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# COMMERCIAL BANK OF QATAR

Financial Results

For the Half-year ended 30 June 2013

24 July 2013





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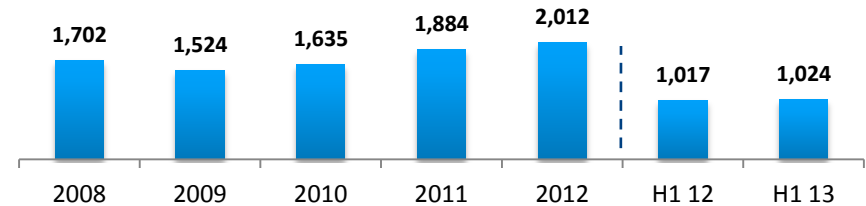
- 
- **KEY HIGHLIGHTS**
  - Financial Performance
  - Business Performance
  - Outlook



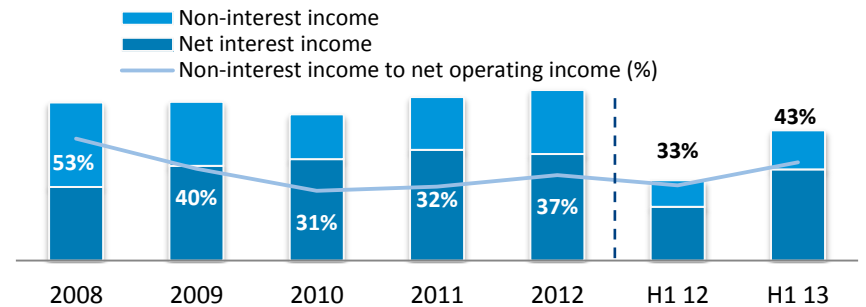
## Summary

- ◆ Commercial Bank has delivered solid results in H113 with net profit of QAR 1.024bn v QAR 1.017bn in H112
  - ◆ Improvement in net profit up 2.5% v Q113 to QAR 518m
  - ◆ Operating income up 12.4% to QAR 845m v Q113
    - NII up 1.3% to QAR 460m despite competitive pressures
    - Continued fee growth: up 1.3% to QAR 165m
  - ◆ Delivered diversified revenue
  - ◆ Lending growth
  - ◆ Expanded deposit base
- ◆ Expansion and active management of balance sheet
  - ◆ Lending up 18% to QAR 52.0bn v 06'12; 7% v 12'12
  - ◆ Deposits up 16% to QAR 46.9bn v 06'12; 13% v 12'12
  - ◆ Net interest margin: decline of 10bp v 03'13; 06'12 at 2.59%
  - ◆ Reduction in average cost of funds
- ◆ Asset quality
  - ◆ Net provision at QAR 194m for H1'13 v QAR 32m in H1'12
  - ◆ Prudential provision taken on domestic real estate loan
  - ◆ NPL ratio at 3.49% v 1.39% at 03'13
- ◆ Commercial Bank Alliance
  - ◆ Continued strong profit growth from associate banks, up 18%
  - ◆ Acquisition of 70.84% of Alternatifbank in Turkey completed, providing expansion of international revenue opportunity

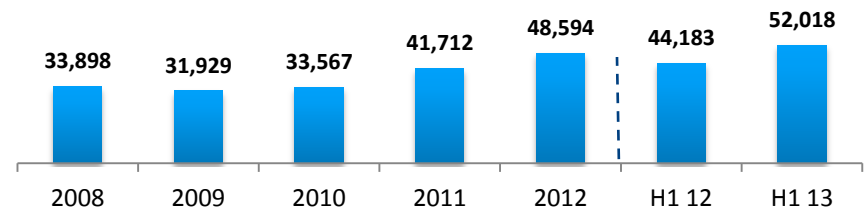
## Net profit (QAR million)



## Net operating income (QAR million)



## Loans and advances to customers (QAR million)





➤ Key Highlights

➤ **FINANCIAL PERFORMANCE**

➤ Business Performance

➤ Outlook



## Profitability

QAR million	H1 2013	H1 2012	%
Net interest income	914	941	-3%
Non-interest income	684	464	47%
Total costs	503	455	11%
Net provisions	218	59	272%
Net profit	1,024	1,017	1%

## Balance Sheet

QAR million	30.06.13	30.06.12	%
Total assets	85,437	73,557	16%
Loans & advances	52,018	44,183	18%
Financial investments	10,847	12,804	-15%
Customers' deposits	46,901	40,556	16%
Shareholders' equity	14,130	13,910	2%

## Performance Ratios

	H1 2013	H1 2012
ROAE	14.1%	14.5%
ROAA	2.5%	2.8%
EPS (QR)	8.28	8.22
NIM	2.59%	3.06%

## Capital

	30.06.13	30.06.12
RWA (QAR million)	75,017	63,667
Tier 1 ratio	13.9%	15.9%
Total Capital ratio	15.7%	17.7%

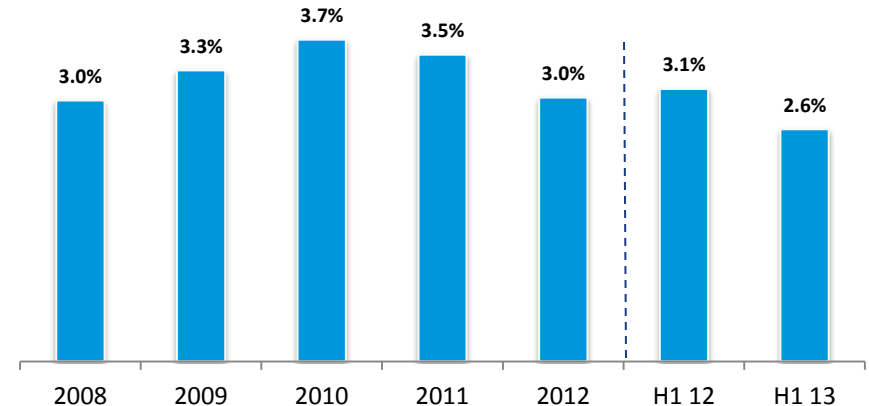
# Earnings Performance – Half-year ended 30 June 2013



## Profitability

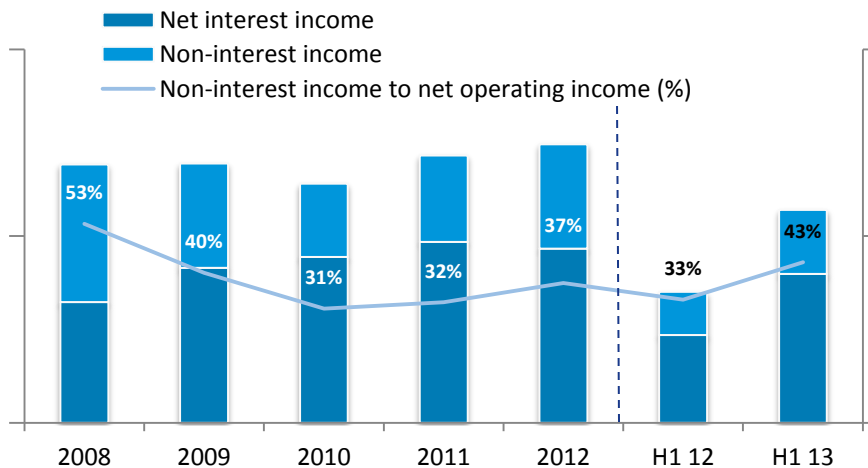
- ◆ Net interest income at QAR 914m was 3% lower v H112
  - ◆ Up 1.3% v Q113
  - ◆ NIM lower at 2.59% in H113; down 10bp in Q213 v Q113
    - ◆ Lower yields on assets; partially offset by
    - ◆ A reduction in cost of funds
- ◆ Non-interest income up to QAR 684m v QAR 464m in H112
  - ◆ Fee income up 17% to QAR 328m in H113
  - ◆ Foreign exchange income up 8% to QAR 79m
  - ◆ Gains from investment portfolio up QAR 122m v H112
- ◆ Cost to income ratio lower at 29.0% v 29.7% in H1'12.

## Net interest margin

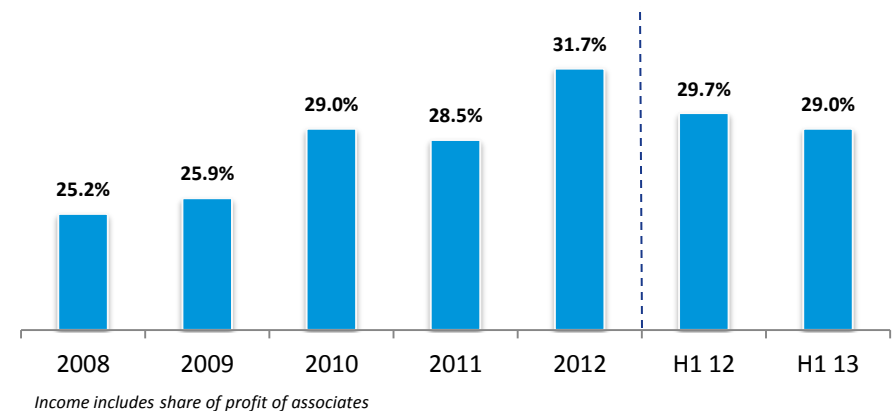


Net interest income as a % of average interest earning assets, including (i) loans and advances to customers, (ii) bonds and (iii) loans to other credit institutions

## Net operating income (QAR million)



## Cost to income ratio



Income includes share of profit of associates

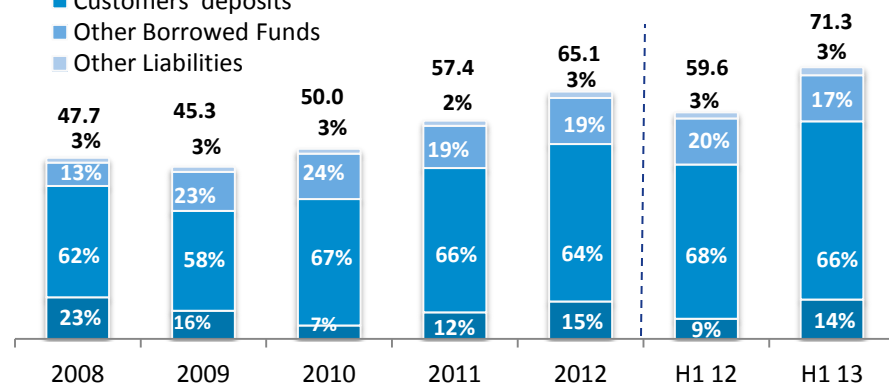


## Summary

- ◆ Total assets increased by 16%, QAR 11.9bn, to QAR 85.4bn v 06'12, and by 7% v 12'12
  - ◆ Lending to customers up 18% to QAR 52.0bn
  - ◆ Due from banks up QAR 4.3bn
  - ◆ Investments decreased by QAR 2.0bn to QAR 10.8bn
- ◆ Total liabilities increased QAR 11.7bn to QAR 71.3bn v 06'12
  - ◆ Customers' deposits up QAR 6.3bn to QAR 46.9bn
  - ◆ Inter-bank takings up QAR 5.0bn
  - ◆ Other borrowed funds in line with prior year

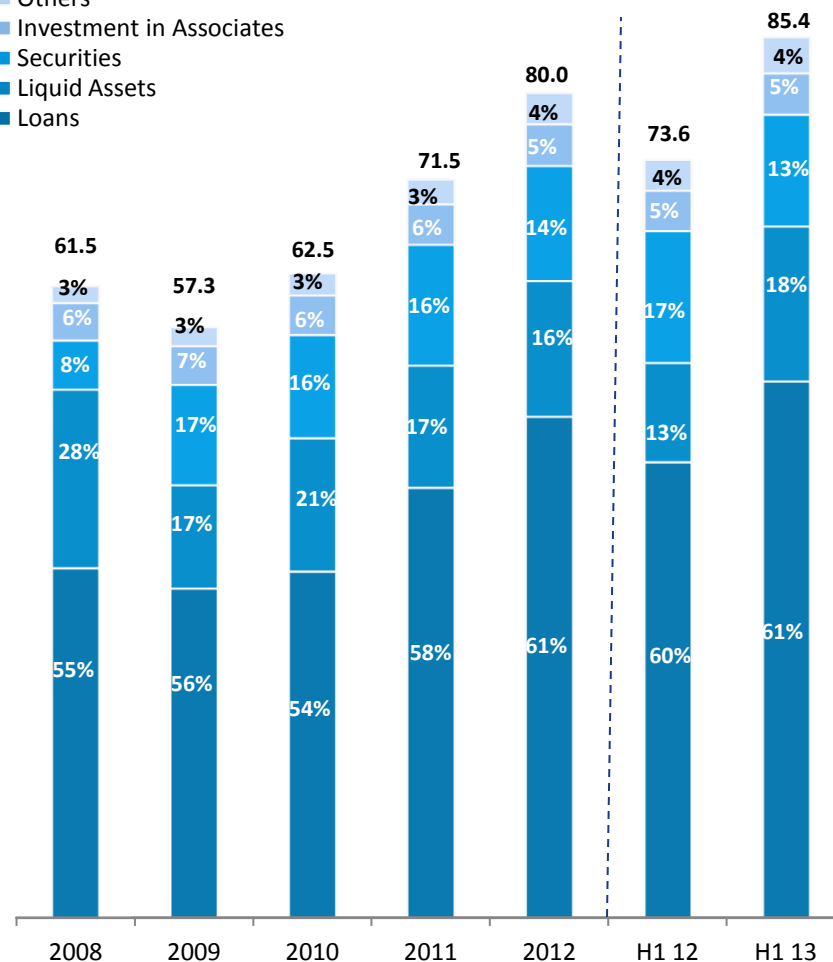
## Liabilities mix

- Due to Banks and Financial Institutions
- Customers' deposits
- Other Borrowed Funds
- Other Liabilities



## Assets mix

- Others
- Investment in Associates
- Securities
- Liquid Assets
- Loans



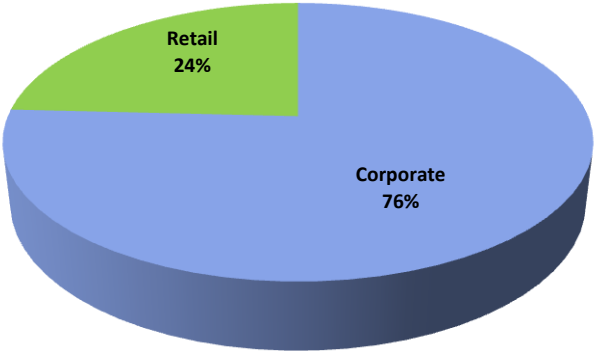




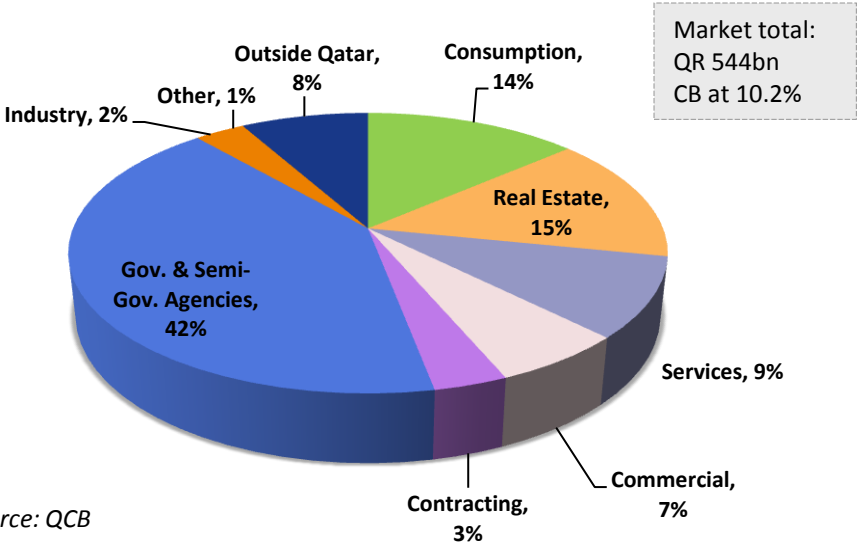
## Summary

- ◆ Loans to customers were QAR 52.0bn, up 18% v 06'12, and 7% v 12'12.
  - ◆ Growth mainly in four industry sectors within the Private Sector: Services, Commercial, Contracting and Real Estate, comprising mainly Retail Mortgage lending
- ◆ Loan book diversified across industry sectors
- ◆ Corporate customers represent 76% of total loan book
- ◆ 91% of exposure is within Qatar
- ◆ 84% of the loan book has a maturity of more than one year

## Loan book breakdown by division

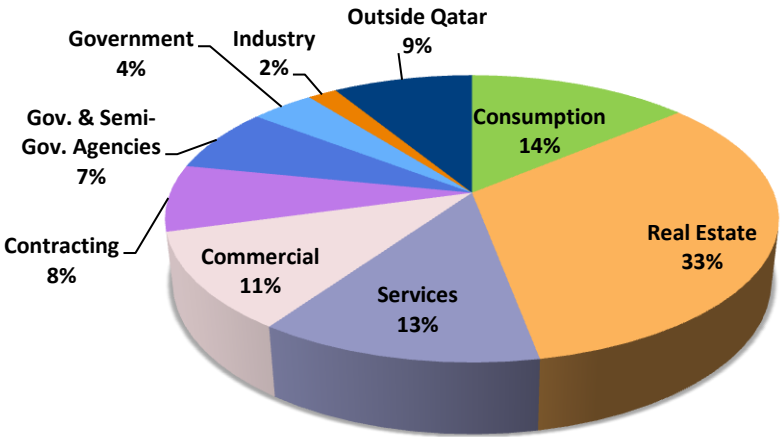


## Qatari banks credit facilities breakdown by sector - June 2013



Source: QCB

## Loan book breakdown by sector – June 2013

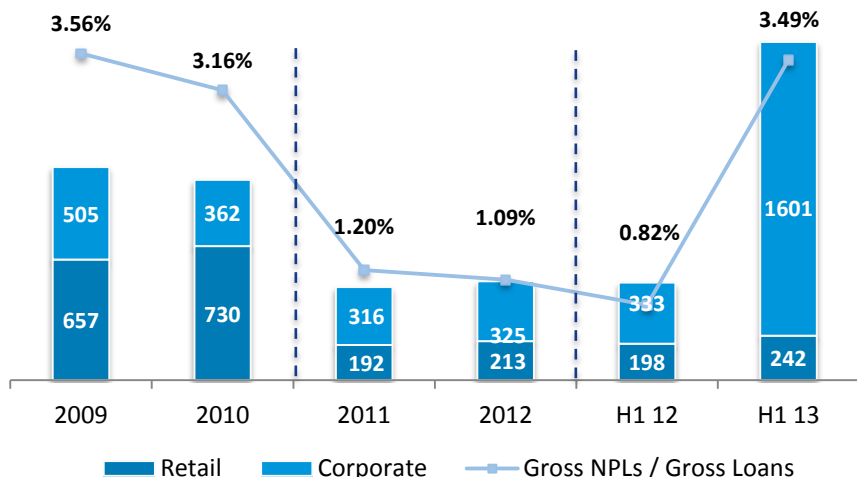




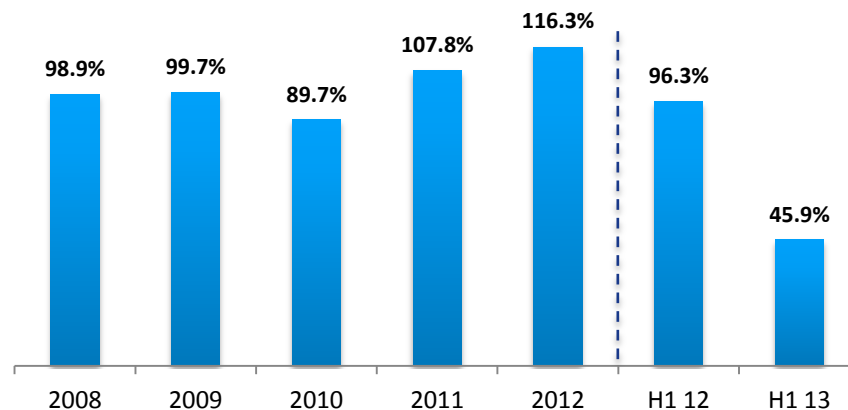
## Summary

- ◆ Asset quality impacted by large domestic real estate loan
- ◆ Net Provision for loan loss of QAR 194m v QAR 32m in H112
  - ◆ Comprising QAR 13m for Retail, and
  - ◆ QAR 180m for Wholesale
- ◆ NPL ratio up to 3.49% at 06'13 from 1.39% at 03'13, due to
  - ◆ An increase of QAR 1.1bn in NPLs, partially offset
  - ◆ Growth in lending
- ◆ Loan coverage reduced to 45.9%
- ◆ Risk reserve at 2.5%; total loan loss coverage of 115%

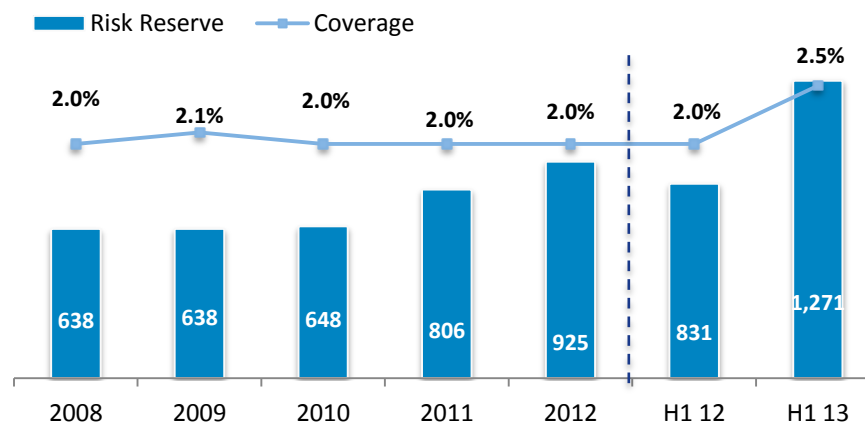
## Non-performing loan ('NPL') ratio (90 day basis)



## Loan coverage ratio



## Risk reserve (QAR million)



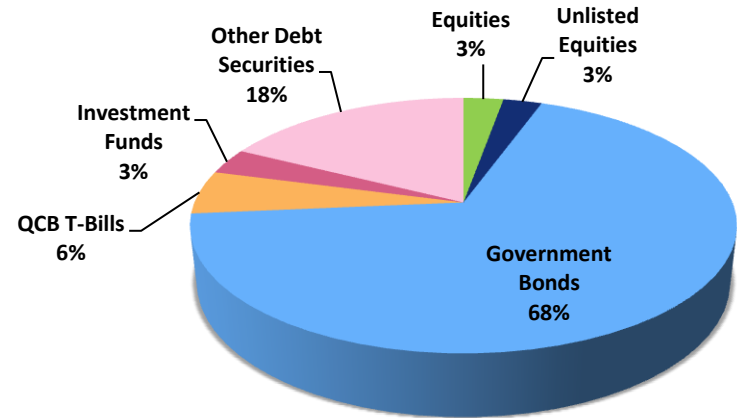
*Risk reserve ratio represents risk reserve over total loans & advances net of specific provisions, IIS, deferred profits of IB, lending to MOF and cash collateral*



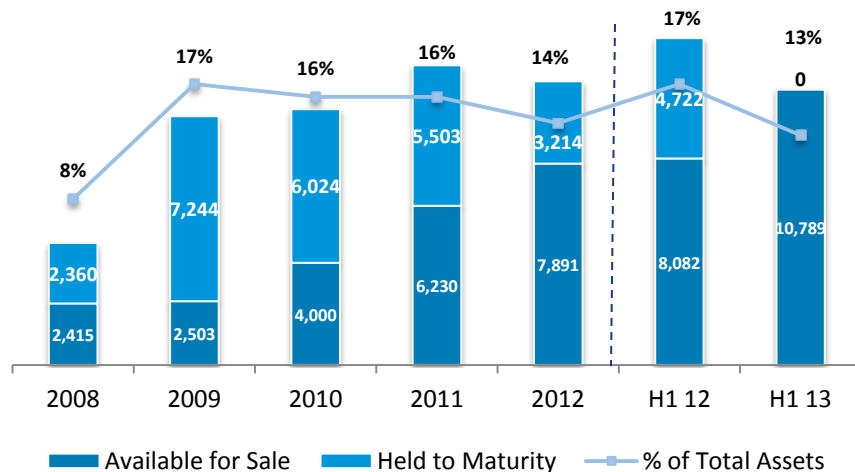
## Summary

- ◆ Investment portfolio QAR 0.3bn lower at QAR 10.8bn v 12'12
  - ◆ Maturity of QCB T-Bills and sales of Government and other debt securities, partially offset by
  - ◆ Investment in QCB and Other Government Bonds
- ◆ 74% Government Bonds and QCB T-Bills
- ◆ Investment gains of QAR 189m v QAR 67m in H112
- ◆ Dividend income of QAR 12m v QAR 18m in H112
- ◆ Investment provisions of QAR 21m v QAR 27m in H112

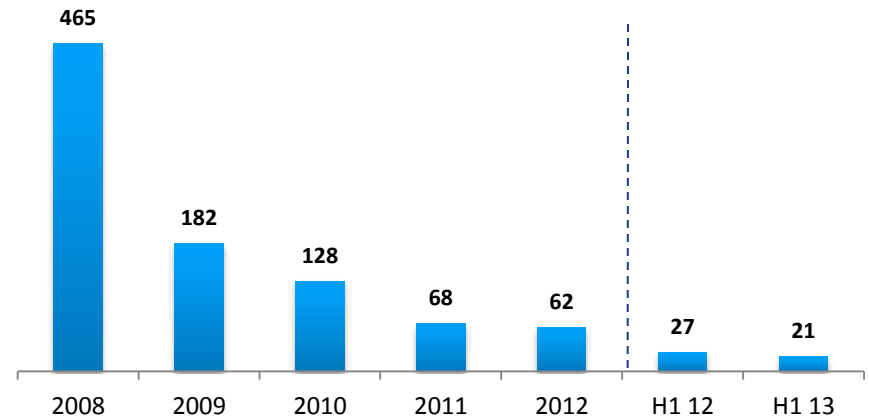
## Investment portfolio – 30 June 2013



## Investment portfolio evolution (QAR million)



## Investment portfolio provisions (QAR million)





## Summary

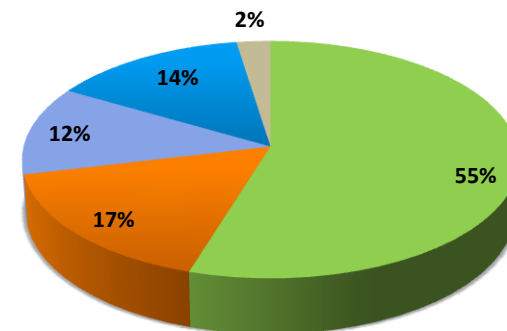
- ◆ Customers' deposits were QAR 46.9bn, up 16% v 06'12, and representing 55% of the total funding base
- ◆ Well diversified funding mix
- ◆ Shareholders' equity represents 17% of funding mix
- ◆ Key liquidity ratios maintained above levels set by QCB
- ◆ Moody's reaffirmed their long-term rating in July whilst Fitch and S&P reaffirmed in March 2013 following the announcement of the Alternatifbank acquisition
- ◆ Fitch upgraded Alternatifbank's long-term rating to BBB in July on the announcement of the ownership change

## Debt issued and other borrowed funds

QAR Million	H1 2013	H1 2012
Senior Note (Fixed Rate due Nov 2014)	3,628	3,619
Swiss Franc note (Fixed Rate due Dec 2015)	1,093	1,109
Subordinated Note (Fixed Rate due Nov 2019)	2,158	2,154
Bilateral/club loans	3,474	3,469
EMTN (Bond) (Fixed Rate due April 2017)	1,798	1,794
<b>Total</b>	<b>12,150</b>	<b>12,145</b>

## Total funding mix – 30 June 2013

- Customers' Deposits
- Total Shareholders' Equity
- Due to Banks and Financial Institutions
- Debt Securities
- Other Liabilities



## Commercial Bank credit ratings

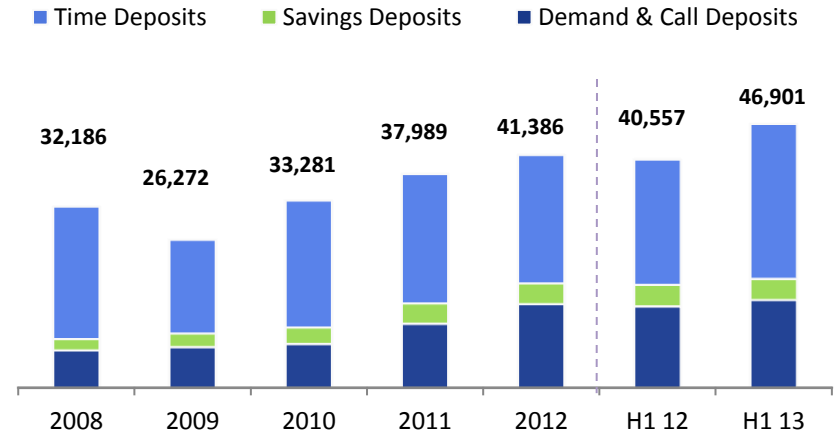
Rating Agency	Foreign Currency Bank Deposits/IDR		Bank Financial Strength/ Individual	Outlook	Date
	LT	ST			
Moody's	A1	Prime 1	C-	Stable	July 13
Fitch	A	F1	bbb	Stable	Mar 13
S&P	A-	A-2	-	Negative	Mar 13



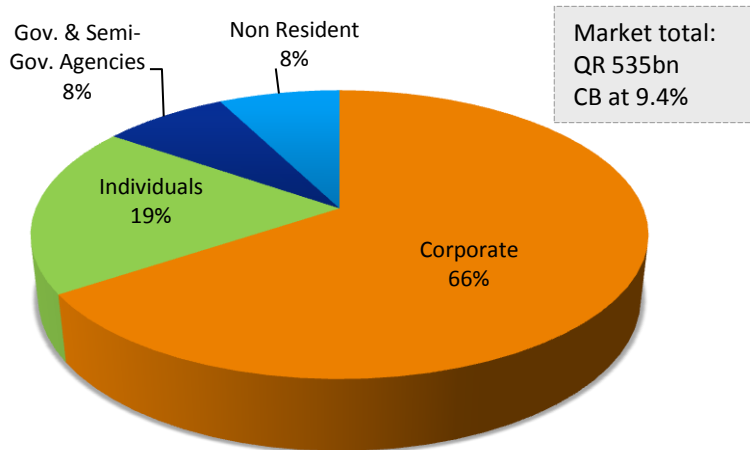
## Summary

- ◆ Customers' deposits increased by 16% to QAR 46.9bn v 06'12 reflecting
  - ◆ Demand and call up QAR 1.1bn to QAR 15.6bn
  - ◆ Time deposits up QAR 5.3bn to QAR 27.6bn
- Customers' deposits are up by 13% v 12'12
- ◆ Leveraging strong customer relationships, Corporate customers' share of deposits has increased to 45%
  - ◆ Government and Semi-Government at 28% and Personal at 27%

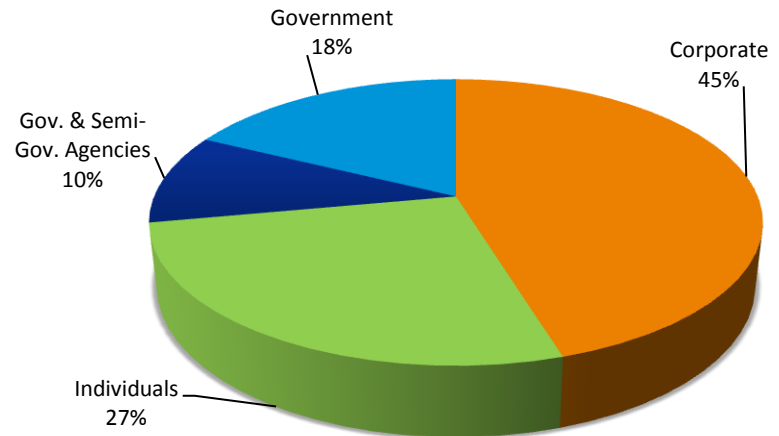
## Customers' deposits (QAR million)



## Qatari banks deposits breakdown by sector – June 2013



## Deposits by customer type – June 2013



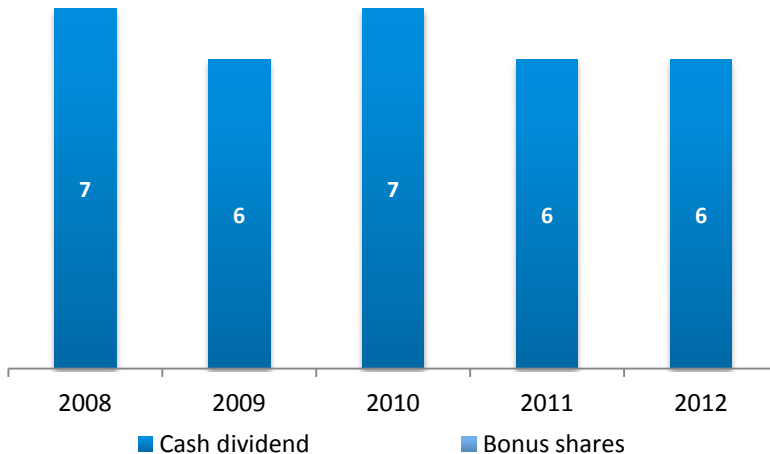
Source: QCB



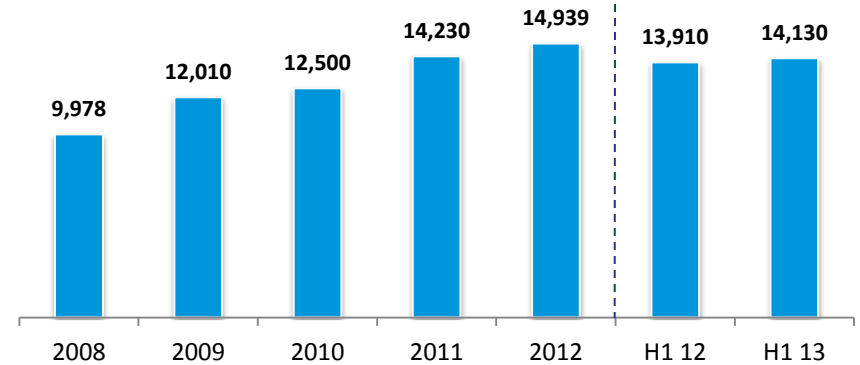
## Summary

- ◆ Total shareholders' equity at QAR 14.1bn, down QAR 0.8bn from end December 2012, due to:
  - ◆ H113 profit of QAR 1.0bn, offset by:
    - ◆ Change in fair value reserve of QAR 0.3bn
    - ◆ 2012 Dividend payment of QR 1.5bn - QAR 6 per share
- ◆ Total capital adequacy ratio at 15.7%
- ◆ Tier 1 ratio at 13.9%
- ◆ Dividend of QAR 6 per share for 2012 approved at AGM was paid in February 2013

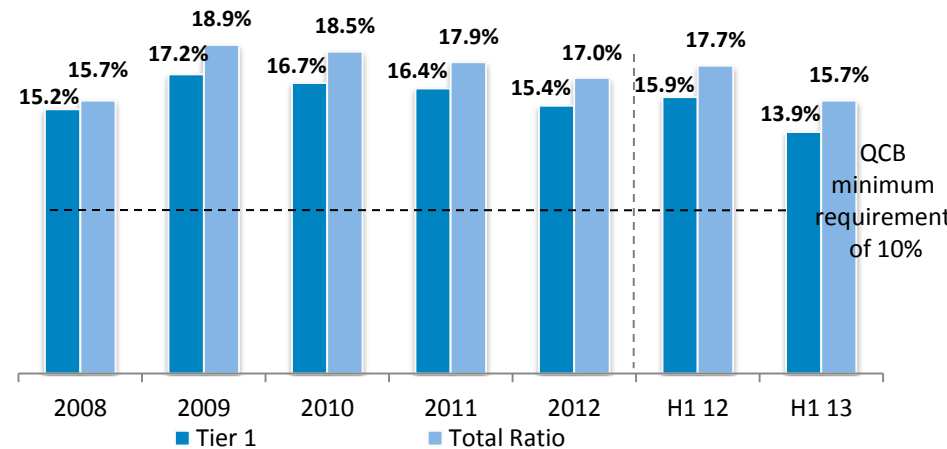
## Dividend distribution per share (QAR)



## Shareholders' equity (QAR million)



## Capital Adequacy Ratio



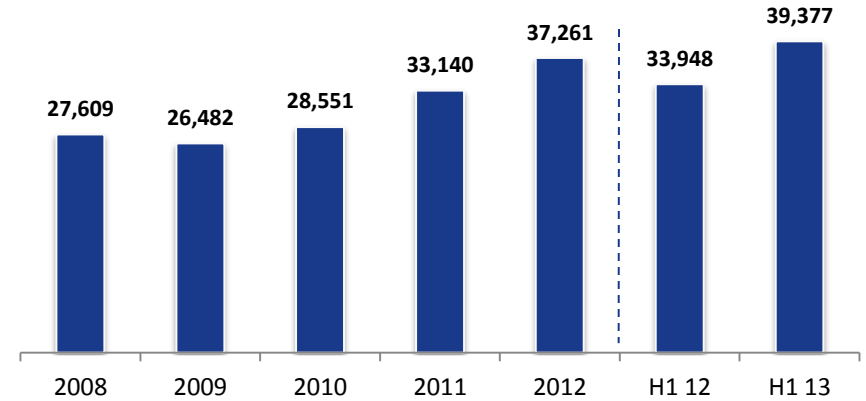
- 
- Key Highlights
  - Financial Performance
  - **BUSINESS PERFORMANCE**
  - Outlook



## Wholesale Banking

- ◆ Net operating income was up 11% to QAR 1.125bn v H112
  - ◆ Net interest income declined by QAR 90m
  - ◆ Other income up QAR 205m to QAR 516m v H112
- ◆ Loan loss provisions at QAR 180m up from QAR 24m in H112
- ◆ Lending to customers increased by QAR 5.4bn to QAR 39.4bn v QAR 33.9bn at 06'12
- ◆ Customers' deposits at QAR 34.4bn up from QAR 28.1bn at 06'12

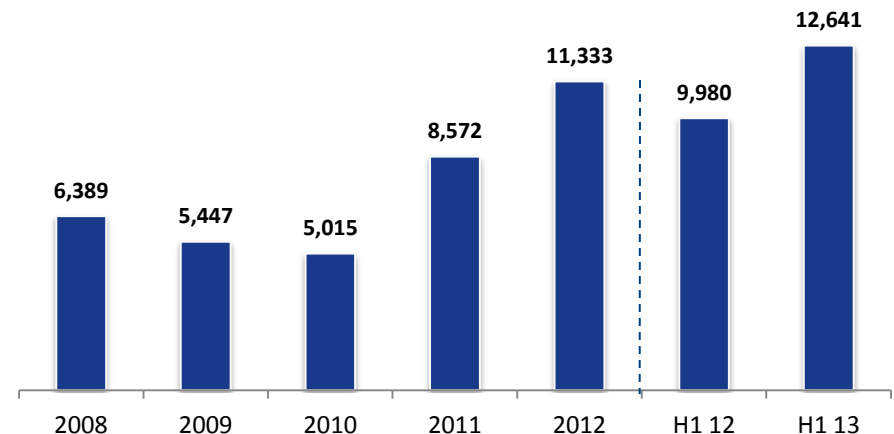
## Wholesale loan book (QAR million)



## Retail Banking

- ◆ Net operating income was QAR 446m v QAR 379m in H112
  - ◆ Net interest income up QAR 61m to QAR 305m
  - ◆ Other income up QAR 5m to QAR 141m
- ◆ Loan loss provisions of QAR 13m v QAR 8m in H112
- ◆ Lending to customers was QAR 12.6bn at 06'13, up QAR 2.7bn v 06'12 led by growth in, mainly, mortgage lending
- ◆ Customers' deposits were QAR 12.5bn in line with 06'12
- ◆ Retail network at 29 branches and 151 ATMs

## Retail loan book (QAR million)







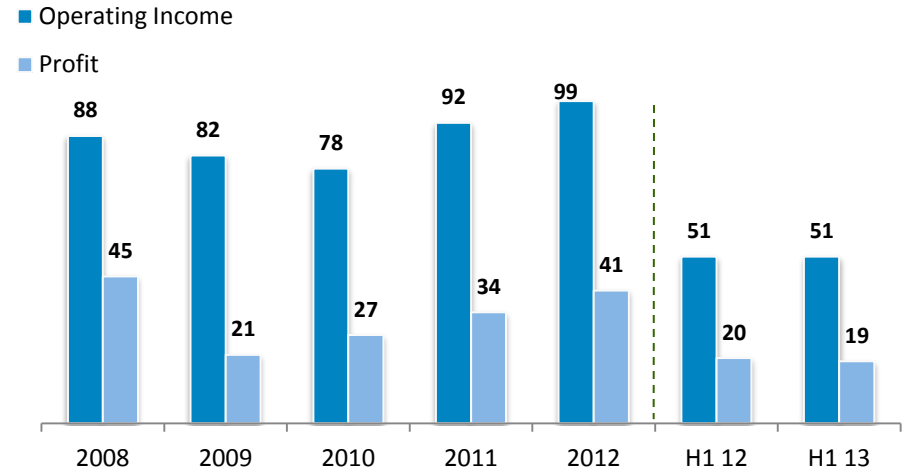
## National Bank of Oman (NBO)

- ◆ Net profit after tax at OMR 18.8m v OMR 19.9m in H112
- ◆ Operating income OMR 50.6m in line with H112
  - ◆ Net interest income increased OMR 3.0m to OMR 36.2m
  - ◆ Non-interest income down OMR 3.1m to OMR 14.4m
- ◆ Net provisions were OMR 0.7m higher at OMR 5.9m
- ◆ NPL Ratio reduced to 2.37% v 2.56% at 06'12
- ◆ Loan book grew 12% to OMR 2.08bn v 06'12
- ◆ Customers' deposits up 14% to OMR 2.09bn v 06'12

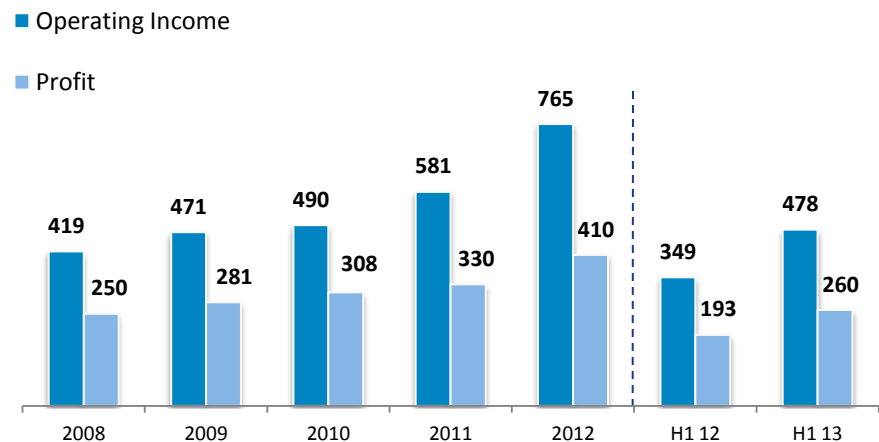
## United Arab Bank (UAB)

- ◆ Record net profit of AED 260m, up 35%, from AED 193m in H112
- ◆ Net operating income up 37% to AED 478m v AED 349m in H112
  - ◆ Net interest income up 36% to AED 353m
  - ◆ Non-interest income up 39% to AED 125m
- ◆ Provisions for loan losses Increased to AED 72m v AED 50m in H112
- ◆ Loan book grew 38%, AED 3.7bn, to AED 13.2bn v 06'12
- ◆ Customers' deposits up 47% to AED 12.4bn v 06'12

## NBO Performance (OMR million)



## UAB Performance (AED million)



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





## Summary

### First Half 2013

- ◆ Solid results
- ◆ Growth in lending; expanded deposit base
- ◆ Delivered improvement in core earnings
- ◆ Maintained underlying asset quality

### Strategy into Action

- ◆ Growth in our domestic Wholesale and Retail businesses
- ◆ Delivery of diversification of income sources
- ◆ Increased International contribution

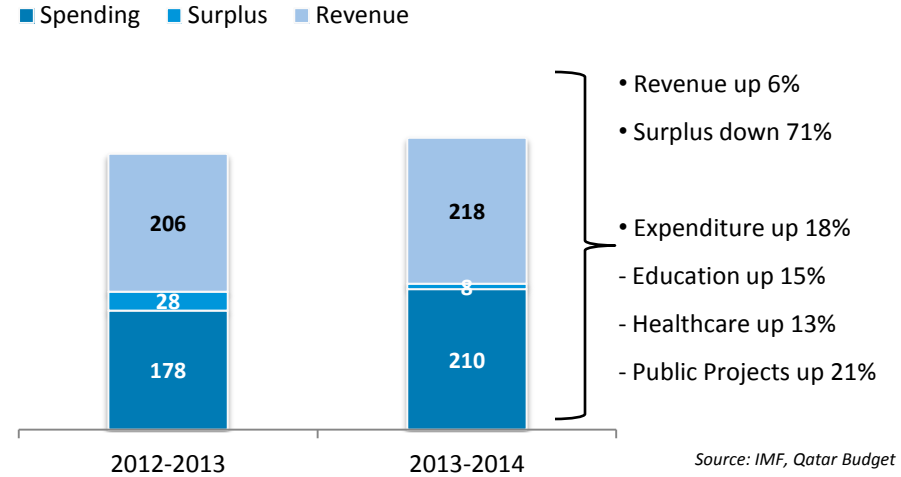
### Economy and Opportunities

- ◆ Diversification of Qatar economy: presents infrastructure investment opportunity
- ◆ Credit demand to increase: operating environment likely to remain challenging
- ◆ UAE's economic rebound and Oman's diversified economy will both continue to offer growth potential
- ◆ Turkish market offers new opportunities for alliance partners

### Outlook

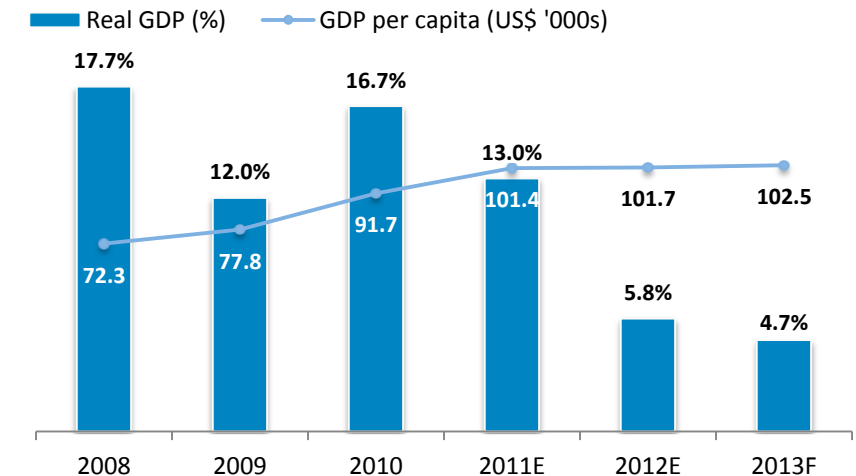
- ◆ Outlook is positive
- ◆ Focus on ongoing development of core domestic business
- ◆ Positive performance trends in all alliance banks' markets
- ◆ Deliver long-term value to shareholders and customers

## State of Qatar 2012 – 2014 budgets (QAR billion)



- Revenue up 6%
- Surplus down 71%
- Expenditure up 18%
  - Education up 15%
  - Healthcare up 13%
  - Public Projects up 21%

## Qatar GDP growth



Source: EIU Report

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**Thank you**