

# Commercial Bank of Qatar

Financial Results

For the nine months ended 30<sup>th</sup> September 2011

18 October 2011



قطر مصدر الهامنا  
Inspired by Qatar

البنك التجاري  
Commercial bank

# 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.

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## ➤ **Key Highlights**

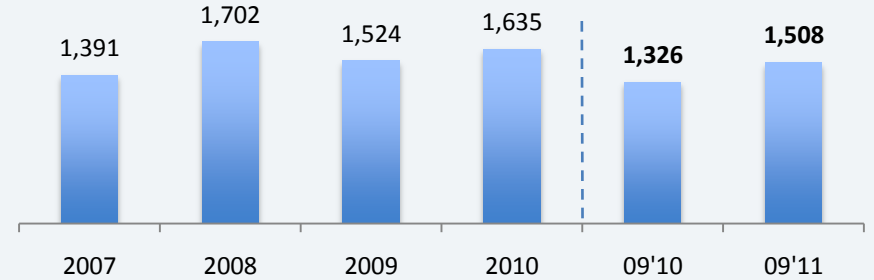
- Financial Performance
- Business Performance
- Outlook

# Key Highlights – Nine months ended 30.09.11

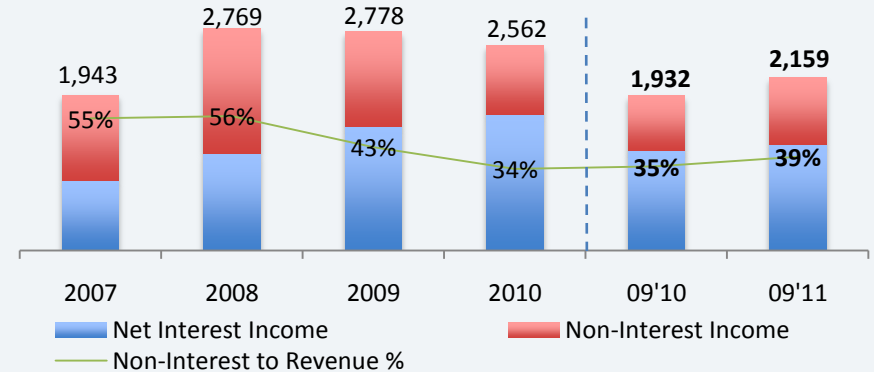
## Key Highlights

- ◆ Continued delivery on our strategy
- ◆ Earnings momentum maintained through lending growth and strong balance sheet management
  - ◆ Net profit of QR 1.5bn, up 14% v 09'10
  - ◆ Q311 net profit of QR 552m, up 9% v Q310; 8% v Q211
- ◆ Net operating income of QR 2.2bn, up 12% v 09'10
  - ◆ Net interest income of QR 1.3bn, up 6% v 09'10
  - ◆ Net interest margin decreased to 3.5% in 09'11 v 3.7% in 09'10
  - ◆ Non-interest income of QR 831m, up 22% v 09'10
- ◆ Effective Balance Sheet management
  - ◆ Total assets of QR 70.4bn, up 17% v 09'10
  - ◆ Lending increased 20% to QR 41.5bn v 09'10; 24% v FY10
  - ◆ Deposits at QR 36.9bn, up 16% v 09'10 and 11% v FY10
- ◆ Improving asset quality
  - ◆ Net provision for lending QR 123m v QR 57m at 09'10
    - ◆ Q311 in line with Q211 at QR 35m
  - ◆ NPL ratio at 2.74% at 09'11 v 3.16% at FY10
- ◆ Improved profitability and lending growth at alliance banks

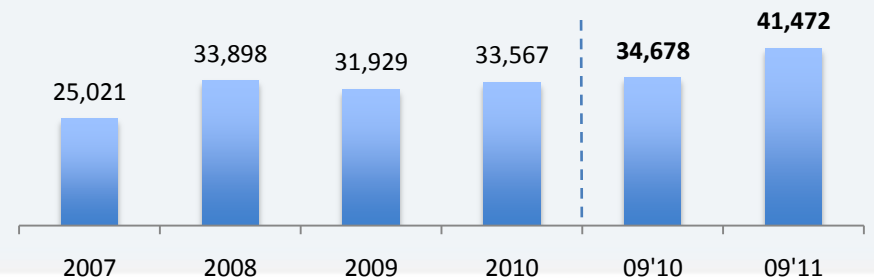
## Net profit (QR million)



## Net operating income (QR million)



## Loans and advances to customers (QR million)



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

# Financial Performance – Nine months ended 30.09.11

## Profitability

QR Million	09'11	09'10	%
Net interest income	1,328	1,249	6%
Non-interest income	831	682	22%
Total costs	634	578	10%
Net provisions	166	138	21%
Net profit	1,508	1,326	14%

## Balance Sheet

QR Million	30.9.2011	30.9.2010	%
Total Assets	70,426	60,191	17%
Loans & Advances	41,472	34,678	20%
Financial Investments	12,523	9,142	37%
Customers' Deposits	36,899	31,942	16%
Shareholders' Equity	13,905	12,142	15%

## Performance Ratios

	09'11	09'10
ROAE	15.2%	14.6%
ROAA	3.0%	3.0%
EPS (QR)	6.19	5.89
NIM	3.5%	3.7%

## Capital

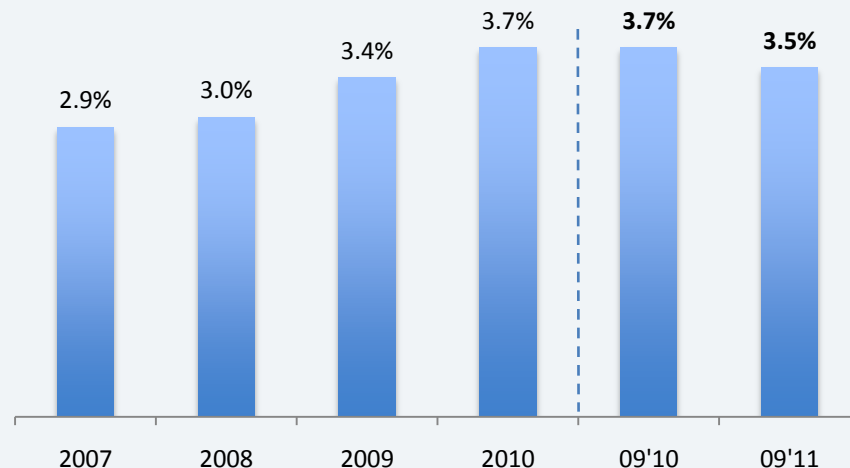
	30.9.2011	30.9.2010
RWA (QR Million)	60,856	49,982
Tier 1 Ratio	16.4%	16.8%
Total Capital Ratio	17.9%	18.7%

# Earnings Performance – Nine months ended 30.09.11

## Comments

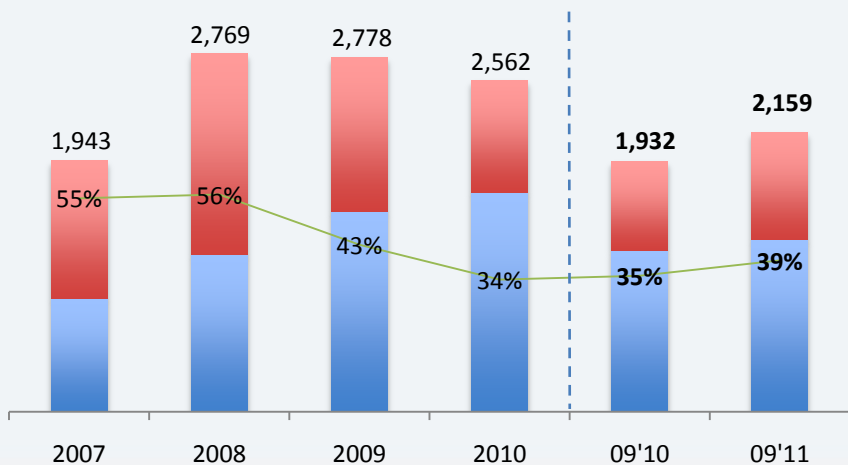
- ◆ Net interest income improved by 6% to QR 1,328m
  - ◆ Q311 up 6% v Q211
  - ◆ Net interest margin down slightly to 3.5% v 3.7% in 09'10
- ◆ Non-interest income up QR 149m to QR 831m in 09'11 v 09'10
  - ◆ Increased fee income, up 15%
  - ◆ Higher investment gains and dividend income
- ◆ Net operating income up QR 227m, 12%, to QR 2,159m v 09'10
- ◆ Cost to income ratio improved to 27.5% in 09'11 v 28.3% in 09'10 and v 28.1% in H111

## Net interest margin <sup>(1)</sup>

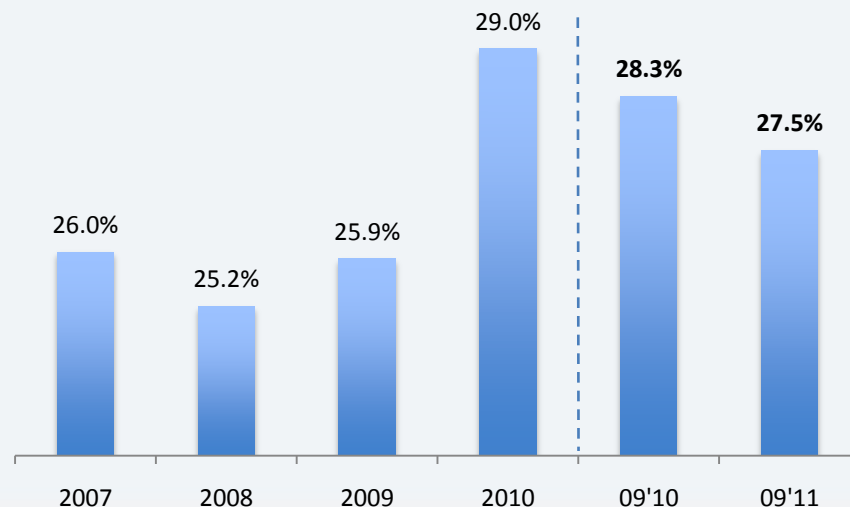


## Net operating income (QR million)

■ Net Interest Income      ■ Non-Interest Income  
— Non-Interest to Revenue %



## Cost to Income ratio <sup>(2)</sup>



(1) 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 (excluding Islamic Banking)

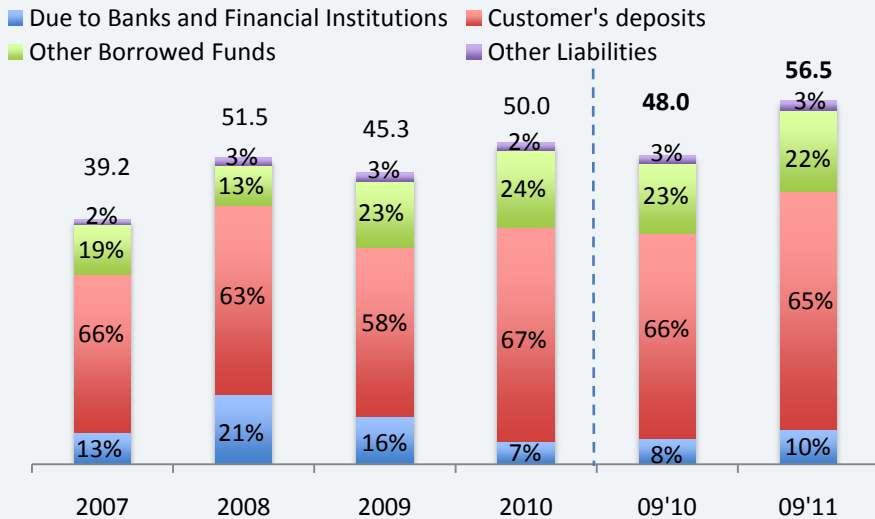
(2) Income adjusted with unrestricted investment account holders' share of profit relating to Islamic banking and includes share of profit of associates

# Balance Sheet Structure – 30 September 2011

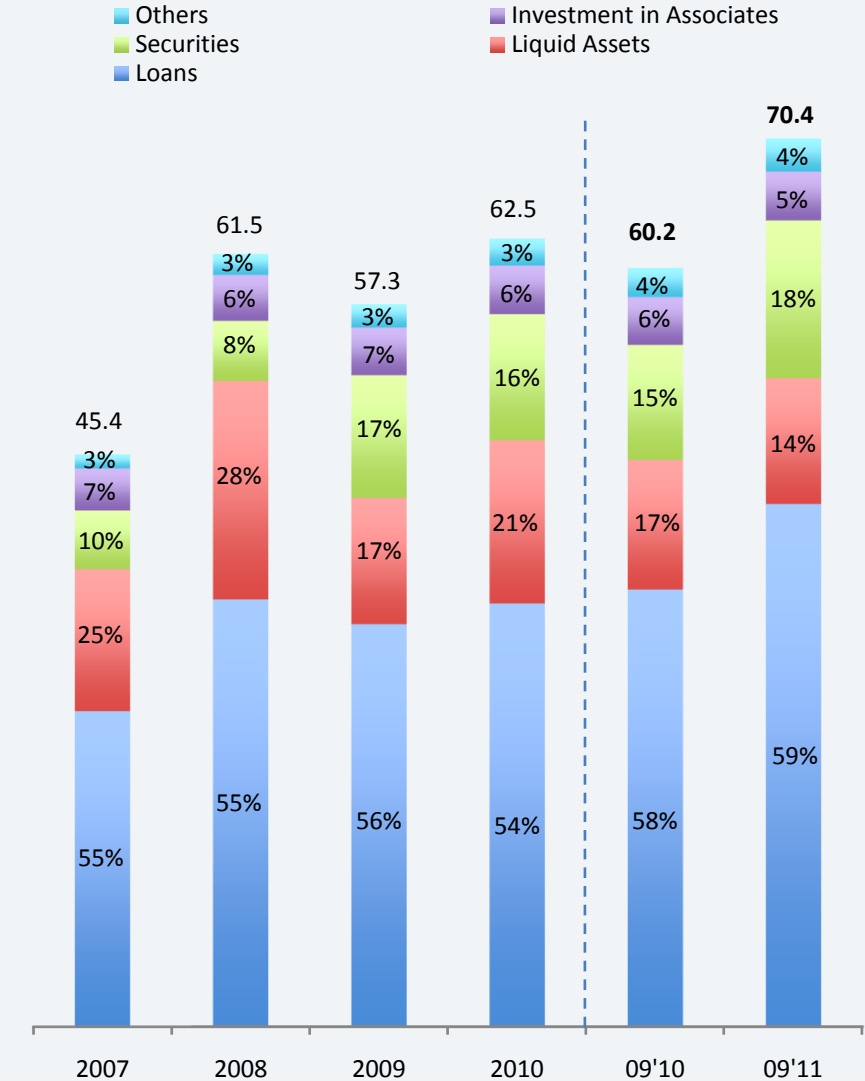
## Comments

- ◆ Total assets increased to QR 70.4bn, up QR 10.2bn v 09'10 and up 13% v FY10
  - ◆ Increase in lending of QR 7.9bn to QR 41.5bn v FY10
  - ◆ Increase in Investments of QR 2.5bn v FY10; partially offset by
  - ◆ Reduction of cash balances of QR 5.8bn
- ◆ Total liabilities up 18% to QR 56.5bn v FY10
  - ◆ Increase in customers' deposits of QR 3.6bn to QR 36.9bn
  - ◆ Customers' deposits now represent 65% of liabilities, down from 67% at FY10

## Liabilities mix



## Assets mix



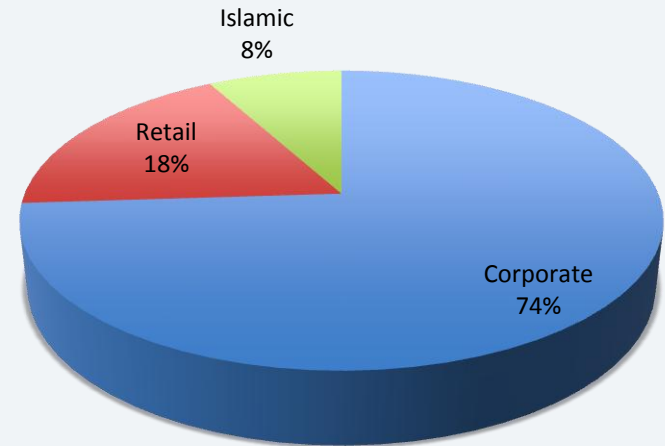


# Loan Book Breakdown – 30 September 2011

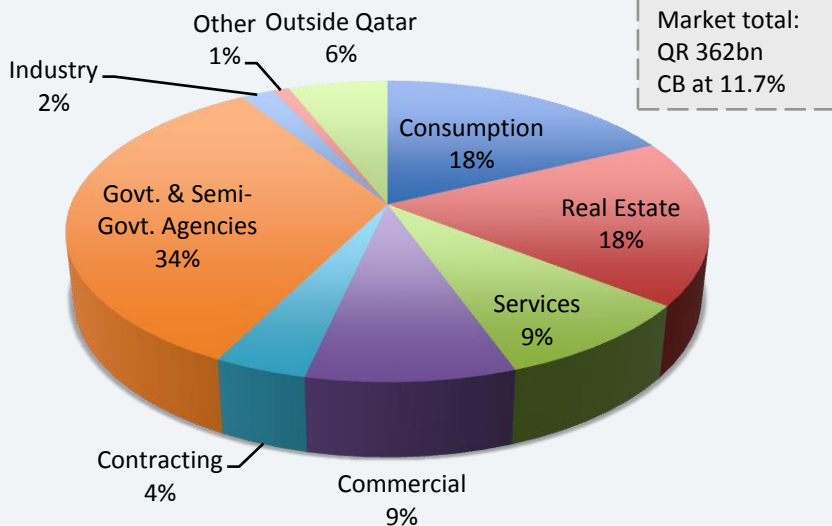
## Comments

- ◆ Loans to customers were QR 41.5bn, up 20% v 09'10 and 24% v FY10; 2011 growth in
  - ◆ Private and Public Sectors
  - ◆ Mainly three industry sectors: Semi-government, Real Estate and Consumption
- ◆ Loan book is well diversified
- ◆ 90% of exposure is in Qatar
- ◆ Conventional Corporate customers represent 74% of loan book
- ◆ 78% of the loan book has a maturity of more than one year

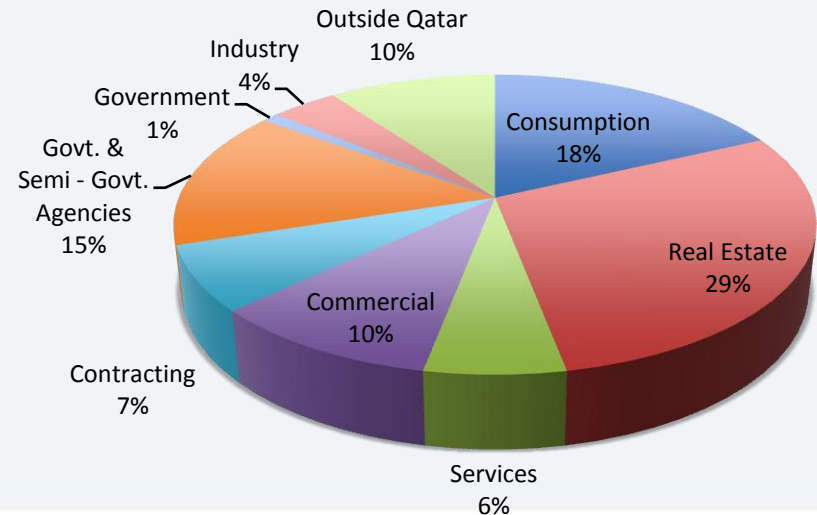
## Loan book breakdown by division – 30 September 2011



## Qatari banks credit facilities breakdown by sector



## Loan book breakdown by sector – 30 September 2011

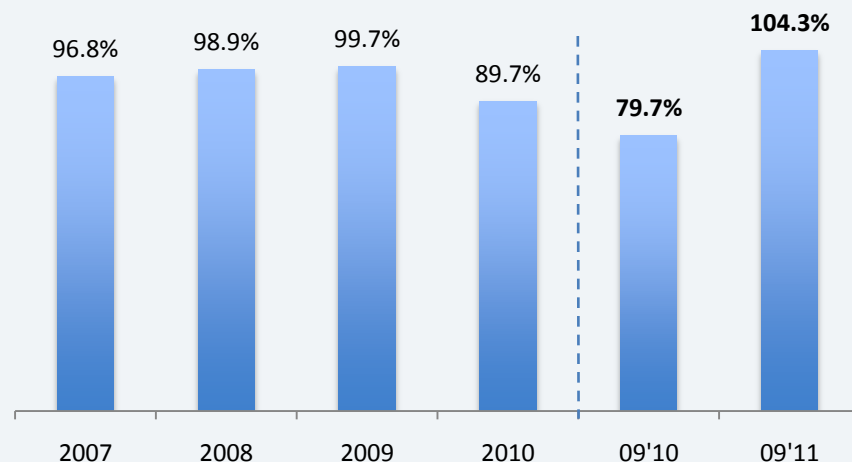


# Asset Quality – 30 September 2011

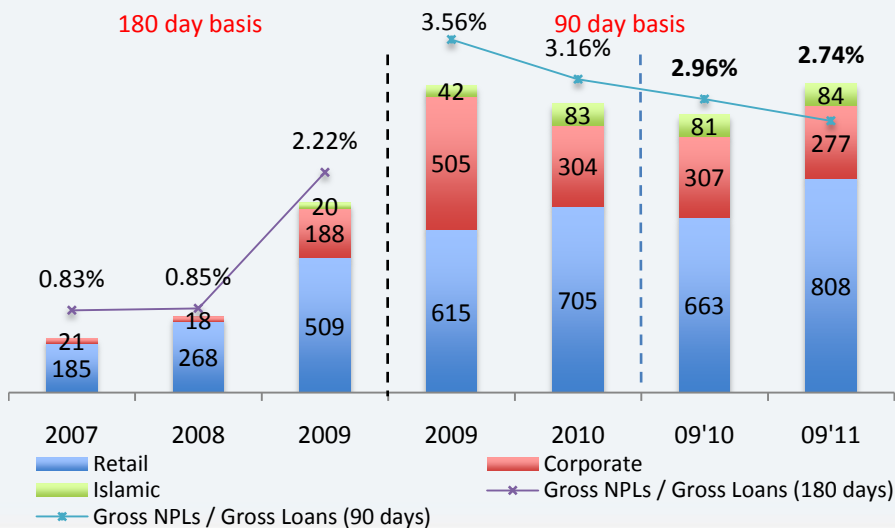
## Comments

- ◆ Provision for Loan Loss was QR 123m in 09'11 v QR 57m in 09'10
  - ◆ Comprising QR 90m for Corporate, QR 27m for Retail and QR 7m for Islamic
  - ◆ Provision of QR 35m in Q311 in line with Q211
  - ◆ Net recovery of QR 4m in Q310
- ◆ NPL ratio improved to 2.74% in Q311 from 3.16% at FY10
- ◆ Risk reserve of QR 805m; total loan loss coverage of 173%

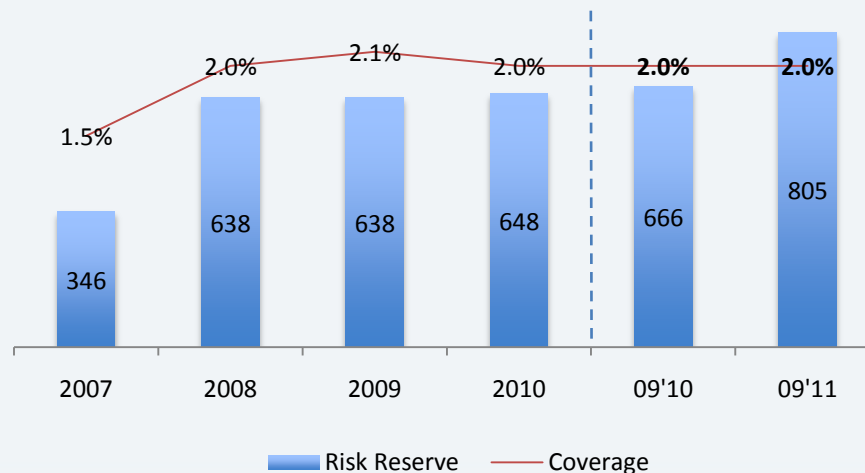
## Specific loan coverage ratio <sup>(1)</sup>



## NPL ratio



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



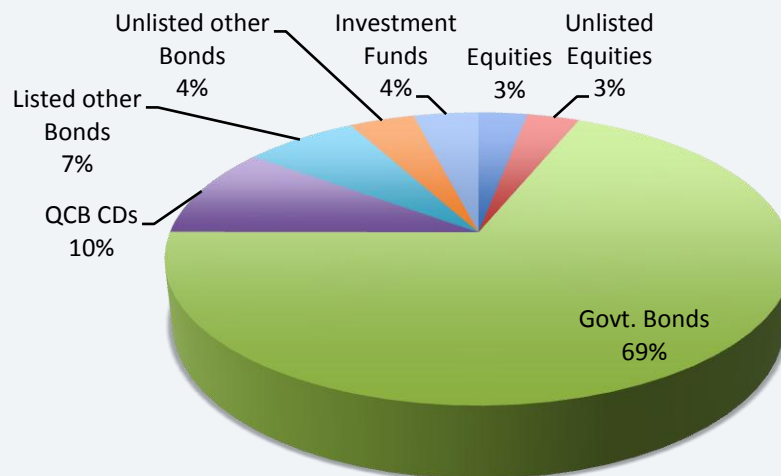
(1) Specific loan coverage ratio defined as specific provisions as a % of specific non-performing loans  
 (2) Risk reserve ratio represents risk reserve over total loans & advances net of specific provisions, IIS, deferred profits of IB, lending to MOF and cash collateral

# Investment Portfolio – 30 September 2011

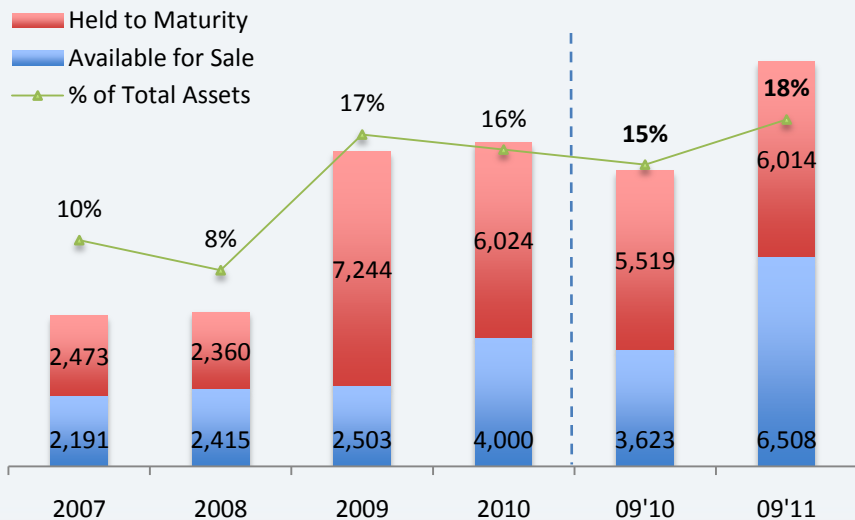
## Comments

- ◆ Investment portfolio up 25% to QR 12.5bn v FY10
  - ◆ 79% Qatar Government bonds and QCB CDs
  - ◆ Qatar Government bonds up QR 2.1bn v FY10
- ◆ Investment provisions decreased to QR 43m v QR 81m in 09'10
- ◆ Investment gains of QR 85m in 09'11 v QR 54m in 09'10
- ◆ Dividend income increased to QR 23m in 09'11 v QR 10m in 09'10

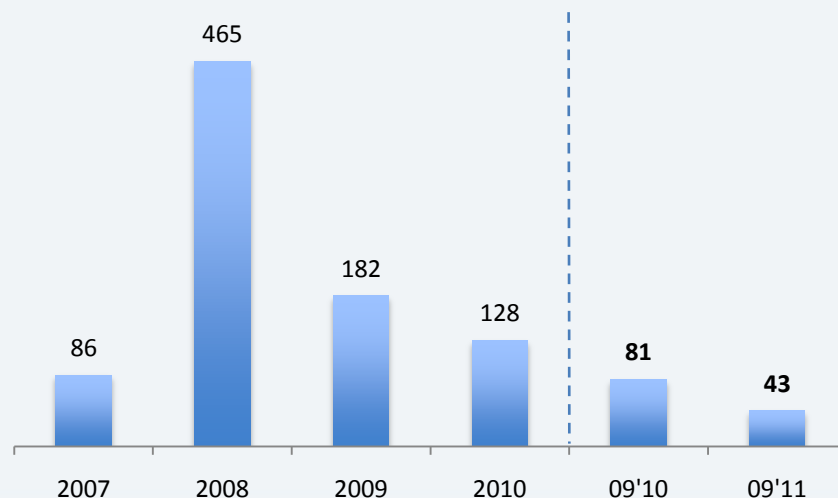
## Investment portfolio as at 30 September 2011



## Investment portfolio evolution (QR million)



## Investment portfolio provisions (QR million)



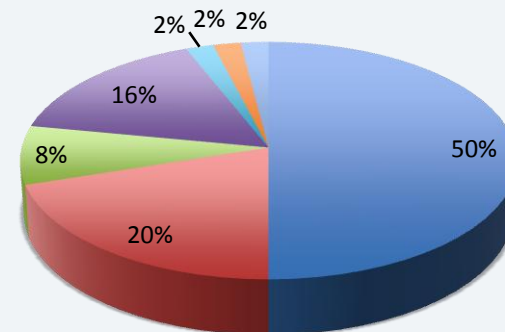
# Funding Breakdown – 30 September 2011

## Comments

- ◆ Customers' deposits increased QR 3.6bn to QR 36.9bn v FY10 and QR 5.0bn v 09'10
- ◆ Well diversified funding mix with total deposits representing 52%
- ◆ Debt and other borrowed funds (including Repos) represents 18% of funding mix
- ◆ Shareholders' equity represents 20% of funding mix
- ◆ US\$ 500m EMTN repaid on 12 October 2011
- ◆ Key liquidity ratios maintained well above levels set out by QCB
- ◆ Moody's rate the Bank at A1, Fitch at A and S&P at A-

## Total funding mix – 30 September 2011

- Customer Deposits
- Total Shareholders' Equity
- Due to Banks and Financial Institutions
- Other Borrowed Funds
- Borrowing Under Repurchase Agreement
- Unrestricted Investment Deposits Owners' Equity
- Other Liabilities



## Debt issued and other borrowed funds

QR Million	09'11	09'10
EMTN (Floating Rate Notes due Oct 2011)	1,819	1,817
Syndicated Loan (\$650 MM Floating Rate due Feb 2012)	2,365	2,363
Senior Note (Fixed Rate due Nov 2014)	3,613	3,605
Swiss Franc note (Fixed Rate due Dec 2015)	1,165	-
Subordinated Note (Fixed Rate due Nov 2019)	2,152	2,150
Bilateral loan	362	-
<b>Total</b>	<b>11,476</b>	<b>9,935</b>

## Commercialbank credit ratings

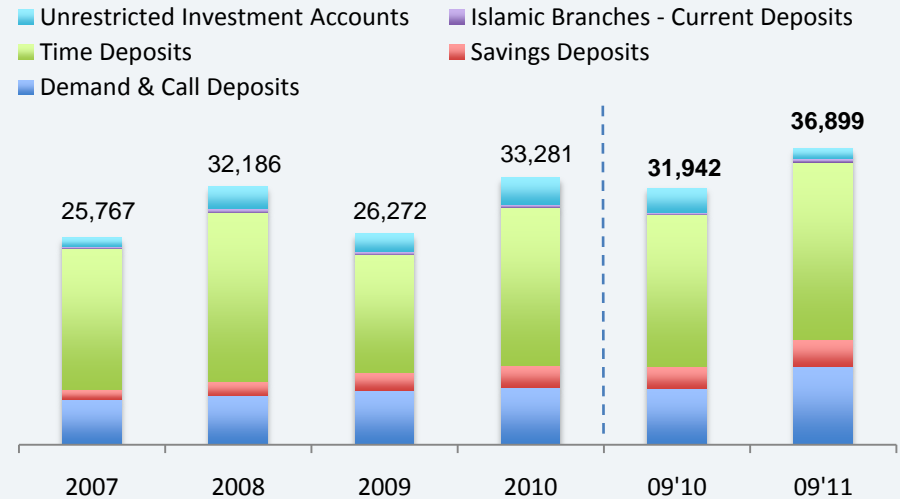
Rating Agency	Foreign Currency Bank Deposits/IDR		Bank Financial Strength/ Individual	Outlook	Date
	LT	ST			
Moody's	A1	Prime 1	C-	Stable	Mar 11
Fitch	A	F1	C	Stable	May 11
S&P	A-	A-2	-	Stable	May 11

# Deposits Breakdown – 30 September 2011

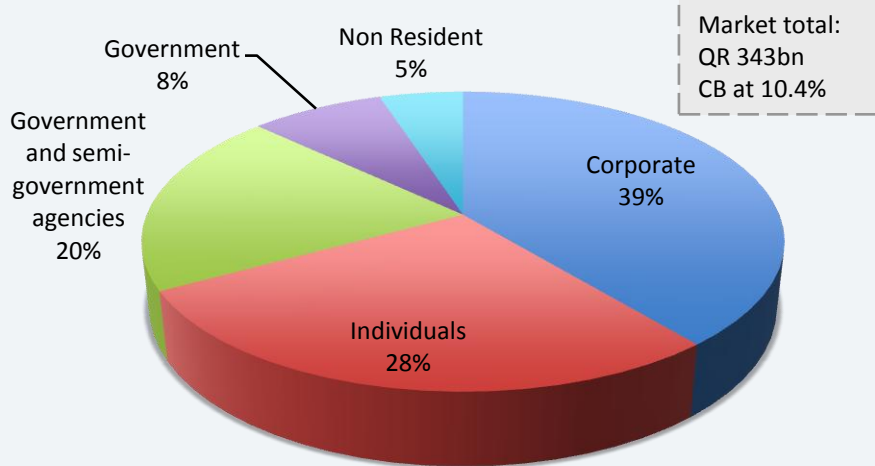
## Comments

- ◆ Customers' deposits increased 11% to QR 36.9bn v FY10
  - ◆ Demand and call up QR 2.5bn to QR 10.3bn
  - ◆ Savings increased QR 0.6bn to QR 3.5bn
  - ◆ Time deposits up QR 0.6bn to QR 23.1bn
- ◆ Leveraging strong customer relationships, Corporate customers provide 38% of deposits, with
  - ◆ Government and Semi-Government 34%, up from 25% at FY10
- ◆ Loan to deposit ratio reduced to 112%

## Customers' deposits (QR million) – 30 September 2011

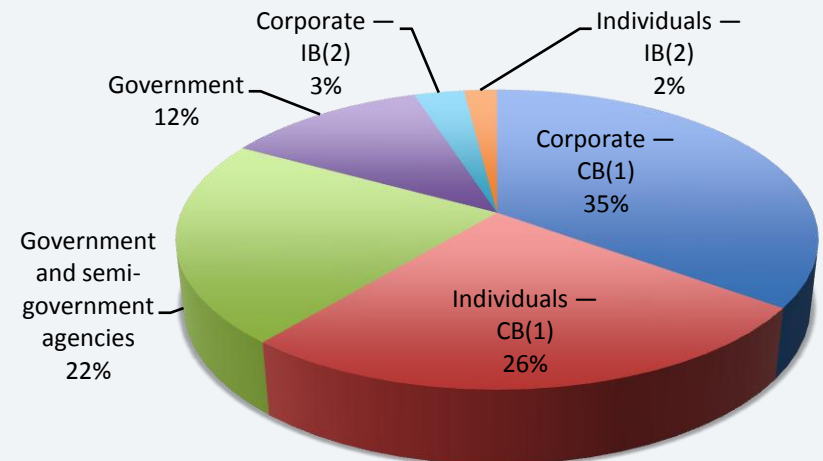


## Qatari banks deposits breakdown by sector



Source: Qatar Central Bank as of end of 31 August 2011

## Deposits by customer type – 30 September 2011



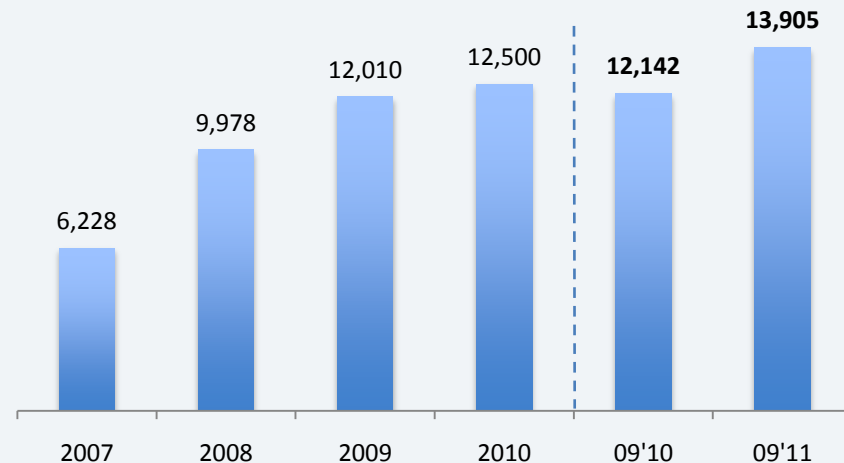
(1) CB stands for conventional banking  
(2) IB stands for Islamic banking, includes unrestricted investment accounts

# Strong Capitalisation – 30 September 2011

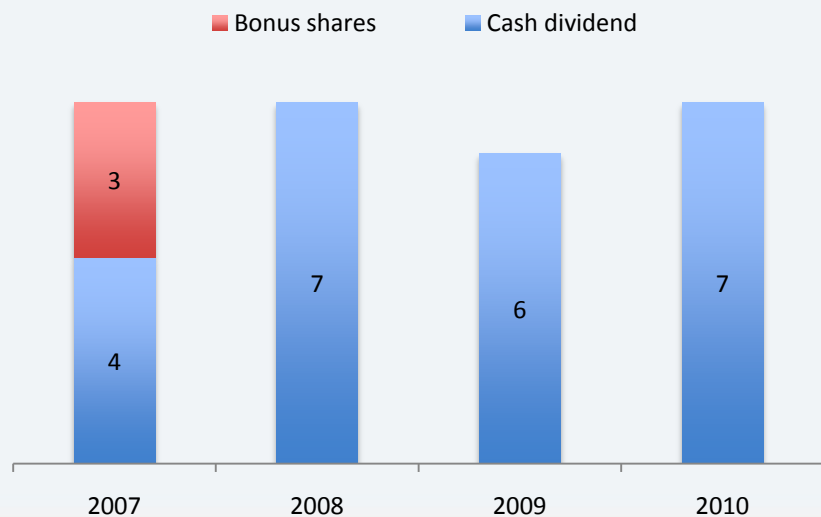
## Comments

- ◆ Total shareholders' equity at QR 13.9bn, up QR 1.4bn from 31 December 2010, due to
  - ◆ Capital injection from Qatar Holdings (QH) of QR 1.6bn
  - ◆ YTD Profit of QR 1.5bn; reduced by
  - ◆ Dividend payment of QR 1.6bn – QR 7 per share
- ◆ 20.6 million new ordinary shares issued to QH in Feb 2011 after shareholder ratification at the Bank's EGM; QH shareholding stands at 16.7%
- ◆ Total capital adequacy ratio at 17.9%; Tier 1 ratio at 16.4%

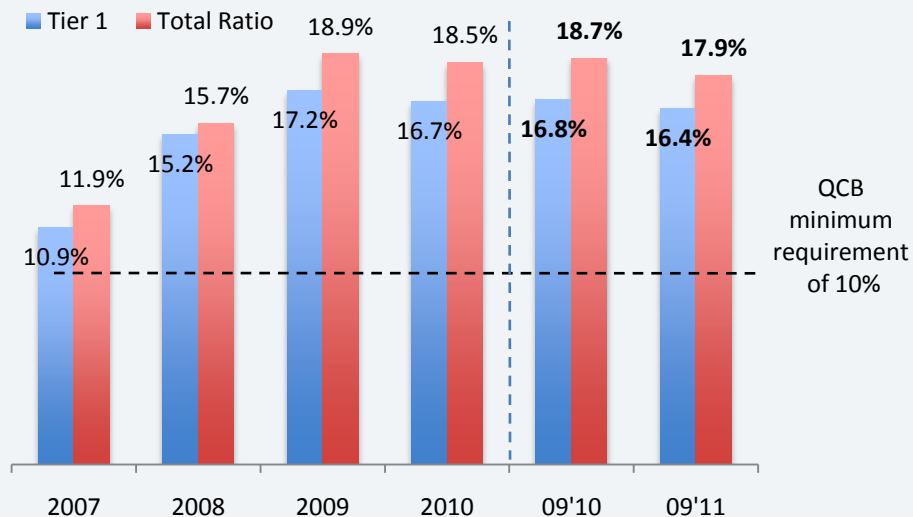
## Shareholders' equity (QR million)



## Dividend distribution per share (QR)



## Capital Adequacy Ratio



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

# Divisional Performance – Nine months ended 30.09.11

## Corporate

- ◆ Net operating income was QR 1.5bn, up 3% v 09'10
  - ◆ Net interest income up 2% to QR 1,065m
  - ◆ Other income up 5% to QR 454m
- ◆ Loan loss provisions of QR 90m
- ◆ Loans and advances to customers at QR 30.6bn, up 16% v FY10
  - ◆ Growth mainly in Semi-government and real estate sectors
- ◆ Customers' deposits at QR 25.7bn, up QR 4.9bn v FY10

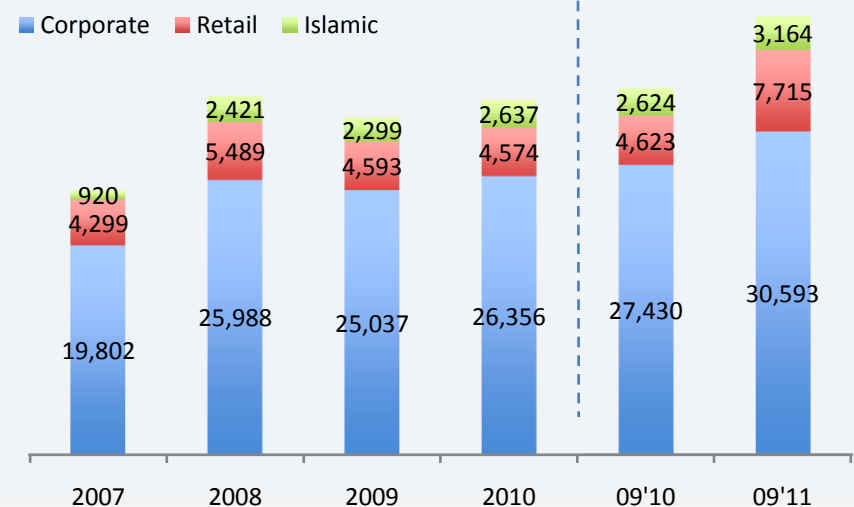
## Islamic

- ◆ Net operating income was QR 121m v QR 71m 09'10
- ◆ Provisions for loan loss of QR 7m v QR 30m in 09'10
- ◆ Islamic banking net profit of QR 90m in 09'11
- ◆ Islamic financing was QR 3.2bn v QR 2.6bn at FY10
- ◆ Islamic banking deposits were QR 1.7bn, down 55% v FY10
- ◆ Future of Islamic banking still under consideration

## Retail

- ◆ Net operating income was QR 489m in 09'11 v QR 345m in 09'10
  - ◆ Net interest income up 30% to QR 264m
  - ◆ Other income up QR 82m to QR 225m
- ◆ Loan loss provisions of QR 27m v QR 48m in 09'10
- ◆ Loans and advances to customers were QR 7.7bn v QR 4.6bn in FY10
- ◆ Customers' deposits up 9% to QR 9.5bn v FY10
- ◆ Retail network at 34 branches

## Divisional loan book (QR million)



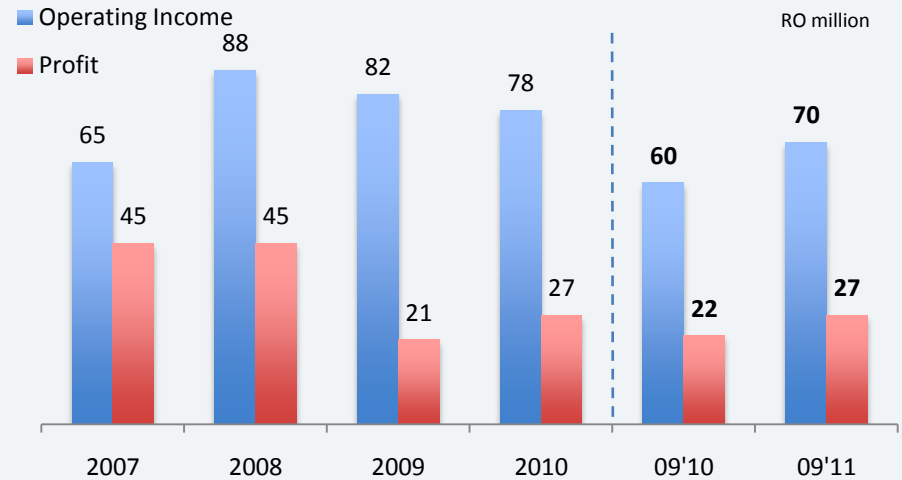


# Associates' Performance – Nine months ended 30.09.11

## National Bank of Oman (NBO)

- ◆ Net profit after tax of RO 27.3m v RO 21.7m in 09'10
- ◆ Operating income up 15% to RO 69.7m v 09'10
  - ◆ Net interest income increased RO 2.7m to RO 44.6m
  - ◆ Non-interest income grew RO 6.6m to RO 25.1m
- ◆ Provisions for loan loss improved by RO 2.6m to RO 4.4m v 09'10
- ◆ NPL ratio maintained at 2.7% from 3.5% at FY10
- ◆ Loan book increased by 16% to RO 1.59bn v FY10
- ◆ Customers' deposits up 17% to RO 1.55bn v FY10

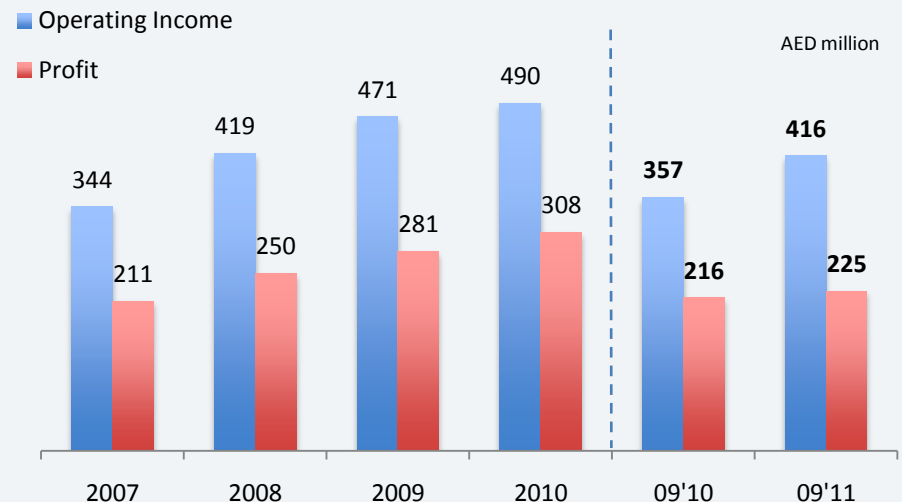
## NBO performance



## United Arab Bank (UAB)

- ◆ Net profit of AED 225m v AED 216m in 09'10
- ◆ Net operating income up 16% to AED 416m v AED 357m in 09'10
  - ◆ Net interest income up 19% to AED 299m
  - ◆ Non-interest income up 10% to AED 117m
- ◆ Provisions for loan losses increased to AED 57m in 09'11
- ◆ Loan book grew 38% to AED 7.6bn v FY10
- ◆ Customers' deposits up 39% to AED 6.7bn v FY10

## UAB performance



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

# Outlook

## Comments

### Third quarter 2011

- ◆ Strong first half performance maintained in Q3
- ◆ Growth in lending and income continued
- ◆ Positive underlying trends remain

### Economy and Opportunities

- ◆ Private sector credit demand continues in Q3
- ◆ Strong growth forecast for full year
- ◆ Economic outlook remains positive

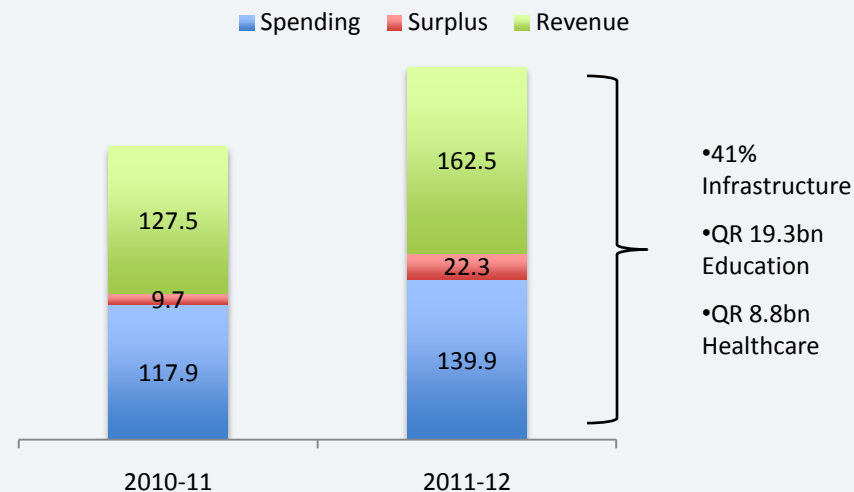
### Strategy into Action

- ◆ Growth in domestic lending and profitability in all alliance banks
- ◆ Further developed presence in chosen market segments
- ◆ Successful diversification of income
- ◆ Strategic outsourcing partnership progressing well

### Outlook

- ◆ On track for strong full year performance
- ◆ Delivery of strategy will continue in fourth quarter
- ◆ Deliver long term value to shareholders and to customers
- ◆ Maintain focus on balance sheet management, asset quality and risk management

## State of Qatar 2011 – 2012 budget



## Qatar GDP growth <sup>(1)</sup>

