

Gulf Latin American Summit



**Qatar / Latin American
Opportunities: Banking, Finance & Capital Markets**

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Al Khalij Commercial Bank – (“al khaliji”)

Introduction

- A young regional bank headquartered in Qatar
- Engaged in conventional and Islamic banking activities
- Founded by prominent investors from Qatar, UAE, Kuwait, Oman and Bahrain
- Regional and international footprint (Qatar, UAE and France)
- A strong capital base

- Listed on Qatar Exchange (QE): August 2007 (KCBK : QA)
- Entered QE 20 Index: January 2009
- Paid up capital (incl. premium): QR 4.32 billion (US\$ 1.2 billion)
- Total Assets QR 17.8 billion
- Capital Adequacy Ratio: 26 percent

- Comprising 4 business segments:
 - Consumer Banking (Retail and Premium banking)
 - Business Banking (SME)
 - Corporate and Institutional Banking
 - Treasury



GCC Financial Sector

Introduction To The Gulf

- The economies of the Gulf Cooperative Council (GCC) are :
 - mainly large oil exporters
 - have fixed exchange rate regimes* and
 - Share strengths and vulnerabilities (international oil prices)

* Except Kuwait

GCC Financial Sector

- The financial sector in the GCC is dominated by the banking sector
- Insurance sector remains small
- Local debt and capital markets are maturing
- Investment funds have been growing rapidly in several countries, although largely focused on domestic equity and real estate
- Stock market capitalization has grown strongly in recent years

General Characteristics Of The GCC Banking System

- Domestic banks dominate the market in each of the 6 countries
- In recent years GCC experienced significant private credit growth
- The concentration of credit portfolios varies from a country to another
- Recently Islamic banks have grown and control 24% of the banking assets
- Generally banks are well capitalized with CAR above requirements
- GCC banks have stable sources of earnings from traditional banking



Introduction to Qatar: Banking

Qatar Introduction

- One of the fastest growing economies, with one of the highest levels of per capita income
- Economy underpinned by large oil and gas reserves and rapidly expanding production capacities
- Enjoys one of the highest credit ratings (Moody's Aa2, S&P AA-) among emerging markets and MENA countries
- Ranked: No. 2 in the 'World Economic Forum Arab World Competitiveness' report
No.7 globally in the 'UN Foreign Direct Investment Potential' report and

Qatar Banking Sector

- Domestic banks dominate the market
- Significant public and private credit growth
- In general banks are well capitalized
- Have most diversified income in the GCC

Qatar Banking Outlook

- Rising oil and gas price and volumes will mean higher liquidity and lead to lower cost of funds
- Government is pursuing an expansionary investment policy
- Qatar is displaying strong signs of departing from the downtrend, with both deposit and asset growth having picked up in Q1 2010



Capital Markets and Conventional Banking Opportunities

Debt Market In Qatar

- Bilateral loans are the prevalent form of debt financing
- Capital Markets - Bond issuance took off in 2009
- The State of Qatar led the way with large issuances across the maturity spectrum; establishing a yield curve off which Corporate issues can be priced
- Total primary bond issues from Qatar exceeded \$15 billion in 2009

Equity Market In Qatar

- The Qatar Exchange is a small but thriving market for Qatari equities
- Foreign investors are active participants
- Market capitalization exceeded \$ 110 billion as at March 31st
- Local equities appear to be undervalued relative to global market indices

Corporate And Retail Banking Opportunities

- Government priority to diversify the economy and provides substantial benefits to entrepreneurs wishing to establish a business presence
- Capital Flows: closer ties between GCC and Latin American Banks would facilitate services to GCC / Qatar investors who wish to develop business opportunities (Real Estate, Joint Ventures, etc.)
- Significant opportunities exists to develop trade flows between GCC and Latin American countries...providing impetus for new correspondent banking relationships



Islamic Finance Opportunities

Islamic Financing Solutions

- GCC accounts for 36% of the Global Islamic Finance Market
- Financing solutions for Islamic transaction have greatly expanded to include Sukuk, equity, trade finance and venture capital markets. The most relevant Islamic financial product structures for exporters and importers include the following:
 - Murabaha (Sale)
 - Ijara (Lease)
 - Mudharabah and Musharakah (Equity and partnership)
 - Istisna'a and Salam (Contract financing)
 - Letter of credit
 - Wakalah (Agency agreements)

Opportunities In Latin America

- The Muslim population in Latin America is relatively small compared to other regions
- Opportunity for Latin American businesses to be financed through alternate Islamic financial solutions



Ties Between Latin America and The GCC

Latin America Ties With The Arab World

- The Arab League estimates that commercial trade between Latin America and the Arab world increased from 8 billion dollars in 2005 to 21 billion dollars in 2008

(Second Summit of Arab-South America countries Summit, Doha - 31 March 2009)

Qatar Spotlight

- Trade flows between Qatar and Latin America have been growing
- Significant opportunities exist to further develop additional trade flows between Qatar and many Latin American countries
- 2008 bilateral trade between Brazil and Qatar has shown significant expansion in comparison to other Latin American countries
 - Brazil imports from Qatar (US\$ 144 million) in 2008, were composed almost entirely of urea for fertilizers (80%) and kerosene for aviation (17%)
 - Brazilian exports to (US\$ 294 million) in 2008, were composed of iron ore and by-products (44%), meat (39% beef and poultry) and others (17%)



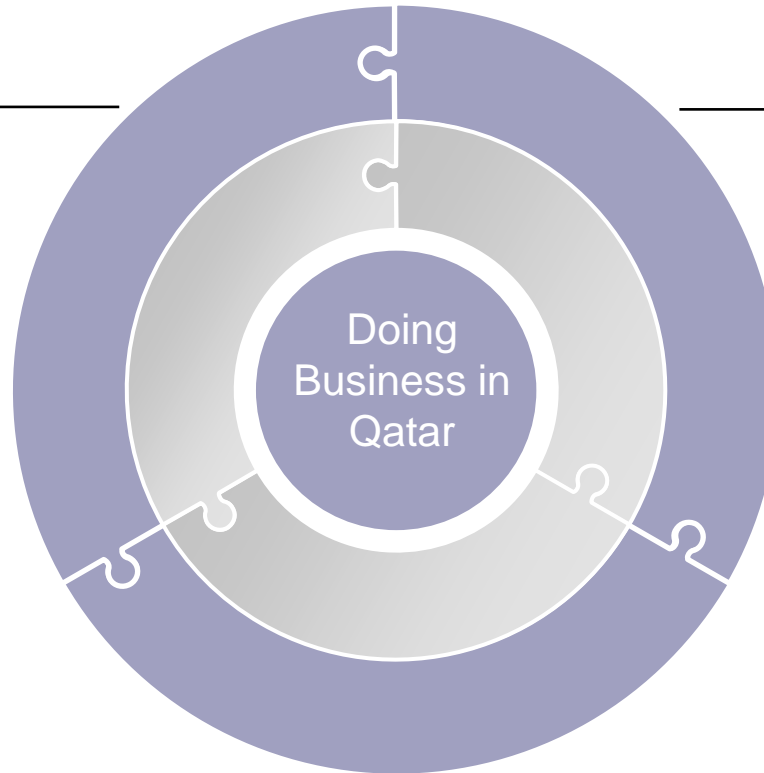
Qatar: Encouraging Foreign Investment

Attractive Environment

- Special zones established to promote 100% foreign ownership such as Qatar Financial Centre
- Under the foreign capital investment Law, the state may allow up to 100% foreign ownership for specific activities such as:
 - Agriculture
 - Exploration
 - Natural resources development
 - Health care, etcAn exemption from Corporate tax on these activities for up to 10 years may be granted
- Generally Foreign investments are permitted up to 49% of any business in state of Qatar
- Low Corporate tax - flat rate 10%



Qatar: Supportive Legal and Regulatory Framework



Sources of Law / Legal Systems

Sharia' Law as per the constitution is the main source of law.

Civil, corporate and commercial relations are supported by a modern "Civil Law Jurisdiction"

Governing Authorities

Qatar Central Bank (QCB) licenses and regulates financial services firms

Qatar Financial Centre Regulatory Authority (QFCRA) – a newly created platform for financial service activities like investment banking, asset management and advisory services

Qatar Financial Markets Authority (QFMA) - supervises capital market activities and companies listed on the QE

Foreign Investment Exemptions

Foreign Investors looking to establish a subsidiary in Qatar are generally subject to the provisions of the Foreign Investment Law, unless exemptions apply

Enterprise Qatar (EQ) – recently established as a government body for regulating, supporting and financing SME`s.

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Thank you

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