

# Commercial Bank of Qatar

Financial Results

For the year ended 31<sup>st</sup> December 2011

21<sup>st</sup> February 2012



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**

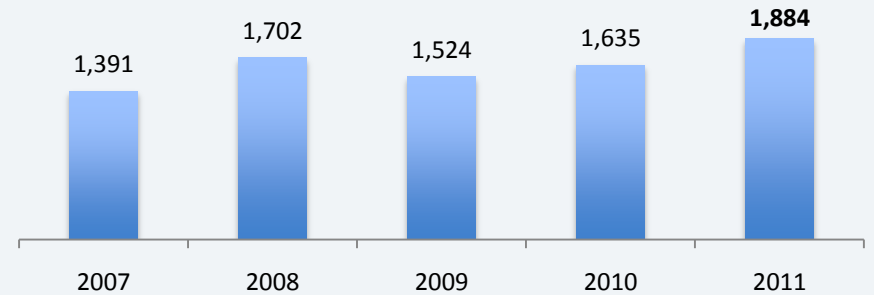
- Financial Performance
- Business Performance
- Outlook

# Key Highlights – Year ended 31 December 2011

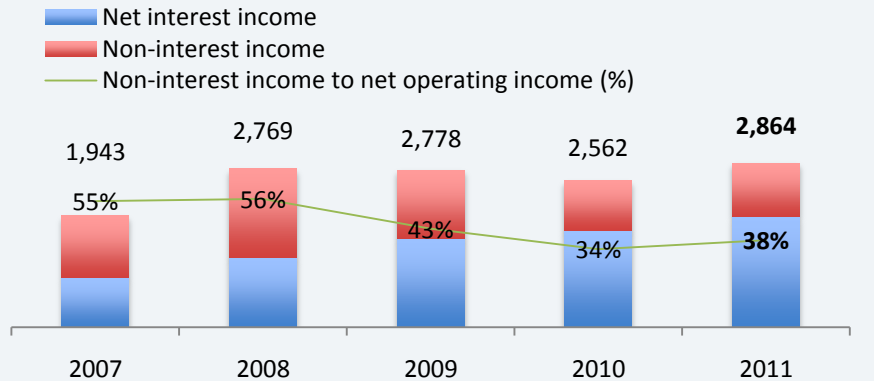
## Key Highlights

- ◆ 2011 performance demonstrated success in delivery of our strategy:
  - ◆ Growth in loan book across various sectors
  - ◆ Developed diversification of income sources
- ◆ Record net profit of QR 1.9bn, up 15% v FY10
  - ◆ Q411 net profit of QR 376m, up 22% v Q410
  - ◆ Net operating income of QR 2.9bn, up 12% v FY10
- ◆ Strong increases in revenue, lending and profitability at alliance banks
- ◆ Tight balance sheet management:
  - ◆ Total assets of QR 71.5bn, up 14% v 12'10
  - ◆ ROAA improved to 2.8%
  - ◆ Lending increased 24% to QR 41.6bn v 12'10
  - ◆ Net interest margin held at 3.5% in FY11
- ◆ Overall asset quality remains strong:
  - ◆ NPL ratio of 1.20% at 12'11 v 3.16% at 12'10
- ◆ Five year strategic outsourcing partnership with TATA Consultancy Services in place
  - ◆ Delivering tangible improvements in controls, efficiency and customer service

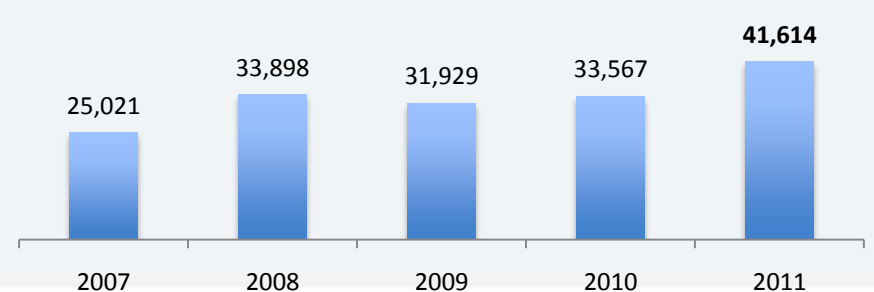
## Net profit (QR million)



## 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 2011

## Profitability

QR million	2011	2010	%
Net interest income	1,938	1,778	9%
Non-interest income	926	784	18%
Total costs	875	787	11%
Net provisions	307	295	4%
Net profit	1,884	1,635	15%

## Balance Sheet

QR million	31.12.11	31.12.10	%
Total assets	71,540	62,520	14%
Loans & advances	41,614	33,567	24%
Financial investments	11,733	10,024	17%
Customers' deposits	37,989	33,281	14%
Shareholders' equity	14,230	12,500	14%

## Performance Ratios

	2011	2010
ROAE	14.1%	13.3%
ROAA	2.8%	2.7%
EPS (QR)	7.71	7.24
NIM	3.5%	3.7%

## Capital

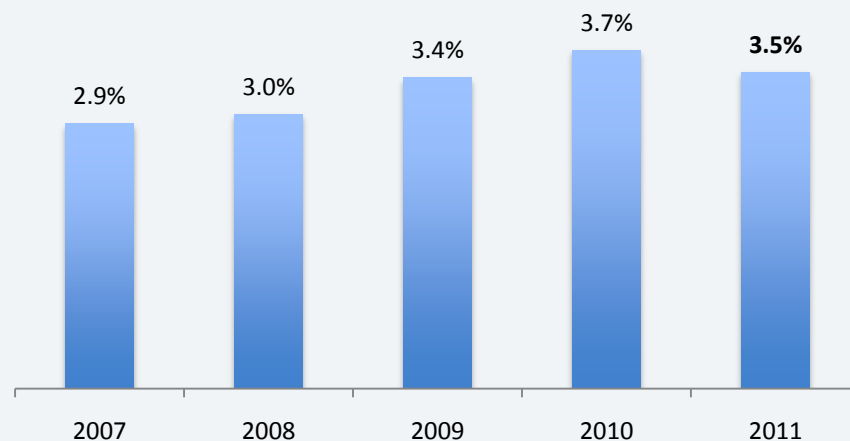
	31.12.11	31.12.10
RWA (QR million)	61,288	49,821
Tier 1 ratio	16.4%	16.7%
Total Capital ratio	17.9%	18.5%

# Earnings Performance – Year ended 31 December 2011

## Comments

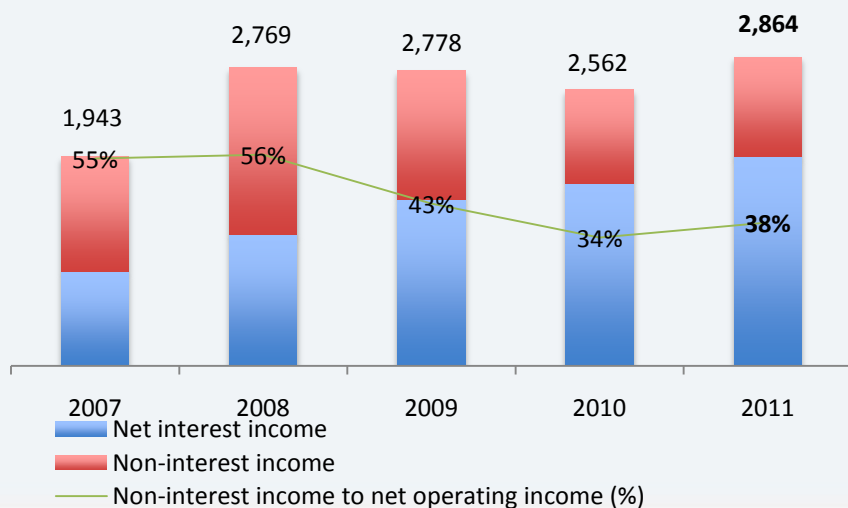
- ◆ Net interest income improved by 9% to QR 1,938m
  - ◆ Strong growth in lending
  - ◆ Lower average cost of funds; partially offset by
    - ◆ Lower asset yields
  - ◆ Net interest margin lower at 3.5% v 3.7% in FY10
- ◆ Non-interest income up 18% to QR 926m v QR 784m in FY10
  - ◆ Increased fee income, up 11%
  - ◆ Higher investment gains and dividend income
- ◆ Cost to income ratio lower at 28.5% v 29.0% in FY10

## Net interest margin

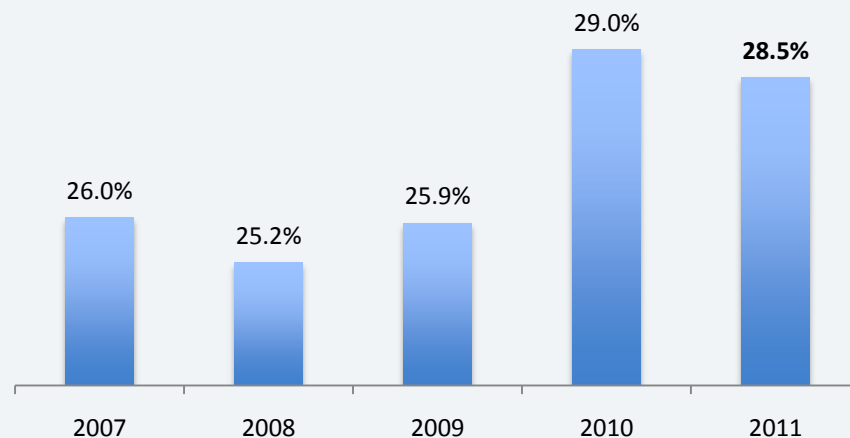


Net interest income as a % of average interest earning assets, including (i) loans and advances to customers, (ii) bonds and (iii) loans to other credit institutions (excluding Islamic Banking)

## Net operating income (QR million)



## Cost to income ratio



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

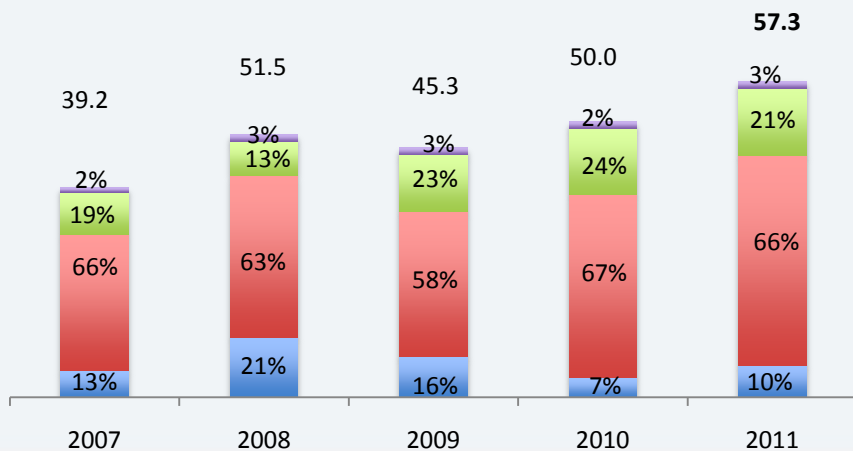
# Balance Sheet Structure – 31 December 2011

## Comments

- ◆ Total assets increased by 14% to QR 71.5bn v 12'10
  - ◆ QR 8.0bn increase in lending to customers
  - ◆ 17% increase in Investments to QR 11.7bn
  - ◆ Increase of QR 5.0bn in interbank placements; partially offset by:
    - ◆ reduction in cash and balances with Central Bank
- ◆ Total liabilities up by QR 7.3bn to QR 57.3bn v 12'10
  - ◆ Increase in customers' deposits by 14% to QR 38.0bn
  - ◆ Customers' deposits represent 66% of liabilities

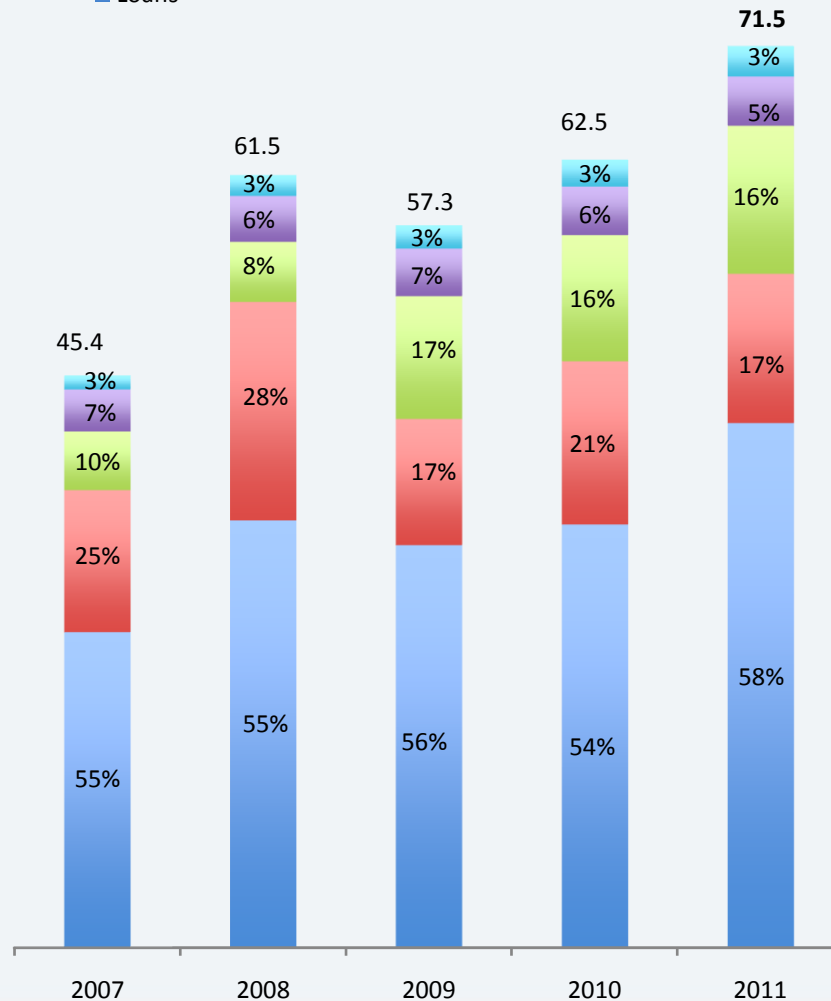
## Liabilities mix

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



## Assets mix

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



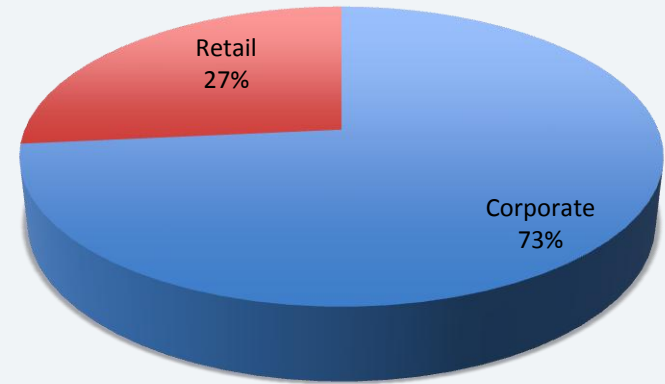


# Loan Book Breakdown – 31 December 2011

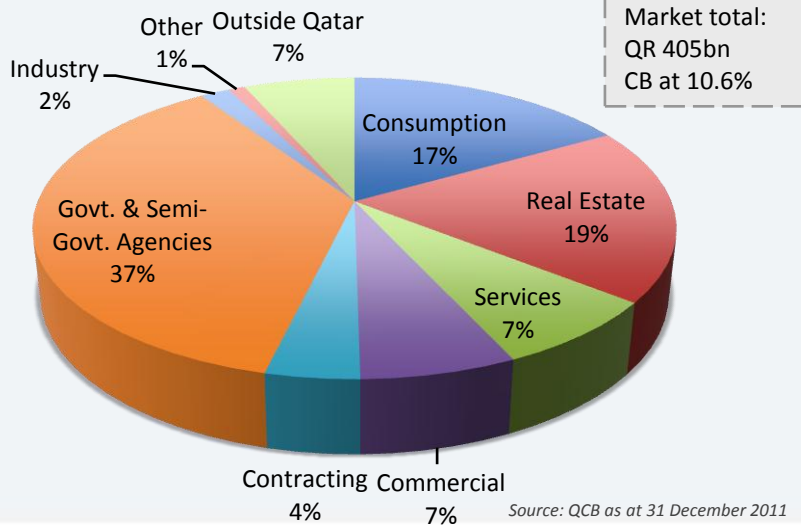
## Comments

- ◆ Loans to customers were QR 41.6bn, up 24% v 12'10
  - ◆ Public and Private Sectors
  - ◆ Growth mainly in four industry sectors: Semi-government, Real Estate, Consumption and Commerce
- ◆ Corporate customers represent 73% of total loan book
- ◆ Loan book diversified across industry sectors
- ◆ 93% of exposure is in Qatar
- ◆ 84% of the loan book has a maturity of more than one year

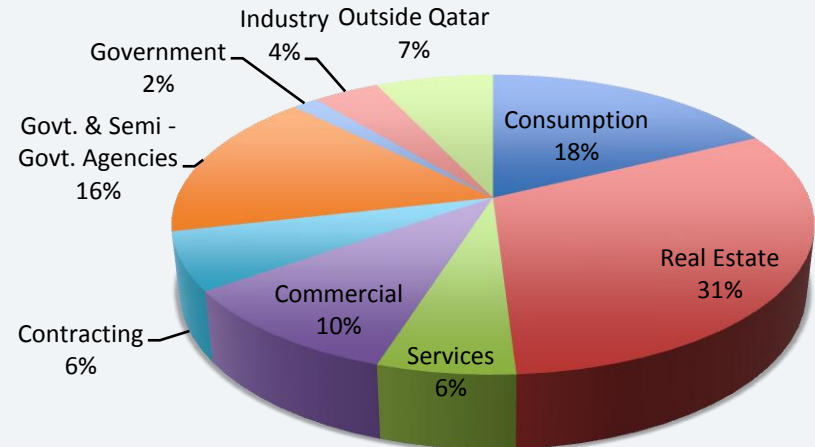
## Loan book breakdown by division – 31 December 2011



## Qatari banks credit facilities breakdown by sector



## Loan book breakdown by sector – 31 December 2011

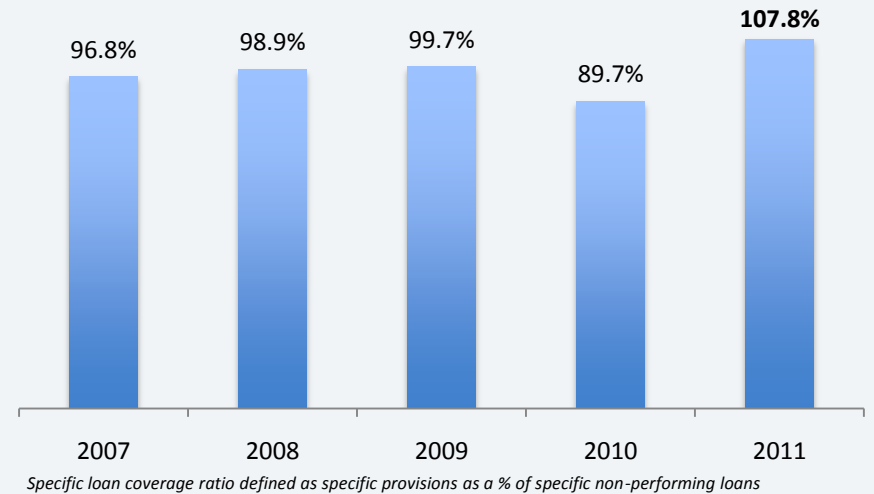


# Asset Quality – 31 December 2011

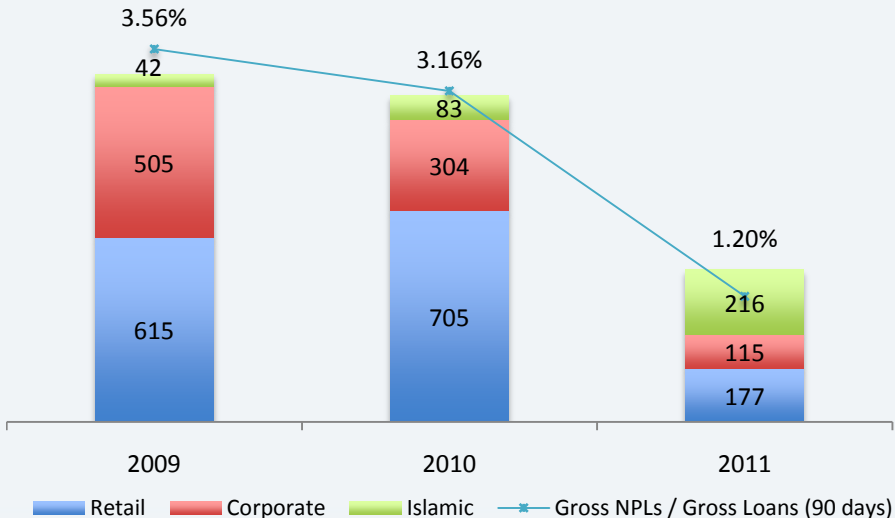
## Comments

- ◆ Provision for Loan Loss was QR 239m in FY11 v QR 167m in FY10
  - ◆ Comprising QR 179m for Corporate, QR 25m for Retail and QR 36m for Islamic
- ◆ NPL ratio improved to 1.20% at 12'11 from 3.16% at 12'10, due to
  - ◆ Write-off of fully provided historic loans
  - ◆ Growth in lending during the year
- ◆ Specific loan coverage up at 107.8%
- ◆ Risk reserve of QR 806m; total loan loss coverage of 266%

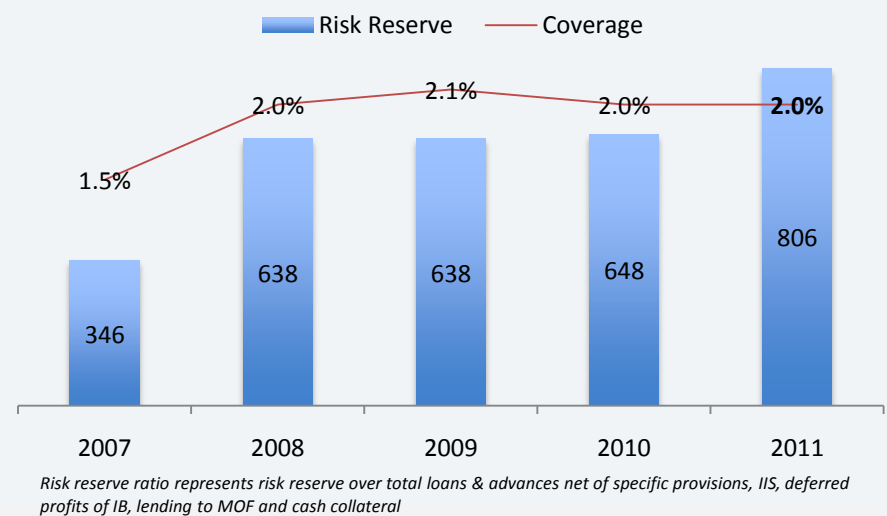
## Specific loan coverage ratio <sup>(1)</sup>



## NPL ratio (90 day basis)



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

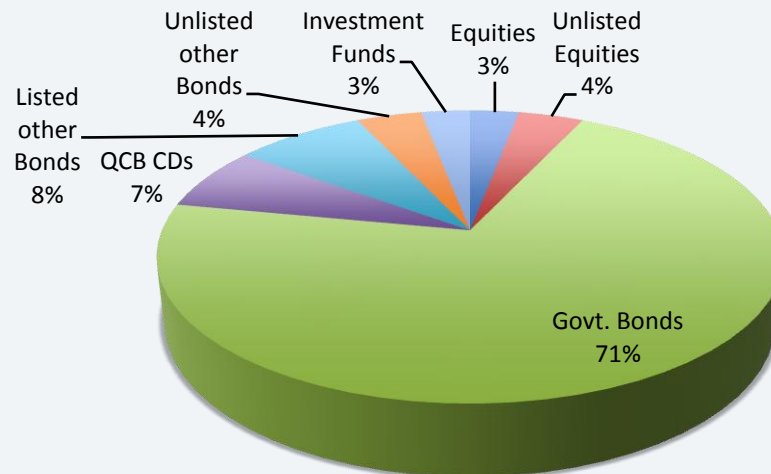


# Investment Portfolio – 31 December 2011

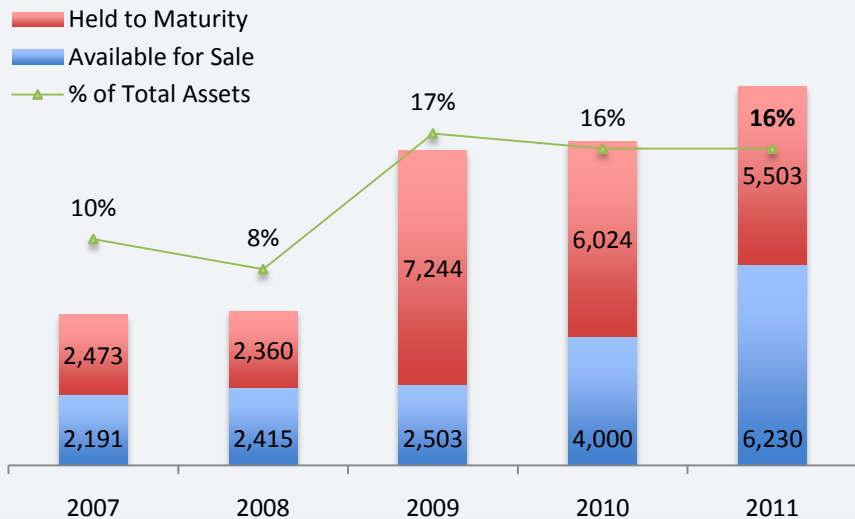
## Comments

- ◆ Investment portfolio up 17% to QR 11.7bn v 12'10
  - ◆ 78% Qatar Government bonds and QCB CDs
  - ◆ Qatar Government bonds up QR 1.8bn v 12'10
- ◆ Investment provisions decreased to QR 68m v QR 128m in FY10
- ◆ Investment gains realised of QR 136m v QR 64m in FY10
- ◆ Dividend income increased to QR 24m v QR 12m in FY10

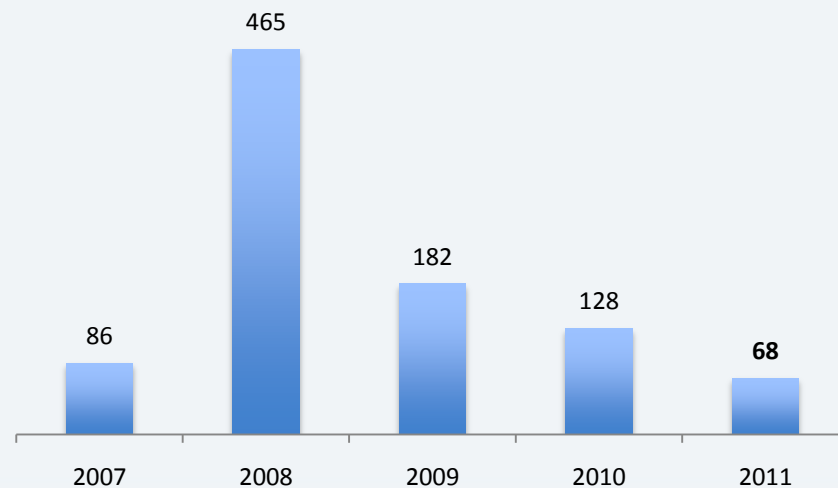
## Investment portfolio as at 31 December 2011



## Investment portfolio evolution (QR million)



## Investment portfolio provisions (QR million)



# Funding Breakdown – 31 December 2011

## Comments

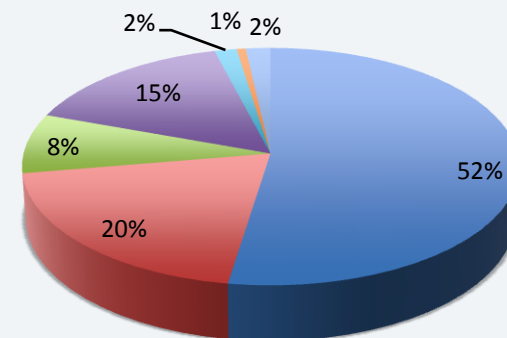
- ◆ Customers' deposits increased QR 4.7bn to QR 38.0bn v 12'10
- ◆ Well diversified funding mix with total deposits representing 53%
- ◆ Debt and other borrowed funds (including Repos) represents 17% of funding mix
- ◆ Shareholders' equity represents 20% of funding mix
- ◆ US\$ 500m EMTN repaid on 12 October 2011
- ◆ Bi-lateral loan agreements closed in Q3/Q4
- ◆ Key liquidity ratios maintained well above levels set out by QCB
- ◆ All rating agencies reaffirmed their LT ratings in 2011

## Debt issued and other borrowed funds

QR Million	2011	2010
EMTN (Floating Rate Notes due Oct 2011)	-	1,818
Syndicated Loan (Floating Rate due Feb 2012)	2,365	2,364
Senior Note (Fixed Rate due Nov 2014)	3,615	3,607
Swiss Franc note (Fixed Rate due Dec 2015)	1,104	1,055
Subordinated Note (Fixed Rate due Nov 2019)	2,153	2,150
Bilateral loans	1,817	-
<b>Total</b>	<b>11,054</b>	<b>10,994</b>

## Total funding mix – 31 December 2011

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



## Commercialbank credit ratings

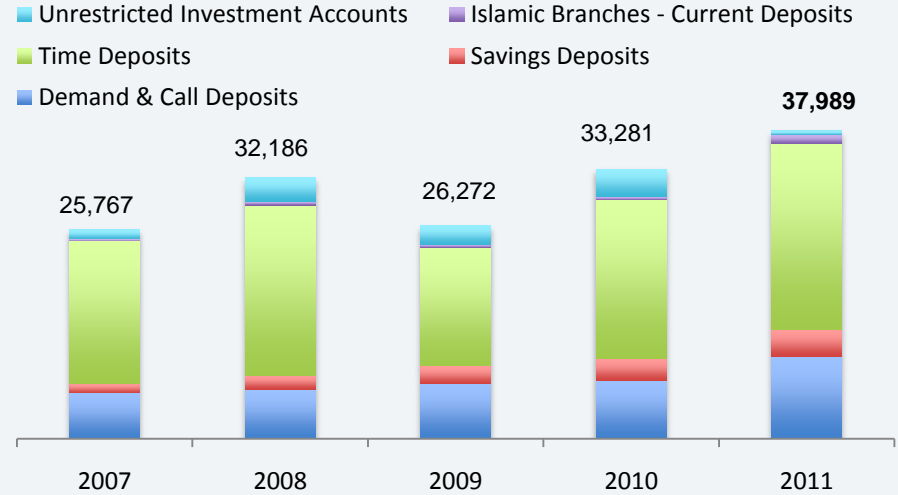
Rating Agency	Foreign Currency Bank Deposits/IDR		Bank Financial Strength/ Individual	Outlook	Date
	LT	ST			
Moody's	A1	Prime 1	C-	Stable	Jul 11
Fitch	A	F1	C	Stable	May 11
S&P	A-	A-2	-	Stable	Dec 11

# Deposits Breakdown – 31 December 2011

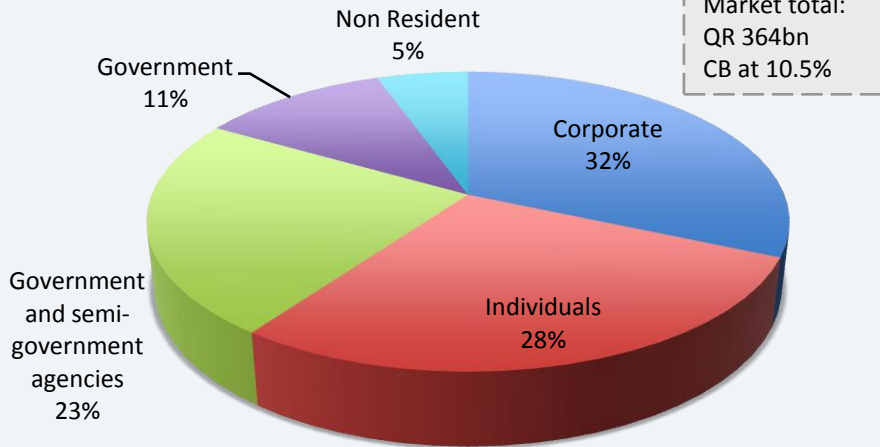
## Comments

- ◆ Customers' deposits increased 14% to QR 38.0bn v 12'10
  - ◆ Demand and call up QR 3.5bn to QR 11.4bn
  - ◆ Savings increased QR 0.7bn to QR 3.6bn
  - ◆ Time deposits up QR 0.5bn to QR 23.0bn
- ◆ Leveraging strong customer relationships, Corporate customers provide 35% of deposits
  - ◆ Government and Semi-Government at 38%, up from 25% at 12'10
- ◆ Loan to deposit ratio of 110%

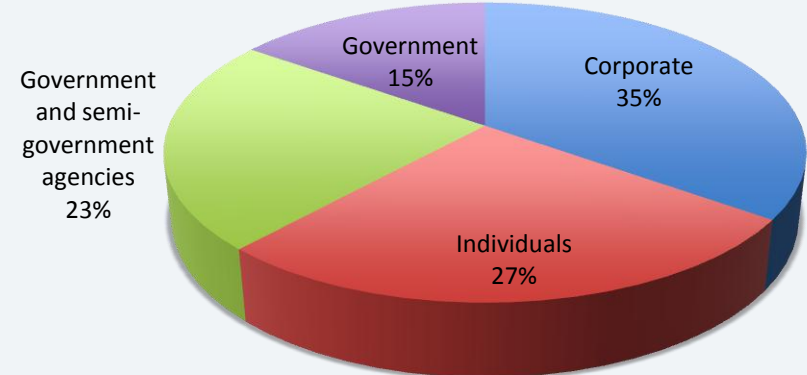
## Customers' deposits (QR million) – 31 December 2011



## Qatari banks deposits breakdown by sector



## Deposits by customer type – 31 December 2011



Corporate and Individuals includes unrestricted investment accounts

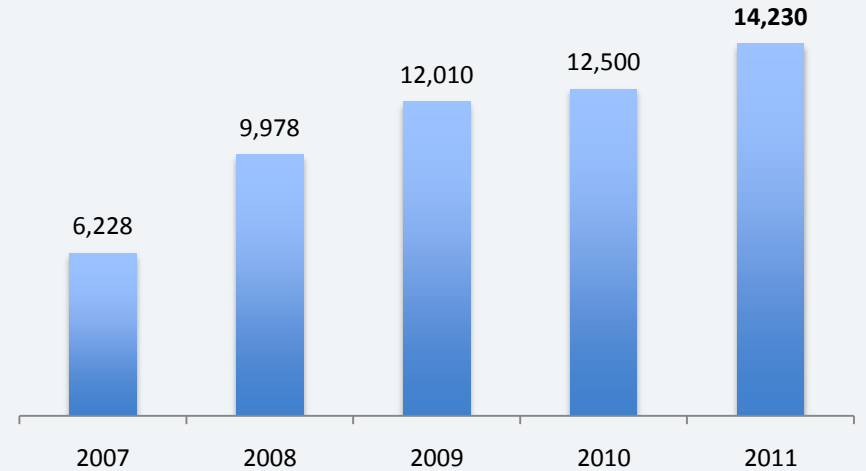
Source: QCB as at 31 December 2011

# Strong Capitalisation – 31 December 2011

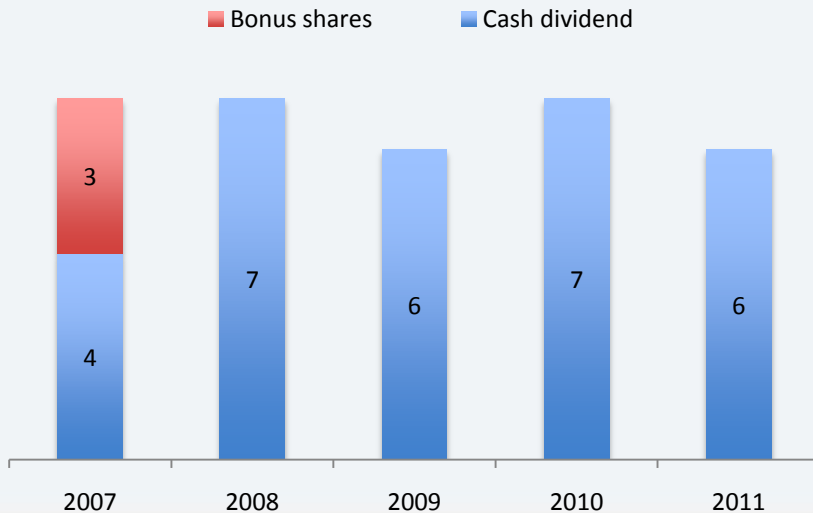
## Comments

- ◆ Total shareholders' equity at QR 14.2bn, up QR 1.7bn from end December 2010, due to
  - ◆ Capital injection from Qatar Holdings (QH) of QR 1.6bn
  - ◆ 2011 net profit of QR 1.9bn; partially offset by
  - ◆ Dividend payment of QR 1.6bn
- ◆ 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%
- ◆ Proposed dividend of QR 6 per share

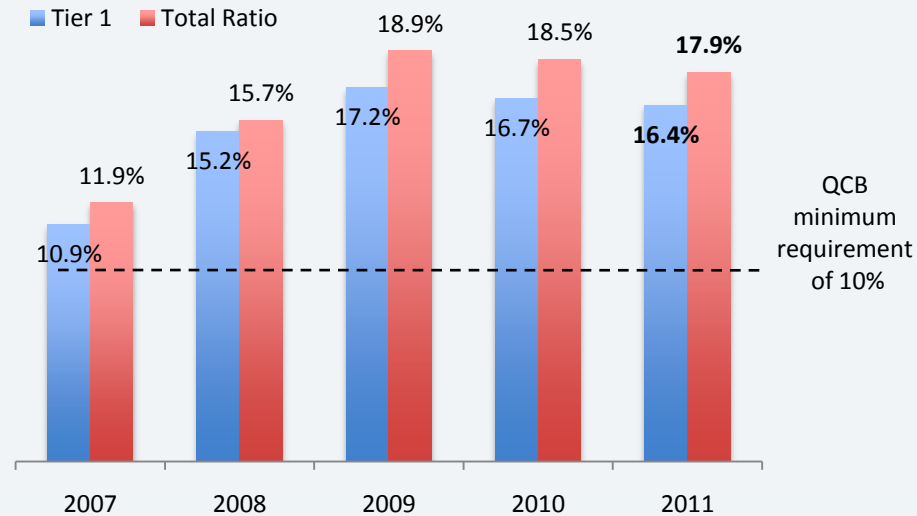
## Shareholders' equity (QR million)



## Dividend distribution per share (QR)



## Capital Adequacy Ratio



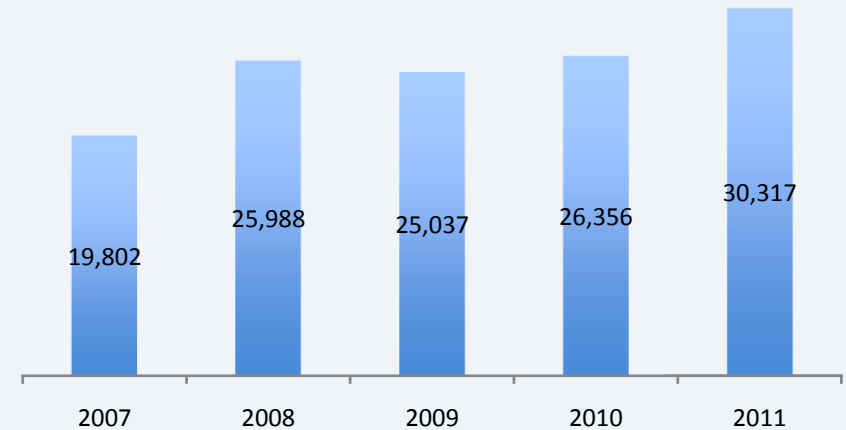
- Key Highlights
- Financial Performance
- **Business Performance**
- Outlook

# Divisional Performance – Year ended 31 December 2011

## Corporate

- ◆ Net operating income was QR 2.0bn v QR 1.9bn in FY10
  - ◆ Net interest income was QR 1.4bn, in line with FY10
  - ◆ Other income up 12% to QR 592m
- ◆ Loan loss provisions of QR 179m
- ◆ Loans and advances to customers at QR 30.3bn, up 15% v 12'10
  - ◆ Growth mainly in Government, Semi-Government , Real Estate and Commercial sectors
- ◆ Customers' deposits at QR 26.8bn, up from QR 20.7bn at 12'10

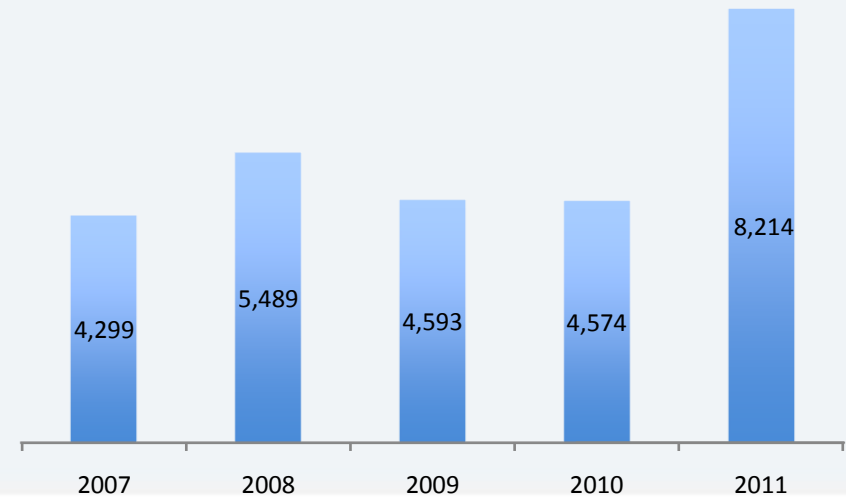
## Corporate loan book (QR million)



## Retail

- ◆ Net operating income was QR 649m v QR 466m in FY10
  - ◆ Net interest income up 36% to QR 378m
  - ◆ Other income up QR 82m to QR 271m
- ◆ Loan loss provisions of QR 25m v QR 62m in FY10
- ◆ Loans and advances to customers were QR 8.2bn v QR 4.6bn
- ◆ Customers' deposits up 9% to QR 9.6bn v 12'10
- ◆ Retail network at 27 branches and 153 ATMs

## Retail loan book (QR million)



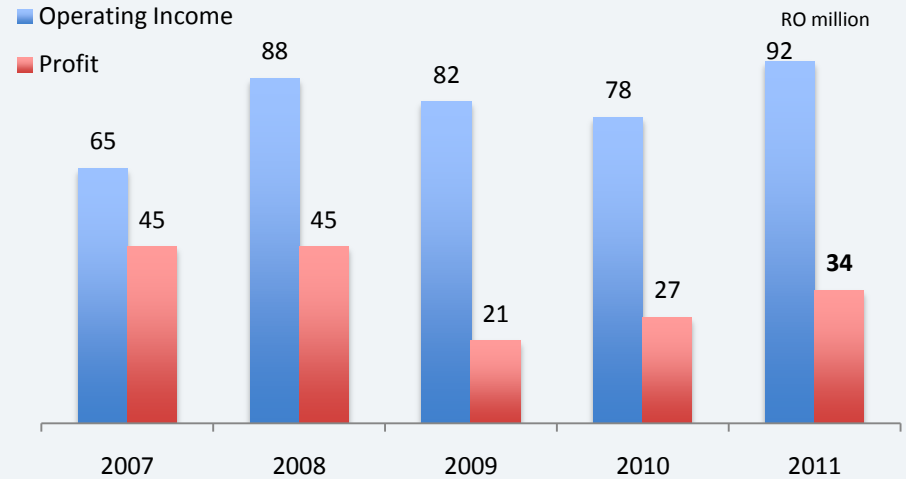


# Associates' Performance – Year ended 31 December 2011

## National Bank of Oman (NBO)

- ◆ Net profit after tax up 26% to RO 34.2m v RO 27.2m FY10
- ◆ Operating income up 18% to RO 92m v FY10
  - ◆ Net interest income increased RO 2.6m to RO 58.2m
  - ◆ Non-interest income grew RO 11.6m to RO 34.0m
- ◆ Net provisions were up by RO 2.1m to RO 10.1m, predominantly due to higher investment impairment; NPL ratio improved to 2.9% from 3.5% at 12'10
- ◆ Loan book grew 23% to RO 1.7bn v 12'10; customers' deposits up 21% to RO 1.6bn
- ◆ Total capital adequacy ratio at 15.3%

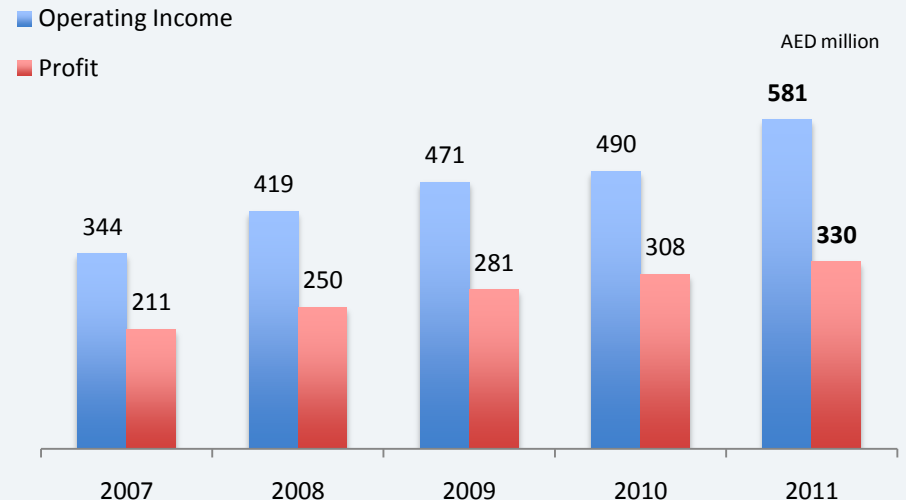
## NBO performance



## United Arab Bank (UAB)

- ◆ Record net profit of AED 330m, up 7%, from AED 308 in FY10
- ◆ Net operating income up 19% to AED 581m v AED 490m in FY10
  - ◆ Net interest income up 24% to AED 434m
  - ◆ Non-interest income up 6% to AED 147m
- ◆ Provisions for loan losses increased to AED 70m
- ◆ Loan book grew 46%, AED 2.6bn, to AED 8.1bn
- ◆ Customers' deposits up 61% to AED 7.8bn
- ◆ Total capital adequacy ratio at 20.3%

## UAB performance



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

# Outlook

## Comments

### Full Year 2011

- ◆ Successful delivery of our strategy
- ◆ Record full year performance
- ◆ Strong growth in revenue, lending and profit

### Strategy into Action

- ◆ Strong domestic growth across all alliance banks
- ◆ Developed presence in chosen growth segments
- ◆ Diversification of income streams
- ◆ Strategic outsourcing partnership delivering benefits

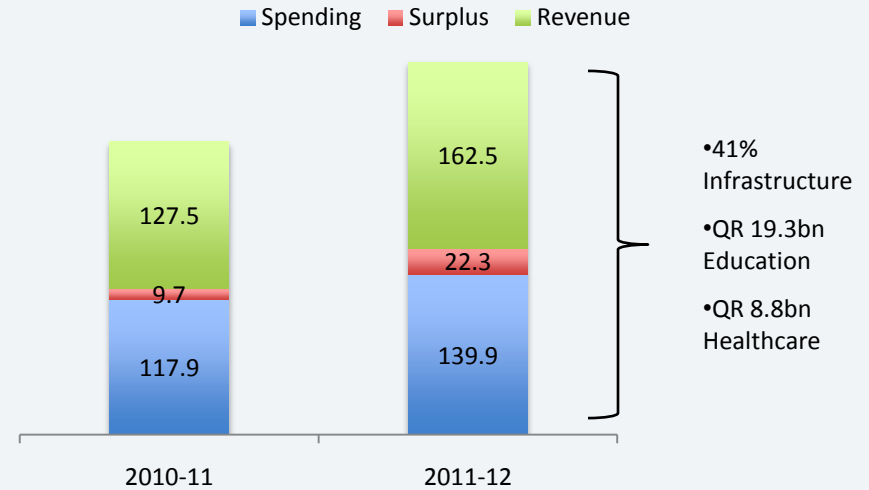
### Economy and Opportunities

- ◆ Qatar well positioned despite ongoing global uncertainty
- ◆ Outlook remains positive
- ◆ 2012 budget expected to be higher than 2011

### Outlook

- ◆ Build on 2011 momentum
- ◆ Further development of the strategic realignment
- ◆ Maintain focus on balance sheet management, asset quality and risk management
- ◆ Deliver long term value to shareholders and to customers

## State of Qatar 2011 – 2012 budget



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

