

# Commercial Bank of Qatar

Financial Results

For the year ended 31 December 2012

14 February 2013



# 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.

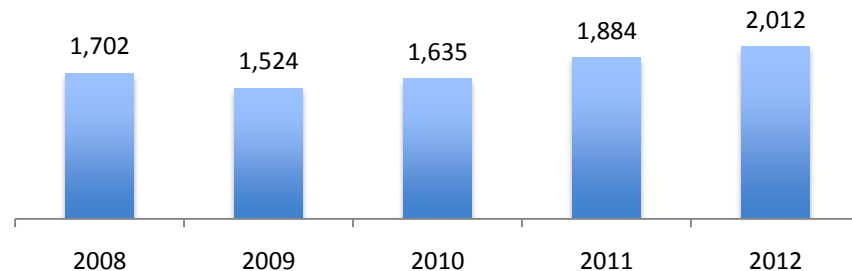
- **KEY HIGHLIGHTS**
- Financial Performance
- Business Performance
- Outlook

# Key Highlights – Year Ended 31 December 2012

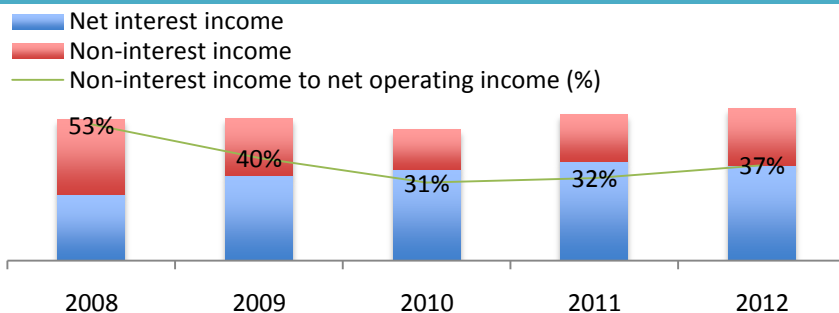
## Summary

- ◆ Commercialbank has delivered strong results with a record net profit of QR 2.012bn in FY12 v QR 1.884bn in FY11
  - ◆ Q412 net profit up 19% v Q411
  - ◆ Growth in lending
  - ◆ Diversified funding base
  - ◆ Maintained strong asset quality
  - ◆ Cash dividend of QR 6 per share recommended
- ◆ Ongoing focus on balance sheet management
  - ◆ Lending up 17% to QR 48.6bn v 12'11
  - ◆ Deposits up 9% to QR 41.4bn v 12'11
  - ◆ Net interest margin at 3.0% v 3.5% in FY12
  - ◆ 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 140m for FY 12 v QR 239m in FY 11
  - ◆ NPL ratio reduced to 1.09% v 1.20% at 12'11
- ◆ Associate banks have delivered strong growth in lending and profitability

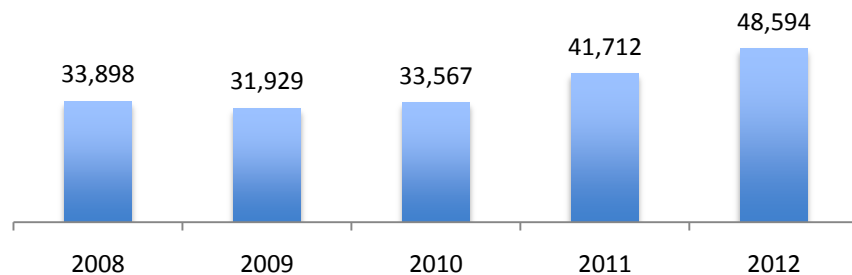
## Net profit (QR million)



## Net operating income (QR million)



## Loans and advances to customers (QR million)



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

# Financial Performance – Year Ended 31 December 2012

## Profitability

QR million	2012	2011	%
Net interest income	1,866	1,938	-4%
Non-interest income	1,118	926	21%
Total costs	1,028	875	17%
Net provisions	202	307	-34%
Net profit	2,012	1,884	7%

## Balance Sheet

QR million	31.12.12	31.12.11	%
Total assets	80,038	71,638	12%
Loans & advances	48,594	41,712	17%
Financial investments	11,162	11,733	-5%
Customers' deposits	41,386	37,989	9%
Shareholders' equity	14,939	14,230	5%

## Performance Ratios

	2012	2011
ROAE	13.8%	14.1%
ROAA	2.7%	2.8%
EPS (QR)	8.13	7.71
NIM	3.0%	3.5%

## Capital

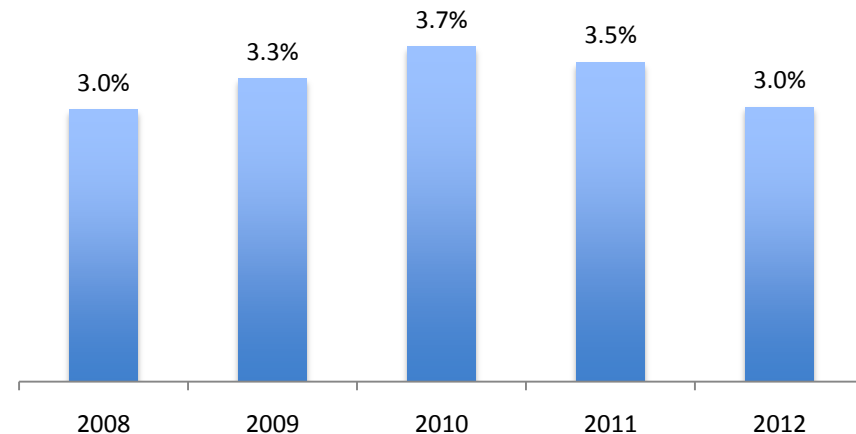
	31.12.12	31.12.11
RWA (QR million)	67,182	61,288
Tier 1 ratio	15.4%	16.4%
Total Capital ratio	17.0%	17.9%

# Earnings Performance – Year ended 31 December 2012

## Profitability

- ◆ Net interest income at QR 1,866m was down 4% v FY11
  - ◆ Net interest margin lower at 3.0% v 3.5% in FY12
    - ◆ Lower asset yields
    - ◆ A reduction in cost of funds in FY12
- ◆ Non-interest income at QR 1,118m v QR 926m in FY11
  - ◆ Gains from investment portfolio up QR 204m v FY11
  - ◆ Foreign exchange income up 20% to QR 156m in FY12
  - ◆ Fee income of QR 519m in FY11
- ◆ Cost to income ratio at 31.7% v 28.5% in FY11

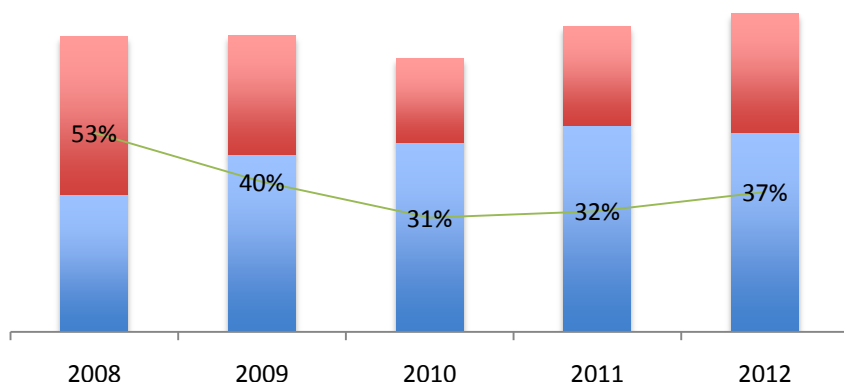
## Net interest margin



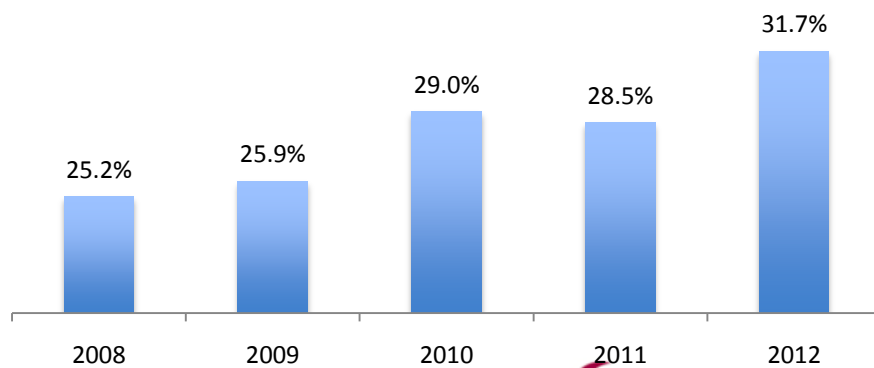
Net interest income as a % of average interest earning assets, including (i) loans and advances to customers, (ii) bonds and (iii) loans to other credit institutions

## Net operating income (QR million)

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



## Cost to income ratio



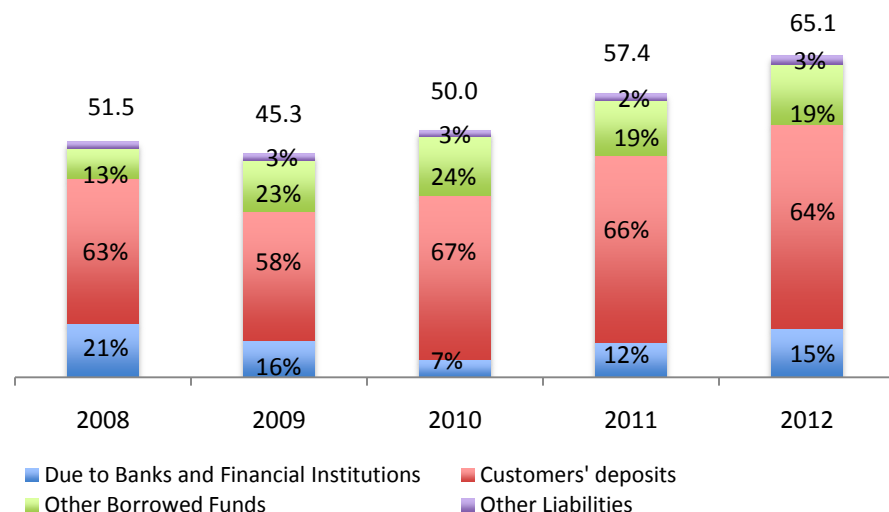
Income includes share of profit of associates

# Balance Sheet Structure – 31 December 2012

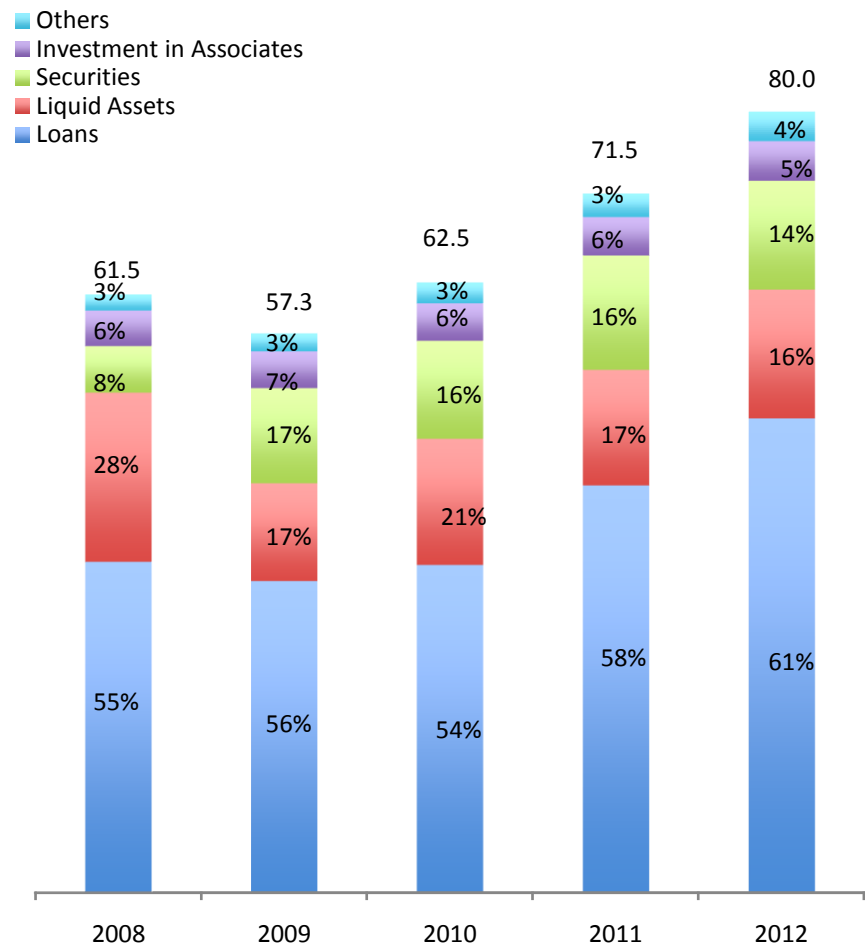
## Summary

- ◆ Total assets increased QR 8.4bn to QR 80.0bn v 12'11
  - ◆ Lending to customers up 17%, QR 6.9bn, to QR 48.6bn
  - ◆ Higher balances held with QCB, up QR 0.9bn
  - ◆ Investments decreased QR 0.6bn to QR 11.2bn
- ◆ Total liabilities increased QR 7.7bn to QR 65.1bn v 12'11
  - ◆ Customers' deposits up QR 3.4bn to QR 41.4bn v 12'11
  - ◆ Net debt issued of QR 1.1bn during 2012
  - ◆ Inter-bank takings up QR 2.9bn

## Liabilities mix



## Assets mix



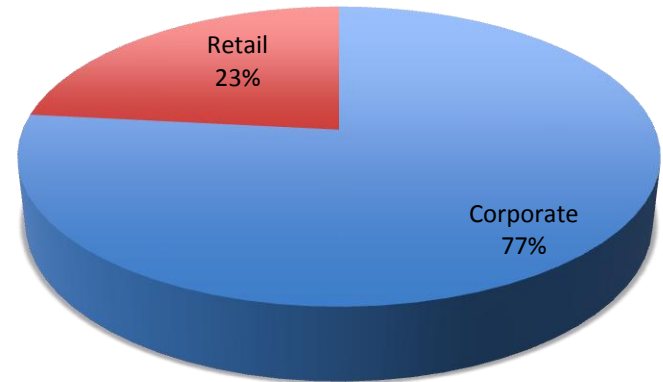


# Loan Book Breakdown – 31 December 2012

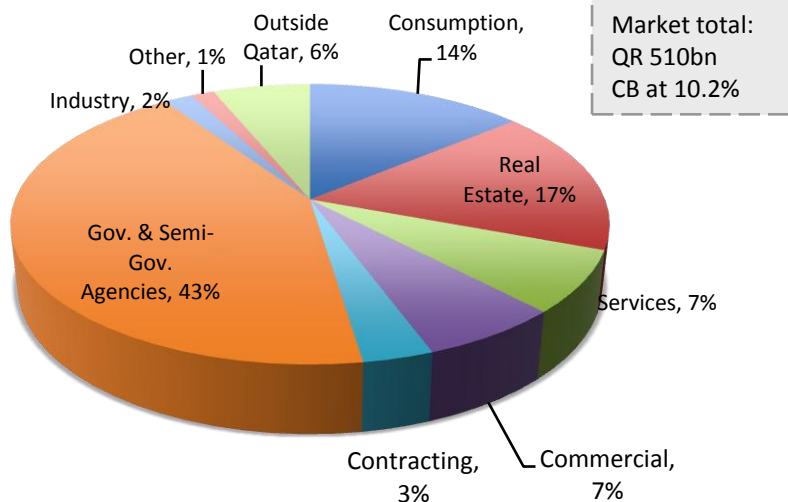
## Summary

- Loans to customers were QR 48.6bn, up 17% v 12'11, mainly in lending to the Private Sector
  - Growth in 2012 mainly in four industry sectors: Services, Contracting, Commercial and Real Estate, comprising mainly Retail Mortgage lending
- Corporate customers represent 77% of total loan book
- Loan book diversified across industry sectors
- 94% of exposure is within Qatar
- 83% of the loan book has a maturity of more than one year

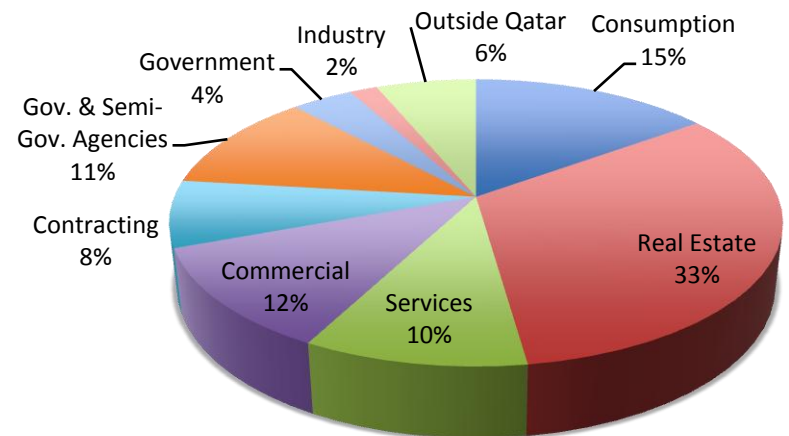
## Loan book breakdown by division



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



## Loan book breakdown by sector – Dec 2012



Source: QCB

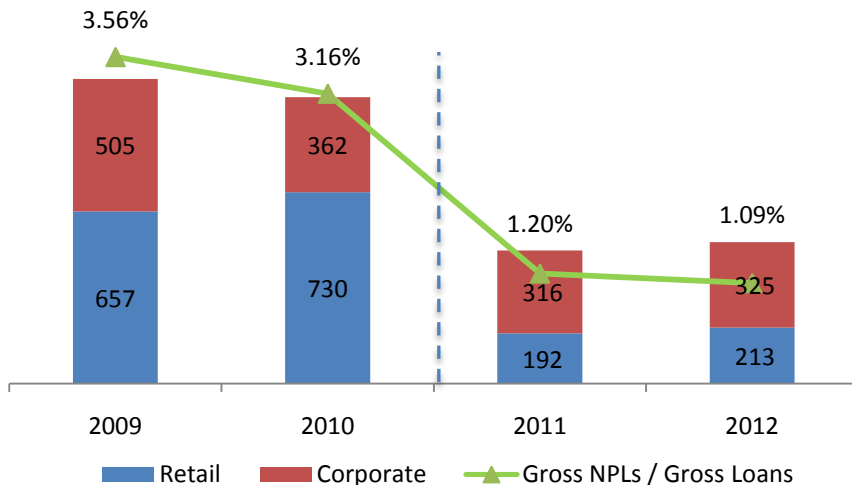
كل شيء يمكن تحقيقه. قطر مصدر إلهامنا  
Inspired by Qatar, we believe everything is possible

# Asset Quality – 31 December 2012

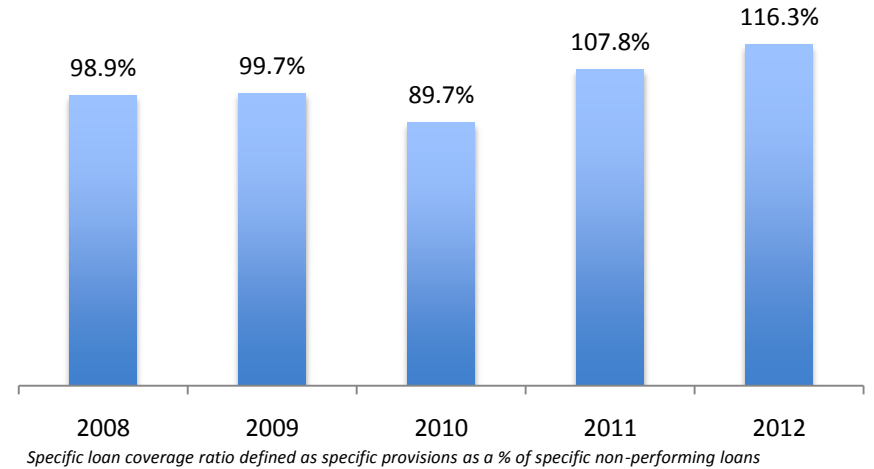
## Summary

- ◆ Asset quality remains strong
- ◆ Net Provision for loan loss of QR 140m v QR 239m in FY11
  - ◆ Comprising QR 10m for Retail, and
  - ◆ QR 130m for Corporate
- ◆ NPL ratio improved to 1.09% from 1.20% at FY11, due to
  - ◆ Removal of single Corporate Islamic Banking customer
  - ◆ Growth in lending
- ◆ Specific loan coverage increased to 116%
- ◆ Risk reserve of QR 925m; total loan loss coverage of 288%

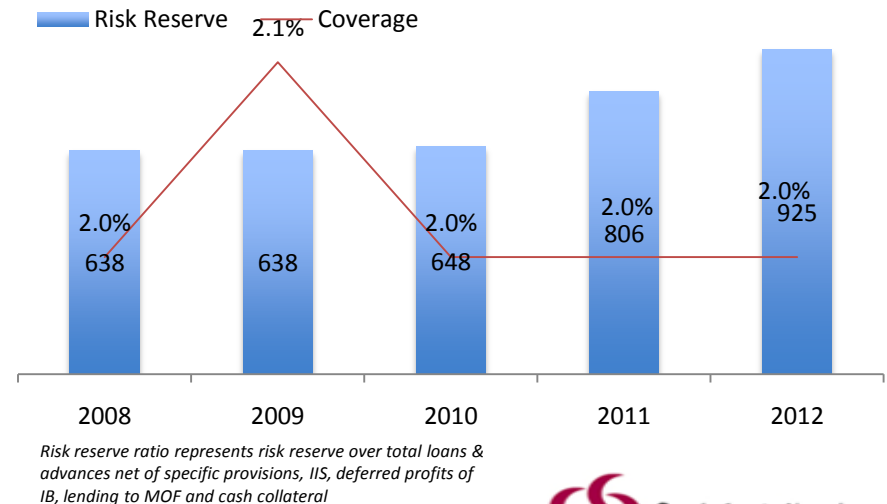
## NPL ratio (90 day basis)



## Specific loan coverage ratio



## Risk reserve (QR million)

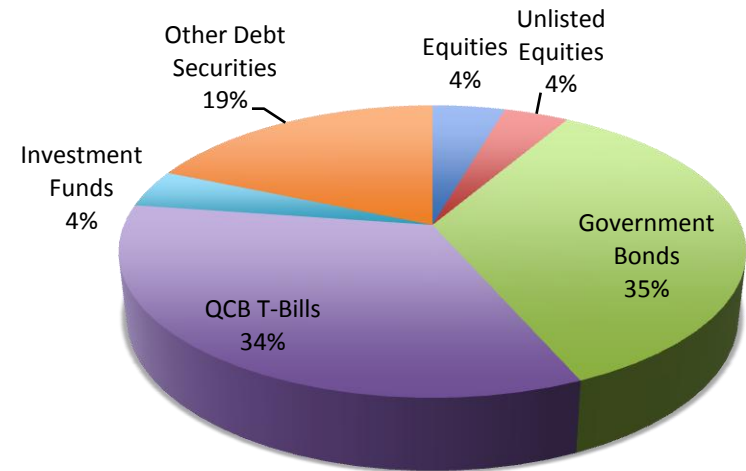


# Investment Portfolio – 31 December 2012

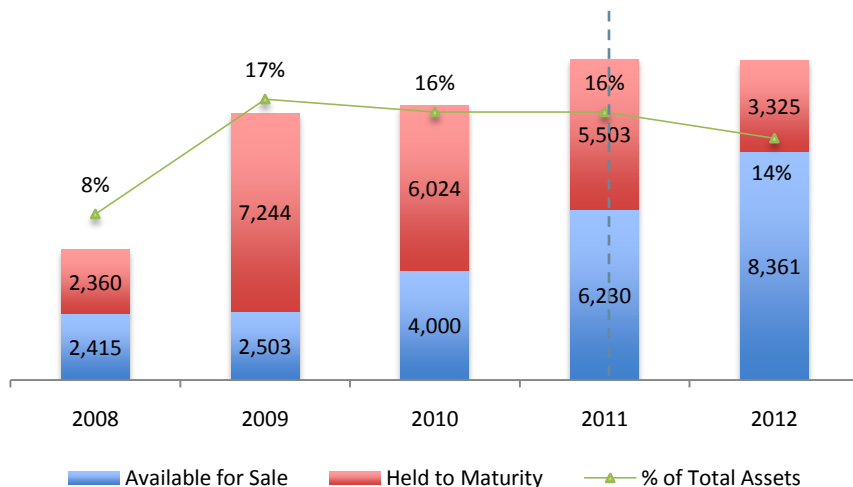
## Summary

- ◆ Investment portfolio has reduced by 5% to QR 11.2bn v 12'11
  - ◆ Maturity of HTM Qatar Government Bonds and T-Bills of QR 2.2bn v 12'11
  - ◆ Investment in QCB T-Bills, Other Government Bonds and debt securities
- ◆ 69% Government Bonds and QCB T-Bills
- ◆ Investment gains of QR 340m v QR 136m in FY11
- ◆ Dividend income of QR 26m v QR 24m in FY11
- ◆ Investment provisions decreased to QR 62m v QR 68m in FY11

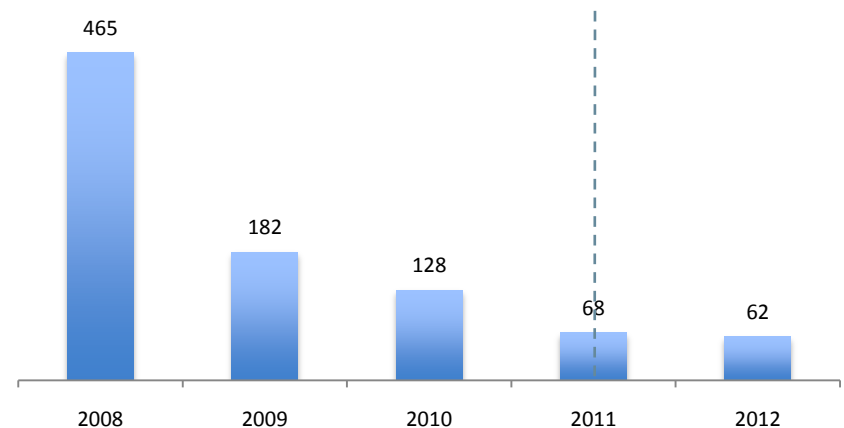
## Investment portfolio – 31 December 2012



## Investment portfolio evolution (QR million)



## Investment portfolio provisions (QR million)



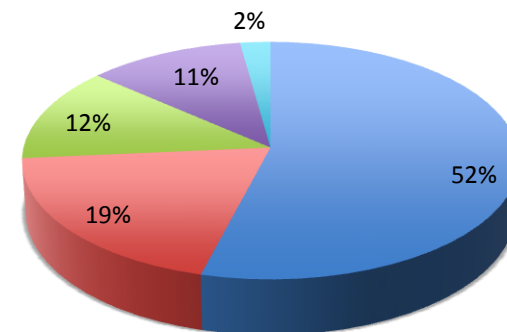
# Funding Breakdown – 31 December 2012

## Summary

- ◆ Customers' deposits were QR 41.4bn, up 9% v 12'11
- ◆ Well diversified funding mix with deposits representing 52%
- ◆ 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

## Total funding mix – 31 December 2012

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



## Debt issued and other borrowed funds

QR Million	2012	2011
Syndicated Loan (Floating Rate due Feb 2012)	-	2,365
Senior Note (Fixed Rate due Nov 2014)	3,623	3,615
Swiss Franc note (Fixed Rate due Dec 2015)	1,131	1,104
Subordinated Note (Fixed Rate due Nov 2019)	2,156	2,153
Bilateral/club loans	3,471	1,817
EMTN (Bond)	1,796	-
<b>Total</b>	<b>12,177</b>	<b>11,054</b>

## Commercialbank credit ratings

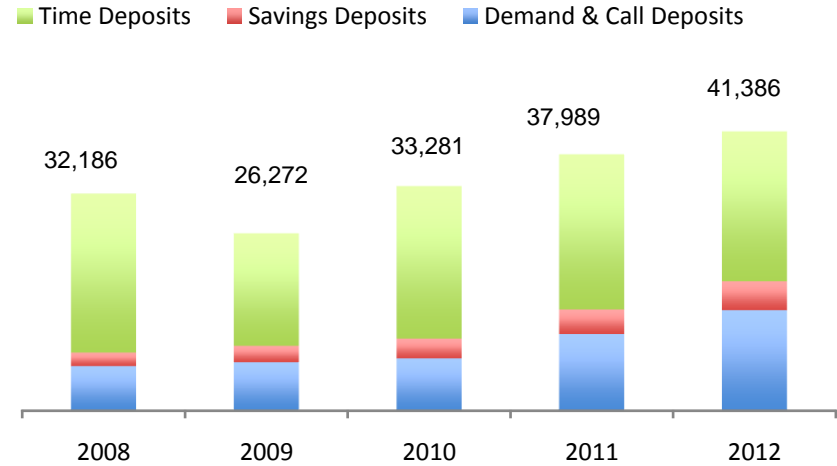
Rating Agency	Foreign Currency Bank Deposits/IDR		Bank Financial Strength/ Individual	Outlook	Date
	LT	ST			
Moody's	A1	Prime 1	C-	Stable	Oct 12
Fitch	A	F1	C	Stable	May 12
S&P	A-	A-2	-	Stable	July 12

# Deposits Breakdown – 31 December 2012

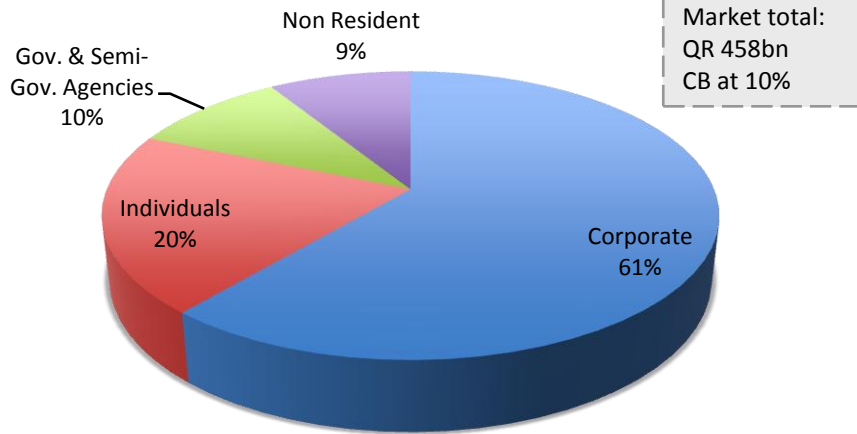
## Summary

- ◆ Customers' deposits increased by 9% to QR 41.4bn v 12'11, reflecting
  - ◆ Demand and call up QR 3.6bn to QR 14.9bn
  - ◆ Savings up QR 0.6bn to QR 4.3bn; offset by
  - ◆ Time deposits down QR 0.8bn to QR 22.2bn
- ◆ Leveraging strong customer relationships, Corporate customers' share of deposits has increased to 49%
  - ◆ Government and Semi-Government at 23% and Personal at 28%

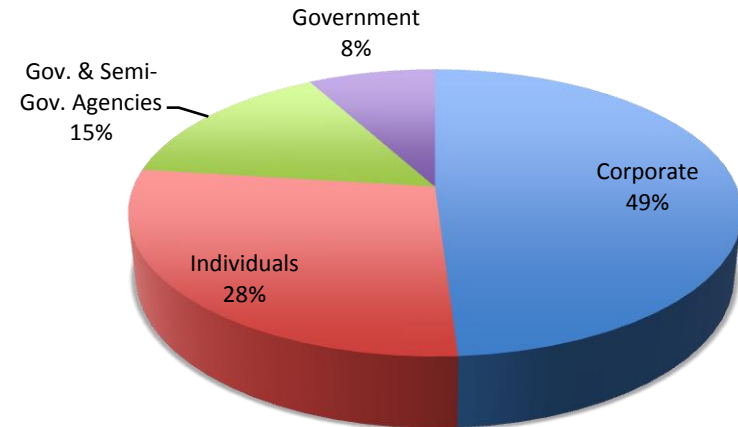
## Customers' deposits (QR million)



## Qatari banks deposits breakdown by sector - Dec 2012



## Deposits by customer type – December 2012



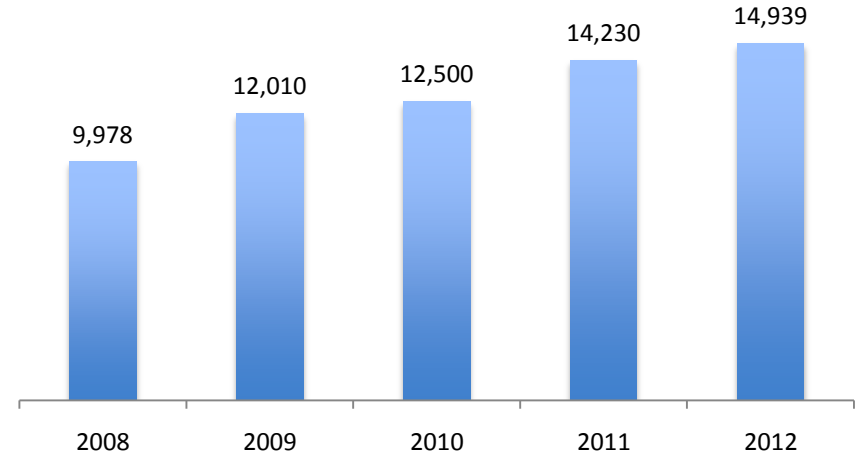
Source: QCB

# Strong Capitalisation – 31 December 2012

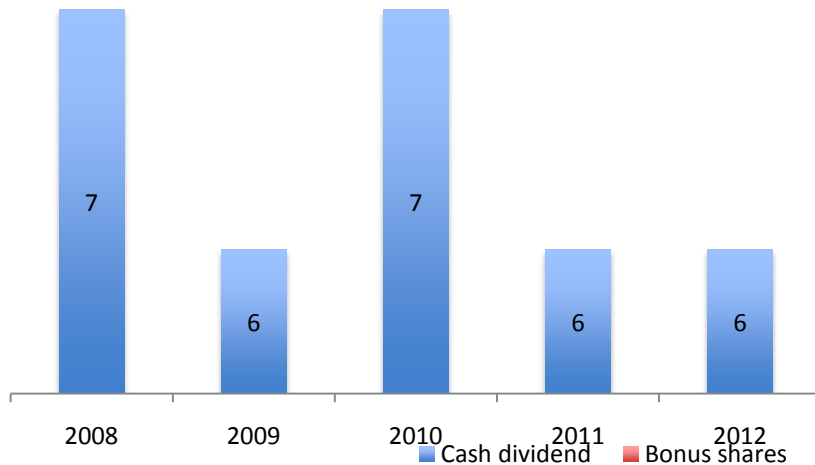
## Summary

- ◆ Total shareholders' equity at QR 15.0bn, up QR 0.8bn from end December 2011, due to
  - ◆ Full year profit of QR 2.0bn
  - ◆ 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 17.0%
- ◆ Tier 1 ratio at 15.4%
- ◆ Proposed dividend of QR 6 per share for 2012

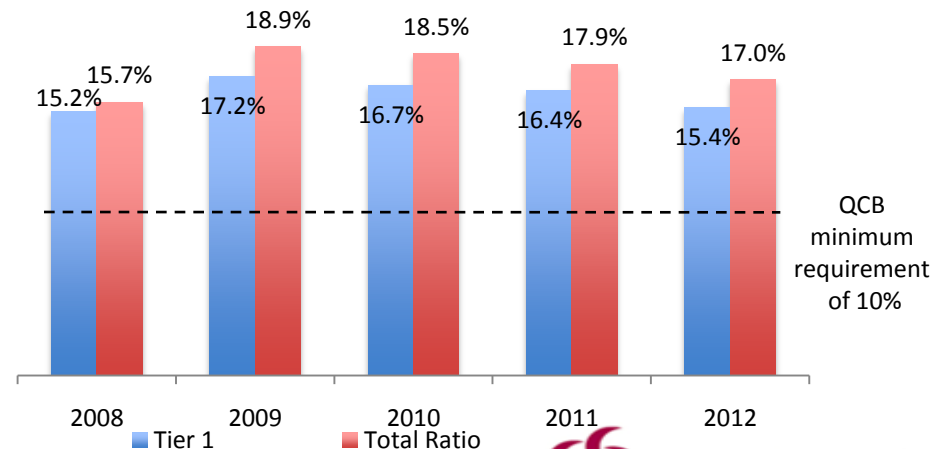
## Shareholders' equity (QR million)



## Dividend distribution per share (QR)



## Capital Adequacy Ratio



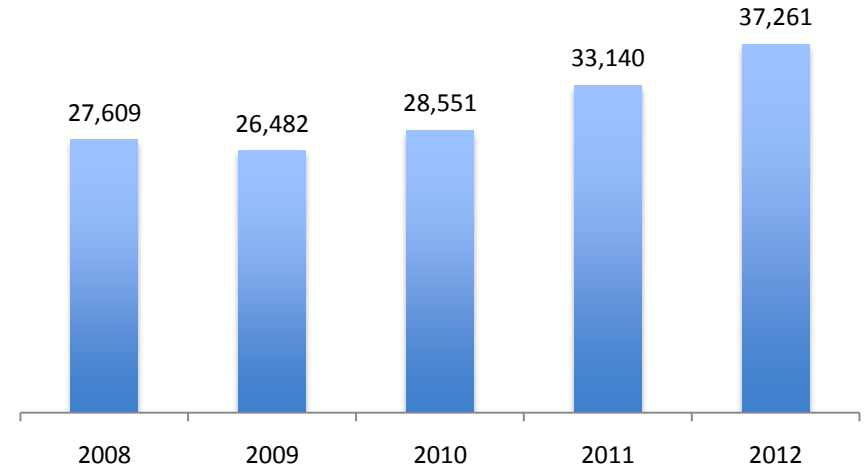
- Key Highlights
- Financial Performance
- **BUSINESS PERFORMANCE**
- Outlook

# Divisional Performance – Year ended 31 December 2012

## Corporate

- ◆ Net operating income was QR 2.2bn, up 2%, v FY11
  - ◆ Net interest income declined QR 166m to QR 1.4bn due to lower yields on lending
  - ◆ Other income up QR 209m to QR 814m
- ◆ Loan loss provisions at QR 130m were down QR 79m v FY11
- ◆ Loans and advances to customers increased to QR 37.3bn v 33.1bn at 12'11
- ◆ Customers' deposits at QR 29.6bn up from QR 27.9bn at 12'11

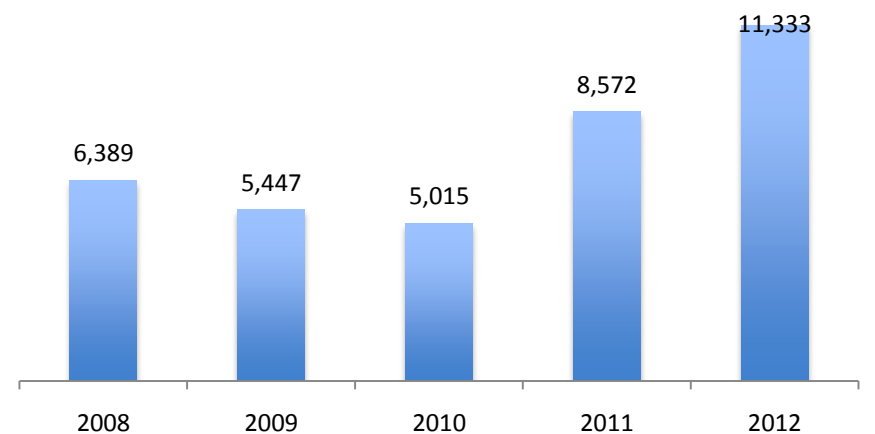
## Corporate loan book (QR million)



## Retail

- ◆ Net operating income was QR 770m v QR 695m in FY11
  - ◆ Net interest income was up to QR 511m from QR 415m in FY11
  - ◆ Other income down QR 20m to QR 259m
- ◆ Loan loss provisions of QR 10m v QR 30m in FY11
- ◆ Loans and advances to customers were QR 11.3bn v QR 8.6bn at 12'11 led by growth in, mainly, mortgage lending
- ◆ Customers' deposits were up 17% to QR 11.8bn v 12'11
- ◆ Retail network at 28 branches and 164 ATMs

## Retail loan book (QR million)



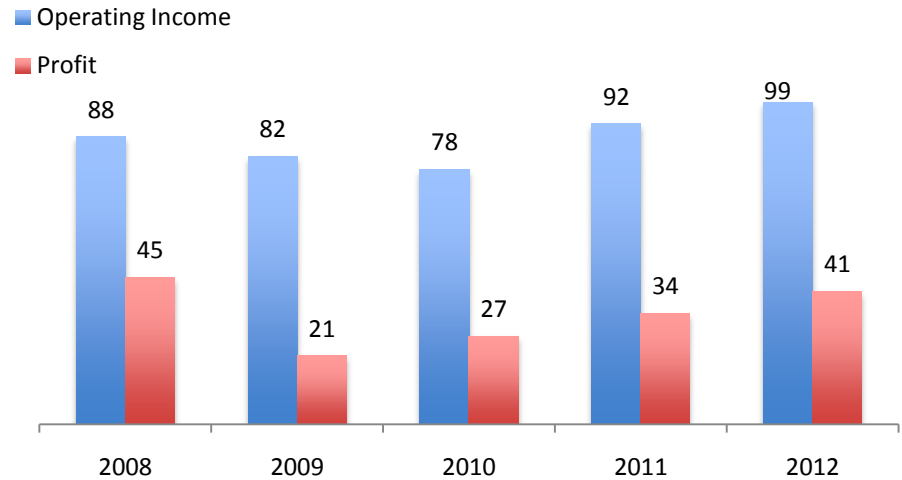


# Associates Performance – Year ended 31 December 2012

## National Bank of Oman (NBO)

- ◆ Net profit after tax up 19% to RO 40.7m v RO 34.2m in FY11
- ◆ Operating income up 7% to RO 98.6m v FY11
  - ◆ Net interest income increased RO 9.0m to RO 67.2m
  - ◆ Non-interest income down RO 2.6m to RO 31.5m
- ◆ Net provisions were down by RO 4.8m to RO 5.3m
- ◆ NPL Ratio reduced to 2.54% v 2.94% at 12'11
- ◆ Loan book grew 14% to RO 1.9bn v 12'11
- ◆ Customers' deposits up 18% to RO 1.9bn v 12'11

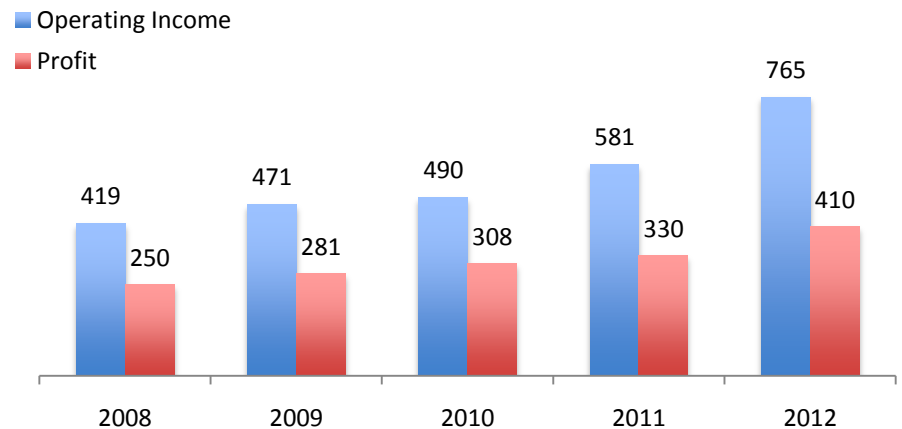
## NBO Performance (RO million)



## United Arab Bank (UAB)

- ◆ Record net profit of AED 410m, up 24%, from AED 330m in FY11
- ◆ Net operating income up 32% to AED 765m v AED 581m in FY11
  - ◆ Net interest income up 31% to AED 567m
  - ◆ Non-interest income up 32% to AED 198m
- ◆ Provisions for loan losses increased to AED 122m v AED 70m in FY11 reflecting lending growth and regulatory changes in UAE
- ◆ Loan book grew 35%, AED 2.8bn, to AED 10.9bn v 12'11
- ◆ Customers' deposits up 29% to AED 10.1bn v 12'11

## UAB Performance (AED million)



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

# Outlook

## Summary

### Full year 2012

- ◆ Record full year performance
- ◆ Focus on proactive balance sheet management
- ◆ Solid growth in lending
- ◆ Strong asset quality

### Strategy into Action

- ◆ Growth in domestic corporate and retail businesses
- ◆ Delivery of diversified income sources
- ◆ Associated banks delivered outstanding financial performances

### Economy and Opportunities

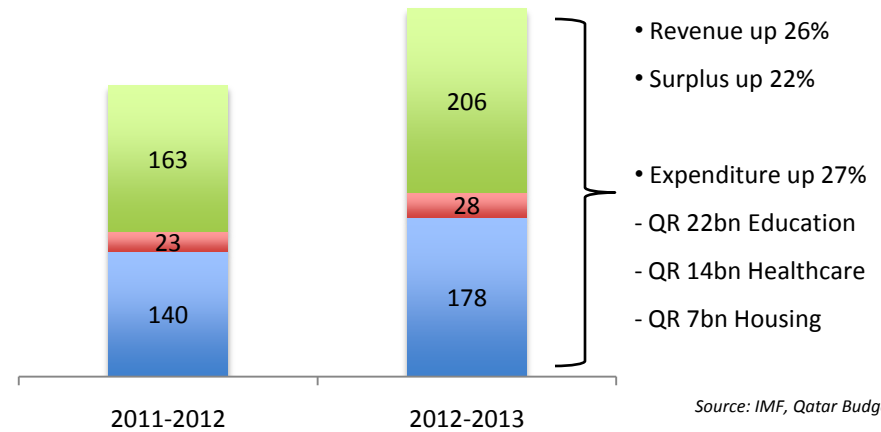
- ◆ Domestic economic growth continues to be driven by government spending programme
- ◆ Credit demand expected to broaden in 2013
- ◆ Operating environment likely to remain challenging in the short term

### Outlook

- ◆ Outlook remains positive
- ◆ Focus on development of core domestic business across Wholesale and Retail
- ◆ Borden strength of international footprint
- ◆ Deliver long term value to shareholders and customers

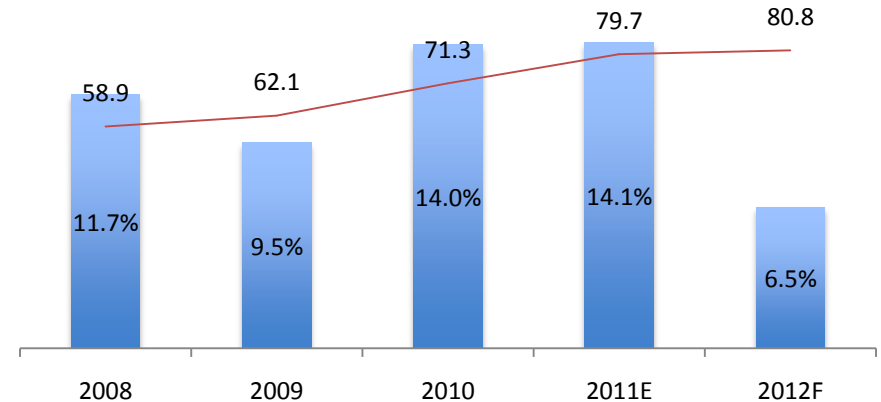
## State of Qatar 2011 – 2013 budgets (QR billion)

■ Spending ■ Surplus ■ Revenue



## Qatar GDP growth

■ Real GDP (%) — GDP per capita (US\$ '000s)





Thank you

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

 البَنك التِّجَارِي  
**Commercial bank**