

# Commercial Bank of Qatar

2010 Half-Year Financial Results

28 July 2010



فطر مصدر إلهامنا  
Inspired by Qatar  
[www.cbq.com.qa](http://www.cbq.com.qa)

البنك التجاري  
**Commercial bank**

## Forward-Looking Statements

This document contains 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. By their nature forward-looking statements involve risk 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 may differ materially from the plans, goals and expectations set forth in Commercialbank's forward-looking 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**

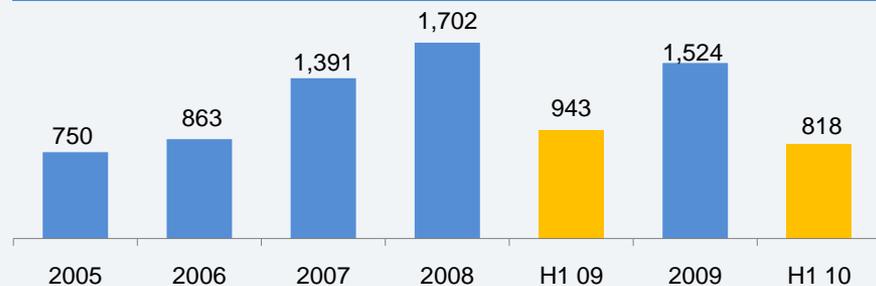
- Financial Performance
- Business Performance
- Outlook

# Key Highlights – Half-Year Ended 30 June 2010

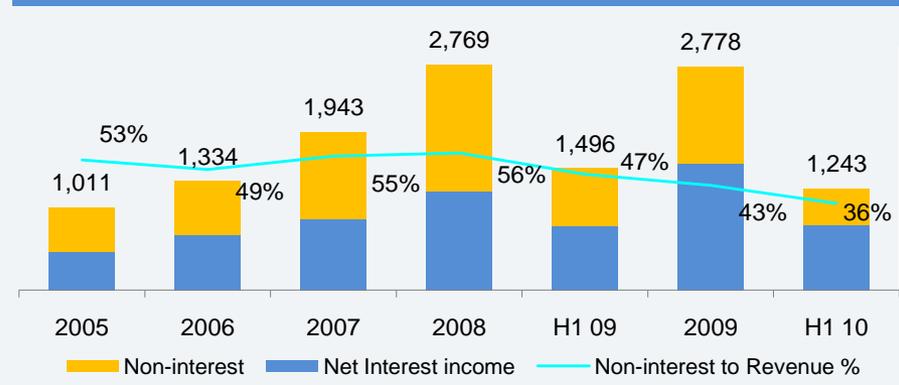
## Key Highlights of half-year 2010 performance

- ◆ Commercialbank has seen continued solid progress
  - ◆ based on measured and selective lending
  - ◆ Improving quarterly trends over the half year
- ◆ Net profit of QR 818m, 13% lower than H109
  - ◆ Up 13% v H109 excluding exceptional gain of QR 165m on real estate disposal and dividend income of QR 56m from Qatar equity portfolio
  - ◆ Q210 net profit of QR 408m up 23% v Q209 and in line with Q110
- ◆ Net interest income up 2% to QR 801m v H109; Net interest margin maintained at 3.7% v 3.2% in H109
- ◆ Balance sheet continues to be tightly managed
  - ◆ Lending increased by 4% v H109 and FY09
  - ◆ Deposits up by 1% v H109 and by 16% v FY09
  - ◆ Loan to deposit ratio improved to 110%
- ◆ Asset quality remains strong
  - ◆ Impairment losses on loans and advances were QR 61m
  - ◆ NPL ratio at 2.67% on 90 day basis
- ◆ Strong capital position: Capital Adequacy Ratio was 19.2%

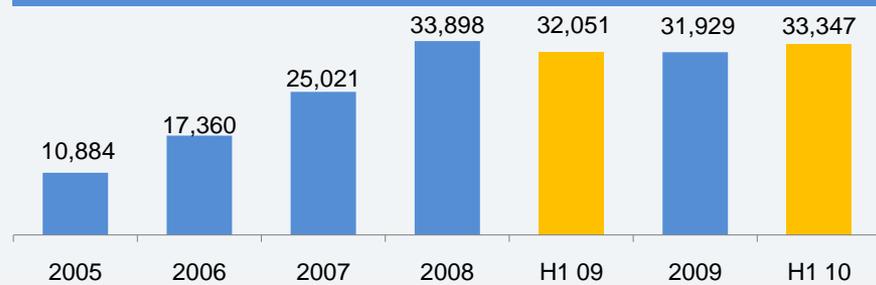
## Net profit (QR million)



## Net operating income (QR million)



## Loans and advances to customers (QR million)



- Key Highlights
- **Financial Performance**
- Business Performance
- Outlook

# Financial Performance – H1 2010

## Profitability

QR Million	H1 2010	H1 2009	Q1 2010
Net interest income	801	787	389
Net operating income	1,243	1,496	618
Total costs	384	373	196
Net provisions	109	254	34
Net profit	818	943	410

## Balance Sheet

QR Million	H1 2010	H1 2009	FY 2009
Total Assets	57,363	59,043	57,317
Loans & Advances	33,347	32,051	31,929
Financial investments	9,326	9,650	9,747
Customers' deposits	30,414	30,039	26,272
Shareholders' equity	11,554	10,508	12,010

## Performance

	H1 2010	H1 2009	Q1 2010
ROAE	13.9%	18.4%	14.1%
ROAA	2.9%	3.1%	2.9%
EPS	3.64	4.41	1.84
NIM	3.7%	3.2%	3.7%

## Capital

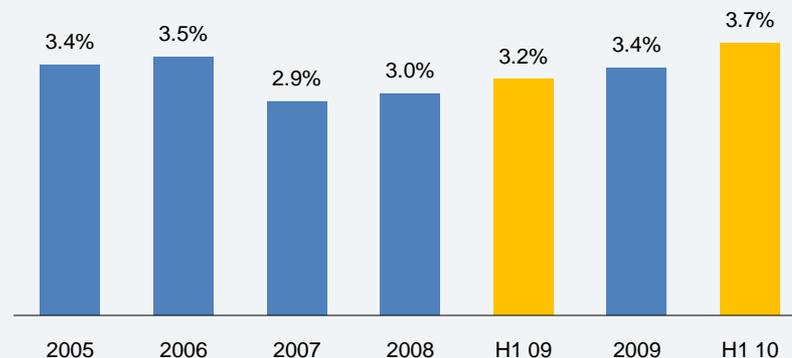
QR Million	H1 2010	H1 2009	FY 2009
RWA	48,107	61,009	48,240
Tier 1 Ratio	17.4%	15.0%	17.2%
Total Capital Ratio	19.2%	15.6%	18.9%

# Earnings Performance – H1 2010

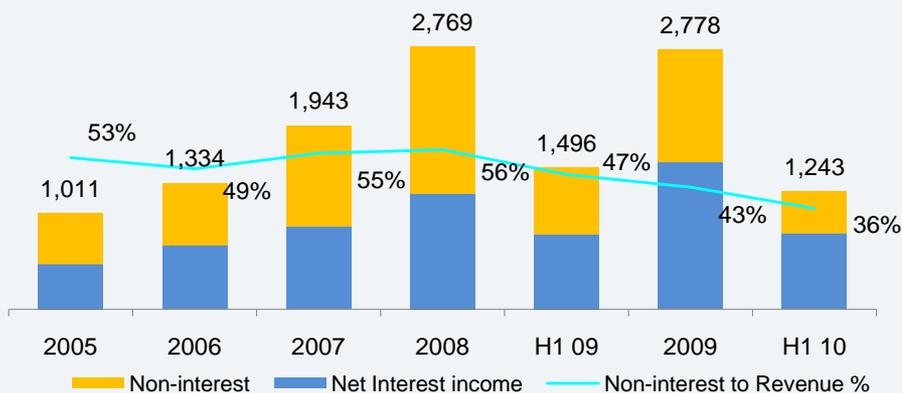
## Comments

- ◆ Net operating income at QR 1.243bn in H110 v QR 1.496bn in H109
  - ◆ Lower fee income in 2010
  - ◆ 2009 benefited from gain on sale of real estate assets of QR 165m and dividend income of QR 56m from Qatar equity portfolio
- ◆ Net interest income improved by 2% to QR 801m
- ◆ Net interest margin maintained at 3.7%
- ◆ Non-interest income down by 7% compared with Q110
- ◆ Cost to income ratio at 29.3% compared with 30.6% in Q110

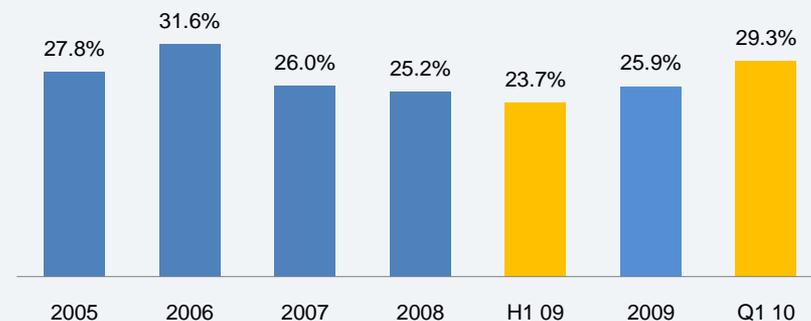
## Net interest margin (1)



## Net operating income (QR Million)



## Cost to Income ratio (2)



(1) Net interest income as a percentage of average interest earning assets which include (i) loans and advances to customers and (ii) bonds and (iii) loans to other credit institutions (excluding Islamic Banking)

(2) Income adjusted with unrestricted investment account holders' share of profit relating to Islamic banking and includes share of profit of associates

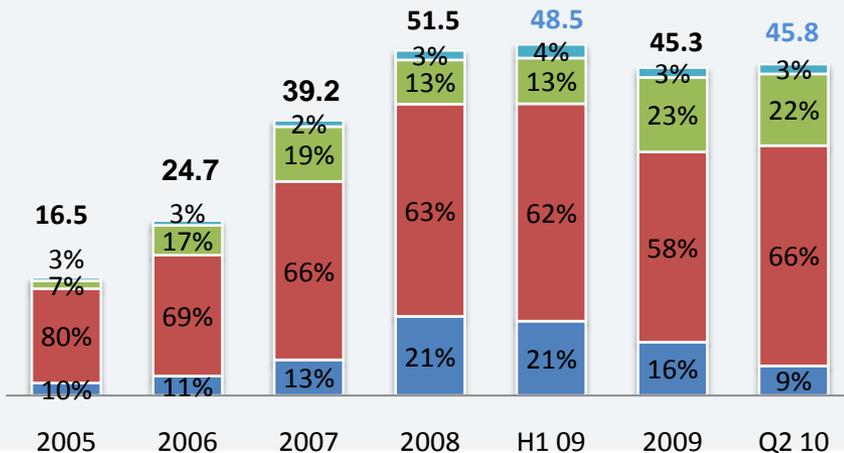
# Balance Sheet Structure – 30 June 2010

## Comments

- ◆ Total assets increased marginally to QR 57.4bn from end of 2009
  - ◆ Increase of QR 1.4bn in loans and advances to customers
  - ◆ Increase of QR 1.0bn in cash with central bank
  - ◆ Reduction of QR 2.3bn to QR 3.4bn in interbank placements
- ◆ Total liabilities up by QR 0.5bn to QR 45.8bn from end of 2009
  - ◆ Increase in customers' deposits, up QR 4.1bn, partially offset by reduction in interbank takings of QR 3.3bn
  - ◆ Customers' deposits now represent 66% of liabilities, up from 58% at 31 December 2009

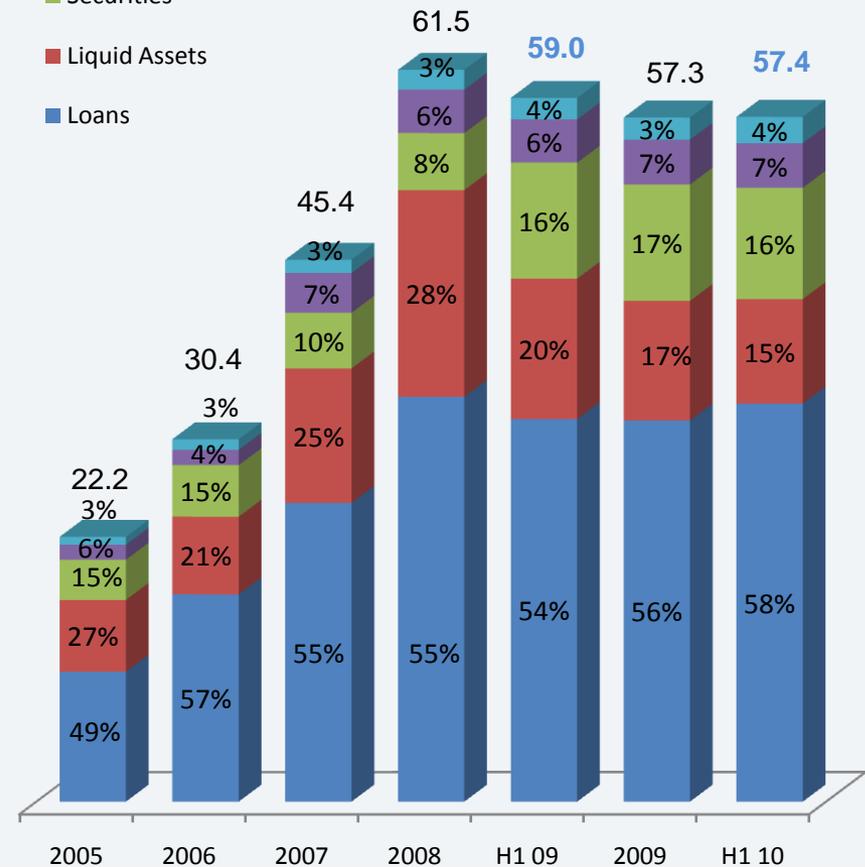
## Liabilities mix

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



## Assets mix

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

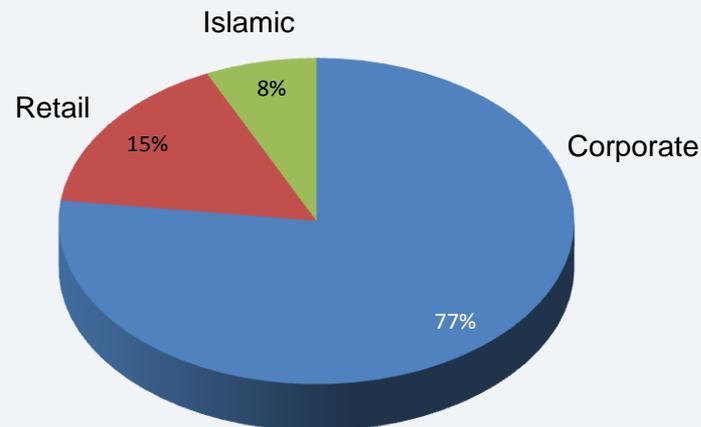


# Loan book breakdown at 30 June 2010

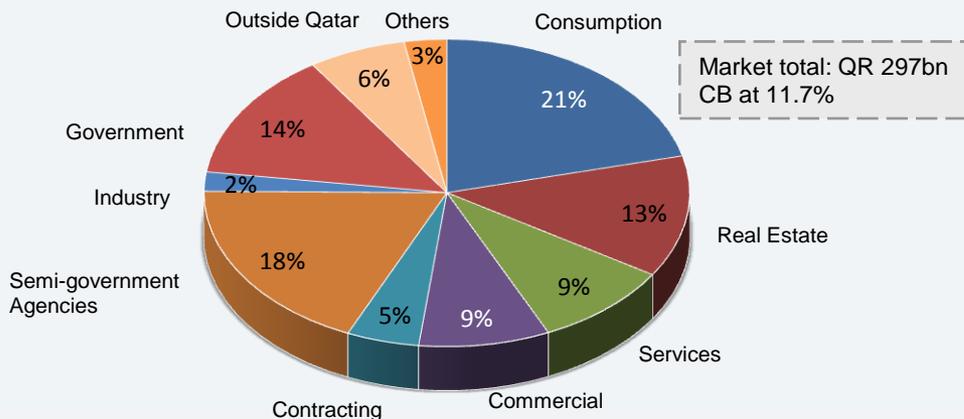
## Comments

- ◆ Loans to customers were QR 33.3bn, up 4% v H109 and FY09; and up 5% against Q1 20109
  - ◆ Growth mainly in Government and Services sectors
- ◆ Corporate customers represent 77% of the total loan book
- ◆ Loan book is well diversified across industry sectors with no single sector exceeding 20%
- ◆ 92% of exposure is in Qatar
- ◆ 74% of the loan book has a maturity of more than one year

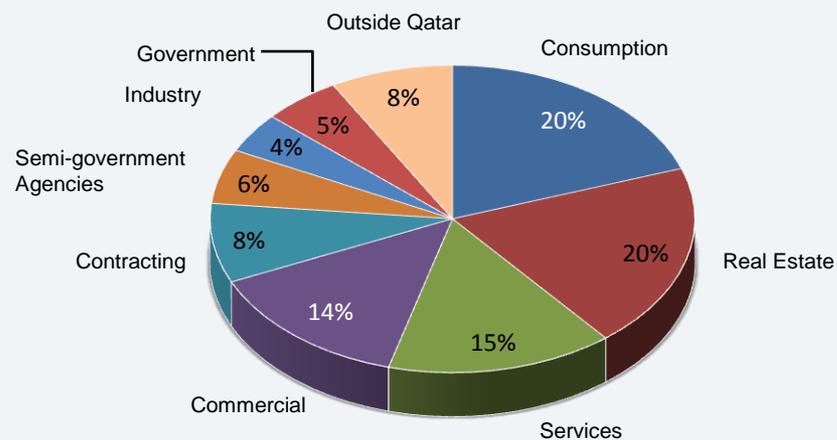
## Loan book breakdown by division – 30 June 2010



## Qatari banks credit facilities breakdown by sector – 30 June 2010



## Loan book breakdown by sector – 30 June 2010

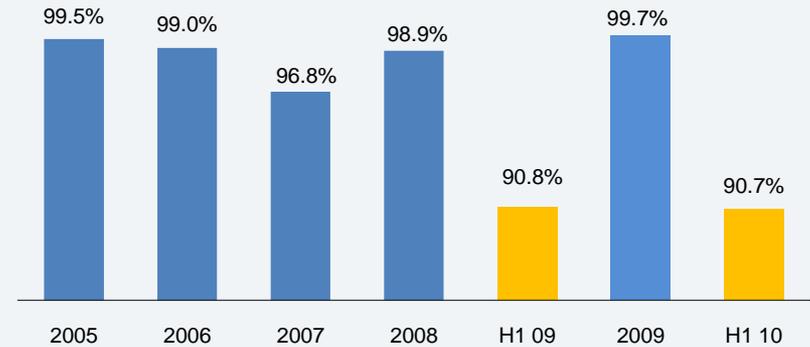


# Asset quality

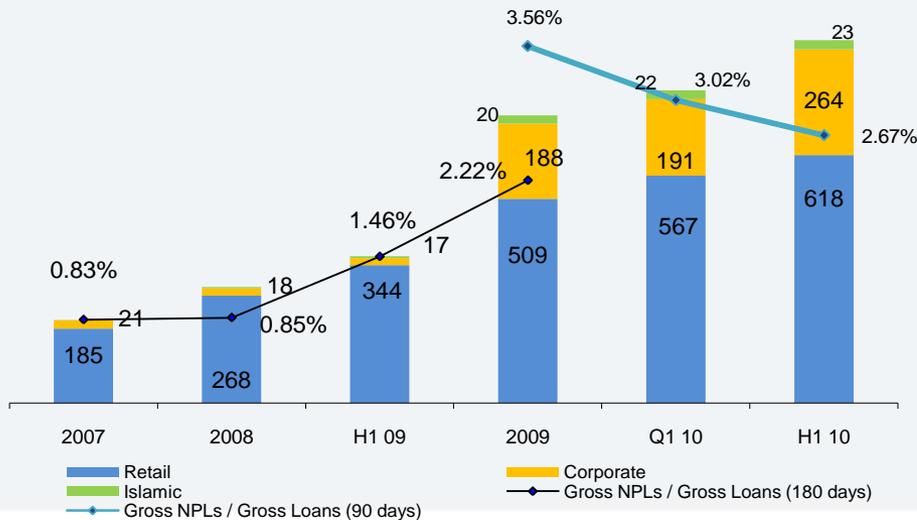
## Comments

- ◆ Provision for Loan Loss was QR 61m in H110; split
  - ◆ Retail QR 28m
  - ◆ Corporate QR 20m
  - ◆ Islamic QR 13m
- ◆ Specific loan coverage down to 90.7% as NPL recognition moved to a 90 day basis
- ◆ NPL ratio improved to 2.67% from 3.56% at FY09
- ◆ Risk reserve of QR 638m; 2.1% of total lending

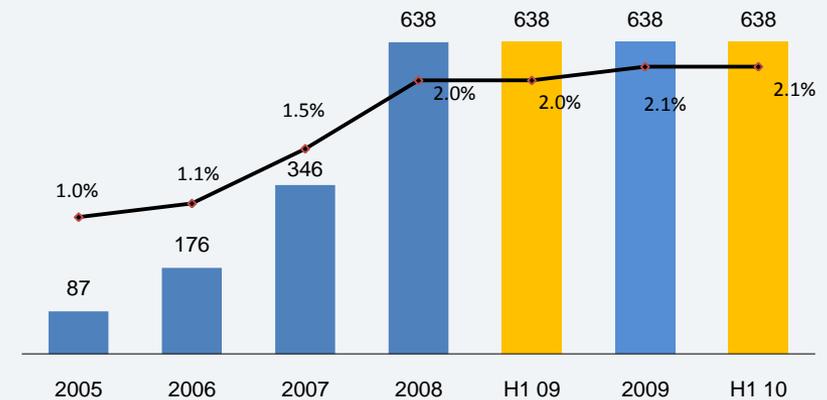
## Specific loan coverage ratio <sup>(1)</sup>



## NPL ratio



## Risk reserve (QR million) <sup>(2)</sup>



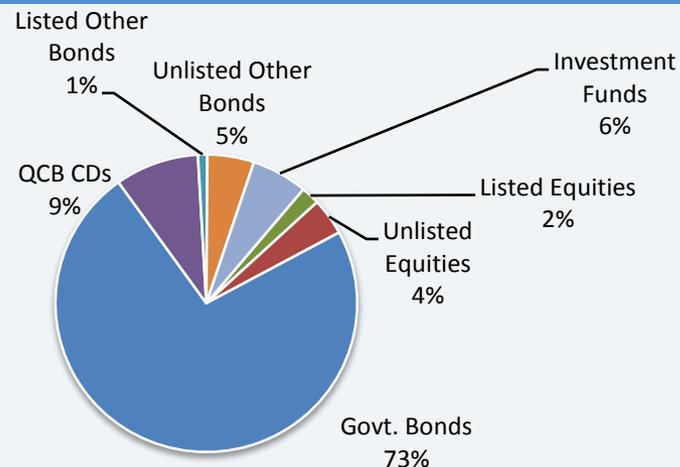
1) Specific loan coverage ratio defined as specific provisions as a percentage of specific non-performing loans  
 2) Risk reserve ratio represents risk reserve over total loans & advances net of specific provision, IIS, deferred profits of IB, lending to MOF and cash collateral.

# Investment portfolio

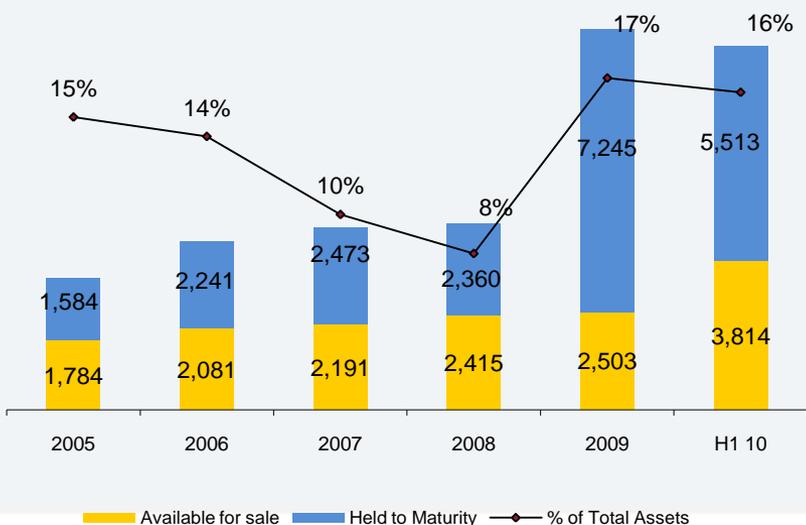
## Comments

- ◆ Investment portfolio reduced to QR 9.3bn of which 82% is Qatar Government bonds and QCB certificates of deposits
  - ◆ Investment of QR 1bn in eight year Government bond with a 6.5% coupon in June; held as AFS
  - ◆ Maturity of QR 1bn HTM Government bond with a 5.5% coupon in June
  - ◆ Reduction in QCB CDs of QR 0.7bn
- ◆ Investment provisions at QR 47m v QR 52m in H109
- ◆ Mark-to market negative fair value at QR 109m compared to QR 106m at the end of December 2009

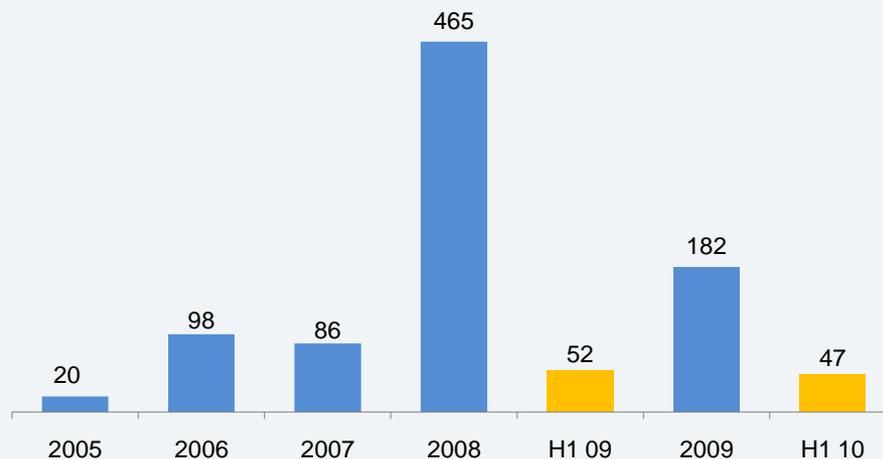
## Investment portfolio as at 30 June 2010



## Investment portfolio evolution (QR million)



## Investment portfolio provisions (QR million)



# Funding breakdown

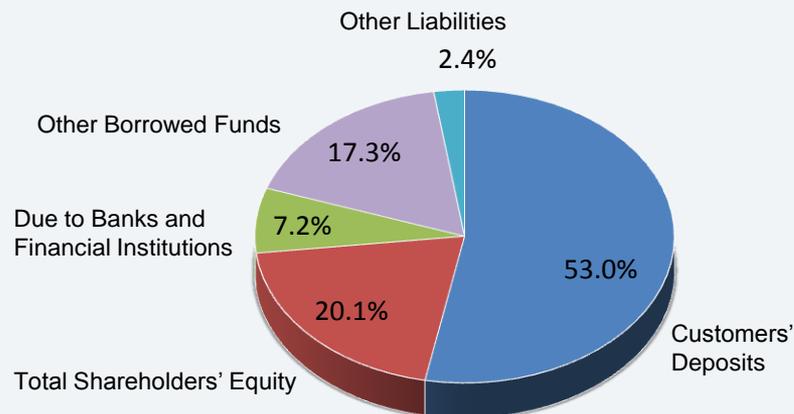
## Comments

- ◆ Increase of QR 4.1bn in customers' deposits replacing QR 3.3bn from interbank takings since end of December 2009
- ◆ Well diversified funding mix with deposits increasing to 53%
- ◆ Stable wholesale funding represents 17% of funding mix and has increased by QR 4.3bn since H109
- ◆ Shareholder's equity represents 20% of the funding mix
- ◆ Key liquidity ratios maintained well above levels set by QCB
- ◆ Both S&P and Fitch reaffirmed their main ratings of A- and A respectively in March 2010 reflecting the Bank's solid market standing

## Wholesale funding

QR MM	H1 10	H1 09
EMTN (Floating Rate Notes Due Oct 2011)	1,817	1,816
Syndicated Loan (\$650 MM Floating Rate due in Feb-2012)	2,363	2,361
Senior Note (Fixed Rate Due Nov 2014)	3,604	--
Subordinated Note (Fixed Rate Due Nov 2019)	2,149	--
Syndicated Loan (\$380 MM)	--	1,380
<b>Total</b>	<b>9,932</b>	<b>5,557</b>

## Total funding mix



## Commercialbank debt ratings

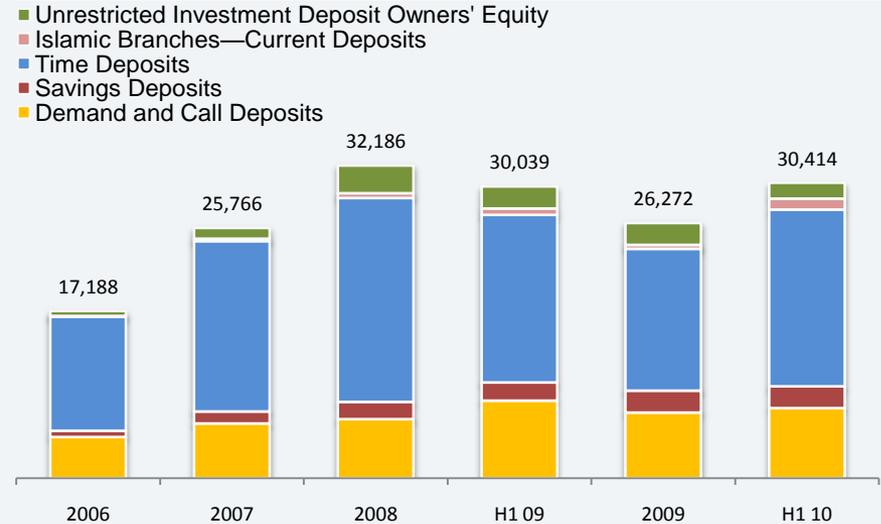
Rating Agency	Foreign Currency Bank Deposits/IDR		Bank Financial Strength/ Individual	Outlook	Date
	LT	ST			
MOODYS	A1	Prime 1	C-	Stable	Dec 09
FITCH	A	F1	C	Stable	Mar 10
S&P	A-	A-2	-	Stable	Mar 10

# Deposits breakdown

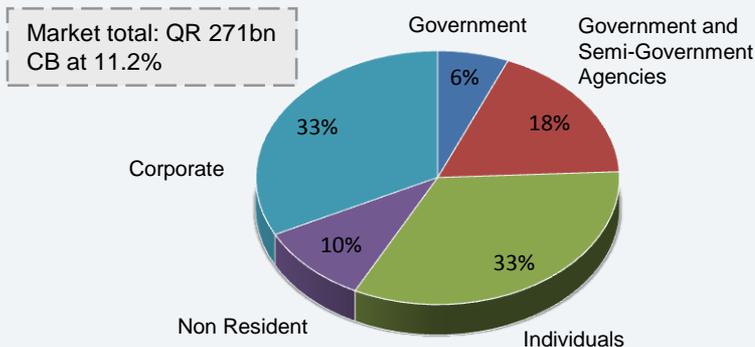
## Comments

- ◆ Customers' deposits increased by 16% to QR 30.4bn since the end of December 2009
  - ◆ Time deposits increased QR 3.2bn
  - ◆ Demand and call deposits increased QR 1.0bn
- ◆ Corporate customers provide 50% of deposits leveraging Commercialbank's strong customer relationships to attract deposits
  - ◆ Government and semi-government deposits represents 20% of total deposits
- ◆ Loans to deposits ratio improved to 110%

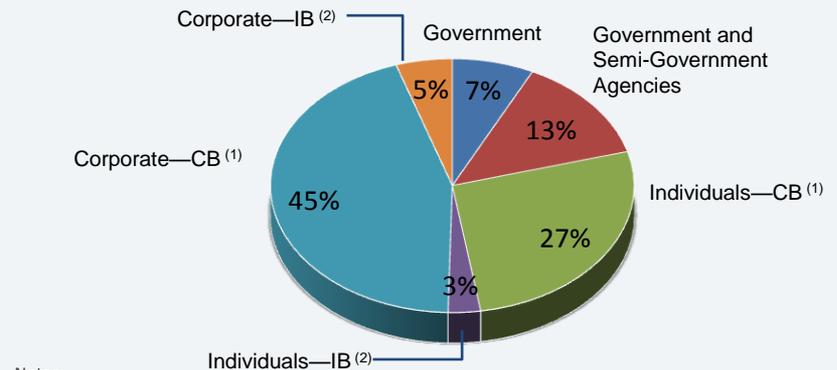
## Customers' deposits (QR million) as at 30 June 2010



## Qatari banks deposits breakdown by sector – 30 June 2010



## Deposits by customer type – 30 June 2010



Notes:

1) CB stands for conventional banking

2) IB stands for Islamic banking, includes unrestricted investment accounts

Source: Qatar Central Bank as of end of June 2010

# Strong Capitalisation Levels

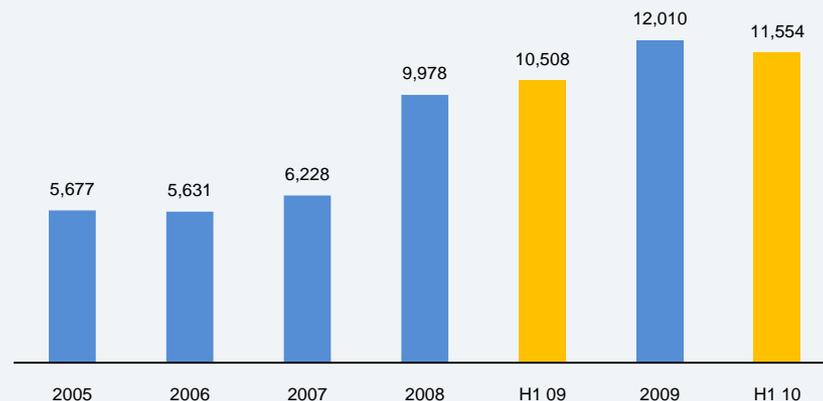
## Comments

- ◆ Total shareholders' equity at QR 11.6bn, down QR 0.4bn from end December 2009, due to:
  - ◆ Payment of 2009 dividend of QR 1.2bn
  - ◆ Appropriation of social tax of QR 34m; partially offset by:
    - ◆ 2010 half-year net profit of QR 818m
- ◆ Shares issued to Qatar Holding (QH) after approval at the EGA in Feb 2010, QH now holds 9.1%
- ◆ Total capital adequacy ratio at 19.2%
  - ◆ Tier 1 ratio at 17.4%

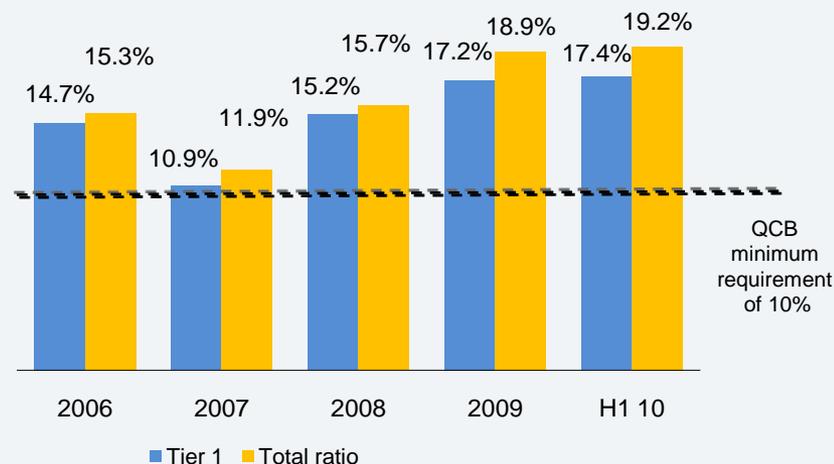
## Dividend distribution per share (QR)



## Shareholders' equity (QR million)



## Capital Adequacy Ratio



- Key Highlights
- Financial Performance
- **Business Performance**
- Outlook

# Divisional Performance

## Corporate

- ◆ Net operating income was QR 943m, 2% lower than H109
- ◆ Net interest income up by 13% against H109
- ◆ Provisions for loan loss reduced to QR 20m in H110 v QR 97m in H109
- ◆ Loans and advances to customers at QR 26.4bn, up by 9% compared with H109 and by 5% compared with FY09
  - ◆ mainly in Government and Service sectors
- ◆ Customers' deposits at QR 19.6bn are up 20% compared with FY09

## Islamic

- ◆ Net operating income was QR 49m v QR 67m in H109
- ◆ Provisions for loan loss at QR 13m in H110 v QR 14m in H109
- ◆ Islamic banking registered net profit of QR 12m
- ◆ Islamic financing increased by 11% to QR 2.6bn compared with QR 2.3bn at FY09
- ◆ Islamic banking deposits at QR 2.3bn, up by 3% against FY09 and up 6% against Q110
- ◆ Islamic banking increased its branch network to eight
- ◆ Rebranding to Commercialbank Islamic from Al Safa

## Retail

- ◆ Net operating income at QR 226m
- ◆ Provisions for loan loss reduced to QR 28m in H110 v QR 102m in H109
- ◆ Loans and advances to customers at QR 5.2bn compared with QR 5.1bn at FY09
- ◆ Customers' deposits increased by 15% to QR 8.1bn against QR 7.1bn in H109
- ◆ Retail network increased to 24 branches with plans for two additional branches in the second half of 2010

## Operating Income



# Associates' Performance

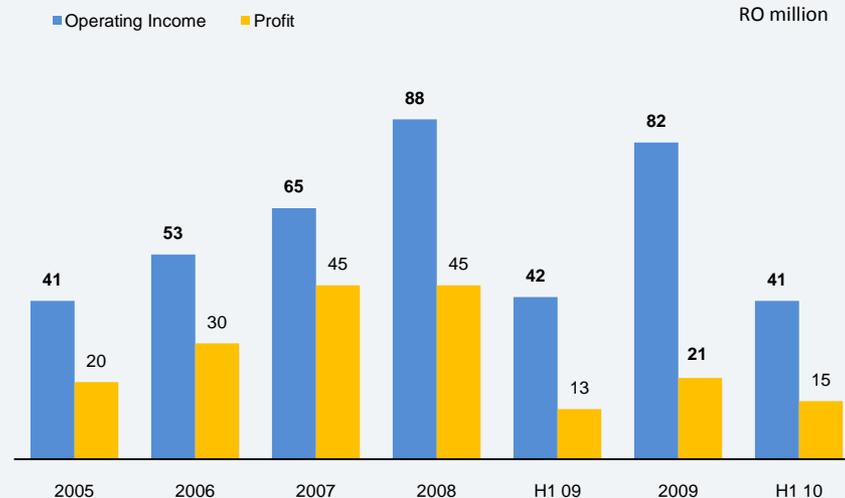
## National Bank Of Oman (NBO)

- ◆ NBO delivered improved earnings with net profit at RO 14.6m compared with RO 13.5m in H109
- ◆ Net operating income was down 3% compared with H109
- ◆ Lower provisions for loans at RO 6.0m from RO 6.6m in H109
- ◆ Loan book increased by 4% to RO 1.4bn from end of December 2009 ; NPL ratio stands at 3.7%
- ◆ Customers' deposits increased by 4% to RO 1.3bn
- ◆ Commercialbank has taken an adjustment of QR 17m in its 2010 half-year results relating to 2009 NBO provisions as recommended by the Central Bank of Oman

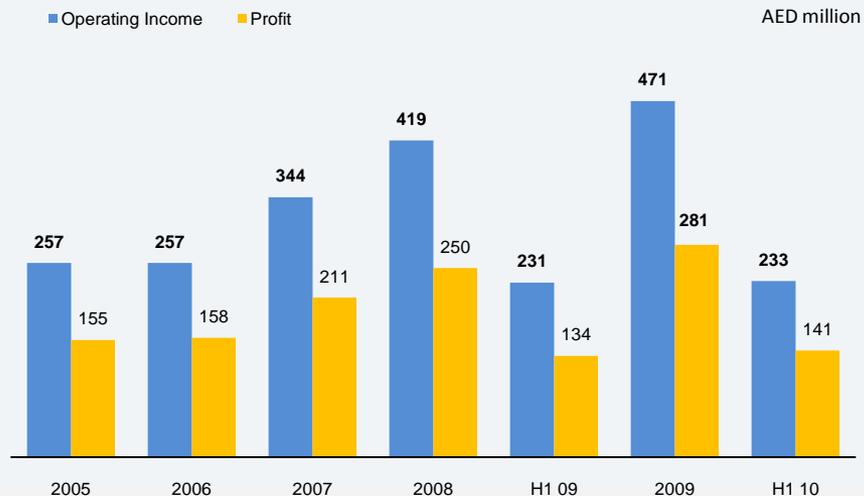
## United Arab Bank (UAB)

- ◆ Record net profit of AED 141m up 5% from AED 134m in H109
- ◆ Net interest income increased 1% to AED 160.4m; net interest margin improved by 0.6% to 5.4%
- ◆ Net operating income was up AED 2m to AED 233m
- ◆ Provisions for loans decreased by AED 7.0m to AED 10.4m
- ◆ Loans and advances to customers increased by 8% to AED 5.2bn and customers' deposits increased by 4% to AED 4.6bn since the end of December 2009
- ◆ UAB has extended use of Commercialbank's Islamic Banking services and has continued to introduce new products

## NBO performance



## UAB performance



- Key Highlights
- Financial Performance
- Business Performance
- **Outlook**

# Outlook

## Comments

### First half summary

- ◆ Successfully pursuing a strategy of measured growth
- ◆ Key areas of focus have been:
  - ◆ Maintaining good asset quality
  - ◆ Continuing strong balance sheet management
  - ◆ Securing low cost base for funding and expenditure
- ◆ Quarterly trends indicate success of strategy:
  - ◆ Growth in loans and advances and customers' deposits
  - ◆ Improving trend in NPLs

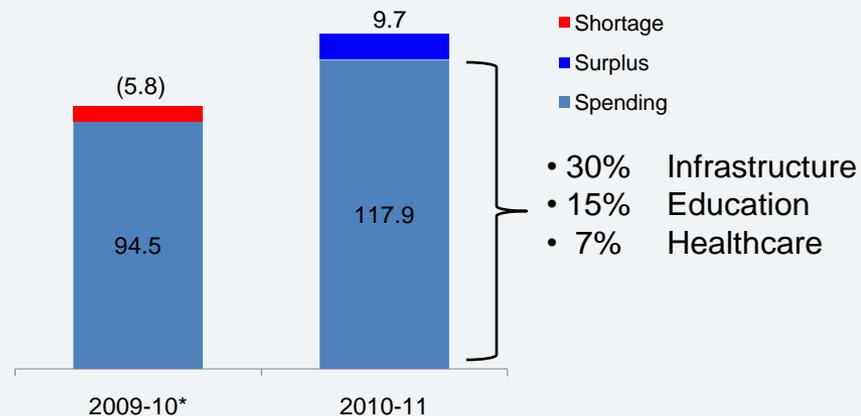
### Economy and Opportunities

- ◆ Public sector growth: pursuing and winning opportunities
- ◆ Private sector continues to lag public sector growth

### Outlook

- ◆ Markets continue to improve but uncertainty remains
- ◆ Realignment of business means the bank is well positioned to continue its strategy of targeting opportunities in both public and private sectors from a position of strength
- ◆ Continue to focus on the three key areas
- ◆ Improving trends in first half provide confidence that performance will be maintained in the second half

## State of Qatar budget



\*The budgeted shortage in 2009-10 turned into surplus due to higher oil prices and the increase of LNG production

## Qatar Strong Real GDP Growth and Real GDP/ Capital

Note: GDP per capita in USD'000 for the years 2008-2010 are EIU estimates

