



# Commercial Bank of Qatar

**2009 First Quarter Financial Results**  
**For the period ended 31 March 2009**

20 April 2009



## 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.



# Contents

Key Highlights

Results Performance

Business Performance

Capital and Liquidity

Outlook



## Key Highlights – Q1 2009

- Commercialbank delivered a Net profit of QR 610m (+ 40%) compared with QR 436m in 2008
- Net operating income increased by 46% to QR 571m with net interest income up by QR 147m to QR 370m; Net interest margin improved to 3.16% from 2.74% in the first quarter of 2008
- Strong balance sheet performance with total assets increasing 30% to QR 63.5bn, up 4% since December
- Customer lending was up 27% to QR 34.8bn and up 3% from end December; the lending portfolio continues to be tightly controlled, high quality and diversified. Non Performing Loans ratio was up marginally at 1.04%
- Core focus in the Bank continued to be on sustainable controlled growth in its core businesses, the proactive management of risk, liquidity and capital and a continuing improvement in the quality of its service to customers
- The Bank continued to be strongly capitalised. Shareholders' equity rose to QR 10.1bn with the Bank's Capital Adequacy Ratio at 15.5%



# Contents

Key Highlights

Results Performance

Business Performance

Capital and Liquidity

Outlook



## Financial Performance – Q1 2009

### Strong performance in difficult market conditions

	Q1 2009	Q1 2008	Variance		Q4 2008	Variance	
	QR million	QR million	QR million	%	QR million	QR million	%
Total Assets	63,496	48,758	14,739	30%	61,302	2,194	4%
Loans & Advances to Customers	34,841	27,418	7,423	27%	33,898	943	3%
Customers' Deposits	30,662	28,417	2,245	8%	32,186	(1,524)	(5%)
Shareholders' Equity	10,122	6,035	4,087	68%	9,978	144	1%
Net Interest Income	370	222	148	67%	336	34	10%
Non Interest Income <sup>1</sup>	466	349	117	34%	291	175	60%
Net Operating Income	836	571	265	46%	627	209	33%
Operating Expense	180	151	29	19%	246	(66)	(27%)
Net Profit <sup>2</sup>	610	436	174	40%	140	470	335%

1. Includes Al Safa net income from Islamic financing and investment activities.

2. Net profit includes QR 165 million profit on sale of property assets.



## Financial Performance - Key Ratios Q1 2009

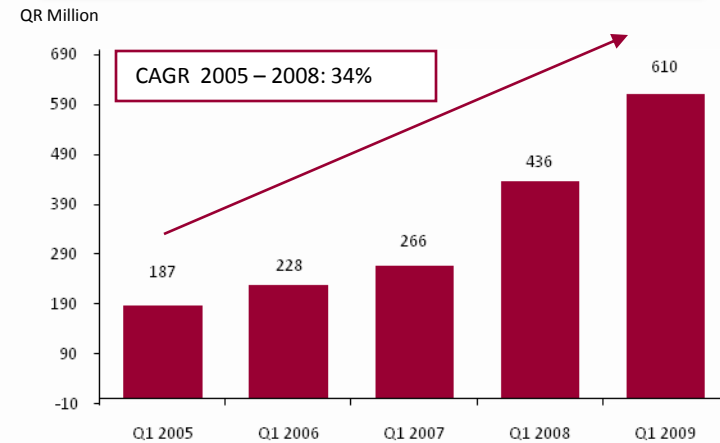
	Q1 2009	Q1 2008
ROAE	24.3%	28.5%
ROAA	3.9%	3.7%
Book Value	46.7	33.1
EPS (QR)	2.89	2.40
Cost To Income Ratio	20.6%	24.4%



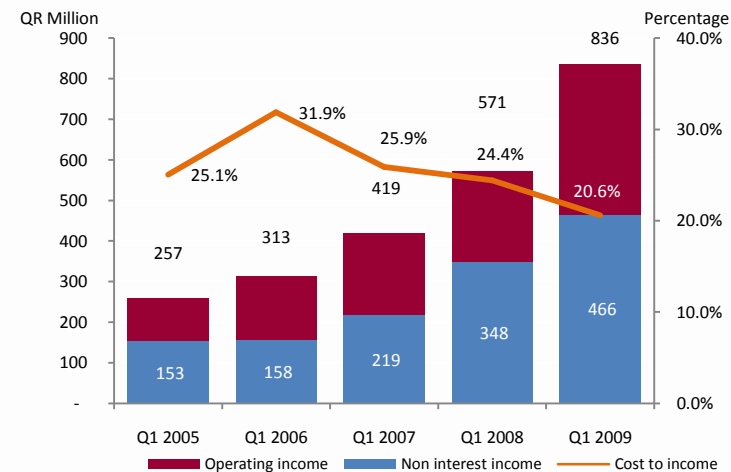
# Delivering Consistent Profit Growth

- Net profit compounded annual growth rate over past five years at 34% per annum
- Continued strong increase in net operating income
- 66% growth in net interest income of QR 370m compared with QR 222m in 2008
- Net interest margin improved to 3.16% from 2.74% due to selective repricing and careful management of funding sources
- Costs increased to QR 180m in Q1 2009 due to growth in the business, higher staffing related expenses and increased depreciation on property
- The cost to income ratio fell to 20.6% from 24.4%

## Net Profit



## Operating Income



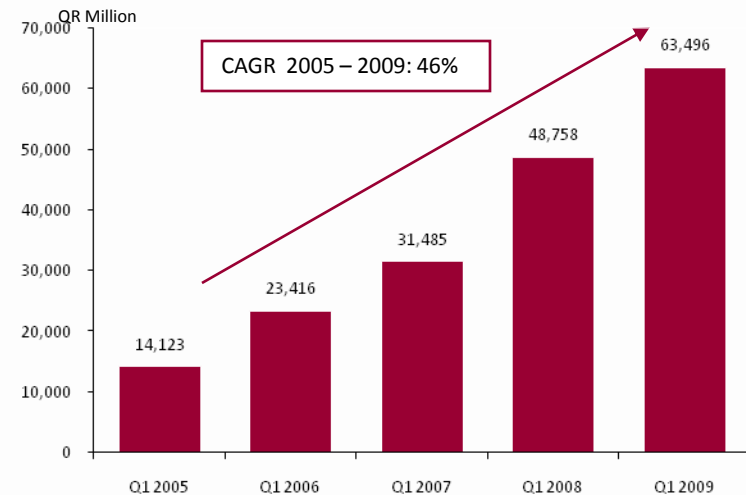




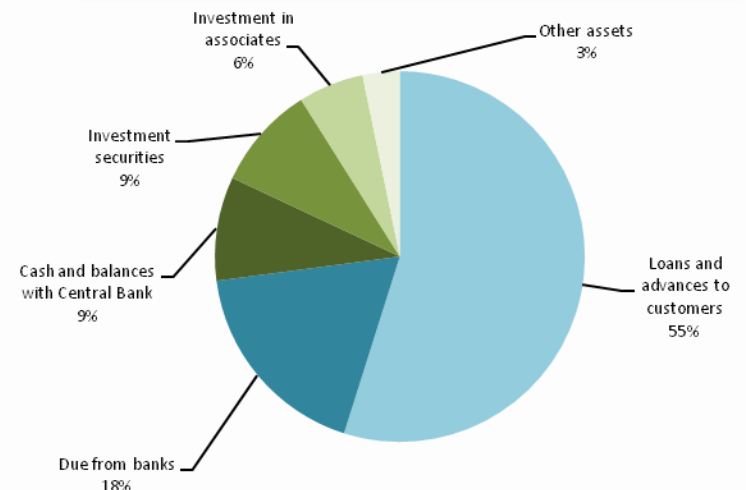
## Strong Asset Growth & Diversity

- Total assets increased to QR 63.5bn up 30% compared with QR 48.8bn
- Asset growth primarily due to growth in lending, up 27% to QR 34.8bn and up 3% since December
- Loans and advances to customers remained at 55% of total assets
- Due from Banks, up QR 2.4bn to QR 11.5bn, but down QR 2.9bn since December
- Cash and balances with Central Bank were QR 5.8bn against QR 2.3bn at Q1 2008, representing 9% of total assets
- Assets continue to be diversified, with a focus on quality new assets

Total Assets



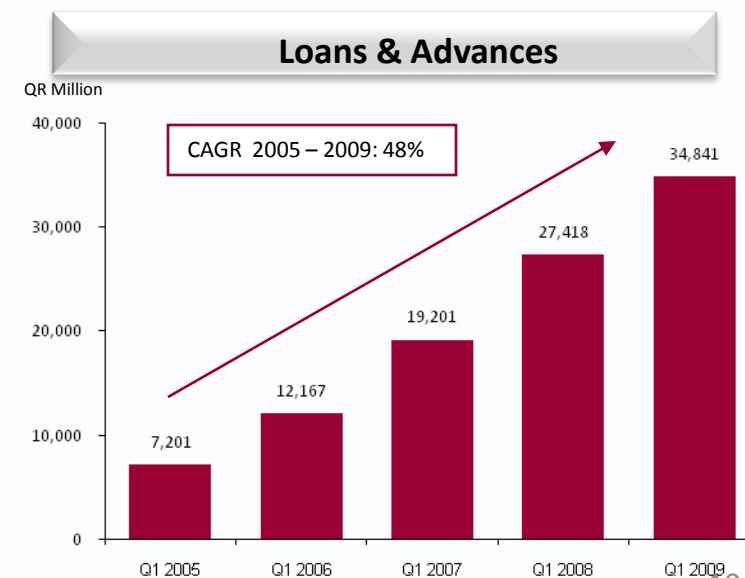
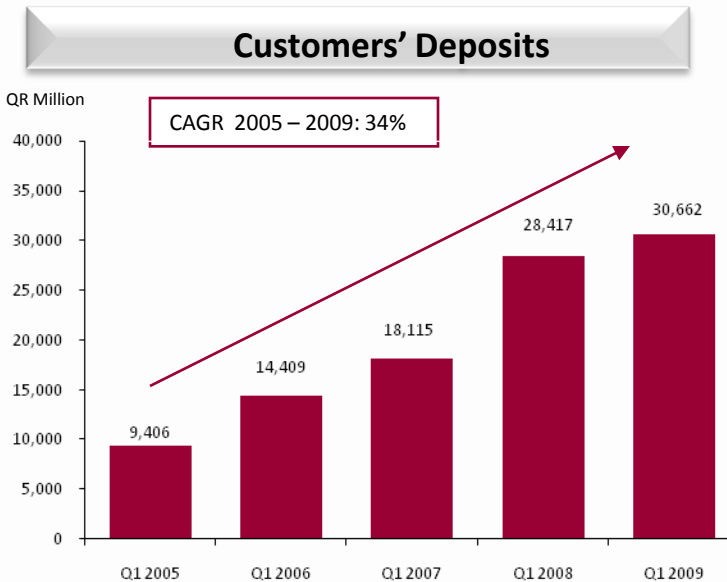
Q1 2009 Assets Mix





# Controlled Balance Sheet Growth

- Funding sources remain well diversified with Customers' Deposits contributing 49% of total funding
- Deposits grew by 8% to QR 30.7bn but down by 5% from December in line with the overall market
- The Bank's loan book increased to QR 34.8bn, a growth of 27% compared with 31 March 2008; up 3% since December 2008
- Moderate growth reflects selective lending based on tight risk parameters
- The compounded annual growth rate for loans and advances over the last five years was 48% per annum

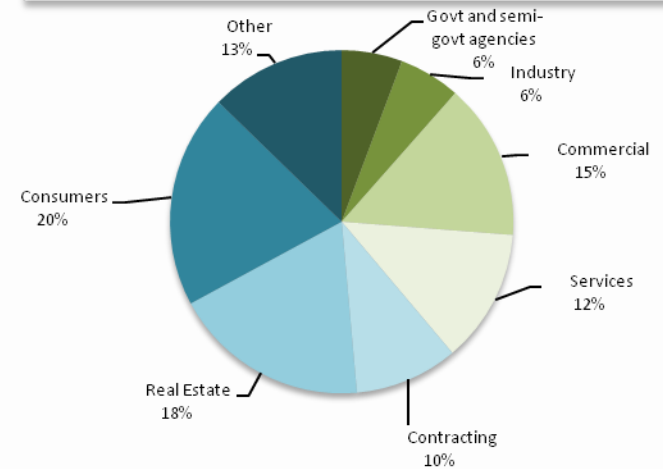




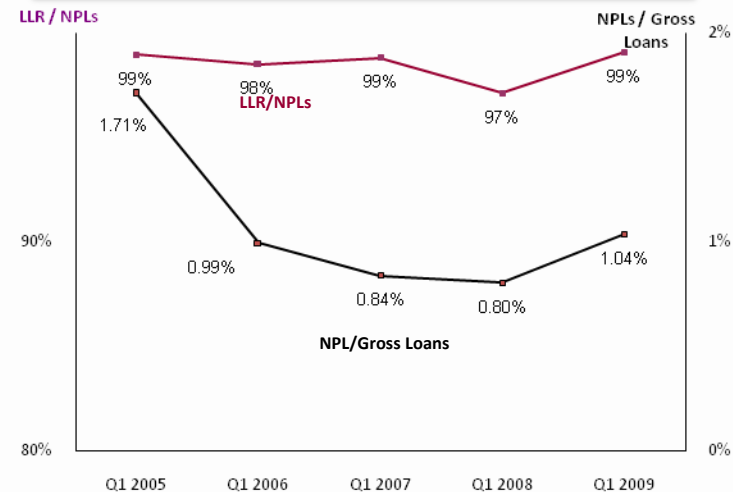
# Balanced risk profile

- Lending activities are well diversified, split across a number of industry sectors, with no major concentrations of risk. 87% of lending is within Qatar
- Corporate represents 77%, Retail 16%, Islamic 7%
- The Bank continues to lend selectively when both risk and pricing criteria are met
- Asset quality continues to be good with 99% of the portfolio in current status
- Non performing loans remain low at 1.04% in 2009 and are 99% provided
- The Bank is comfortable with the overall quality of its lending portfolio

**Diversified Loan Portfolio**



**Improving Asset Quality**





## Investments

QR million	Q1 09	FY 08	Var	Q1 08	Var
Equity investments	519	1,310	(791)	1,019	(500)
Qatar Government Bonds	2,571	2,056	515	2,079	492
Other Bonds	2,232	958	1,274	1,907	325
Investment Funds	440	451	(11)	-	440
Net Book Value	5,762	4,775	987	5,005	757
AFS	2,111	2,415	(304)	2,529	938
HTM	3,651	2,360	1,291	2,476	1,695
Net Book Value	5,762	4,775	987	5,005	757

- Sale of Qatar equities (QR 938m); QR 418m in cash, QR 520m in Government Bonds
- Purchase of Government CDs in Other Bonds
- Provision for impairment of QR 28m in Q1 09 (QR 465m in FY 08)
- Negative fair value reserve of QR 231m



# Contents

Key Highlights

Results Performance

**Business Performance**

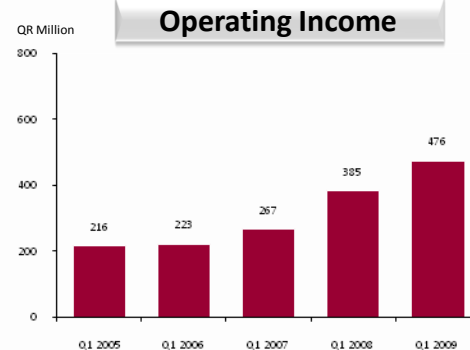
Capital and Liquidity

Outlook

# Divisional Performance

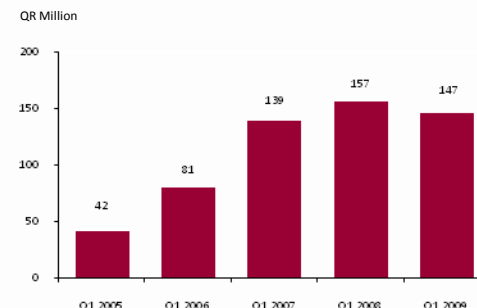
## Corporate

- Net operating income rose 24% to QR 476m from QR 384m in Q108
- Customer lending grew by 22% to QR 26.6bn
- Stringent risk management and pricing criteria for new lending
- Selective repricing of assets to reflect liquidity risk premium
- Deposits increased by 3% to QR 20bn
- Investment provisions at QR 28m were at the same level as Q108



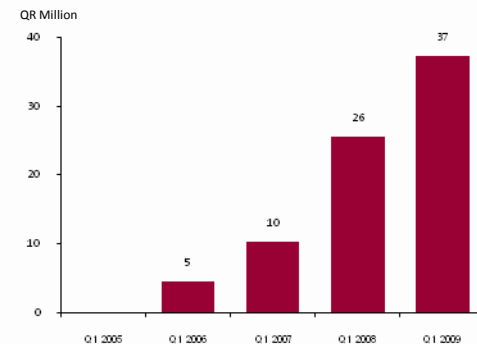
## Retail

- Net operating income declined to QR 146m in Q109 from QR 157m; Q108 included a one-off gain of QR 18m from sale of VISA International shares
- Loans grew 19% to QR 5.4bn from QR 4.5bn; deposits rose 3% to QR 7.3bn
- Loan loss provisions of QR 57m primarily for a small number of accounts
- First quarter has reflected a cautious approach to lending



## Islamic

- Net profit up 57% to QR 28m compared with Q108
- Net operating income was QR 37m, up 46%
- Deposits increased 78% to QR 3.4bn; total lending was QR 2.9bn, up 145%
- Continued focus on developing relationships with existing customers

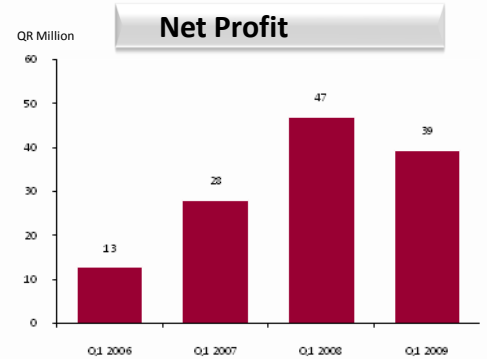




# Affiliates' Performance

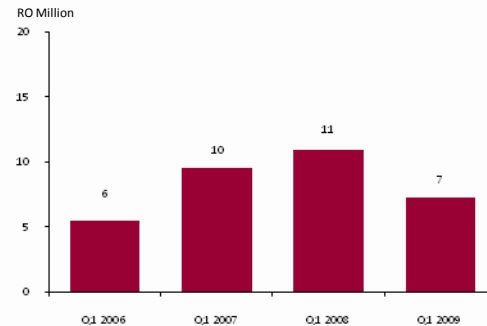
## Overall

- National Bank of Oman (NBO) and United Arab Bank (UAB) contributed QR 39m to Commercialbank's net profit compared with QR 47m in Q108
- In line with Group strategy, both affiliates made good progress in aligning business strategies, risk management practices and customer value propositions



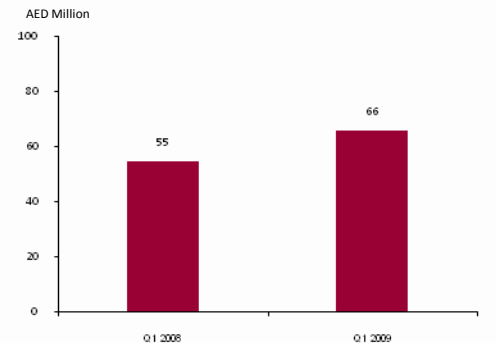
## NBO

- Net profit reduced to RO 7.3m from RO 10.9m in Q108
- Operating income up 3% to RO 20.3m; offset by
- Investment provision of RO 1.7m and lower recoveries of RO 1.3m in Q109
- Deposits up 6%; lending 1% higher than end December
- Opened 7 new branches, 13 new ATMs in first quarter



## UAB

- Net profit up 21% to AED 66m compared with AED 55m Q108
- Operating income up 22% to AED 116m
- Lending up 20% to AED 5.1bn from Q108; 7% lower than December 2008
- Customers deposits up 13% to AED 4.6bn; 8% lower than December 2008





# Contents

Key Highlights

Results Performance

Business Performance

**Capital and Liquidity**

Outlook

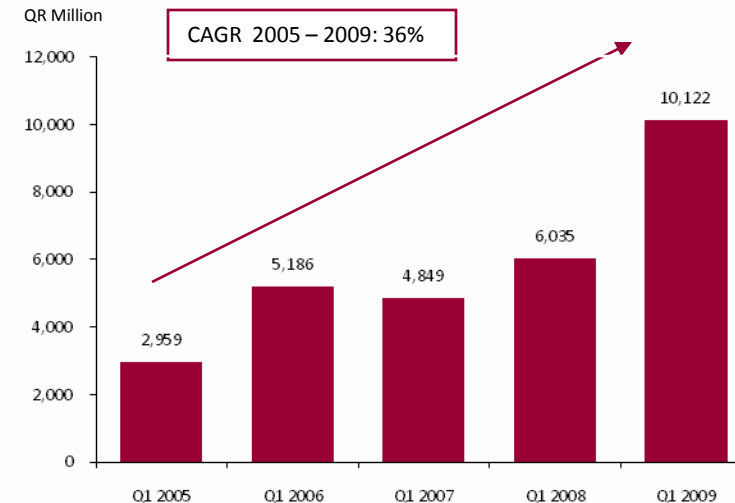




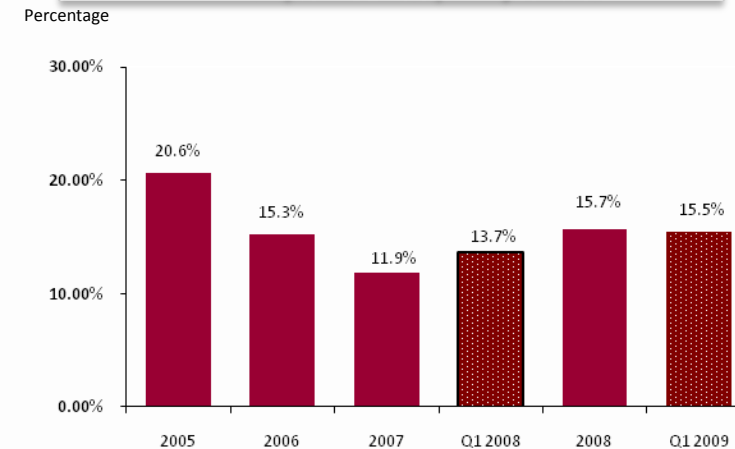
## Capital - continued strength

- Strong capital base supporting controlled asset growth
- QIA 5%, QR 807m, capital injection in February 2009
- Sale of Qatar equity portfolio reduced negative fair value
- Sale of property assets strengthened the capital base
- Total equity increased to QR 10.1bn
- Capital Adequacy Ratio at 15.5%, well above QCB minimum requirement of 10%
- Strong quality of capital - Tier 1 capital adequacy ratio at 14.9%

### Shareholders' Equity



### Capital Adequacy Ratio

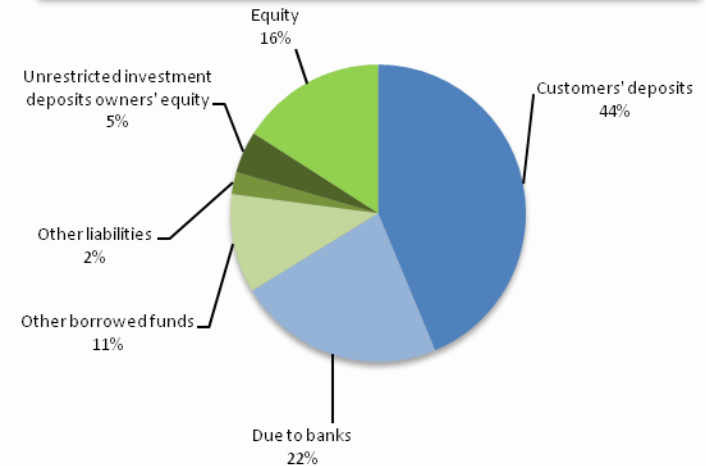




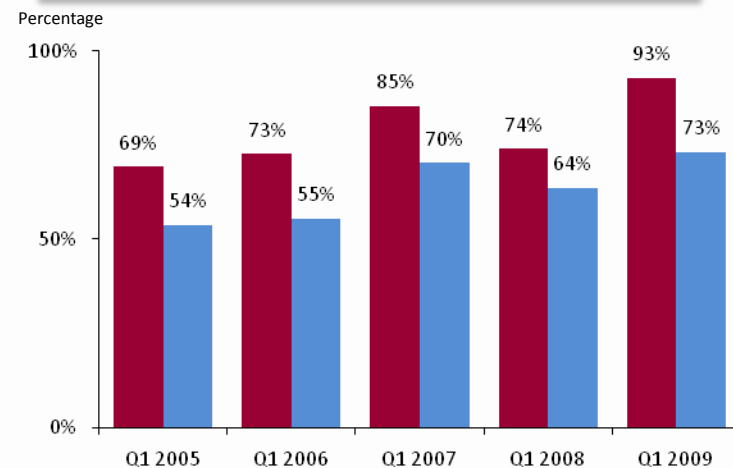
## Strong, well managed liquidity

- Commercialbank has a diversified funding mix supporting its balance sheet
- Customers' deposits grew by 8% to QR 30.7bn but down by 5% from December in line with the overall deposits' market in the first quarter of 2009
- The Bank continues to review and stress test its liquidity position to ensure appropriate contingency plans in place
- Bank has maintained key liquidity ratios above Central Bank requirements throughout the period but at lower levels than it set itself in Q4 2008
- Funding received from QIA for issuance of 5% share capital and for the sale of Qatar equity portfolio
- Maintain QR 3.9bn in Qatar government bonds and CDs for repos, when needed

March 2009 Funding Mix



Funding of Loans & Advances Portfolio



■ Loans and Advances / (Customer Deposits + Long term Funding)

■ Loans and Advances / (Customer Deposits + Long term Funding + Shareholders' Equity)



# Contents

**Key Highlights**

**Results Performance**

**Business Performance**

**Capital and Liquidity**

**Outlook**



# Outlook

- Government support for the banking sector evidenced by QIA capital injections, proactive Qatar equity purchase and Government's stated economic diversification programme
- Qatar economy has remained resilient in the context of both the GCC and global financial market challenges. The recent Qatar budget announcement confirmed the Government's intention to continue current expenditure on infrastructure, offering opportunities for Commercialbank to continue to grow
- There has been a contraction in the overall deposit market in the first quarter 2009. This is expected to continue which will put pressure on deposit rates
- Despite a slight fall in demand in the lending market, the Bank will continue to lend selectively with focus on new quality assets whilst continuing to monitor the diversity and quality of its asset base
- Active management of the key banking fundamentals of risk, liquidity and capital have positioned the Bank well for the continuing challenges of the current market conditions
- Our outlook going forward remains cautiously optimistic given the resilience of the Qatar economy , the performance of our businesses and feedback from our customers