

# Commercial Bank of Qatar

Financial Results

For the year ended 31<sup>st</sup> December 2010

23 February 2011



قطر مصدر الهامنا  
Inspired by Qatar

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**

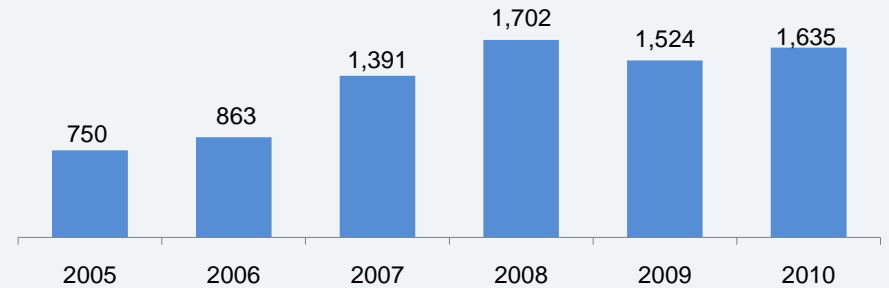
- Financial Performance
- Business Performance
- Outlook

# Key Highlights

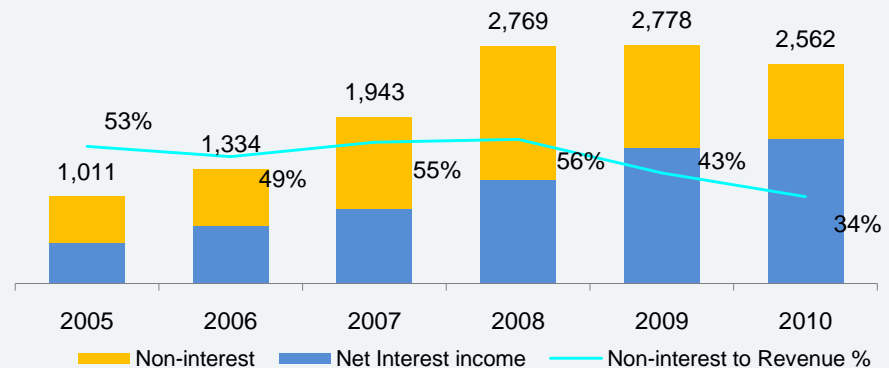
## Key Highlights of 2010 performance

- ◆ Commercialbank has delivered a solid performance in 2010:
  - ◆ Diversification of funding and lending against muted private sector activity
  - ◆ Encouraging year-on-year trends
- ◆ Net profit was QR 1,635m, 7% higher than FY09
  - ◆ Q410 net profit QR 309m up 66% v Q409
- ◆ Net interest income up 7% to QR 1,695m v FY09
  - ◆ Net Interest Income in Q410 stood at QR 446m in line with Q310
  - ◆ Net Interest Margin improved to 3.7% in FY10 v 3.4% in FY09
- ◆ Balance sheet continues to be tightly managed:
  - ◆ Lending increased by 5% v FY09 but down slightly from Q310 levels
  - ◆ Deposits up by 27% v FY09 and up 4% v Q310
  - ◆ Loan to deposit ratio improved to 102% (122% at FY09)
  - ◆ Successful Swiss Franc CHF 275m bond issue
- ◆ Asset quality remains strong:
  - ◆ Net provision for loans and advances QR 167m in 2010
  - ◆ NPL ratio at 3.16% v 3.56% at FY09 on 90 day basis
- ◆ Strong capital position: Capital Adequacy Ratio of 18.5%

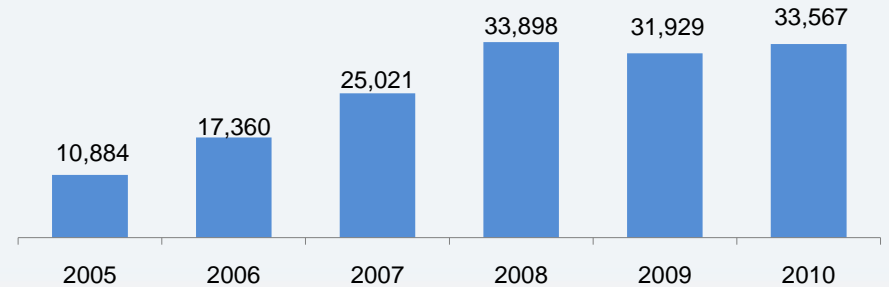
## Net profit (QR million)



## Net operating income (QR million)



## Loans and advances to customers (QR million)



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

# 2010 Financial Performance

## Profitability

QR Million	2010	2009	%
Net interest income	1,695	1,584	7%
Net operating income	2,562	2,778	(8%)
Total costs	787	759	4%
Net provisions	295	648	(54%)
Net profit	1,635	1,524	7%

## Balance Sheet

QR Million	2010	2009	%
Total Assets	62,520	57,317	9%
Loans & Advances	33,567	31,929	5%
Financial investments	10,024	9,747	3%
Customers' deposits	33,281	26,272	27%
Shareholders' equity	12,500	12,010	4%

## Performance

	2010	2009
ROAE	13.3%	13.9%
ROAA	2.7%	2.6%
EPS (QR)	7.24	7.08
NIM	3.7%	3.4%

## Capital

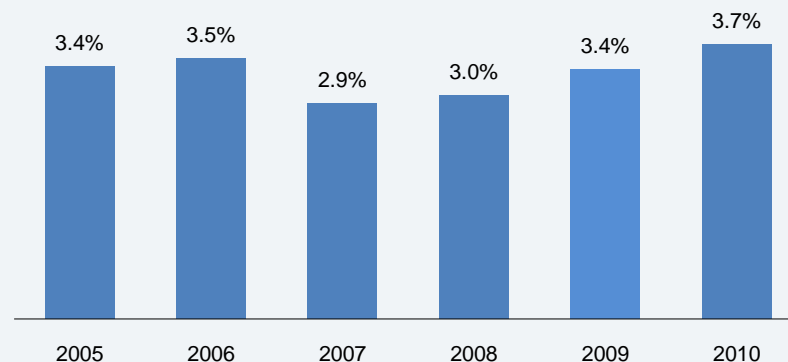
	2010	2009
RWA (QR Million)	49,821	48,240
Tier 1 Ratio	16.7%	17.2%
Total Capital Ratio	18.5%	18.9%

# Earnings Performance – Year end 31 December 2010

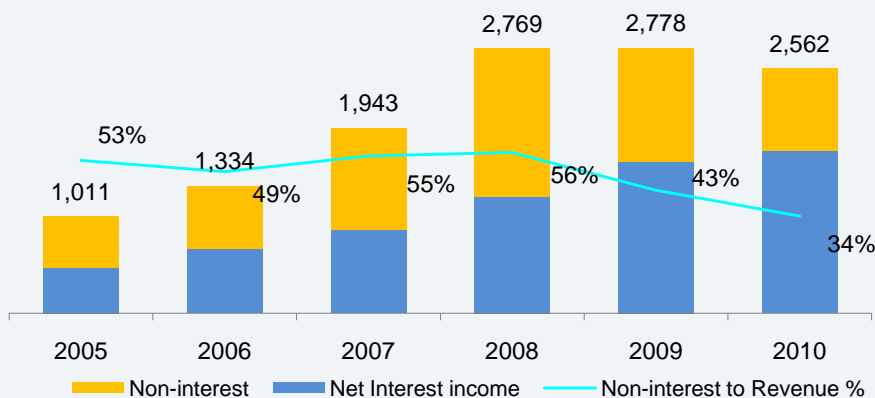
## Comments

- ◆ Net interest income improved by 7% to QR 1.695bn
- ◆ Net interest margin maintained at 3.7% throughout 2010, up from 3.4% in 2009
- ◆ Non-interest income at QR 867m FY10 v QR 1,193m FY09
  - ◆ Lower fee income in 2010
  - ◆ 2009 benefited from gain on sale of real estate asset of QR 165m and dividend income of QR 56m from Qatar equity portfolio
- ◆ Net operating income is down 8% to QR 2.562bn FY10
- ◆ Cost to income ratio stands at 29.0% compared with 25.9%

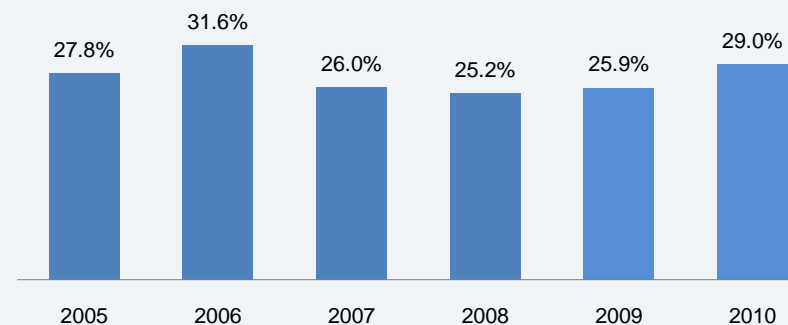
## Net interest margin <sup>(1)</sup>



## Net operating income (QR Million)



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



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

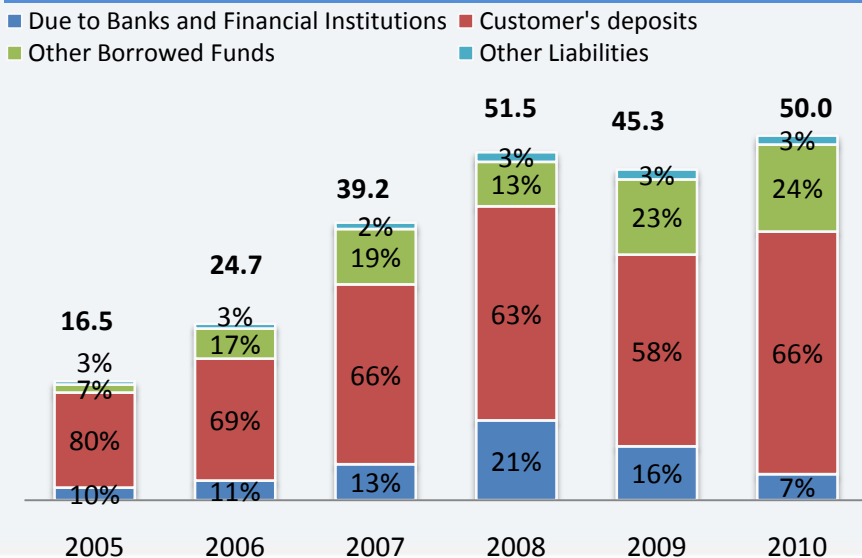
(2) Income adjusted with unrestricted investment account holders' share of profit relating to Islamic banking and includes share of profit of associates

# Balance Sheet Structure - 31 December 2010

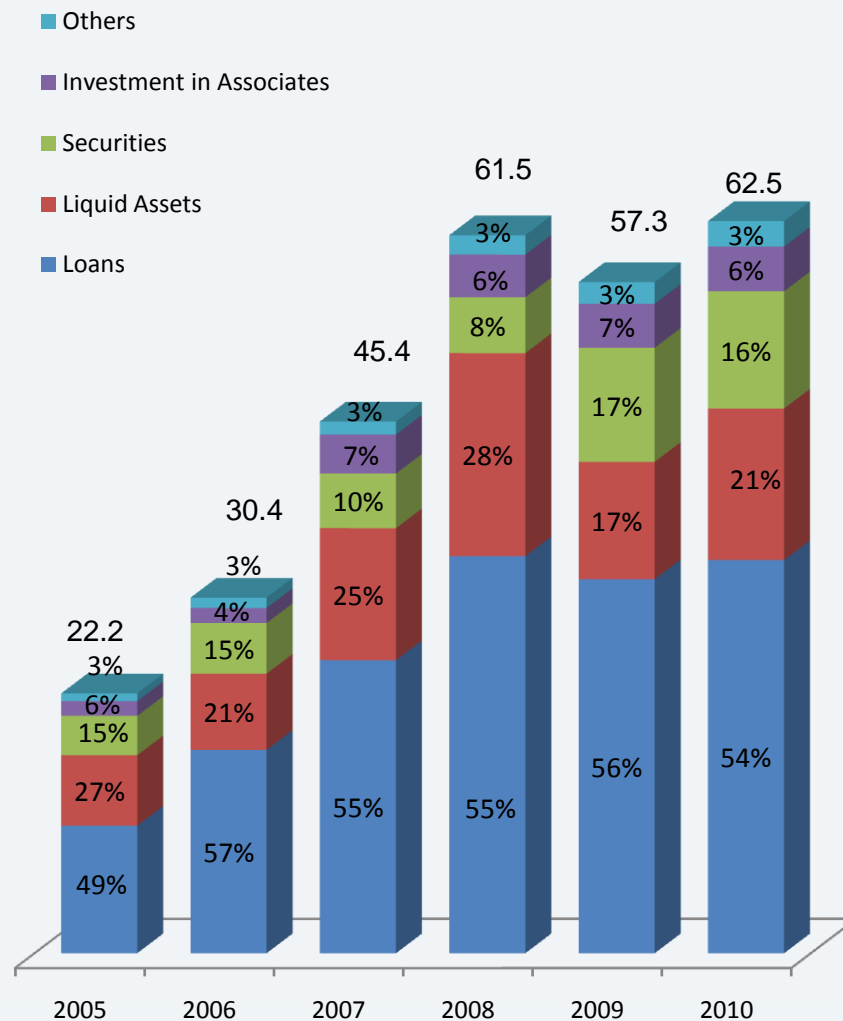
## Comments

- ◆ Total assets increased by 9% to QR 62.5bn from end of 2009
  - ◆ Increase of QR 1.6bn in lending to customers
  - ◆ Increase of QR 4.3bn in cash with central bank, offset by reduction of QR 1.4bn in interbank placements
- ◆ Total liabilities up by QR 4.7bn to QR 50.0bn from end of 2009
  - ◆ Increase in customers' deposits, up QR 7.0bn (27%) to QR 33.3bn
  - ◆ Customers' deposits now represent 67% of liabilities, up from 58% at 31 December 2009

## Liabilities mix



## Assets mix



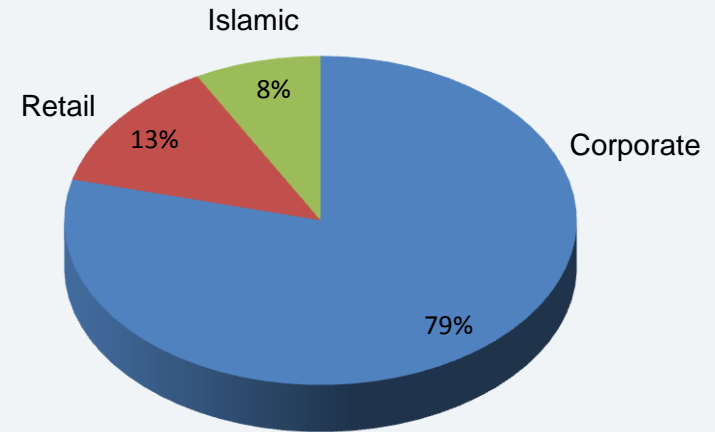


# Loan book breakdown - 31 December 2010

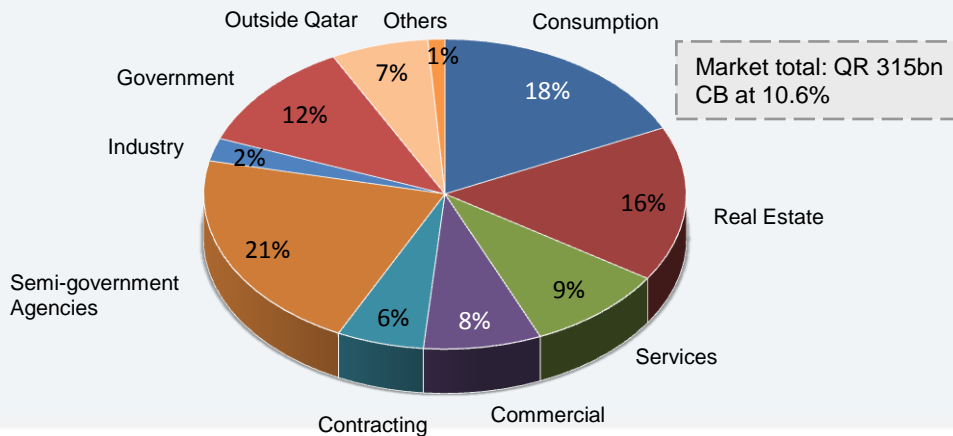
## Comments

- ◆ Loans to customers were QR 33.6bn, up 5%, but down 3% v end Sep 10
  - ◆ Early repayments
  - ◆ Growth well spread across four sectors: Semi-government, Services, Real estate and Consumption
- ◆ Corporate customers represent 79% of the total loan book
- ◆ Loan book is well diversified across industry sectors
- ◆ 92% of exposure is in Qatar
- ◆ 78% of the loan book has a maturity of more than one year

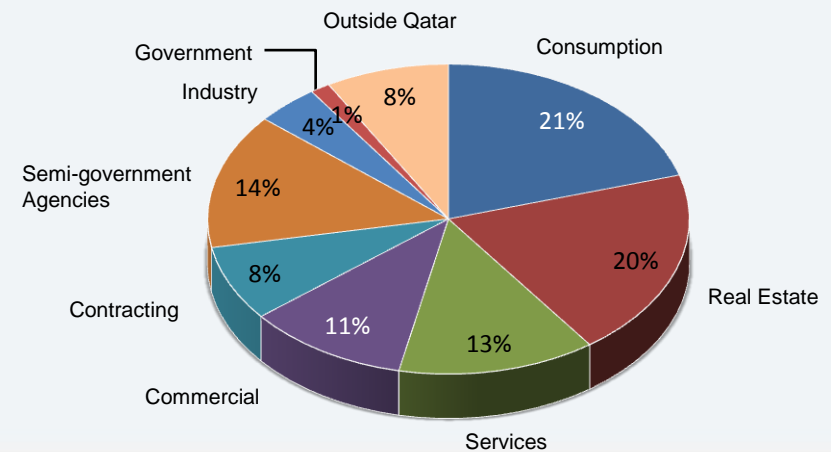
## Loan book breakdown by division – 31 Dec 2010



## Qatari banks credit facilities breakdown by sector – 31 Dec 2010



## Loan book breakdown by sector – 31 Dec 2010

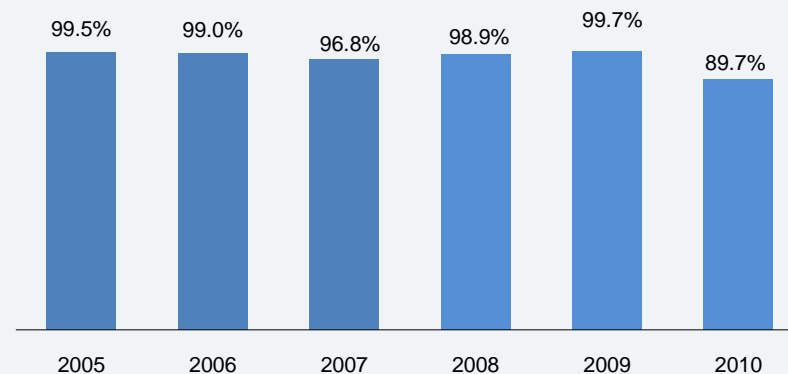


# Asset quality - 31 December 2010

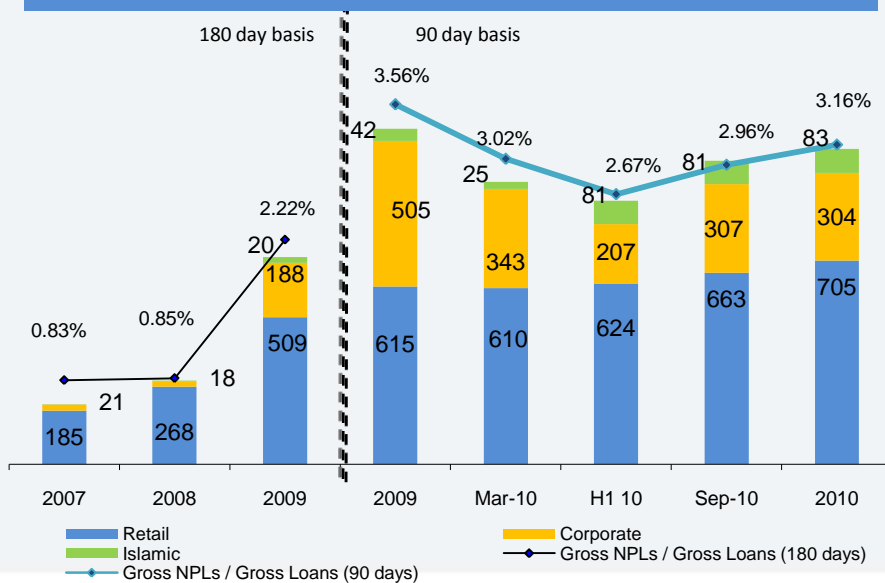
## Comments

- ◆ Provision for Loan Loss QR 167m FY 10 v QR 461m FY09
  - ◆ 2010 provisions comprise QR 62m for Retail; QR 31m for Islamic; and QR 74m for Corporate
- ◆ NPL ratio improved to 3.16% from 3.56% at FY09 but increased from 2.96% at Sep 10
  - ◆ Increase of interest in suspense
  - ◆ Lower lending activities
- ◆ Specific loan coverage down at 89.7%
- ◆ Risk reserve of QR 648m; total loan loss coverage of 149.1%

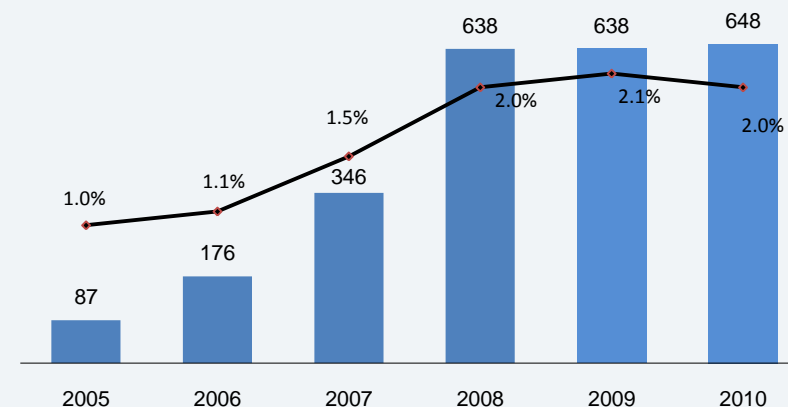
## Specific loan coverage ratio <sup>(1)</sup>



## NPL ratio



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



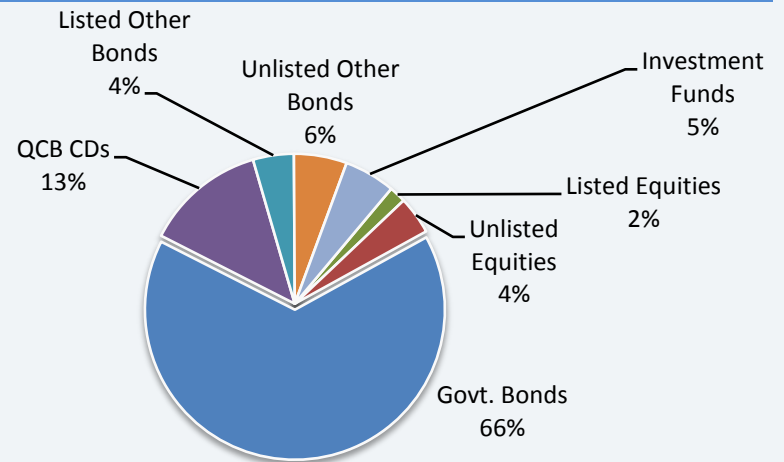
1) Specific loan coverage ratio defined as specific provisions as a percentage of specific non-performing loans  
 2) Risk reserve ratio represents risk reserve over total loans & advances net of specific provision, IIS, deferred profits of IB, lending to MOF and cash collateral.

# Investment portfolio - 31 December 2010

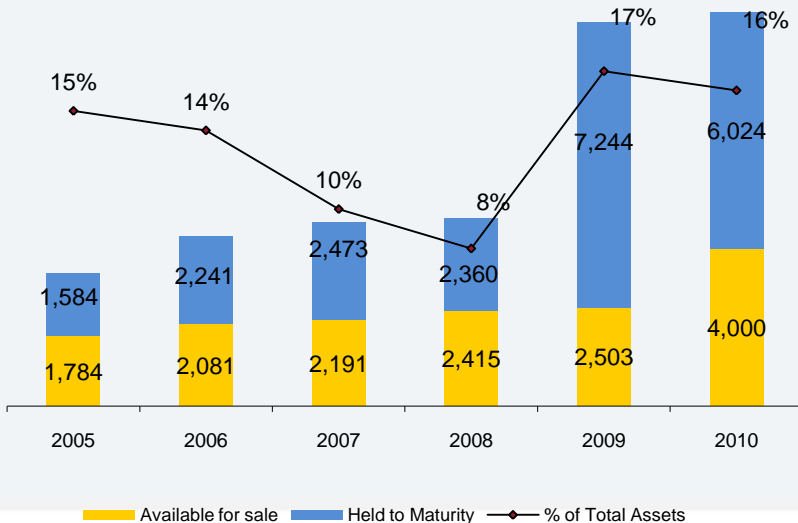
## Comments

- ◆ Investment portfolio increased to QR 10.0bn of which 79% is Qatar Government bonds and QCB certificates of deposits v QR 9.7bn at the end Dec 09
- ◆ Investment provisions at QR 128m v QR 182m FY09
- ◆ Mark-to-market fair value of QR 57m
- ◆ Investment gains realised of QR 64m v QR 37m FY09

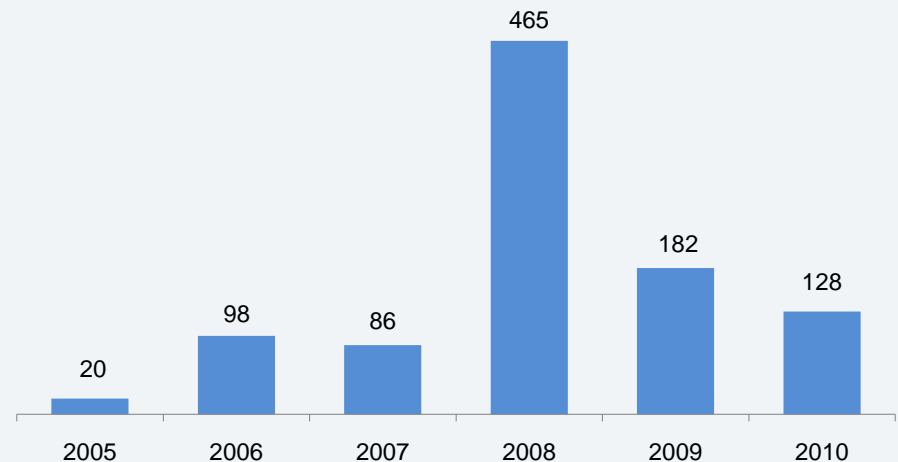
## Investment portfolio as at 31 Dec 2010



## Investment portfolio evolution (QR million)



## Investment portfolio provisions (QR million)

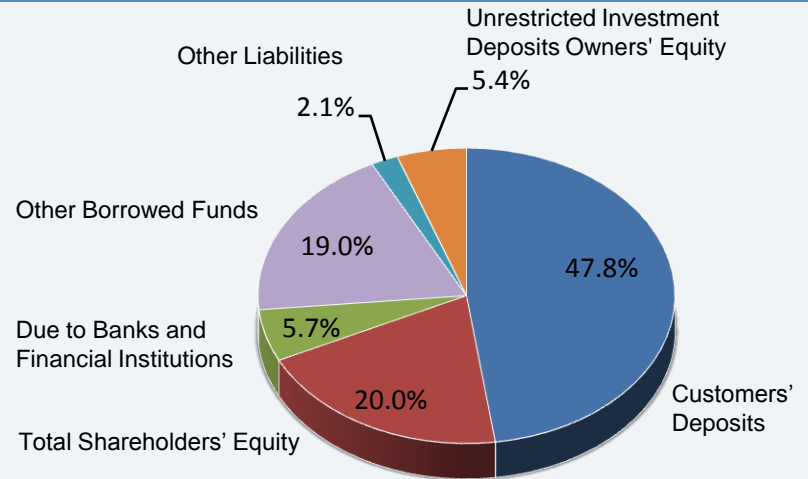


# Funding breakdown - 31 December 2010

## Comments

- Customers' deposits were up by QR 7.0bn to QR 33.3bn
- Well diversified funding mix with deposits representing 53%
- Stable wholesale funding represents 18% of funding mix
  - Successful issue of Swiss Franc note of CHF 275m in December
- Key liquidity ratios maintained well above levels set by QCB
- S&P has reaffirmed its ratings of A- in 2010 reflecting the Bank's solid market standing

## Total funding mix – 31 Dec 2010



## Wholesale funding

QR MM	2010	2009
EMTN (Floating Rate Notes due Oct 2011)	1,818	1,815
Syndicated Loan (\$650 MM Floating Rate due Feb 2012)	2,364	2,362
Senior Note (Fixed Rate due Nov 2014)	3,607	3,600
Swiss Franc note (Fixed Rate due Dec 2015)	1,055	--
Subordinated Note (Fixed Rate due Nov 2019)	2,150	2,148
<b>Total</b>	<b>10,994</b>	<b>9,924</b>

## Commercialbank credit ratings

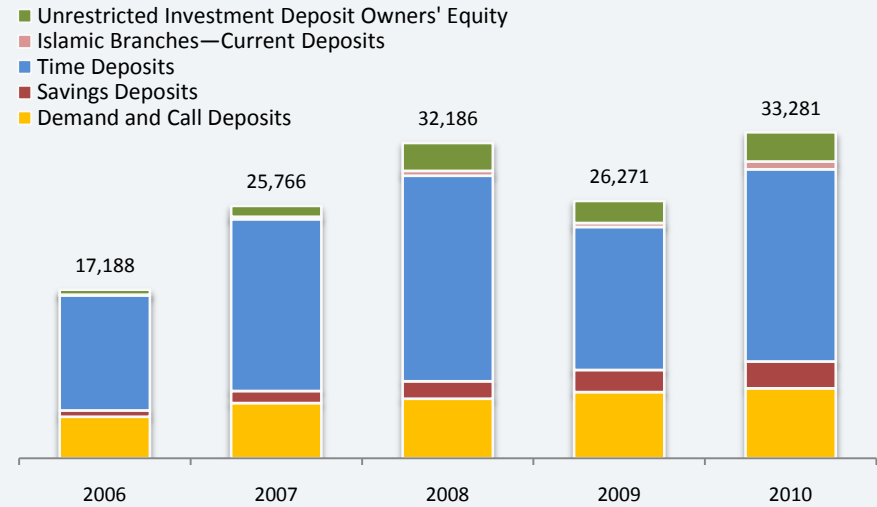
Rating Agency	Foreign Currency Bank Deposits/IDR		Bank Financial Strength/ Individual	Outlook	Date
	LT	ST			
MOODY'S	A1	Prime 1	C-	Stable	Dec 09
FITCH	A	F1	C	Stable	Mar 10
S&P	A-	A-2	-	Stable	Aug 10

# Deposits breakdown - 31 December 2010

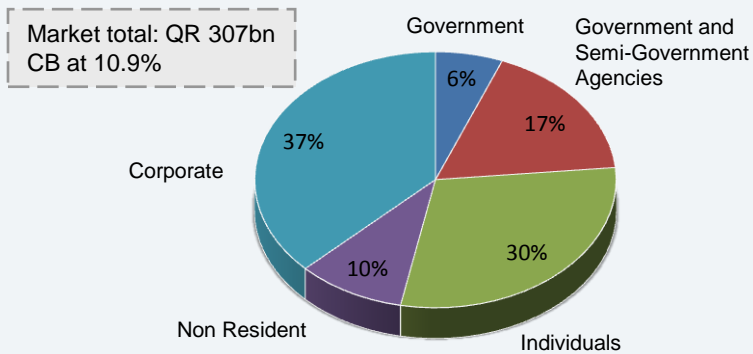
## Comments

- ◆ Customers' deposits increased 27% to QR 33.3bn since end Dec 09
  - ◆ Time deposits increased QR 5.0bn
  - ◆ Savings up QR 0.5bn
  - ◆ Demand and call deposits up QR 0.4bn
- ◆ Corporate customers provide 46% of deposits leveraging Commercialbank's strong customer relationships to attract deposits
  - ◆ Government and semi-government deposits increased to 25% of total deposits
- ◆ Loans to deposits ratio improved to 102% from 122%

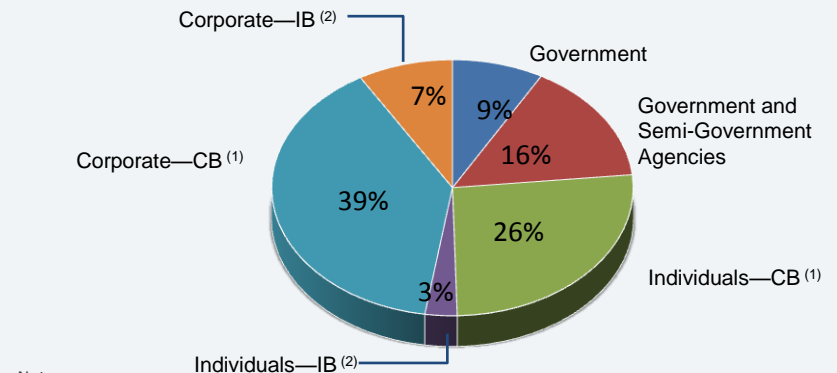
## Customers' deposits (QR million) – 31 Dec 2010



## Qatari banks deposits breakdown by sector – 31 Dec 2010



## Deposits by customer type – 31 Dec 2010



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

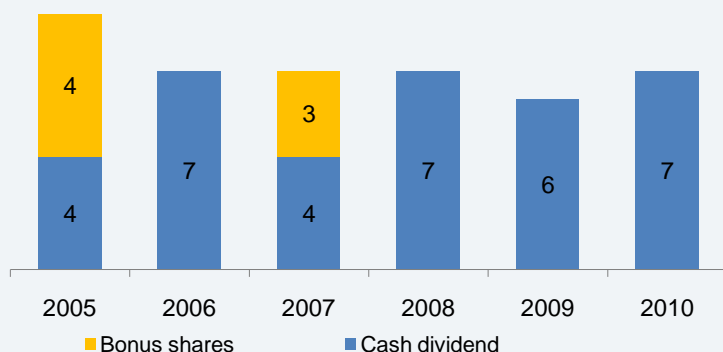
Source: Qatar Central Bank as of end of December 2010

# Strong Capitalisation - 31 December 2010

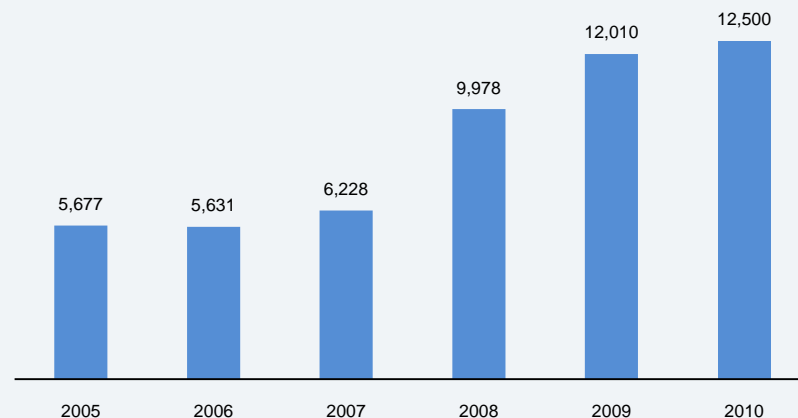
## Comments

- ◆ Total shareholders' equity at QR 12.5bn, up QR 0.5bn from end December 2009, due to:
  - ◆ 2010 net profit of QR 1.635bn; partially offset by:
  - ◆ Payment of 2009 dividend of QR 1.3bn
- ◆ 10.2m shares issued to Qatar Holding (QH) in Feb 2010
  - ◆ QH subscribed for further 20.6m shares in Jan 2011; shareholdings now stands at 16.7% after approval at EGM
- ◆ Total capital adequacy ratio at 18.5%; Tier 1 ratio at 16.7%
- ◆ Dividend for 2010 of QR 7 per share

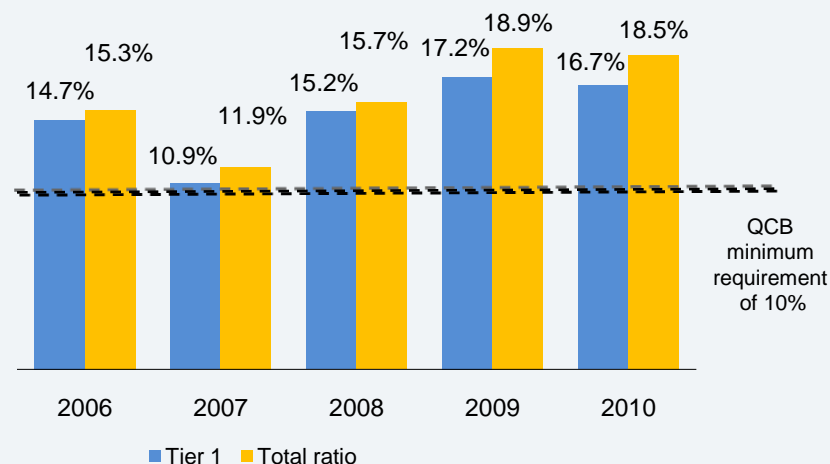
## Dividend distribution per share (QR)



## Shareholders' equity (QR million)



## Capital Adequacy Ratio



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

# Divisional Performance

## Corporate

- ◆ Net operating income was QR 1.947bn, marginally below FY09
  - ◆ Net interest income was up 13% but was offset by lower fee and dividend income
- ◆ Lower loan loss provisions of QR 74m FY10 v QR 266m in FY09
- ◆ Loans and advances to customers at QR 26.4bn, up 5% compared with Dec 09
  - ◆ Growth mainly in semi-government, services and real estate sectors
- ◆ Customers' deposits at QR 20.8bn, up 27% against Dec 09

## Retail

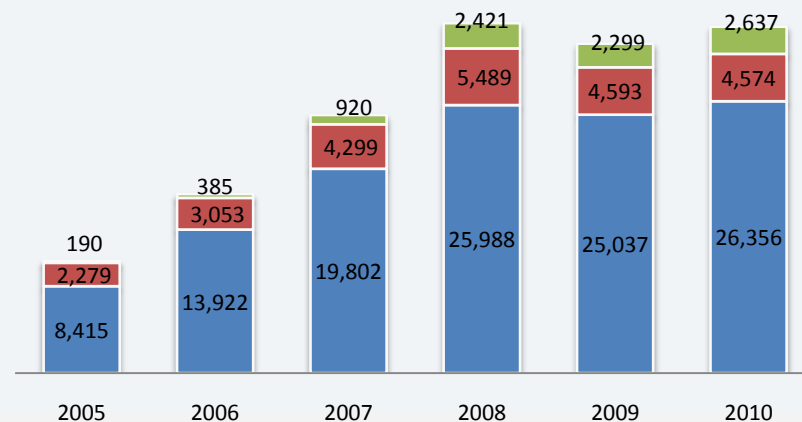
- ◆ Net operating income at QR 466m FY10
  - ◆ Net interest income is down but has been partially offset by increased non-interest income
- ◆ Lower loan loss provisions of QR 62m FY10 v QR 182m in FY09
- ◆ Loans and advances to customers maintained at QR 4.6bn
- ◆ Customers' deposits up 20% to QR 8.7bn v QR 7.3bn at Dec 09
- ◆ Commercialbank successfully launched new mobile banking services for customers
- ◆ Retail network at twenty four branches

## Islamic

- ◆ Net operating income was QR 98m v QR 109m in FY09
- ◆ Provisions for loan loss at QR 31m in FY10
- ◆ Islamic banking registered net profit of QR 27m in FY10
- ◆ Islamic financing increased by 15% to QR 2.6bn compared with QR 2.3bn at Dec 09
- ◆ Islamic banking deposits at QR 3.8bn v QR 2.7bn at Dec 09
- ◆ Islamic banking branch network at eight branches

## Divisional loan book

■ Corporate ■ Retail ■ Islamic





# Associates' Performance

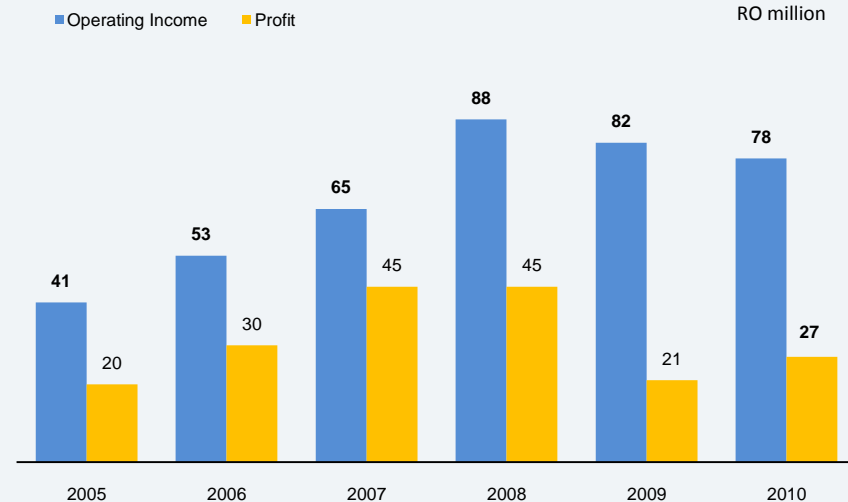
## National Bank Of Oman (NBO)

- ◆ NBO delivered improved earnings with net profit after tax, up 29%, at RO 27.2m compared with RO 21.1m in FY09
- ◆ Operating income lower at RO 78.1m against FY09
- ◆ Lower provisions for loans and investments at RO 7.9m in FY10 v RO 22.1m in FY09
- ◆ Loan book increased marginally to RO 1.36bn at Dec 10; NPL ratio improved to 3.5%
- ◆ Customers' deposits increased by 5% to RO 1.32bn at Dec 10
- ◆ Commercialbank has taken an adjustment of QR 17m in its 2010 results relating to 2009 NBO provisions recommended by the Central Bank of Oman

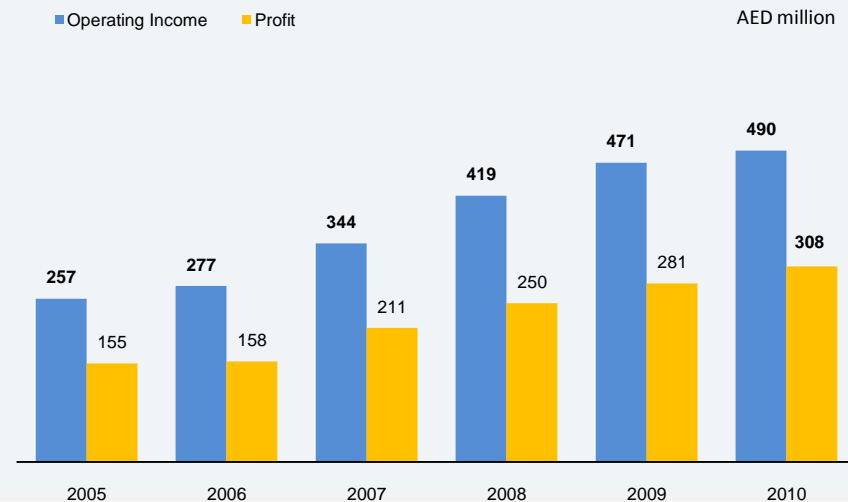
## United Arab Bank (UAB)

- ◆ Record net profit of AED 308m up 10% from AED 281m in FY09
- ◆ Net interest income increased by 5% to AED 341m; net interest margin improved by 0.4% to 5.4%
- ◆ Net operating income was up 4% to AED 490m
- ◆ Provisions for loans decreased by AED 15.2m to AED 19.3m
- ◆ Loan book increased by 16% to AED 5.5bn and customers' deposits increased by 9% to AED 4.9bn since end Dec 2009

## NBO performance



## UAB performance



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

# Outlook

## Comments

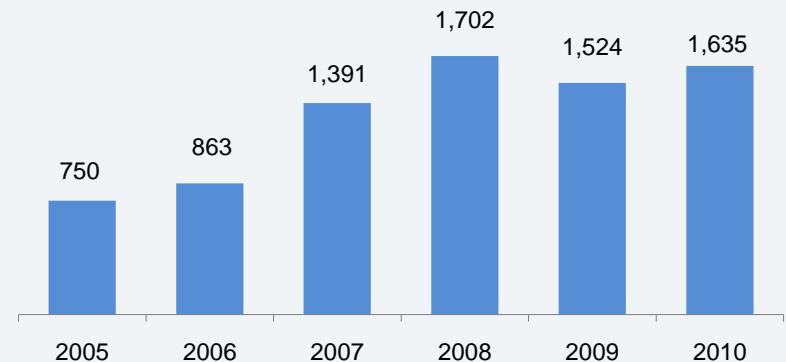
### Full Year 2010 Summary

- ◆ Successful realignment of the core businesses ensured the Bank positioned to target opportunities in public and private sectors
- ◆ Delivered on strategy of measured risk-based growth
- ◆ Core areas of focus have continued to be:
  - ◆ Balance sheet management
  - ◆ Strong asset quality
  - ◆ Low cost funding base
- ◆ Annual trends indicate success of business realignment:
  - ◆ Improved profitability
  - ◆ Growth in loans and advances and customers' deposits
  - ◆ Lower levels of provisions
  - ◆ Asset quality remains stable

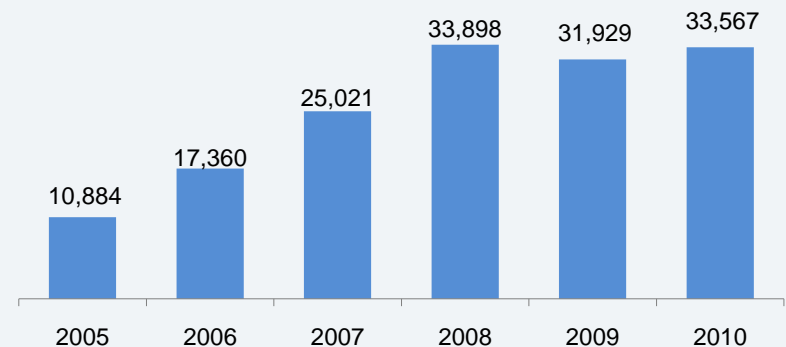
### Economy and Opportunities

- ◆ Public sector: continue to build presence to win opportunities in the forecast growth in infrastructure spending
- ◆ Private sector: remains muted; will continue to focus on opportunities with established customer relationships but also seek new business wins

## Net profit (QR millions)



## Loans and advances to customers (QR million)



# Outlook

## Comments

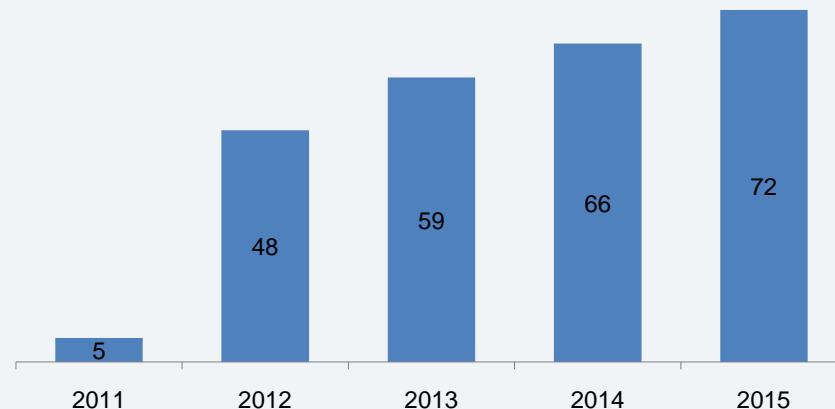
### Strategy

- ◆ Commercialbank will continue to focus on the Qatari market. NBO and UAB will also focus on their own domestic markets
- ◆ Commercialbank will look for opportunities to continue its international expansion; this strategy has been on hold during global financial downturn
- ◆ Implemented a strategic transformation of our corporate and retail businesses
- ◆ Signed a Letter of Intent with Tata Consultancy Services to set up a strategic outsourcing partnership which will deliver integration and efficiencies as well as significant operational savings
- ◆ Undertaking a comprehensive Quality Improvement Programme across the Bank

### Outlook

- ◆ Deliver on the growth and efficiencies derived from the above strategic initiatives, including further development of synergies with our regional affiliates
- ◆ Continued focus on tight balance sheet management, strong asset quality and a low cost funding base
- ◆ Continue to build the Bank's presence in the public sector
- ◆ Manage the changes required sensitively in our Islamic business
- ◆ CBQ is well positioned and is strongly capitalised to grow the franchise in 2011

## Projected cost saving (QR million)



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

Note: GDP per capita in USD'000 for the years 2008-2011 are EIU estimates

