

# Commercial Bank of Qatar

Financial Results

For the nine months ended 30 September 2012

23 October 2012



# 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 Commercialbank 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 Commercialbank'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 Commercialbank's control. As a result, Commercialbank'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 Commercialbank speak only as of the date they are made. Commercialbank does not undertake to update forward-looking statements to reflect any changes in Commercialbank'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.

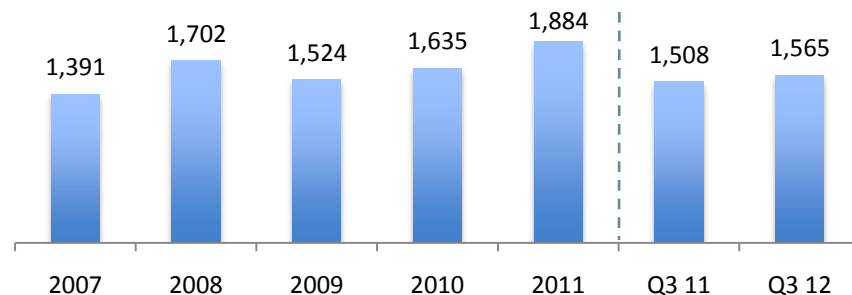
- **KEY HIGHLIGHTS**
- Financial Performance
- Business Performance
- Outlook

# Key Highlights – Nine months ended 30 September 2012

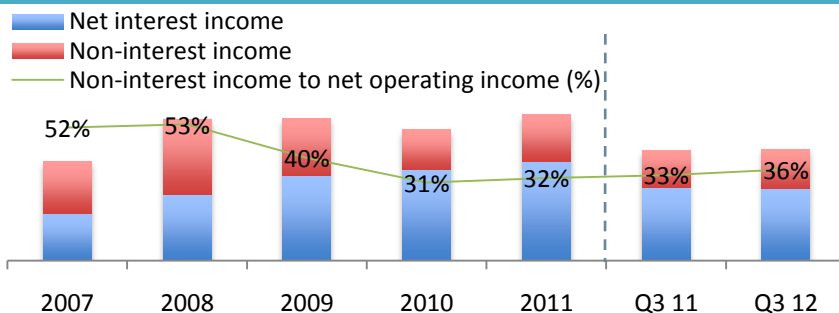
## Summary

- ◆ Commercial bank has delivered strong results with net profit of QR 1.565bn in 09'12 v QR 1.508bn in 09'11
  - ◆ Q3 12 net profit in line with Q2 12 and Q3 11
  - ◆ Growth in lending
  - ◆ Diversified funding base
  - ◆ Strong asset quality
- ◆ Ongoing focus on balance sheet management
  - ◆ Lending up 17% to QR 48.4bn v 09'11
  - ◆ Deposits up 13% to QR 41.7bn v 09'11
  - ◆ Net interest margin at 3.0% v 3.1% in H1'12
  - ◆ Funding diversification
    - ◆ USD 650m syndicated loan repaid in February
    - ◆ USD 455m Club loan arranged in Q1'12
    - ◆ USD 500m Senior Notes issued in April
- ◆ Asset quality remains strong
  - ◆ Net provision at QR 66m for 09'12 v QR 123m in 09'11
  - ◆ NPL ratio reduced to 0.90% v 1.20% at 12'11
- ◆ Associate banks have delivered strong growth in lending and profitability
- ◆ Well positioned for the remainder of the year

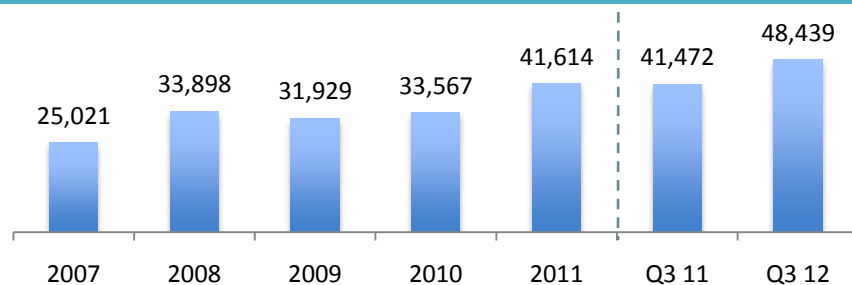
## Net profit (QR million)



## Net operating income (QR million)



## Loans and advances to customers (QR million)



- Key Highlights
- **FINANCIAL PERFORMANCE**
- Business Performance
- Outlook

# Financial Performance – Nine months ended 30 September 2012

## Profitability

QR million	9m 12	9m 11	%
Net interest income	1,404	1,429	-2%
Non-interest income	781	718	9%
Total costs	709	622	14%
Net provisions	101	166	-39%
Net profit	1,565	1,508	4%

## Balance Sheet

QR million	09'12	09'11	%
Total assets	76,353	70,426	8%
Loans & advances	48,439	41,472	17%
Financial investments	11,588	12,523	-7%
Customers' deposits	41,700	36,899	13%
Shareholders' equity	14,501	13,905	4%

## Performance Ratios

	9m 12	9m 11
ROAE	14.5%	15.2%
ROAA	2.8%	3.0%
EPS (QR)	8.43	8.25
NIM	3.0%	3.6%

## Capital

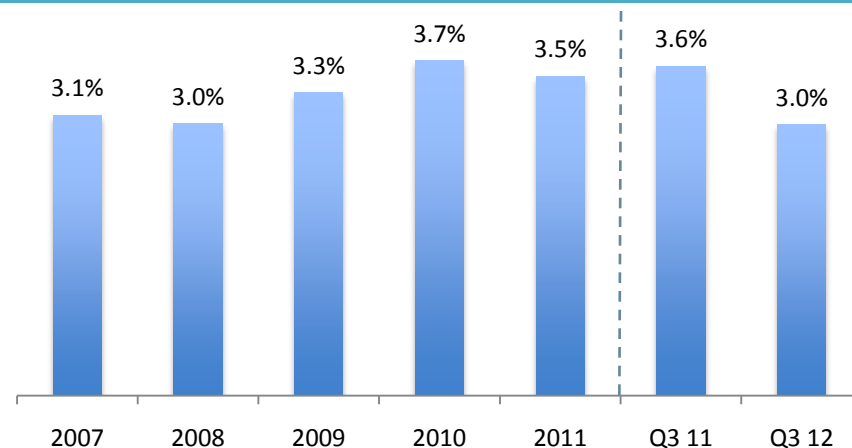
	09'12	09'11
RWA (QR million)	64,932	60,858
Tier 1 ratio	15.6%	16.4%
Total Capital ratio	17.4%	17.9%

# Earnings Performance – Nine months ended 30 September 2012

## Profitability

- ◆ Net interest income at QR 1,404m was down 2% v 09'11
  - ◆ Net interest margin lower at 3.0% v 3.1% in H1'12
    - ◆ Lower asset yields
    - ◆ A reduction in cost of funds in Q3'12
- ◆ Non-interest income at QR 781m v QR 718 in 09'11
  - ◆ Fee income of QR 414m v QR 480m in 09'11
  - ◆ Foreign exchange income up 19% to QR 116m in 09'12
  - ◆ Gains from investment portfolio up QR 102m v 09'11
- ◆ Cost to income ratio at 29.8% v 27.1% in 09'11

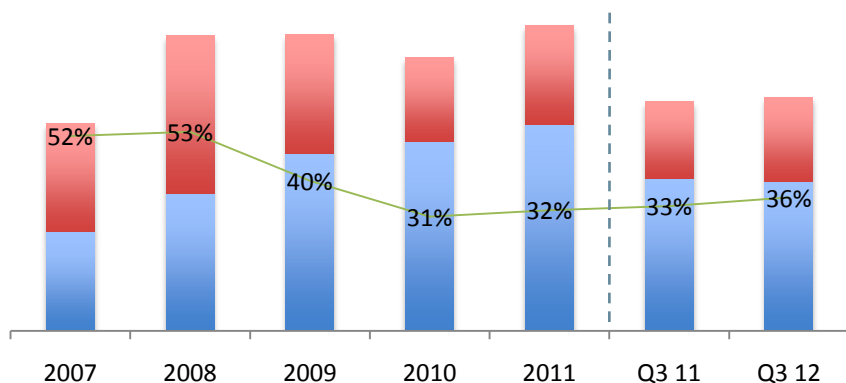
## Net interest margin



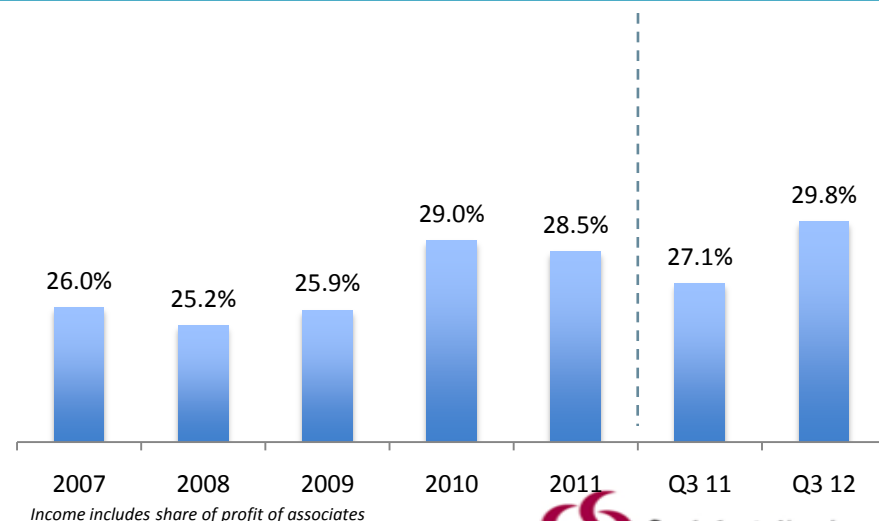
Net interest income as a % of average interest earning assets, including (i) loans and advances to customers, (ii) bonds and (iii) loans to other credit institutions

## Net operating income (QR million)

- Net interest income
- Non-interest income
- Non-interest income to net operating income (%)



## Cost to income ratio



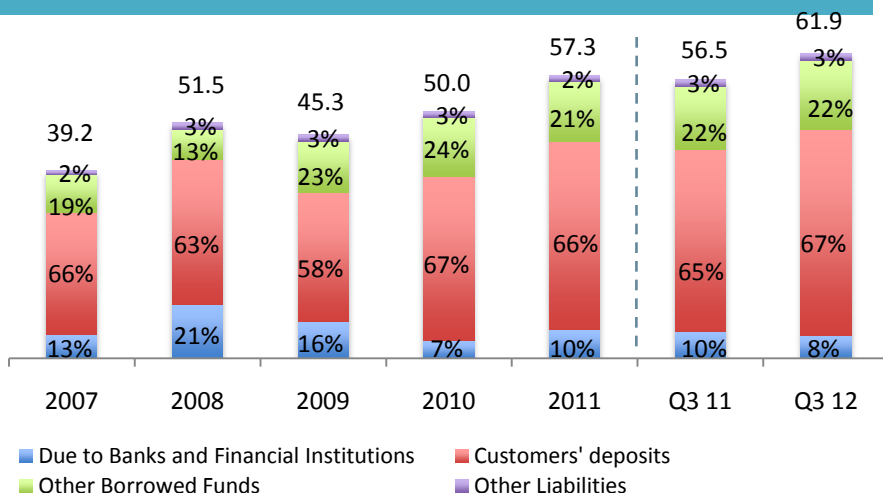
Income includes share of profit of associates

# Balance Sheet Structure – 30 September 2012

## Summary

- ◆ Total assets increased QR 4.8bn to QR 76.4bn v 12'11
  - ◆ Lending to customers up 16%, QR 6.8bn, to QR 48.4bn
  - ◆ Higher balances held with QCB, up Q 1.5bn
  - ◆ Inter-bank placements QR 4.2bn lower
  - ◆ Investments decreased QR 0.1bn to QR 11.6bn
- ◆ Total liabilities increased QR 4.5bn to QR 61.9bn v 12'11
  - ◆ Customers' deposits up QR 3.7bn to QR 41.7bn v 12'11
  - ◆ Net debt issued of QR 1.7bn
  - ◆ Customers' deposits represent 67% of liabilities

## Liabilities mix



## Assets mix



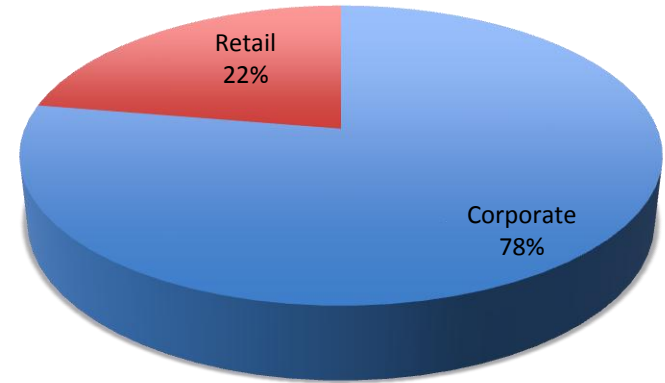


# Loan Book Breakdown – 30 September 2012

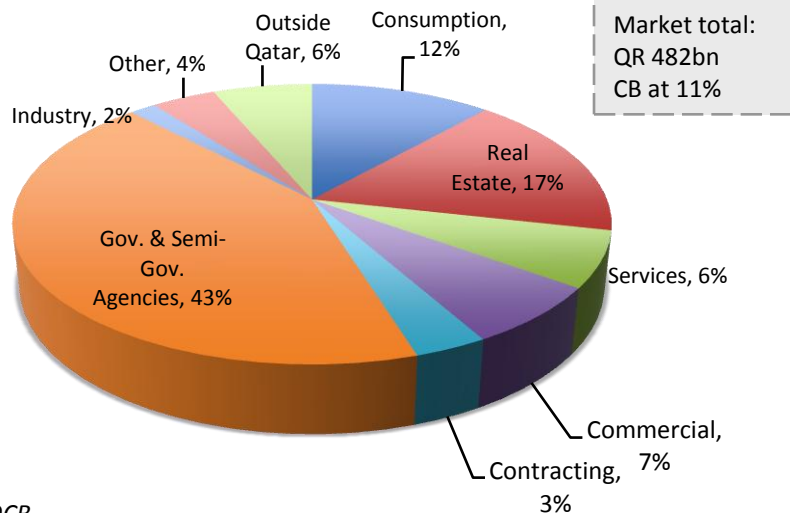
## Summary

- Loans to customers were QR 48.4bn, up 16% v 12'11 and 17% v 09'11, mainly in the Private Sector
  - Growth in 2012 mainly in three industry sectors: Services, Commercial and Real Estate (within Retail)
- Corporate customers represent 78% of total loan book
- Loan book diversified across industry sectors
- 94% of exposure is within Qatar
- 84% of the loan book has a maturity of more than one year

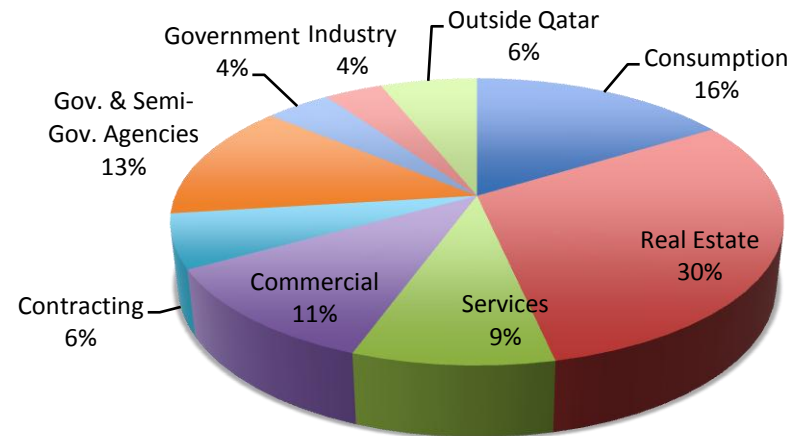
## Loan book breakdown by division



## Qatari banks credit facilities breakdown by sector - Sept 2012



## Loan book breakdown by sector – Sept 2012



Source: QCB

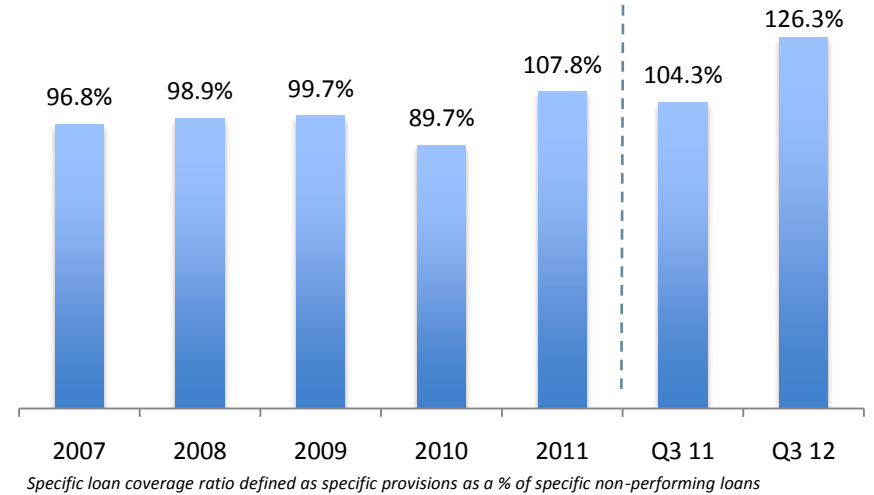
كل شيء يمكن تحقيقه، قطر مصدر إلهامنا  
Inspired by Qatar, we believe everything is possible

# Asset Quality – 30 September 2012

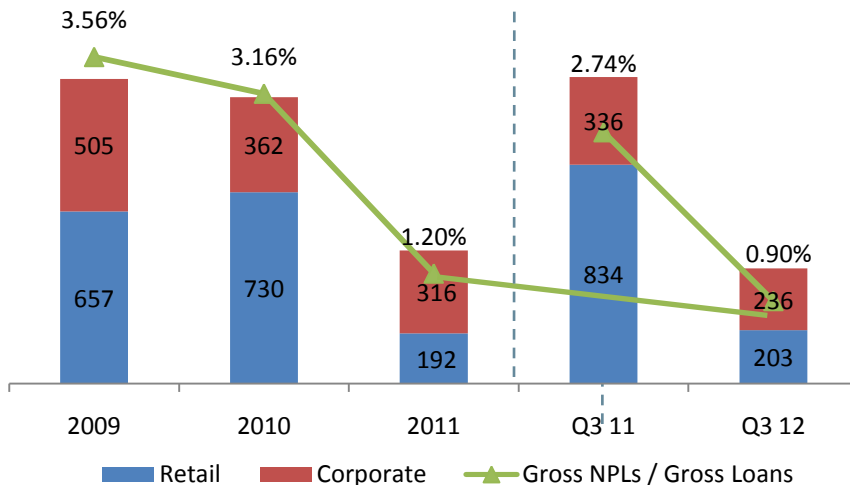
## Summary

- ◆ Asset quality improving
- ◆ Net Provision for loan loss of QR 66m v QR 123 in 09'11
  - ◆ Comprising QR 10m for Retail, and
  - ◆ QR 56m for Corporate
- ◆ NPL ratio decreased to 0.90% from 1.20% at 12'11, due to
  - ◆ Removal of single Corporate Islamic Banking customer
  - ◆ Growth in lending
- ◆ Specific loan coverage increased to 126%
- ◆ Risk reserve of QR 913m; total loan loss coverage of 334%

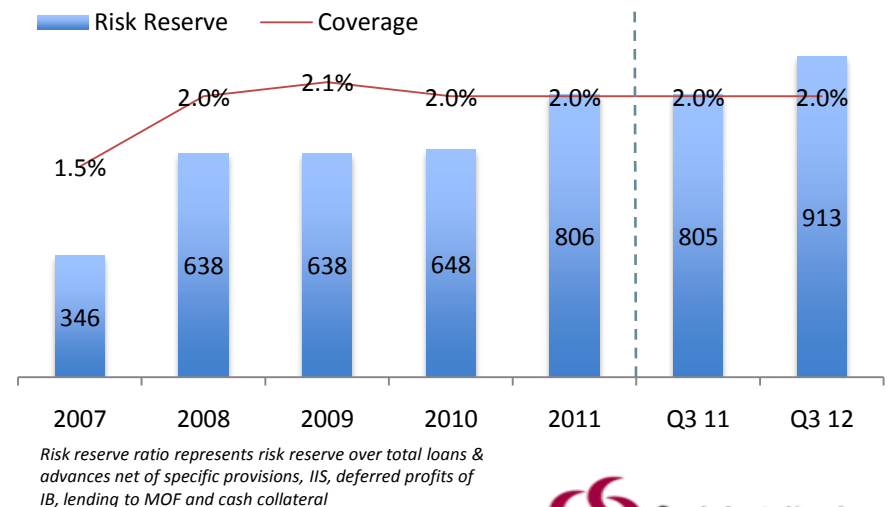
## Specific loan coverage ratio



## NPL ratio (90 day basis)



## Risk reserve (QR million)

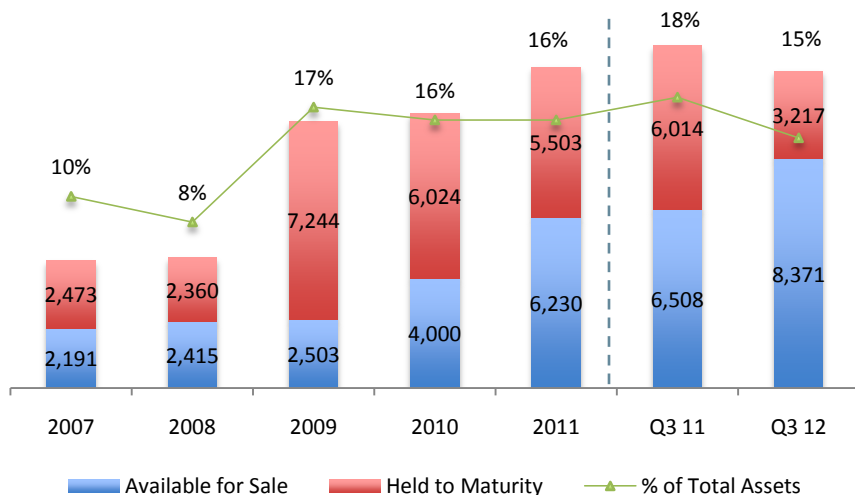


# Investment Portfolio – 30 September 2012

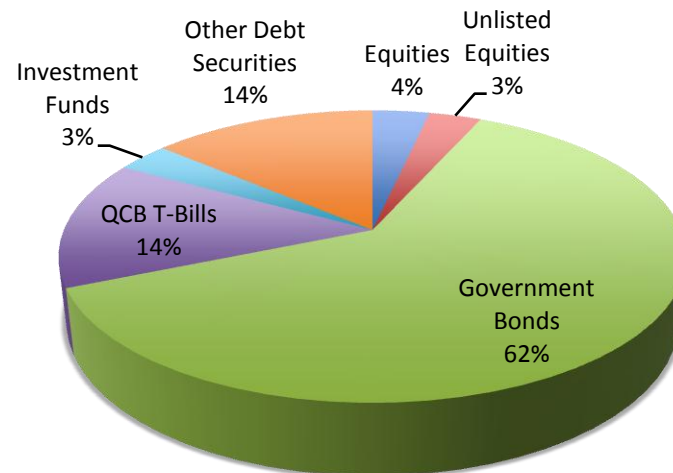
## Summary

- ◆ Investment portfolio is down 1% to QR 11.6bn v 12'11
  - ◆ Qatar Government Bonds and T-Bills down, net, QR 558m v 12'11
  - ◆ Investment in other Government Bonds and debt securities, up QR 470m v 12'11
- ◆ 76% Government Bonds and QCB T-Bills
- ◆ Investment provisions decreased to QR 35m v QR 43m in 09'11
- ◆ Investment gains of QR 187m v QR 85m in 09'11
- ◆ Dividend income of QR 25m v QR 23m in 09'11

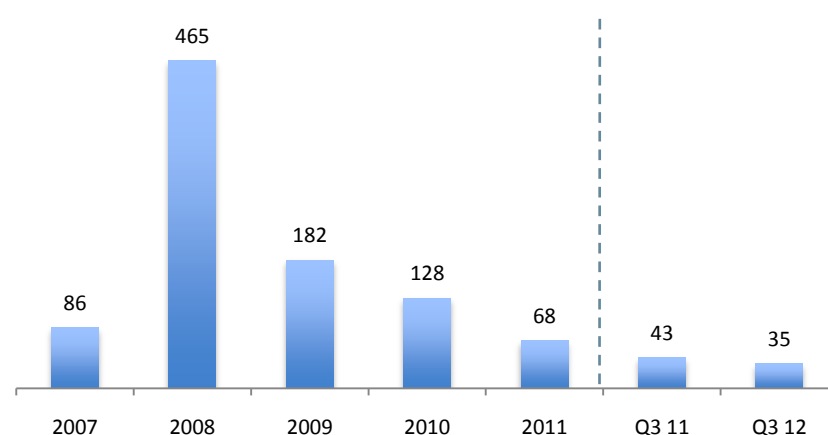
## Investment portfolio evolution (QR million)



## Investment portfolio – 30 September 2012



## Investment portfolio provisions (QR million)



# Funding Breakdown – 30 September 2012

## Summary

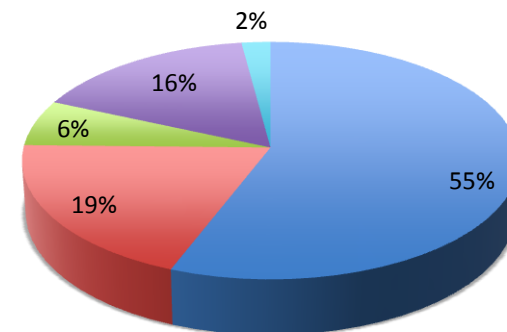
- ◆ Customers' deposits were QR 41.7bn, up 13% v 09'11
- ◆ Well diversified funding mix with deposits representing 55%
- ◆ Shareholders' equity represents 19% of funding mix
- ◆ Funding diversification
  - ◆ USD 650m Syndicated loan repaid in February 2012
  - ◆ USD 455m Club loan arranged in Q112
  - ◆ USD 500m Senior Notes raised in April 2012
- ◆ Key liquidity ratios maintained well above levels set by QCB
- ◆ Moody's reaffirmed their ratings in October 2012

## Debt issued and other borrowed funds

QR Million	09' 12	09' 11
Syndicated Loan (Floating Rate due Feb 2012)	-	2,365
Senior Note (Fixed Rate due Nov 2014)	3,621	3,613
Swiss Franc note (Fixed Rate due Dec 2015)	1,123	1,165
Subordinated Note (Fixed Rate due Nov 2019)	2,155	2,152
Bilateral/club loans	3,470	362
EMTN (Bond)	1,795	1,819
<b>Total</b>	<b>12,164</b>	<b>11,476</b>

## Total funding mix – 30 September 2012

- Customers' Deposits
- Total Shareholders' Equity
- Due to Banks and Financial Institutions
- Other Borrowed Funds
- Other Liabilities



## Commercialbank credit ratings

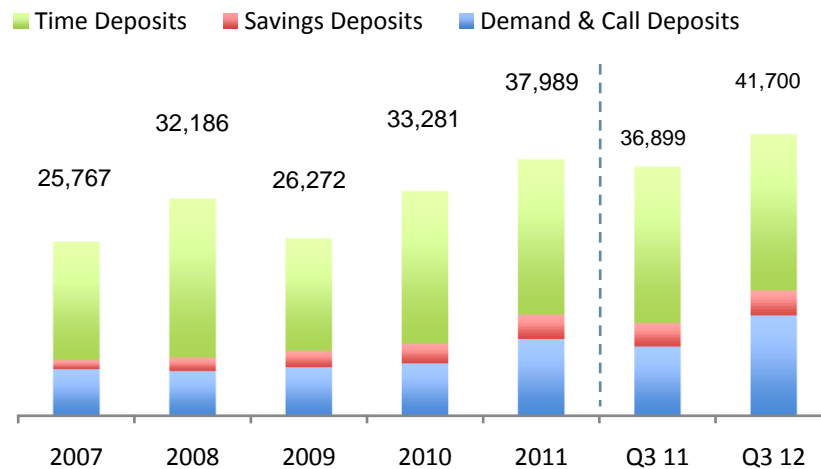
Rating Agency	Foreign Currency Bank Deposits/IDR		Bank Financial Strength/ Individual	Outlook	Date
	LT	ST			
Moody's	A1	Prime 1	C-	Stable	Oct 12
Fitch	A	F1	C	Stable	May 12
S&P	A-	A-2	-	Stable	July 12

# Deposits Breakdown – 30 September 2012

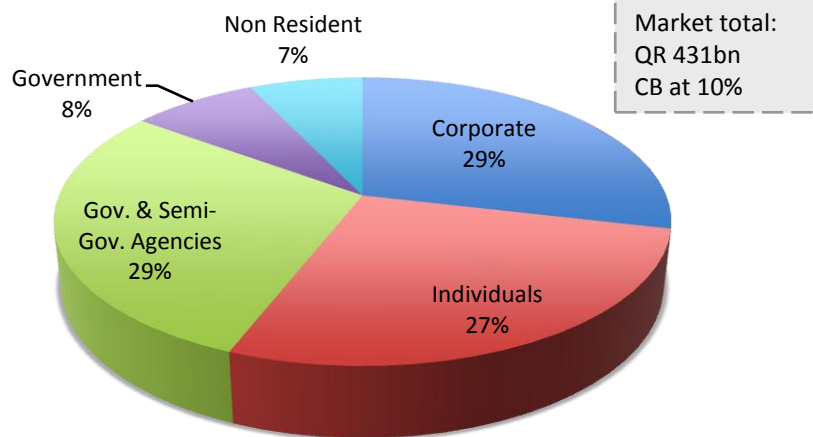
## Summary

- ◆ Customers' deposits increased by 13% to QR 41.7bn v 09'11; and up 10% v 12'11, reflecting
  - ◆ Demand and call up QR 3.5bn to QR 14.8bn
  - ◆ Savings up QR 0.1bn to QR 3.7bn; offset by
  - ◆ Time deposits up QR 0.1bn to QR 23.2bn
- ◆ Leveraging strong customer relationships, Corporate customers' share of deposits has increased to 46%
  - ◆ Government and Semi-Government at 25% and Personal at 29%

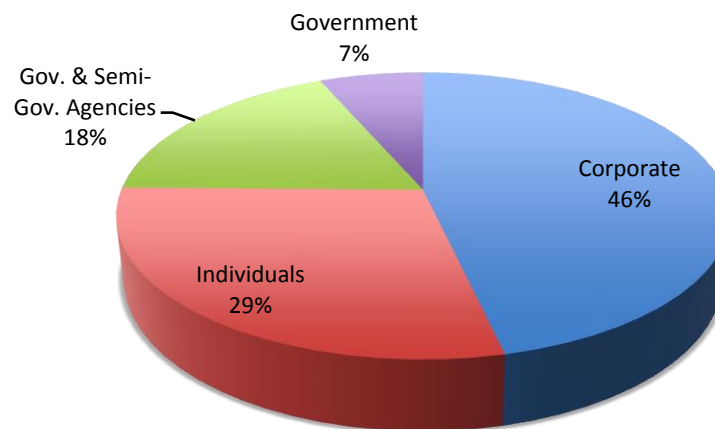
## Customers' deposits (QR million)



## Qatari banks deposits breakdown by sector - Sept 2012



## Deposits by customer type – September 2012



Source: QCB

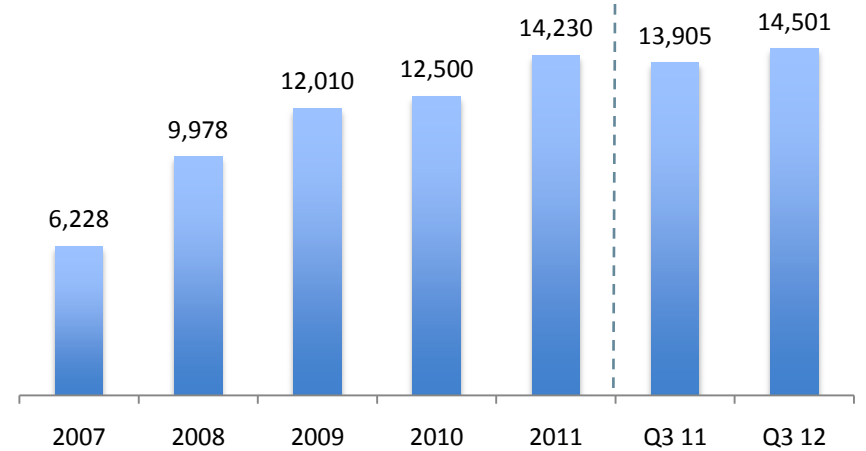
كل شيء يمكن تحقيقه، قطر مصدر إلهامنا  
Inspired by Qatar, we believe everything is possible

# Strong Capitalisation – 30 September 2012

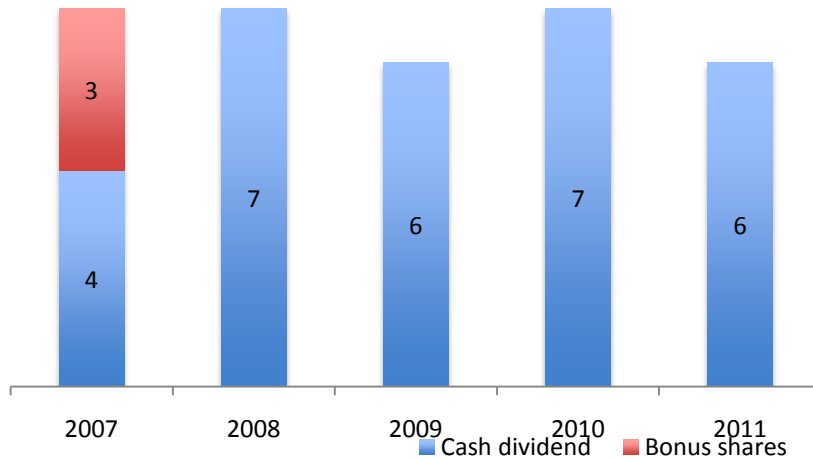
## Summary

- ◆ Total shareholders' equity at QR 14.5bn, up QR 0.3bn from end December 2011, due to
  - ◆ Nine months profit of QR 1.6bn
  - ◆ Change in Fair Value reserve of QR 0.2bn
  - Partially offset by
    - ◆ 2011 Dividend payment of QR 1.5bn - QR 6 per share
- ◆ Total capital adequacy ratio at 17.4%
- ◆ Tier 1 ratio at 15.6%

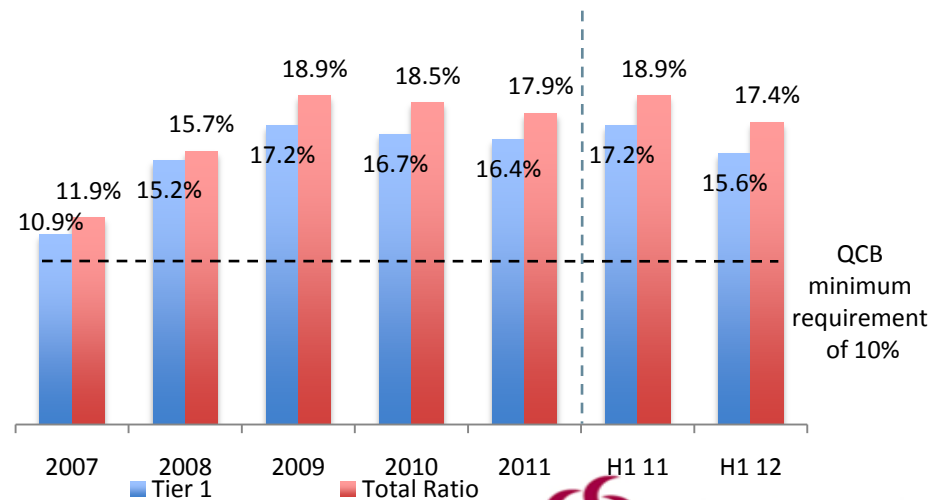
## Shareholders' equity (QR million)



## Dividend distribution per share (QR)



## Capital Adequacy Ratio



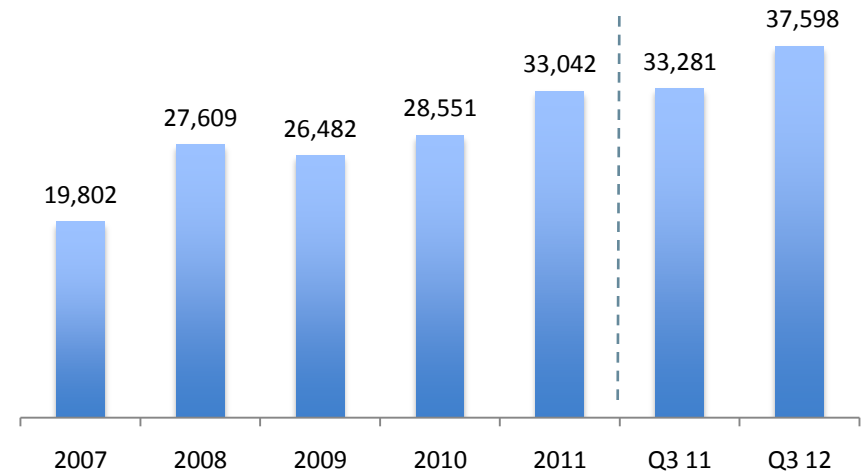
- Key Highlights
- Financial Performance
- **BUSINESS PERFORMANCE**
- Outlook

# Divisional Performance – Nine months ended 30 September 2012

## Corporate

- ◆ Net operating income was QR 1.6b down slightly v 09'11
  - ◆ Net interest income declined QR 107m to QR 1.0bn due to lower yields on lending
  - ◆ Other income up QR 89m to QR 556m
- ◆ Loan loss provisions at QR 56m down QR 38m from QR 95m in 09'11
- ◆ Loans and advances to customers increased to QR 37.6bn v 33.3bn at 09'11
- ◆ Customers' deposits at QR 29.7bn up from QR 26.8bn at 09'11

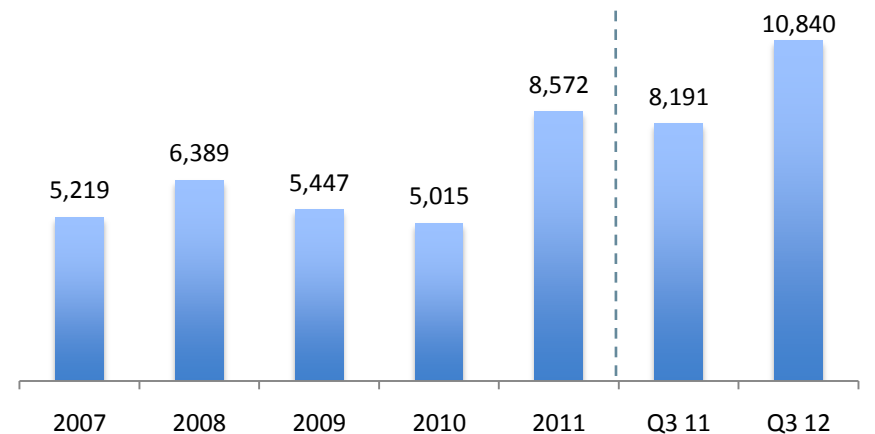
## Corporate loan book (QR million)



## Retail

- ◆ Net operating income was QR 570m v QR 521m in 09'11
  - ◆ Net interest income was up to QR 374m from QR 290m in 09'11
  - ◆ Other income down QR 23m to QR 197m
- ◆ Loan loss provisions of QR 10.1m v QR 28.5m in 09'11
- ◆ Loans and advances to customers were QR 10.8bn v QR 8.2bn at 09'11 led by growth in, mainly, mortgage lending
- ◆ Customers' deposits were up 19% to QR 12.0bn v 09'11
- ◆ Retail network at 29 branches and 162 ATMs

## Retail loan book (QR million)



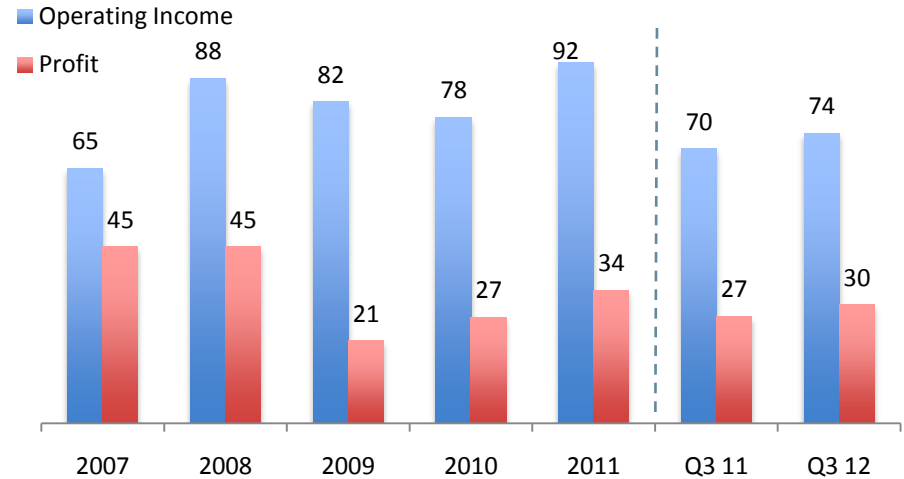


# Associates Performance – Nine months ended 30 September 2012

## National Bank of Oman (NBO)

- ◆ Net profit after tax up 12% to RO 30.5m v RO 27.3m in 09'11
- ◆ Operating income up 6% to RO 73.9m v 09'11
  - ◆ Net interest income increased RO 5.4m to RO 50.0m
  - ◆ Non-interest income down RO 1.2m to RO 23.9m
- ◆ Net provisions were down by RO 2.0m to RO 4.6m
- ◆ Loan book grew 18% to RO 1.9bn v 09'11
- ◆ Customers' deposits up 23% to RO 1.9bn v 09'11

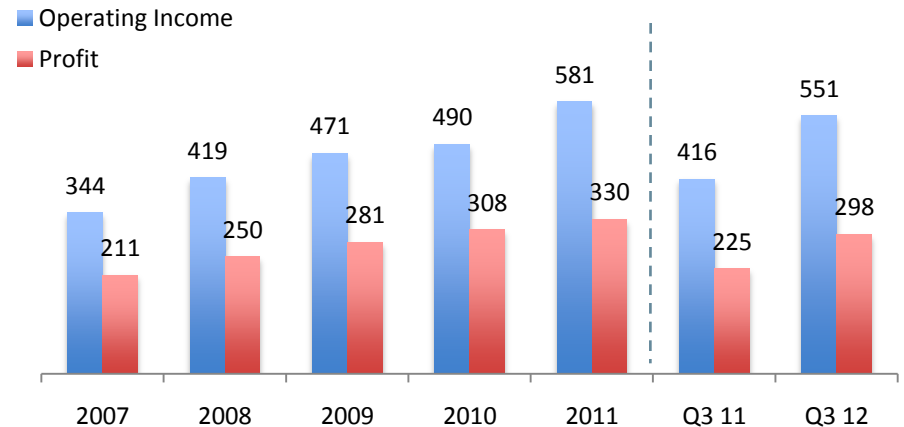
## NBO Performance (RO million)



## United Arab Bank (UAB)

- ◆ Record net profit of AED 298m, up 32%, from AED 225m in 09'11
- ◆ Net operating income up 33% to AED 551m v AED 416m in 09'11
  - ◆ Net interest income up 34% to AED 407m
  - ◆ Non-interest income up 30% to AED 145m
- ◆ Provisions for loan losses increased to AED 85m v AED 57m in 09'11
- ◆ Loan book grew 31%, AED 2.4bn, to AED 10.0bn v 09'11
- ◆ Customers' deposits up 29% to AED 8.7bn v 09'11

## UAB Performance (AED million)



- Key Highlights
- Financial Performance
- Business Performance
- **OUTLOOK**

# Outlook

## Summary

### Third quarter 2012

- ◆ Strong first half performance continued in Q3
- ◆ Focus on proactive balance sheet management
- ◆ Growth in lending sustained
- ◆ Strong asset quality

### Strategy into Action

- ◆ Growth in domestic corporate and retail businesses
- ◆ Delivery of diversified income sources
- ◆ Alliance banks continue to deliver strong financial performance

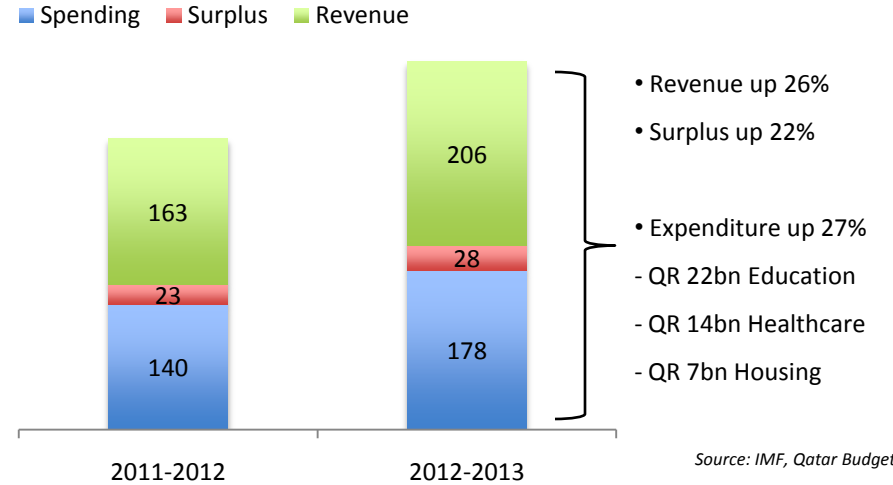
### Economy and Opportunities

- ◆ Economic growth continues but at a slower pace than in the first half of the year
- ◆ Credit demand mainly in the Public Sector in Q3
- ◆ Operating environment remains challenging

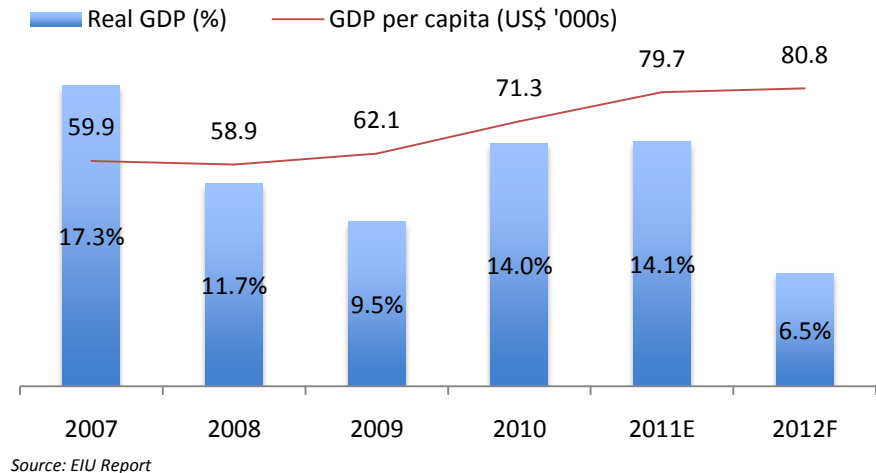
### Outlook

- ◆ Outlook remains positive overall
- ◆ Grow domestic business; continue to support development of alliance banks
- ◆ Deliver long term value to customers and shareholders

## State of Qatar 2011 – 2012 budget (QR billion)



## Qatar GDP growth





Thank you

كل شيء يمكن تحقيقه، قطر مصدر إلهامنا  
Inspired by Qatar, we believe everything is possible

 البَنك التِّجَارِي  
**Commercial bank**