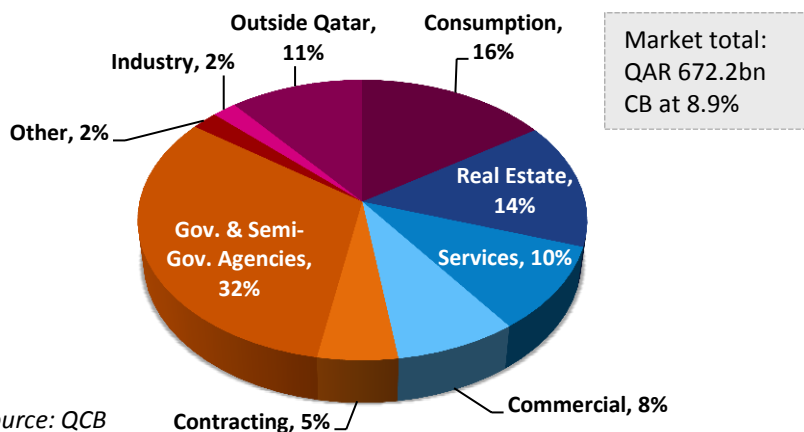
Summary

- ◆ Loans to customers at QAR 72.6bn, up 5% v H114.
 - ◆ Growth mainly in Commercial Services, Contracting and Consumption sectors.
- ◆ Loan book diversified across industry sectors
- ◆ Corporate customers represent 75% of total loan book

Loan book breakdown by division

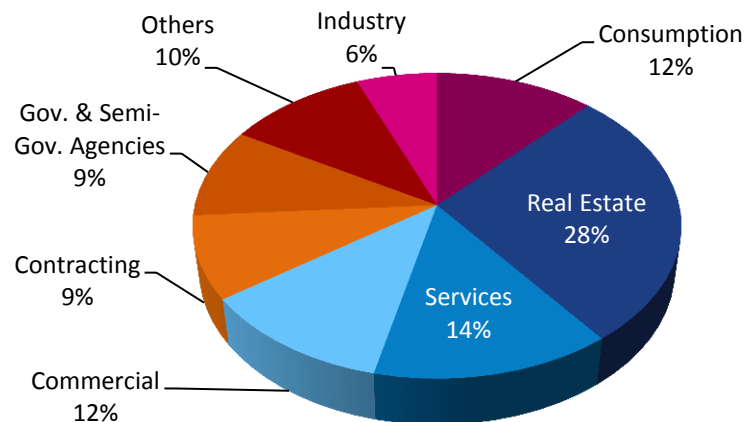


Qatari banks credit facilities breakdown by sector - May 2015



Source: QCB

Loan book breakdown by sector – Jun 2015

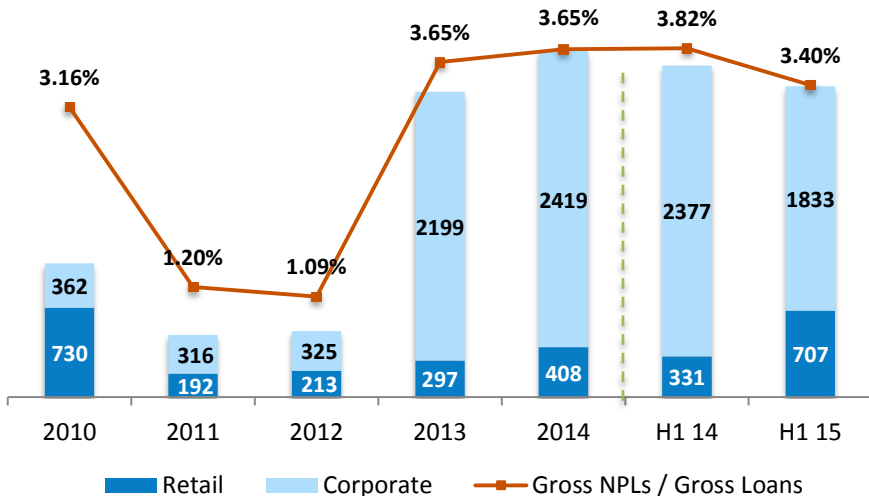




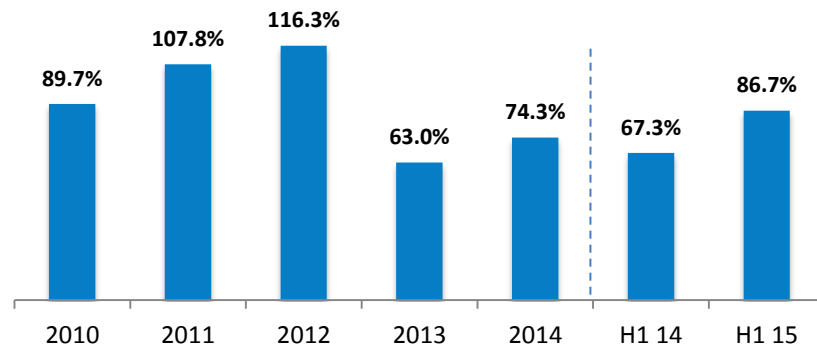
Summary

- ◆ Net Provision for loan loss of QAR 376m v QAR 257m in H114
 - ◆ Comprising QAR 55m for Retail;
 - ◆ QAR 234m for Wholesale;
 - ◆ QAR 87m for ABank
- ◆ NPL ratio 3.40% at H115 v 3.82% at H114
- ◆ Loan coverage at 86.7% v 67.3% at H114
- ◆ Risk reserve of QAR 1,815m; total loan loss coverage of 158%

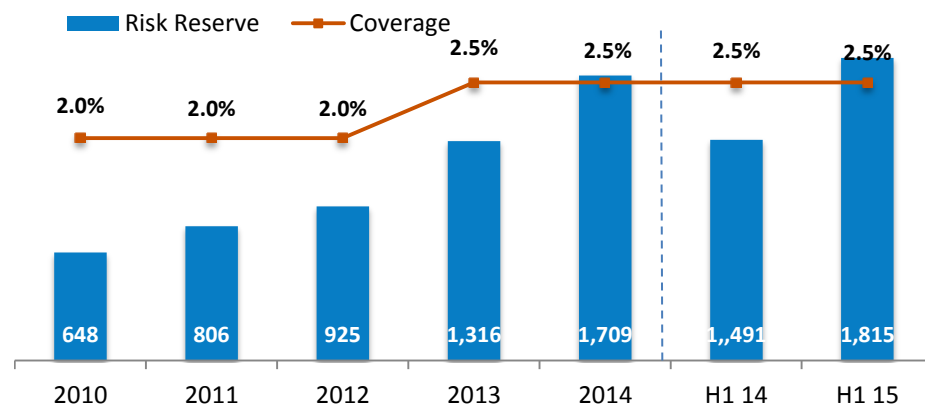
Non-performing loan ('NPL') ratio (90 day basis)



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

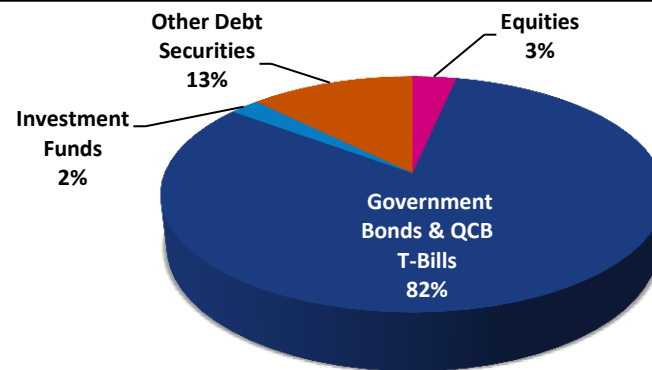
Investment Portfolio – 30 June 2015



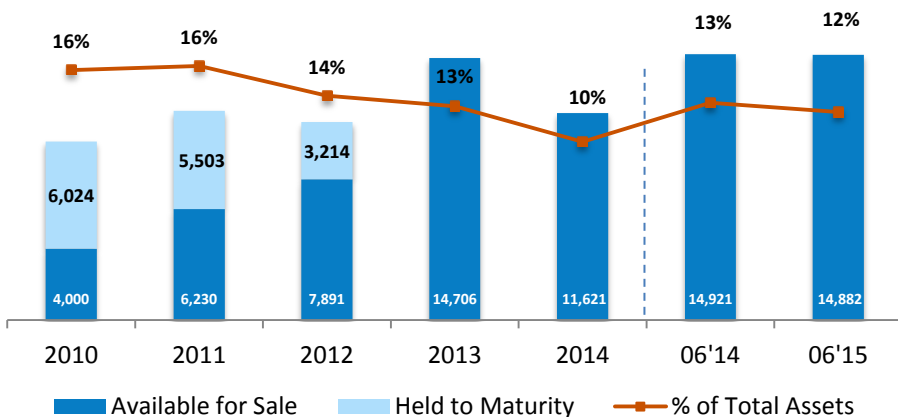
Summary

- ◆ Investment portfolio at the same level QAR 14.9bn v H114
- ◆ 82% Government Bonds and QCB T-Bills
- ◆ Investment income of QAR 75m H115 v QAR 104m in H114
- ◆ Investment provisions of QAR 12m H115 v QAR 29m in H114

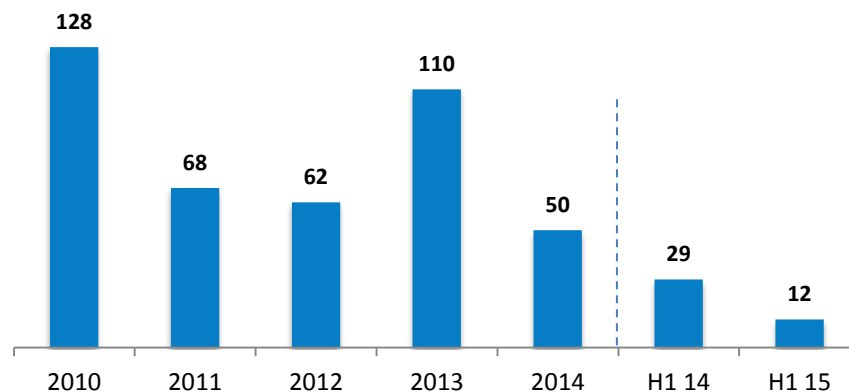
Investment portfolio – 30 June 2015



Investment portfolio evolution (QAR million)



Investment portfolio provisions (QAR million)



Funding Breakdown – 30 June 2015



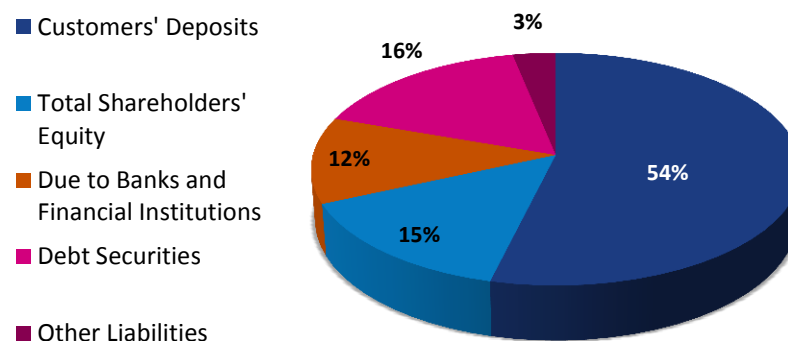
Summary

- ◆ Customers' deposits up 7.2% to QAR 64.1bn v H114 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
- ◆ All 3 Rating Agencies have reaffirmed their long-term rating in the past 6 months

Debt issued and other borrowed funds

QAR Million	30.06.2015	30.06.2014
Subordinated Notes	3,118	2,691
EMTN (Bond) (Fixed Rate due Apr 2017)	1,809	1,794
EMTN (Bond) (Fixed Rate due Jun 2019)	2,710	2,720
Swiss Franc note (Fixed Rate due Dec 2015)	1,097	1,158
Senior Notes	1,024	4,038
Bilateral/club loans	9,879	9,703
Total	19,637	22,105

Total funding mix – 30 June 2015



Commercial Bank credit ratings

Rating Agency	Foreign Currency Bank Deposits/IDR		Bank Financial Strength/ Individual	Outlook	Date
	LT	ST			
Moody's	A1	Prime 1	Baa2	Stable	Mar 15
Fitch	A+	F1	bbb	Stable	Mar 15
S&P	A-	A-2	bbb-	Negative	June 15

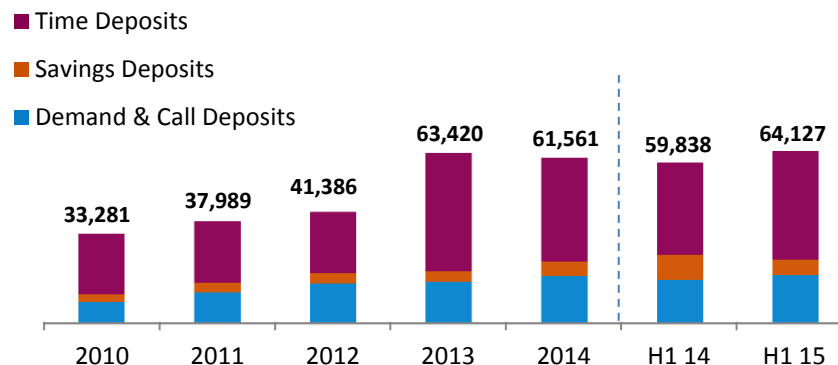
Deposit Breakdown – 30 June 2015



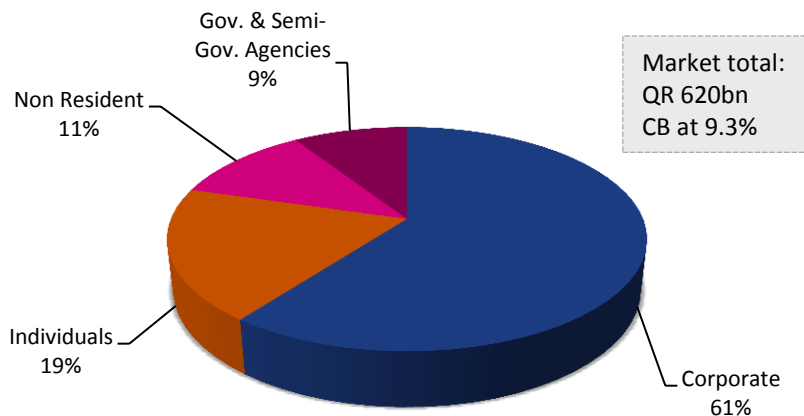
Summary

- ◆ Customers' deposits increased by 7% to QAR 64.1bn v H114
- ◆ Good deposit mix with Government and Semi-Government at 24% , corporate at 43% and individuals at 33%

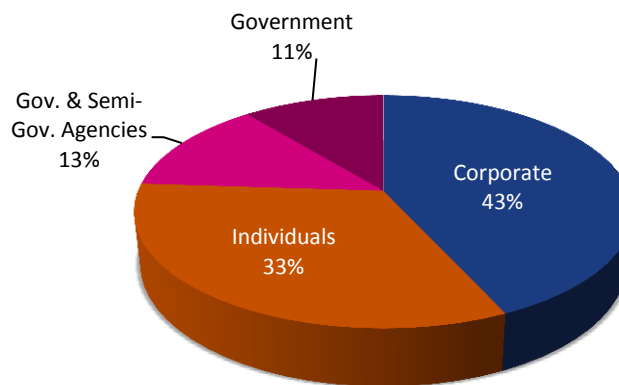
Customers' deposits (QAR million)



Qatari banks deposits breakdown by sector – May 2015



Deposits by customer type – June 2015



Source: QCB

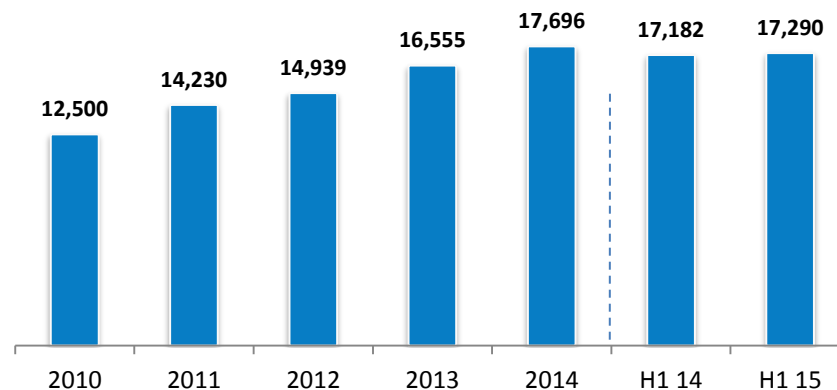
Capitalization Levels – 30 June 2015



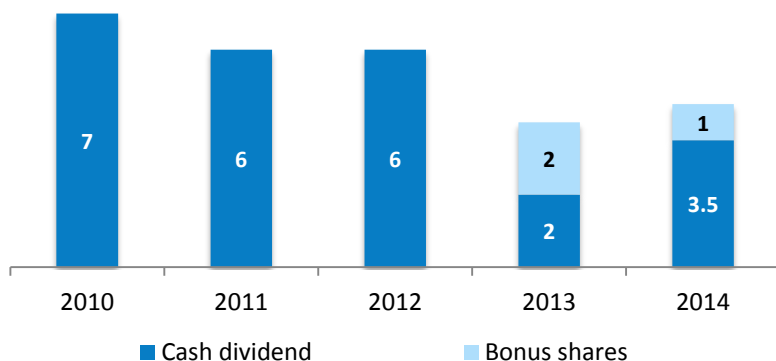
Summary

- ◆ Total equity at QAR 17.3bn, down QAR 406m from FY14, due to:
 - ◆ H1 15 profit of QAR 1,052m, offset by dividend payment of QAR 1,039m
 - ◆ Reduction in foreign currency translation reserve of QAR 0.3bn
- ◆ Capital Adequacy Ratio at 14.1% (Basel III)

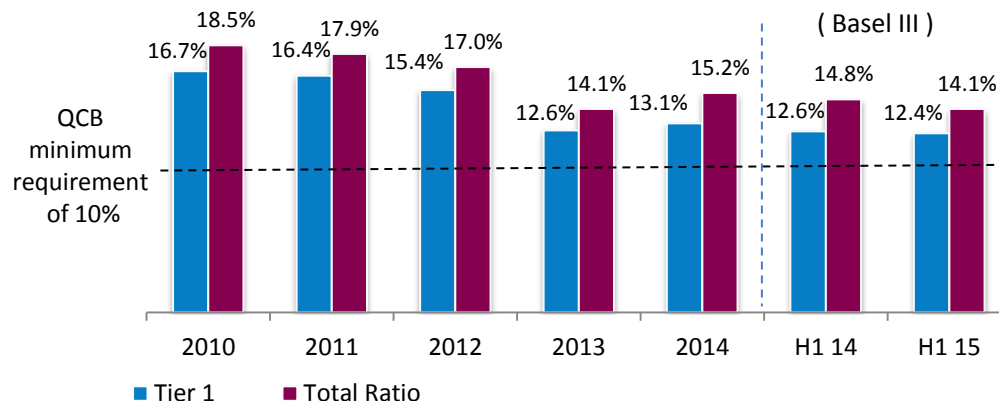
Total equity (QAR million)



Dividend distribution per share (QAR)



Capital Adequacy Ratio





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Commercial Bank Financial Performance – Half -Year Ended 30 June 2015



Profitability

QAR Million	H1 2015	H1 2014	%
Net interest income	978	967	1.1%
Non-interest income	666	594	12.1%
Total costs	612	596	2.7%
Net provisions	301	213	41.3%
Net profit	942	947	(0.5%)

Balance Sheet

QAR Million	30.06.15	30.06.14	%
Total assets	102,690	94,228	9.0%
Loan & advances	59,408	55,759	6.5%
Investment Securities	13,726	12,123	13.2%
Customers' deposits	55,846	50,575	10.4%
Shareholders' equity	17,127	16,656	2.8%

Performance Ratios

	30.06.15	30.06.14
ROAE	11.0%	11.9%
ROAA	1.9%	2.0%
NIM	2.5%	2.5%

Capital

QAR Million	30.06.15	30.06.14
RWA (QAR million)	86,055	80,002
CET1 ratio	10.9%	10.5%
Total Capital ratio	14.7%	15.2%



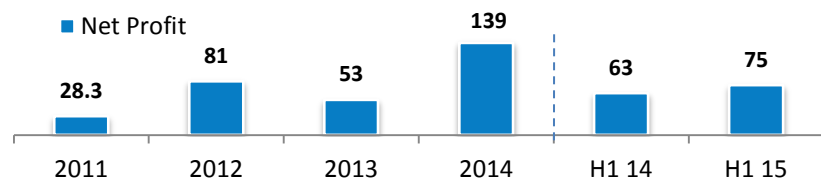
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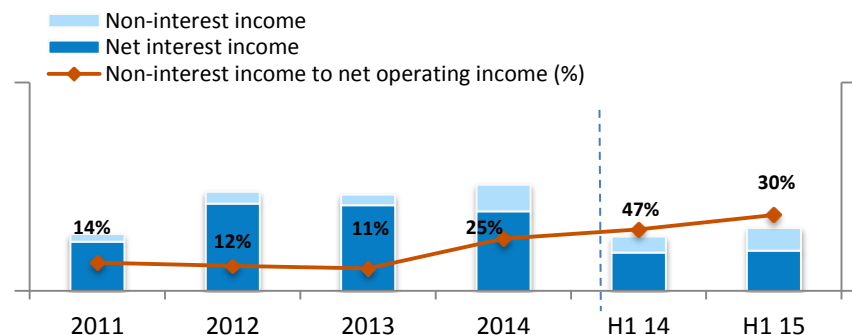
Alternatifbank of Turkey (ABank)

- ◆ Net profit after tax at TL 75m v TL 63m in H114
- ◆ Operating income up by TL 42m v H114
- ◆ Operating expenses up by TL 7m v H114
- ◆ Higher provisions compared to H114
- ◆ Loan book up to TL 9.5bn v TL 7.5bn in H114
- ◆ Customers' deposits up to TL 6bn v TL 5.3bn in H114

Net Profit (TL million)



Net operating income (TL million)



Profitability

TL million	6M 2015	6M 2014
Net interest income	193	184
Non-interest income	110	77
Operating Income	303	261
Total Operating Expenses	147	140
Total Provisions	61	44
Profit before tax	95	77
Tax	20	14
Net Profit	75	63

Balance Sheet

TL million	30.06. 2015	30.06. 2014
Assets		
Cash and Balances with Central Bank	1,506	1,284
Due from banks & financial institutions	808	101
Loans and advances to customers	9,505	7,567
Total Investments	853	1,628
Other Assets	534	721
Total Assets	13,206	11,301
Liabilities		
Due to banks and financial institutions	826	1,643
Customers' deposit	6,074	5,312
Other borrowed funds	4,537	2,817
Other Liabilities	739	648
Shareholders Equity	1,030	881
Total Liabilities and Shareholders' equity	13,206	11,301

Associates' Performance – Half -Year Ended 30 June 2015



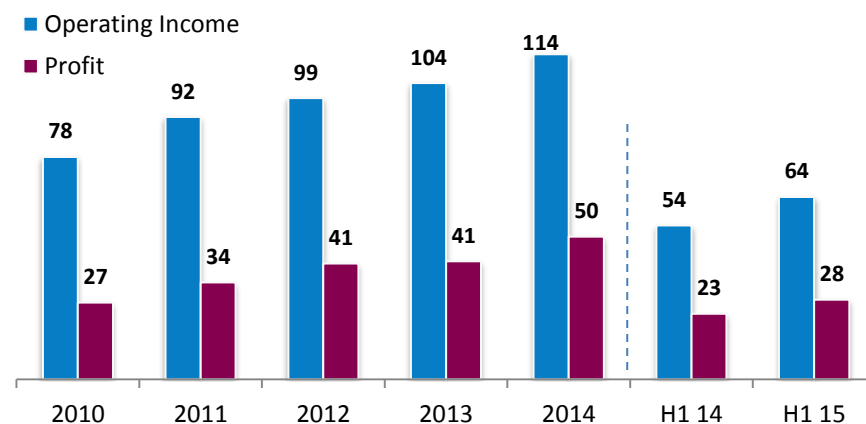
National Bank of Oman (NBO)

- ◆ Net profit after tax at OMR 28m, up 22% from OMR 23m in H114
- ◆ Net operating income OMR 64m, up 19% from OMR 54m in H114
 - ◆ Net interest income up 18% to OMR 45m
 - ◆ Non-interest income up 18% OMR 19m
- ◆ Net provisions OMR 3.6m up 63% from OMR 2.2m in H114
- ◆ Loan book grew 9% to OMR 2.4bn v H114
- ◆ Customers' deposits down 12% to OMR 2.46bn v H114

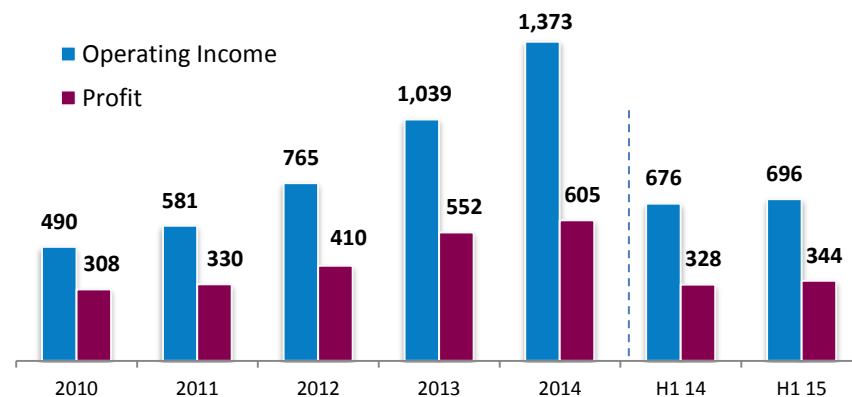
United Arab Bank (UAB)

- ◆ Net profit of AED 344m, up 5%, from AED 328m in H114
- ◆ Net operating income up 3% to AED 696m v AED 676m in H114
 - ◆ Net interest income up 7% to AED 530m
 - ◆ Non-interest income down 9% to AED 166m
- ◆ Provisions decreased to AED 135m v AED 147m in H114
- ◆ Loan book grew 3%, to AED 18.3bn v H114
- ◆ Customers' deposits down 2% to AED 18.2bn v H114

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

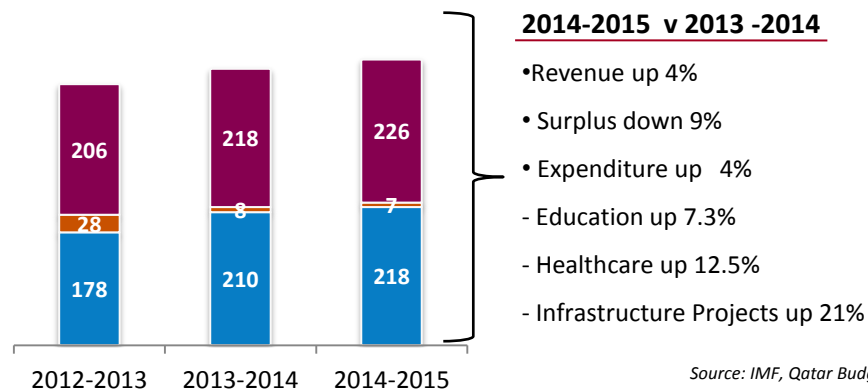
- ◆ Creating a challenger banking brand
- ◆ Target SME and retail initially
- ◆ Now investing in Corporate offering
- ◆ Capture trade and investment flows between GCC and Turkey

◆ Associates

- ◆ Drive local profitability
- ◆ Generate regional revenue opportunity

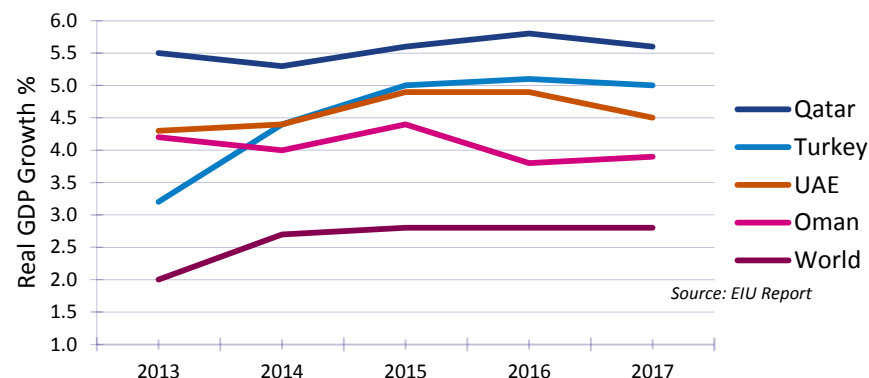
State of Qatar 2012 – 2015 budgets (QAR billion)

■ Spending ■ Surplus ■ Revenue



Source: IMF, Qatar Budget

Real GDP growth



Source: EIU Report

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Thank you

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