



# Commercial Bank of Qatar

## Financial Results

For the period ended 30<sup>th</sup> September 2009

19<sup>th</sup> October 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.

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## Key Highlights

### Stable earnings with net operating income up 2% to QR 2.2 billion

- Stable earnings in difficult market conditions:
  - Net operating income up 2% to QR 2.2bn
  - Net interest income increased 35% to QR 1.2bn
  - Net interest margin improved Y-o-Y to 3.31% from 3.04%; up from 3.24% reported in June
- Nine months' net profit impacted by provisioning:
  - Net profit QR 1,338m
  - Investment provisions of QR 108m, Corporate QR 147m, Retail QR 138m
  - Q309 net profits increased by 18% to QR 394m compared to Q209
  - Q3 impacted by provision of QR 50m for a corporate default
- Encouraging signs of market improvement in Q3:
  - New lending of QR 1.8bn, increasing fees by 11% from Q209
  - Customer deposits increased 3% to QR 30.6bn improving liquidity
  - Due to tight cost management, General & Admin expenses reduced by 4% in Q309 v Q209
  - Retail provisions reduced by 22% v Q209
- Proactive management of assets and funding:
  - Selective lending strategy: 2% lower to QR 31.5bn
  - Total assets QR 56.4bn, 2% lower than September 2008
  - Asset quality of lending remains good and well diversified, despite overall rise in NPL ratio
  - Cost of funds reduced; funding sources diversified



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## Financial Performance - Nine months 2009

	9m 2009	9m 2008	Variance	
	QR million	QR million	QR million	%
Total Assets	56,381	57,781	(1,400)	(2)%
Loans & Advances to Customers	31,495	32,112	(617)	(2)%
Customers' Deposits	30,642	29,887	755	3%
Shareholders' Equity	10,914	10,212	702	7%
Net Interest Income	1,190	881	309	35%
Non Interest Income <sup>1</sup>	991	1,260	(269)	(21)%
Net Operating Income	2,181	2,141	40	2%
Operating Expenses	560	504	(56)	(11)%
Net Provisions	397	230	(167)	(73)%
Net Profit	1,338	1,562	(224)	(14)%

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



## Financial Performance - Key Ratios 9m 2009

	9m 2009	9m 2008
ROAE	17.1%	25.3%
ROAA	3.0%	4.0%
Book Value (QR)	50.4	49.5
EPS (QR)	6.23	8.21
Cost-Income Ratio	24.4%	22.0%



## Financial Performance - Third quarter 2009

	Q3 2009	Q2 2009	Variance	
	QR million	QR million	QR million	%
Total Assets	56,381	59,043	(2,662)	(5)%
Loans & Advances to Customers	31,495	32,051	(556)	(2)%
Customers' Deposits	30,642	30,039	603	2%
Shareholder's Equity	10,914	10,508	406	4%
Net Interest Income	403	417	(14)	(3)%
Non Interest Income <sup>1</sup>	282	243	39	16%
Net Operating Income	685	660	25	4%
Operating Expenses	186	193	7	4%
Net Provisions	142	169	27	16%
Net Profit	394	333	61	18%

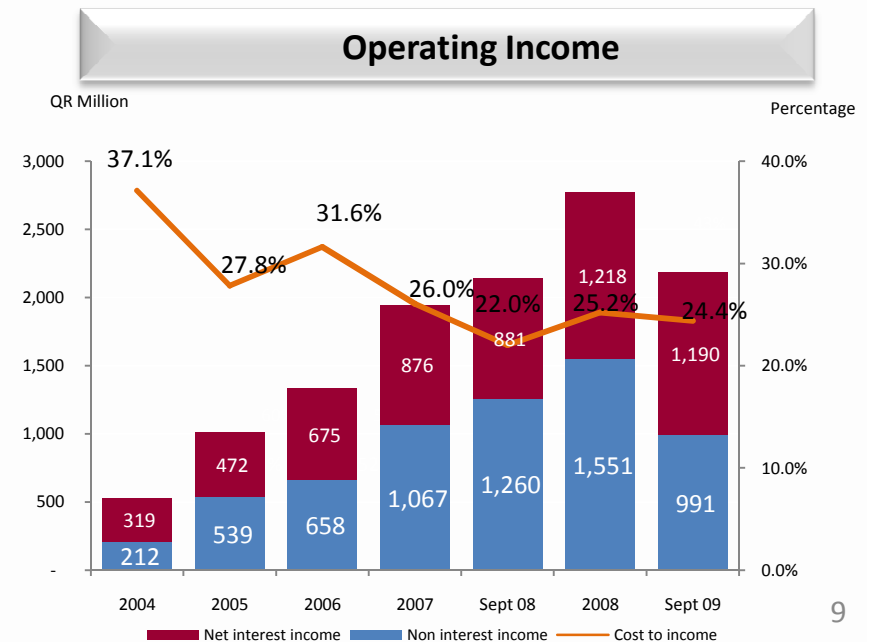
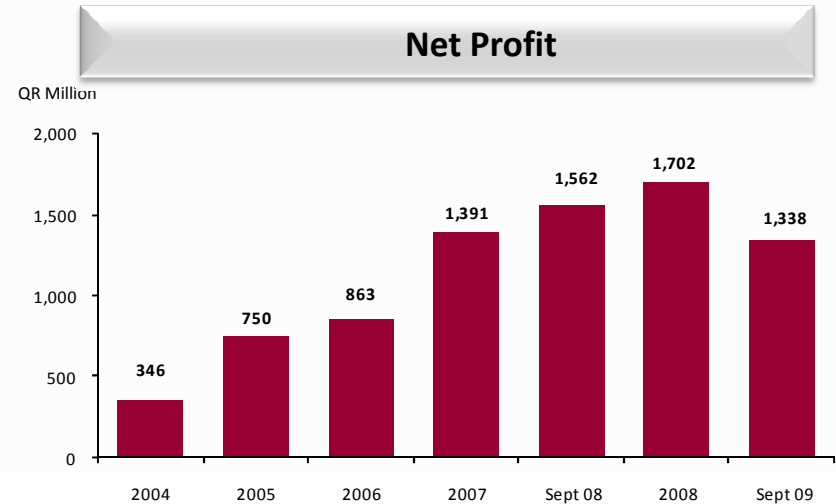
1. Includes net income from Al Safa Islamic financing and investment activities





## Stable Financial Performance

- Net operating income up 2% to QR 2,181m
- Net interest income up 35% to QR 1,190m
- Net interest margin improved Y-o-Y to 3.31% in September 2009 from 3.04% in 2008, and improved from 3.24% as reported in June
- Non-interest income declined to QR 991m due to lower new lending activity and minimal opportunity to realise gains on investments
- G&A expenses higher by 8% to QR 484m compared with QR 447m for the nine months in 2008
- Profit before provisions is down by less than 1%
- Cost to income ratio increased from 22% in 2008 to 24.4% in 2009





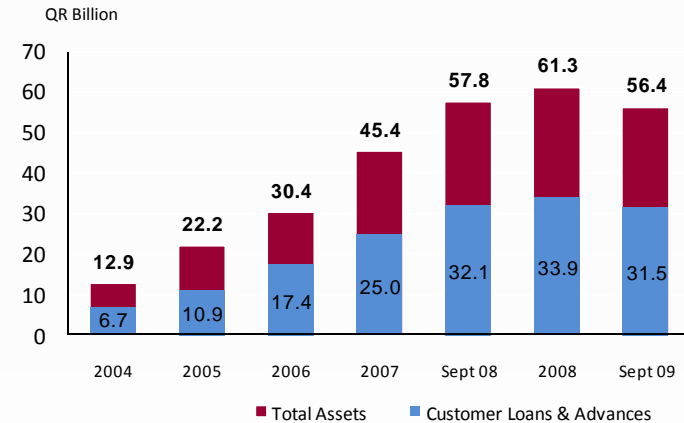
## Well Diversified Asset Base

- Total assets decreased 2%, QR 1.4bn, to QR 56.4bn
- Interbank placements were QR 7.5bn lower
  - Financial investments were QR 3.9bn higher
  - Deposits at the Central Bank were up QR 2.4bn

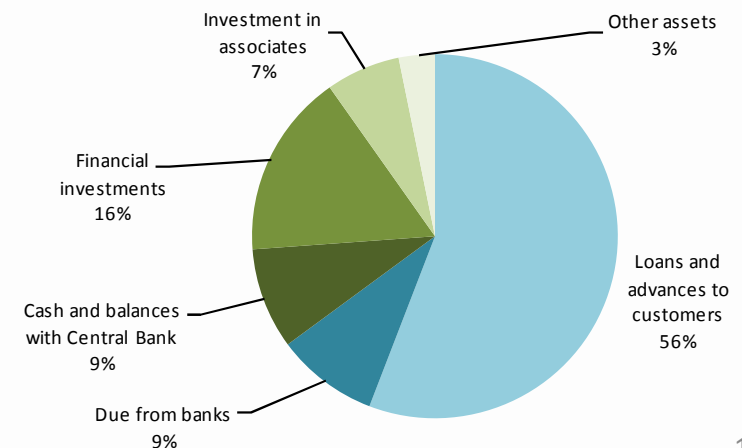
managed to improve the yield

- Lending to customers down QR 0.6bn, 2%, to QR 31.5bn:
  - new lending in 2009 was QR 4bn
  - Loans sold to the Qatar Government in H109 were QR 3bn

### Total Assets



### Q3 2009 Asset Mix

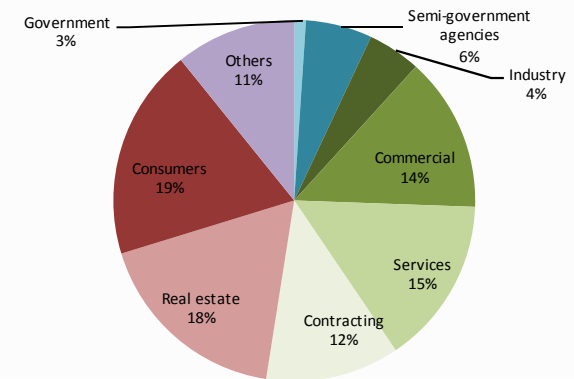




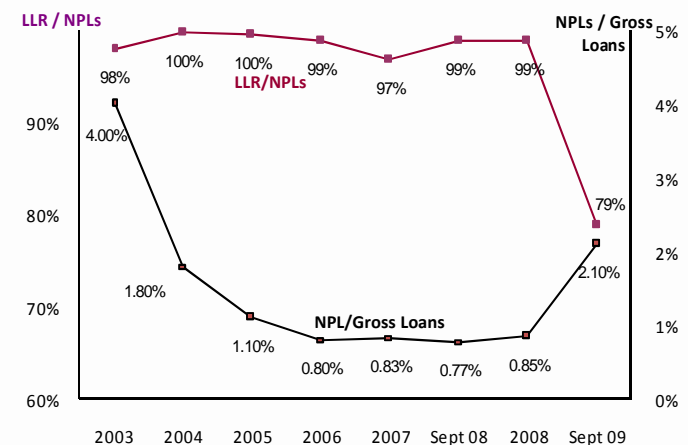
## Credit Quality

- The loan book is well diversified, split across a number of industry sectors, with no major concentrations of risk
- Corporate represents 77%, Retail 16%, Islamic 7%
- Lower loan loss provisions of QR 87m in Q3 2009
  - Retail book QR 36m
  - Corporate default QR 50m
- Non-performing loans, including the Corporate default remain low at 2.1%, and are 79% provided
- Risk reserve held against lending to customers of QR 638m

### Loan Portfolio by Sector



### NPL & Coverage





## Investments

QR million	Q3 2009	FY 2008	Variance	Q3 2008	Variance
Equity investments	506	1,310	(804)	1,660	(1,154)
Qatar Government Bonds	5,274	2,056	3,218	2,065	3,209
Qatar Central Bank CDs	2,204	-	2,204	-	2,204
Other Bonds	799	958	(159)	1,098	(299)
Investment Funds	431	451	(20)	452	(21)
<b>Net Book Value</b>	<b>9,214</b>	<b>4,775</b>	<b>4,439</b>	<b>5,275</b>	<b>3,939</b>
AFS	2,138	2,415	(277)	2,909	(771)
HTM	7,076	2,360	4,716	2,366	4,710

- Equity investments - Sale of Qatar equities in Q109 reduced equity investments by QR 938m
- Qatar Government Bonds – increase includes bonds issued in exchange for sale of equities, loans and advances and other exposures
- Investment in CDs to improve yield over inter-bank placements
- Provision for impairment of QR 108m in 2009 (QR 203m in 2008)



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# Divisional Performance

## Corporate

- Net operating income declined by 4% to QR 1.5bn due to both lower loan-related fee income and investment gains, partially offset by higher net interest income
- Customer lending at QR 24.6bn, up 1% over 2008 and Q209
- Deposits were up 2% at QR 20.1bn
- QR 50m provision for a single corporate default

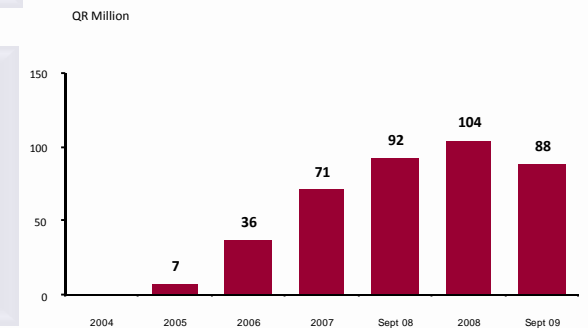
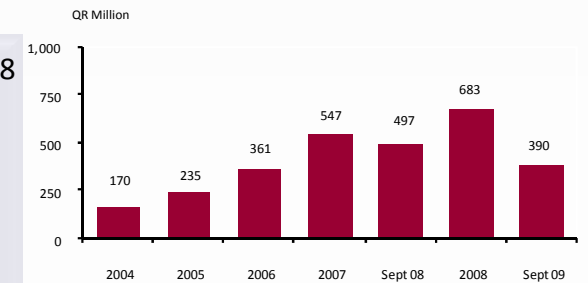
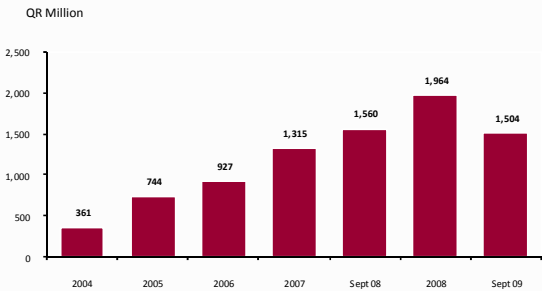
## Retail

- Net operating income declined to QR 390m compared with QR 497m in Q308
- Higher loan loss provision of QR 138m mainly reflecting the global financial crisis and on a small number of accounts
- Improving quarterly trend in provisions, down 22% from Q209
- Loans and advances at QR 5.2bn
- Deposits increased by 12% to QR 7.5bn

## Islamic

- Net operating income was QR 88m
- Net profit of QR 47m, impacted by investment impairment of QR 11m
- Total lending was QR 2.3bn, down 4% since 2008
- Deposits at QR 3.0bn
- Total assets 4.0bn

### Operating Income





# Associates' Performance

## Overall

- National Bank of Oman (NBO) and United Arab Bank (UAB) continued to make a solid contribution of QR 113m to the Bank's overall performance in 2009 compared with QR 155m in Q308
- The investment in the associates is a key component of the Bank's diversification strategy
- Both associates have continued to make good progress in aligning business strategies, risk management practices and customer value propositions during 2009

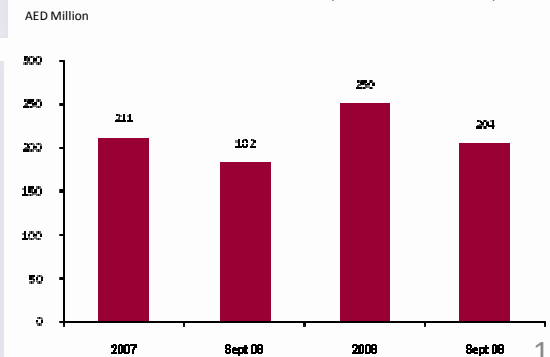
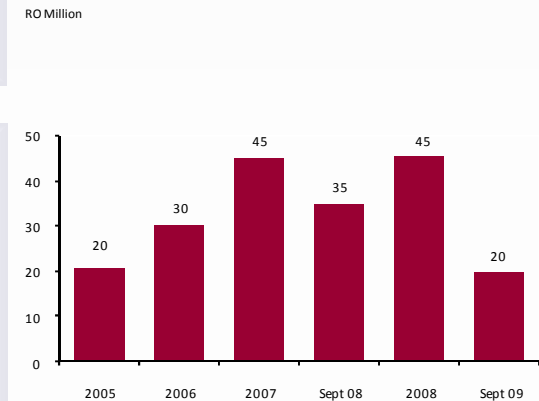
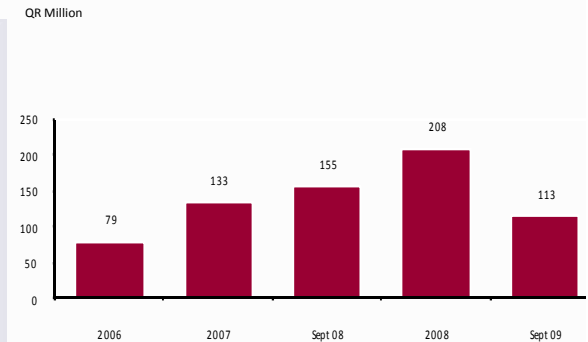
## NBO

- Net interest income up 22% to RO 42.4m with net interest margin improving to 3.18% from 3.09%; Loans and advances up 12% at RO 1.4bn
- Operating income was down marginally by 1% to RO 61.1m
- Overall solid earnings performance with net profit at RO 19.6m
- Total provisioning for 2009 at RO 12.8m
- Opened 9 new branches; alignment of products and processes

## UAB

- Net profit up 12% to AED 204m, a record, from AED 182m
- Net interest income grew by 25% to AED 241m
- Net operating income up by 14% to AED 350m
- Customers' deposits down 4% to AED 4.5bn
- Loans and advances 10% lower at AED 5.0bn
- Expansion in niche retail segments; Islamic and Wealth Management

### Net Profit





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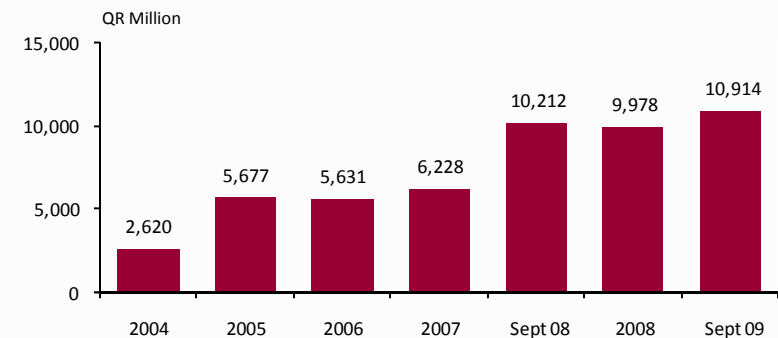




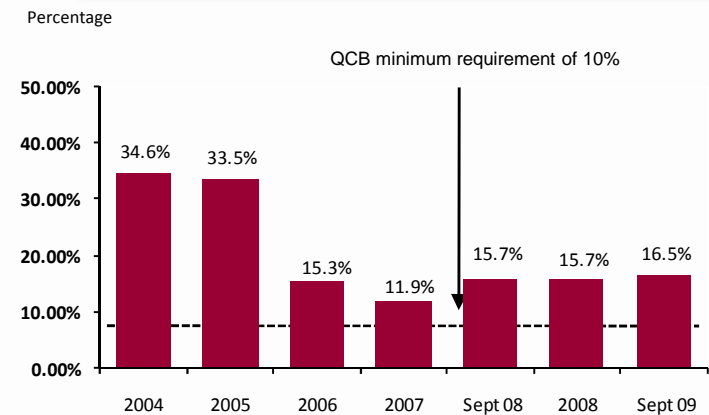
# Capital

- Strong capital base
- QIA 5%, QR 807m, capital injection in February 2009
  - Second stage of capital injection, at 5%, is expected in December 2009
- Total equity at QR 10.9bn at 30 September
- Capital Adequacy Ratio at 16.5%, well above QCB minimum requirement of 10%
- Tier 1 capital adequacy ratio at 15.9%, representing 96% of total capital

## Shareholders' Equity



## Capital Adequacy Ratio

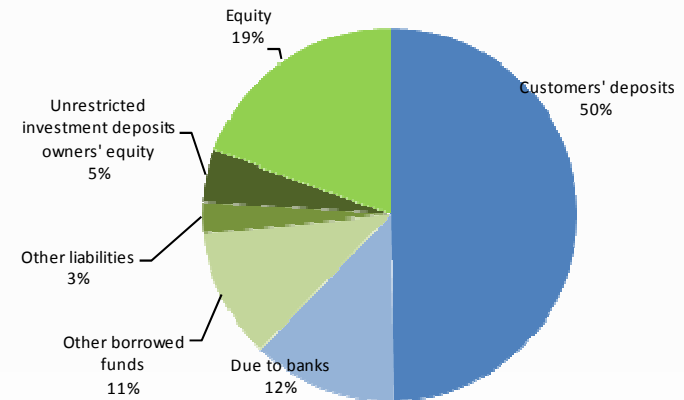




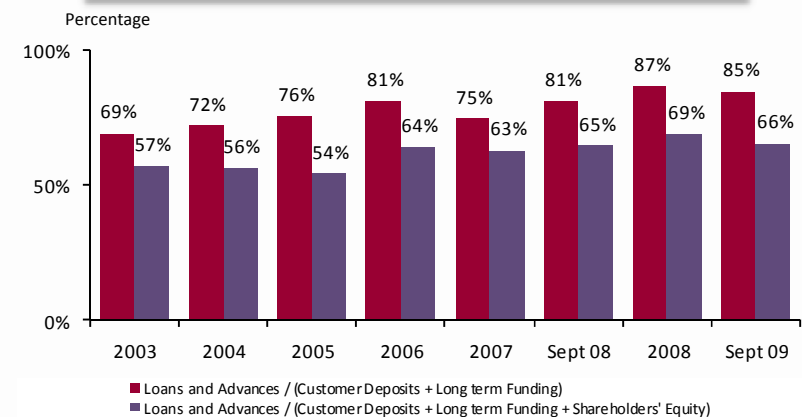
## Strong, well managed liquidity

- Commercialbank has a diversified funding position supporting its balance sheet
- Customers' deposits grew by 3% to QR 30.6bn and represented 50% of total funding compared to 47% at the end June
- Bank has maintained key liquidity ratios above Central Bank requirements throughout the period
- Exploring options to repay the QR 1.4bn club loan that matures in November
- Funding of loans and advances through customer deposits, long-term funding and equity is in line with the prior period
- QR 4.1bn in Qatar Government bonds and CDs for repo, if needed

Q3 2009 Funding Mix



Funding of Loans & Advances Portfolio





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## Outlook

- Confident on improving growth prospects of the Qatari market as local and regional economy showing signs of improvement
- We have reviewed the Bank's organisation so that we are well positioned to take advantage of the improvements in the economy
- Strong Government and Central Bank support of the Qatari banking sector during 2009 is expected to continue
- Asset quality remains good with NPLs at low levels; retail provisions have been declining
- Our investment in our associate banks NBO and UAB remains a key area of the bank diversification strategy
- We are seeing signs of improvement in our business and are optimistic about the outlook going forward