

Commercial Bank of Qatar

Financial Results

For the nine months ended 30th September 2010

20 October 2010



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**

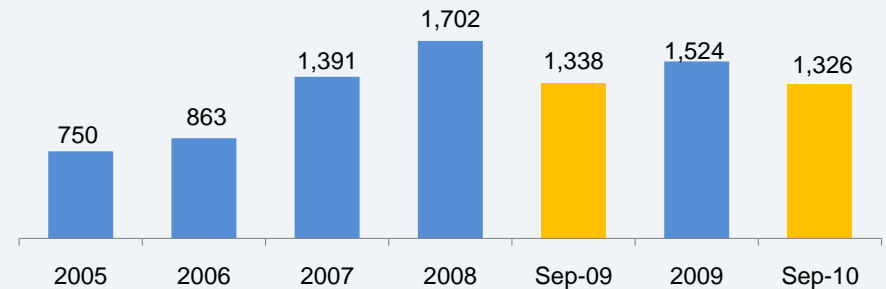
- Financial Performance
- Business Performance
- Outlook

Key Highlights – 9 months ended 30 September 2010

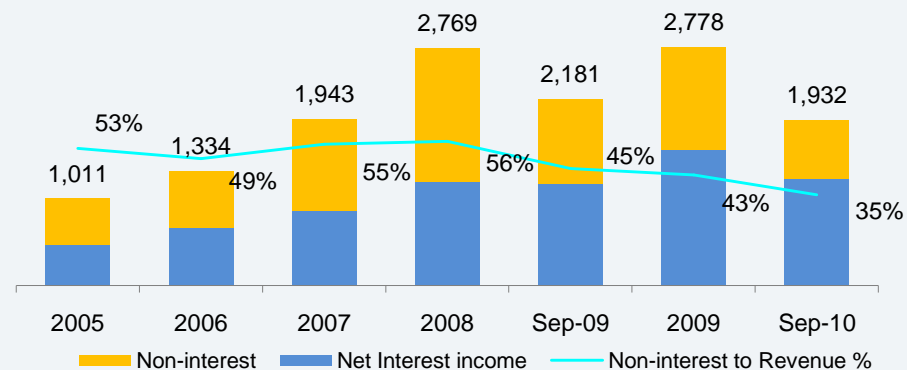
Key Highlights of nine months 2010 performance

- ◆ Commercialbank has delivered another solid performance
 - ◆ Diversification of funding and lending activities
 - ◆ Continuing improvement in quarterly trends
- ◆ Net profit of QR 1,326m, 0.8% lower than YTD 09
 - ◆ Q310 net profit of QR 508m up 29% v Q309 and above QR 408m net profit in Q210
- ◆ Net interest income up 5% to QR 1,249m v YTD 09
 - ◆ Q310 NII of QR 448m v QR 412m in Q210
- ◆ Net interest margin increased to 3.7% from 3.3% in YTD 09
- ◆ Balance sheet continues to be tightly managed
 - ◆ Lending increased by 9% v Dec 09 and by 10% v Sep 09
 - ◆ Deposits up by 22% v Dec 09 and by 5% v Jun 10
 - ◆ Loan to deposit ratio improved to 109%
- ◆ Asset quality remains strong
 - ◆ Net provision for loans and advances QR 57m in YTD 10
 - ◆ NPL ratio at 2.96% on 90 day basis
- ◆ Strong capital position: Capital Adequacy Ratio of 18.7%

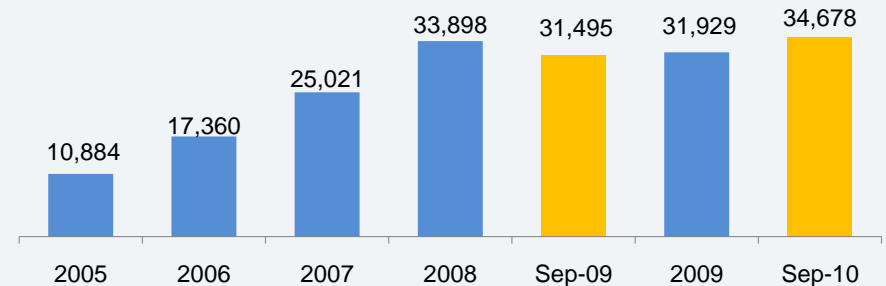
Net profit (QR million)



Net operating income (QR million)



Loans and advances to customers (QR million)



- Key Highlights
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- Outlook

Financial Performance – Nine months 2010

Profitability

QR Million	YTD 2010	YTD 2009	FY 2009
Net interest income	1,249	1,190	1,584
Net operating income	1,932	2,181	2,778
Total costs	578	560	759
Net provisions	138	397	648
Net profit	1,326	1,338	1,524

Balance Sheet

QR Million	30.9.2010	30.9.2009	31.12.2009
Total Assets	60,191	56,381	57,317
Loans & Advances	34,678	31,495	31,929
Financial investments	9,142	9,214	9,747
Customers' deposits	31,942	30,642	26,272
Shareholders' equity	12,142	10,914	12,010

Performance

	YTD 2010	H1 2010	FY 2009
ROAE	14.6%	13.9%	13.9%
ROAA	3.0%	2.9%	2.6%
EPS	5.89	3.64	7.08
NIM	3.7%	3.7%	3.4%

Capital

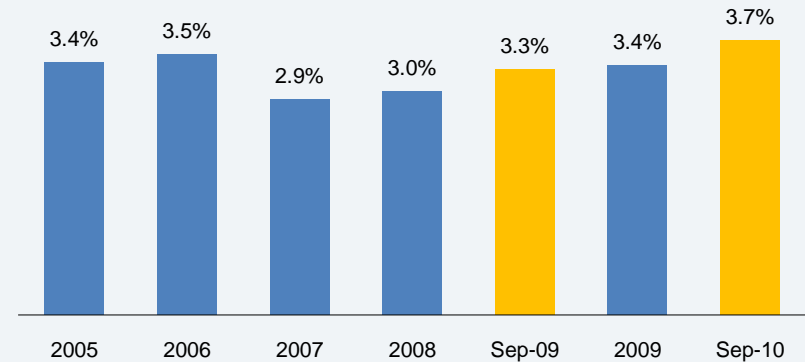
QR Million	30.9.2010	30.9.2009	31.12.2009
RWA	49,982	61,009	48,240
Tier 1 Ratio	16.8%	15.9%	17.2%
Total Capital Ratio	18.7%	16.5%	18.9%

Earnings Performance – Nine months 2010

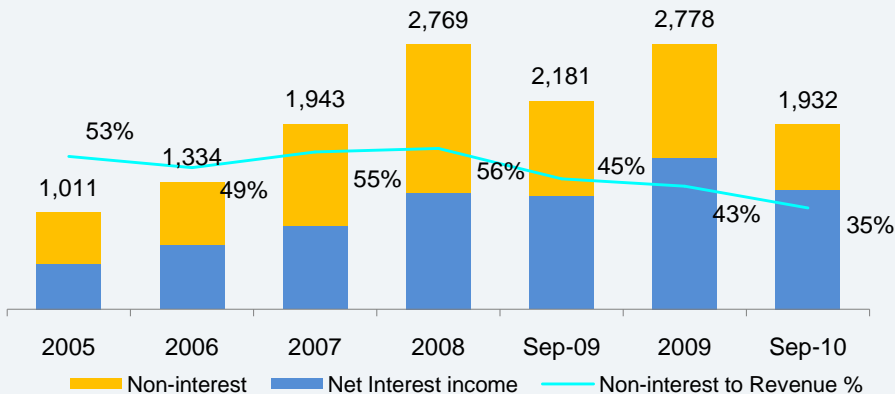
Comments

- ◆ Net interest income improved by 5% to QR 1.249bn
- ◆ Net interest margin maintained at 3.7% during 2010
- ◆ Non-interest income at QR 682m YTD 10 v QR 991m YTD 09
 - ◆ Lower fee income in 2010
 - ◆ 2009 benefited from gain on sale of real estate assets of QR 165m and dividend income of QR 56m from Qatar equity portfolio
- ◆ Net operating income is down 11% to QR 1.932bn YTD 10
- ◆ Cost to income ratio improved to 28.3% from 29.3% in H110

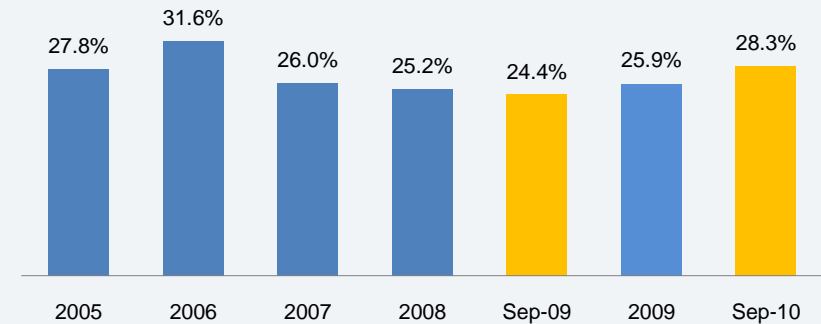
Net interest margin ⁽¹⁾



Net operating income (QR Million)



Cost to Income ratio ⁽²⁾



(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

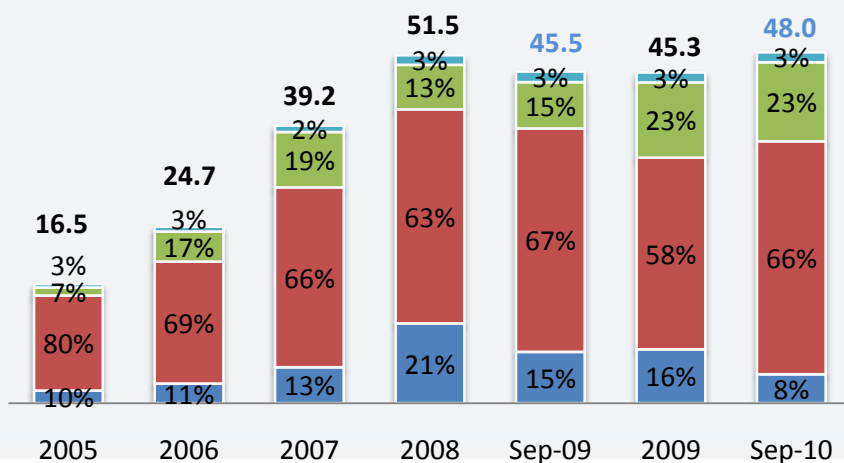
Balance Sheet Structure – 30 September 2010

Comments

- ◆ Total assets increased by 5% to QR 60.2bn from end of 2009
 - ◆ Increase of QR 2.7bn in lending to customers
 - ◆ Increase of QR 1.8bn in cash with central bank, offset by reduction of QR 1.6bn in interbank placements
- ◆ Total liabilities up by QR 2.7bn to QR 48.0bn from end of 2009
 - ◆ Increase in customers' deposits, up QR 5.7bn, in part offset by reduction in interbank takings of QR 3.4bn
 - ◆ Customers' deposits now represent 66% of liabilities, up from 58% at 31 December 2009

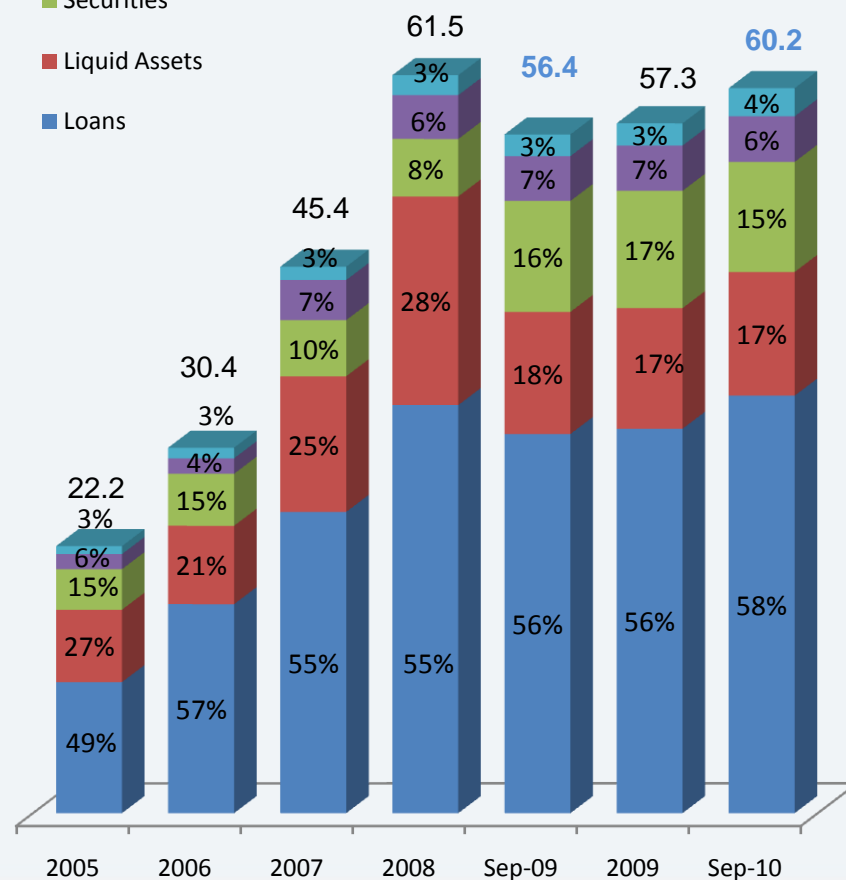
Liabilities mix

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



Assets mix

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

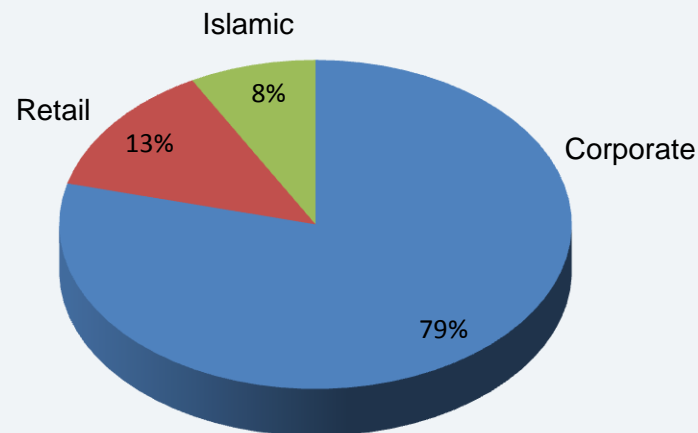


Loan book breakdown – 30 September 2010

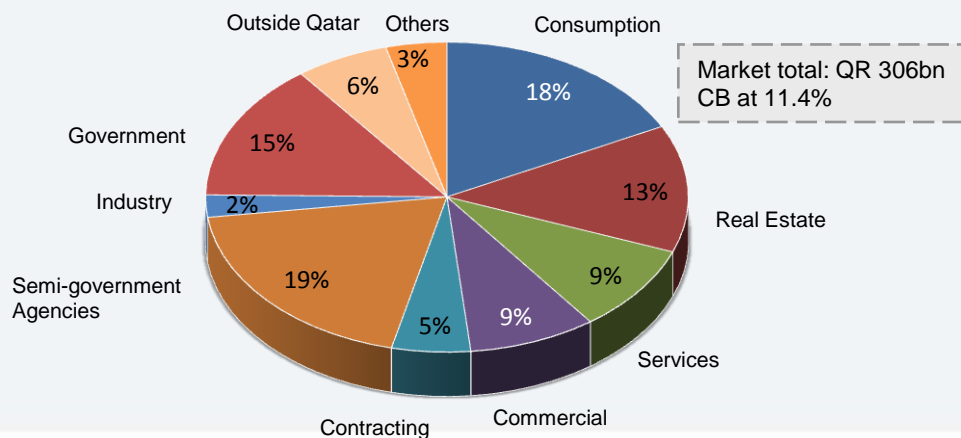
Comments

- Loans to customers were QR 34.7bn, up 10% v end of Sep 09 and 9% v Dec 09; and up 4% against end of Jun 2010
 - Growth well spread across four sectors: Government and 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
- 79% of the loan book has a maturity of more than one year

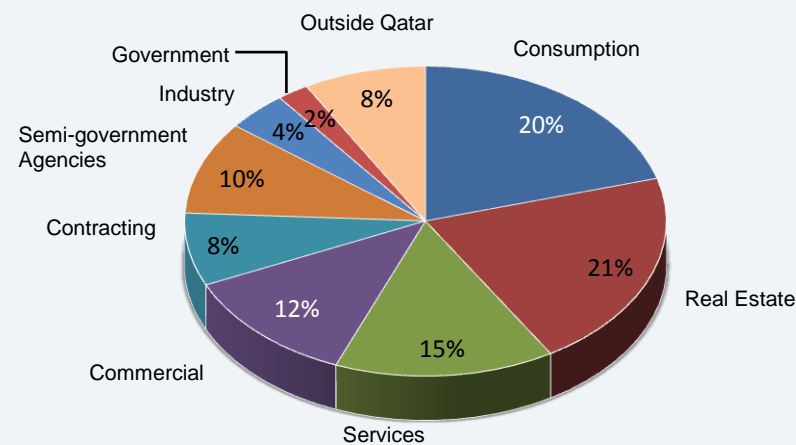
Loan book breakdown by division – 30 Sep 2010



Qatari banks credit facilities breakdown by sector – 31 Aug 2010



Loan book breakdown by sector – 30 Sep 2010

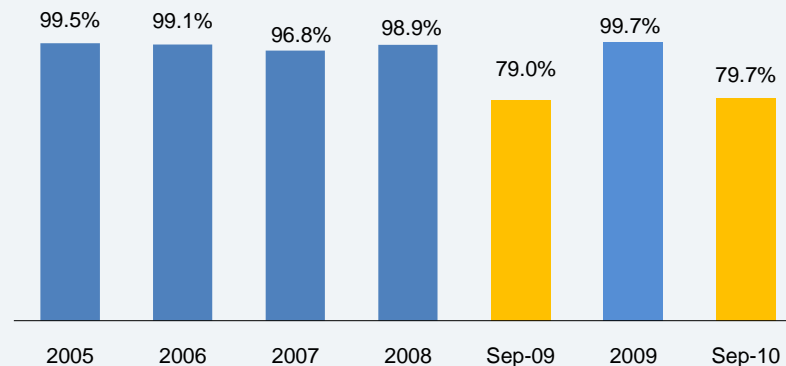


Asset quality – 30 September 2010

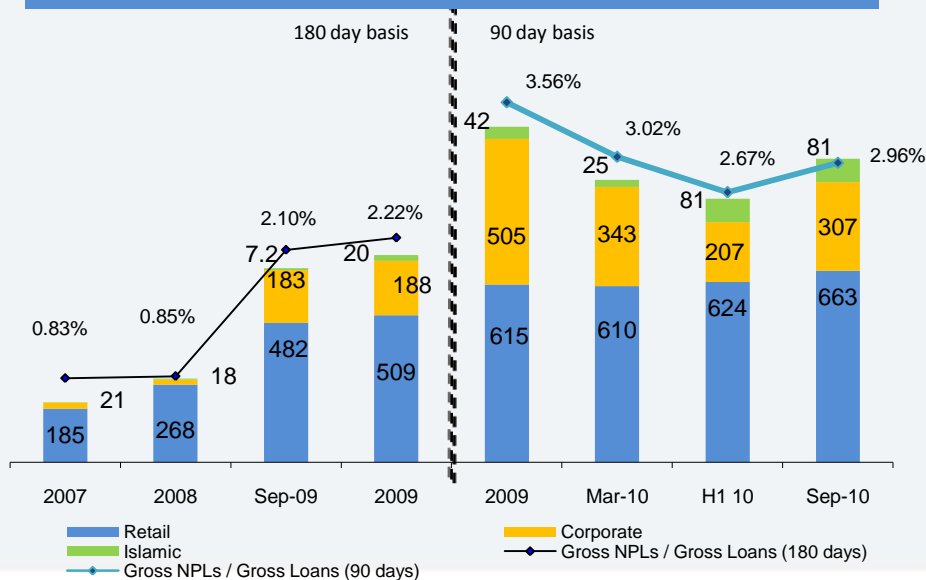
Comments

- ◆ Provision for Loan Loss QR 57m YTD 10 v QR 289m YTD 09
 - ◆ YTD provision comprise QR 47m for Retail; QR 30m for Islamic; and a net recovery of QR 20m for Corporate
 - ◆ Net recovery of QR 4m in Q310
- ◆ Recovery of significant portion of corporate default provided in H209
- ◆ NPL ratio improved to 2.96% from 3.56% at Dec 09
- ◆ Specific loan coverage down to 79.7%
- ◆ Risk reserve of QR 666m; total loan loss coverage of 143%

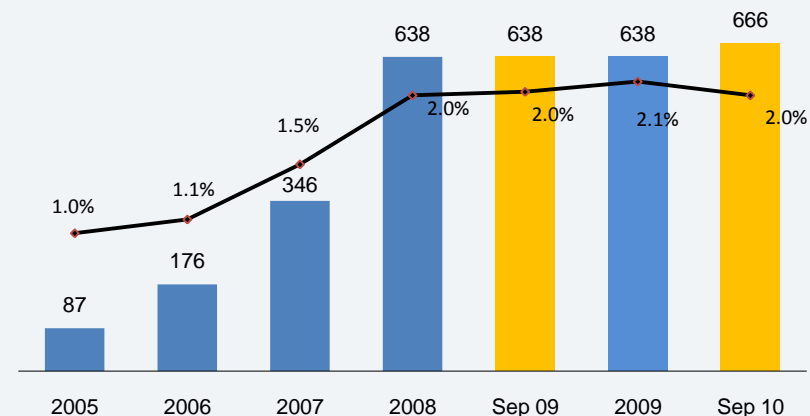
Specific loan coverage ratio ⁽¹⁾



NPL ratio



Risk reserve (QR million) ⁽²⁾



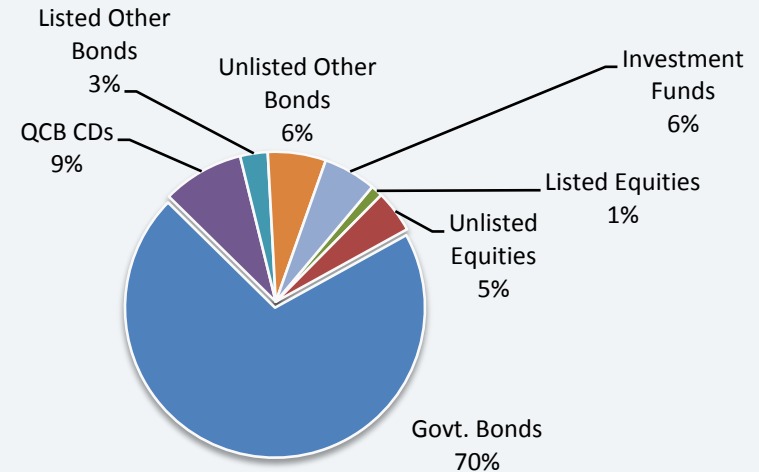
1) Specific loan coverage ratio defined as specific provisions as a percentage of specific non-performing loans
 2) Risk reserve ratio represents risk reserve over total loans & advances net of specific provision, IIS, deferred profits of IB, lending to MOF and cash collateral.

Investment portfolio - 30 September 2010

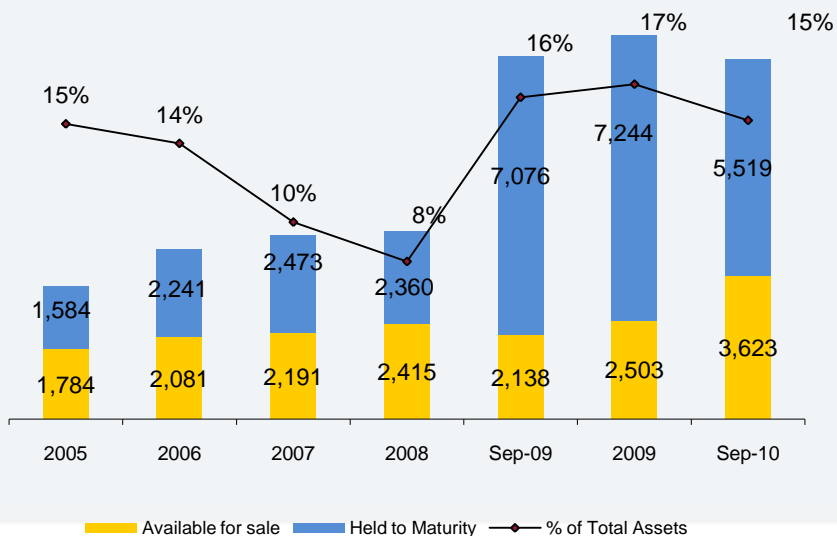
Comments

- ◆ Investment portfolio reduced to QR 9.1bn of which 79% is Qatar Government bonds and QCB certificates of deposits v QR 9.7bn at the end Dec 09
 - ◆ Reduction in QCB CDs of QR 0.7bn
- ◆ Investment provisions at QR 81m v QR 108m YTD 09
- ◆ Mark-to market negative fair value of QR 26m compared to QR 106m at the end Dec 09
- ◆ Investment gains realised of QR 51m in Q310 (Q309 QR 37m)

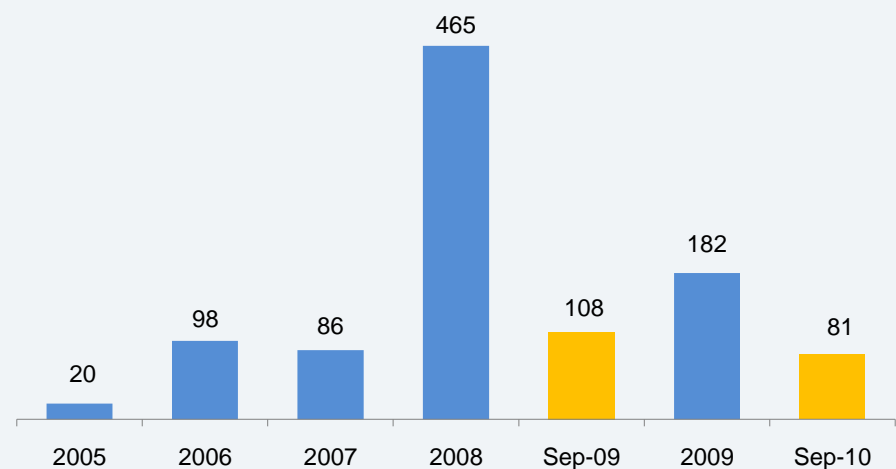
Investment portfolio as at 30 Sep 2010



Investment portfolio evolution (QR million)



Investment portfolio provisions (QR million)

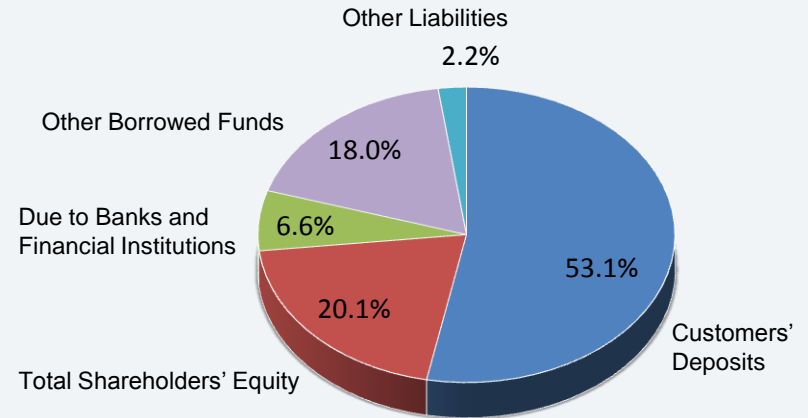


Funding breakdown

Comments

- ◆ Total funding requirement increased by QR 2.9bn during the year to support lending growth. Higher funding needs met by increasing customers' deposits by QR 5.7bn and reducing our reliance on interbank takings which were down QR 3.4bn
- ◆ Well diversified funding mix with deposits representing 53%
- ◆ Stable wholesale funding represents 18% of funding mix, increased by QR 4.4bn since Sep 09
- ◆ Key liquidity ratios maintained well above levels set by QCB
- ◆ S&P has reaffirmed its ratings of A- in Aug 2010 reflecting the Bank's solid market standing

Total funding mix – 30 Sep 2010



Wholesale funding

QR MM	Sep 10	Sep 09
EMTN (Floating Rate Notes due Oct 2011)	1,817	1,816
Syndicated Loan (\$650 MM Floating Rate due Feb 2012)	2,363	2,361
Senior Note (Fixed Rate due Nov 2014)	3,605	--
Subordinated Note (Fixed Rate due Nov 2019)	2,150	--
Syndicated Loan (\$380 MM)	--	1,382
Total	9,935	5,559

Commercialbank credit ratings

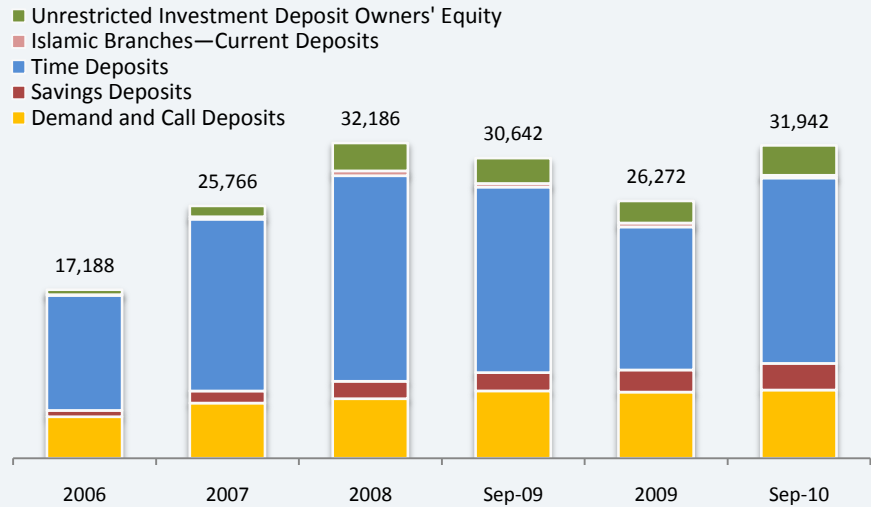
Rating Agency	Foreign Currency Bank Deposits/IDR		Bank Financial Strength/ Individual	Outlook	Date
	LT	ST			
MOODY'S	A1	Prime 1	C-	Stable	Dec 09
FITCH	A	F1	C	Stable	Mar 10
S&P	A-	A-2	-	Stable	Aug 10

Deposits breakdown - 30 September 2010

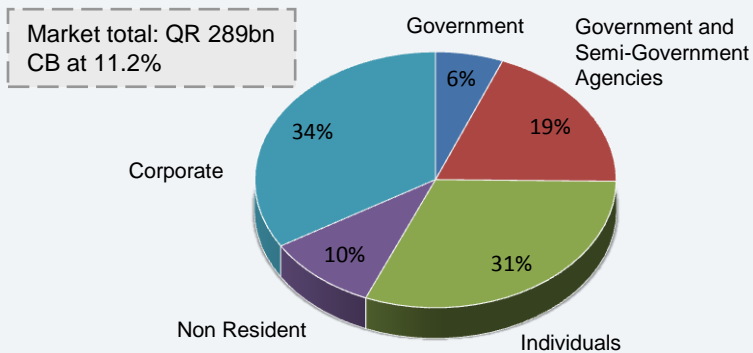
Comments

- ◆ Customers' deposits increased 22% to QR 31.9bn since end Dec 09
 - ◆ Time deposits increased QR 4.8bn
 - ◆ Savings up QR 0.5bn
 - ◆ Demand and call deposits up QR 0.4bn
- ◆ Corporate customers provide 48% of deposits leveraging Commercialbank's strong customer relationships to attract deposits
 - ◆ Government and semi-government deposits increased to 23% of total deposits
- ◆ Loans to deposits ratio improved to 109%

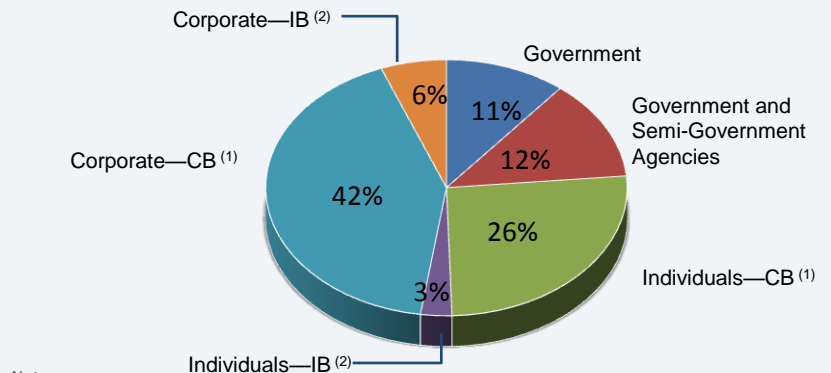
Customers' deposits (QR million) – 30 Sep 2010



Qatari banks deposits breakdown by sector – 31 Aug 2010



Deposits by customer type – 30 Sep 2010



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

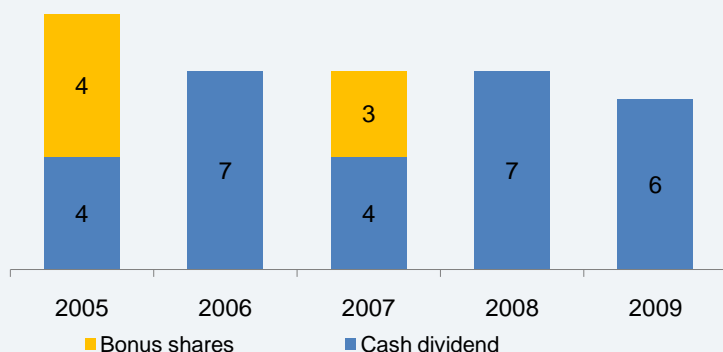
Source: Qatar Central Bank as of end of August 2010

Strong Capitalisation Levels

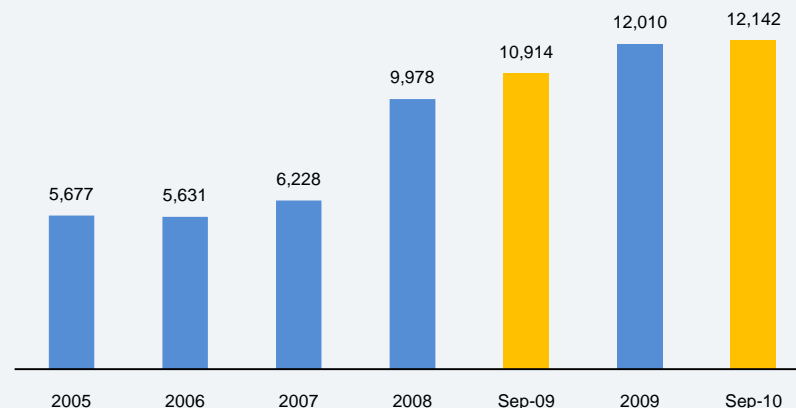
Comments

- ◆ Total shareholders' equity at QR 12.1bn, up QR 0.1bn from end December 2009, due to:
 - ◆ 2010 YTD net profit of QR 1.326bn; partially offset by:
 - ◆ Payment of 2009 dividend of QR 1.2bn
 - ◆ Appropriation of social tax of QR 38m
- ◆ Shares issued to Qatar Holding (QH) after approval at the EGA in Feb 2010, QH now holds 9.1%
- ◆ Total capital adequacy ratio at 18.7%
 - ◆ Tier 1 ratio at 16.8%

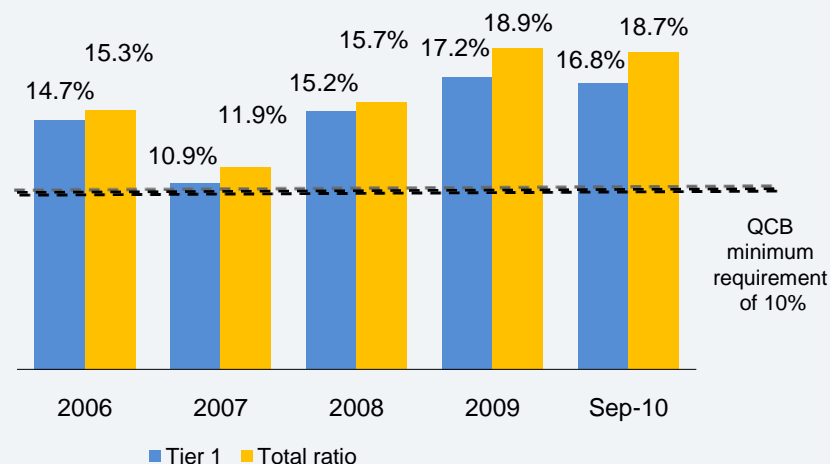
Dividend distribution per share (QR)



Shareholders' equity (QR million)



Capital Adequacy Ratio



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

Divisional Performance

Corporate

- ◆ Net operating income was QR 1.479bn, QR 25m below YTD 09
 - ◆ Net interest income was up 13% but was offset by lower fee and dividend income
- ◆ Loan Loss provisions showed a net recovery of QR 20m YTD 10 v provision of QR 147m in YTD 09 due to the recovery of a significant portion of the corporate default provisioned H209
- ◆ Loans and advances to customers at QR 27.4bn, up 12% compared with Sep 09 and 10% compared with Dec 09 09
 - ◆ Mainly in Government and semi-government, services and real estate sectors
- ◆ Customers' deposits at QR 20.4bn, up 25% against Dec 09

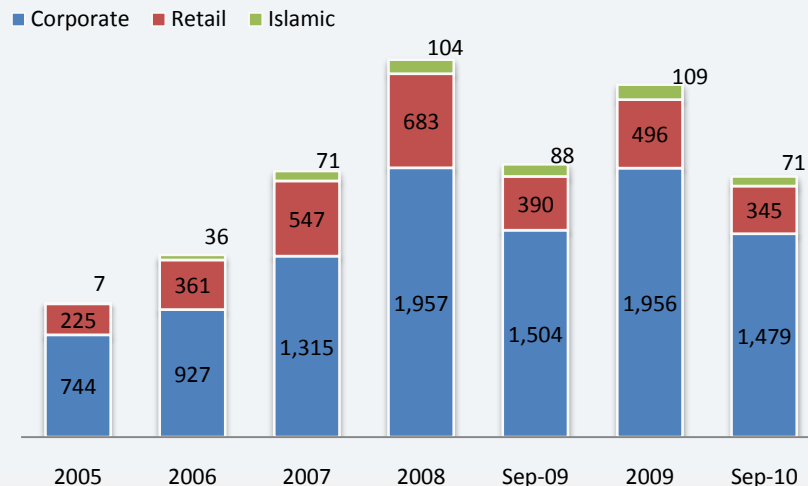
Retail

- ◆ Net operating income at QR 345m 09
 - ◆ Net interest income is down but has been partially offset by increased non-interest income
- ◆ Loan loss provisions lower QR 47m YTD 10 (YTD 09 QR 138m)
- ◆ Loans and advances to customers maintained at QR 4.6bn
- ◆ Customers' deposits up 13% to QR 8.2bn v QR 7.3bn at Dec 09
- ◆ Commercialbank successfully launched new mobile banking services for customers
- ◆ Retail network at 23 branches with two additional branches in the fourth quarter of 2010

Islamic

- ◆ Net operating income was QR 71m v QR 88m in YTD 09
- ◆ Provisions for loan loss at QR 30m YTD 10
- ◆ Islamic banking registered net profit of QR 9m
- ◆ Islamic financing increased by 14% to QR 2.6bn compared with QR 2.3bn at Dec 09
- ◆ Islamic banking deposits at QR 3.3bn, up 25% against Dec 09
- ◆ Islamic banking branch network at eight
- ◆ Rebranded to Commercialbank Islamic from Al Safa

Operating Income



Associates' Performance

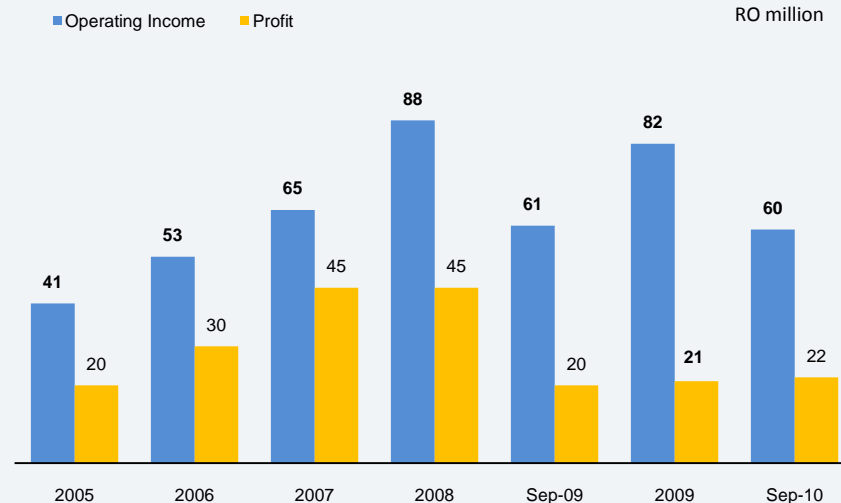
National Bank Of Oman (NBO)

- ◆ NBO delivered improved earnings with net profit after tax, up 11%, at RO 21.7m compared with RO 19.6m YTD 09
- ◆ Operating income down marginally to RO 60.4m against YTD 09
- ◆ Lower provisions for loans and investments at RO 7.6m from RO 12.8m YTD 09
- ◆ Loan book increased by 5% to RO 1.43bn from end of Dec 2009; NPL ratio stands at 3.6%
- ◆ Customers' deposits increased by 6% to RO 1.34bn
- ◆ Commercialbank has taken an adjustment of QR 17m in its YTD 2010 results relating to 2009 NBO provisions as recommended by the Central Bank of Oman

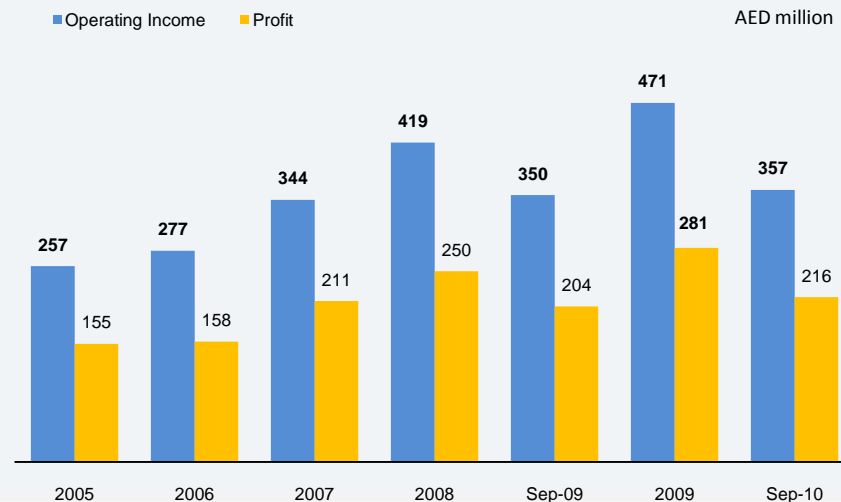
United Arab Bank (UAB)

- ◆ Record net profit of AED 216m up 6% from AED 204m YTD 09
- ◆ Net interest income increased by 4% to AED 251m; net interest margin improved by 0.5% to 5.3%
- ◆ Net operating income was up 5% to AED 340m
- ◆ Provisions for loans decreased by AED 9.4m to AED 17.3m
- ◆ Loan book increased by 14% to AED 5.4bn and customers' deposits increased by 11% to AED 4.9bn since end Dec 2009
- ◆ UAB has extended use of Commercialbank's Islamic Banking services whilst introducing new products

NBO performance



UAB performance



- Key Highlights
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- **Outlook**

Outlook

Comments

Nine months' summary

- ◆ Successfully diversifying our funding and lending activities
- ◆ Core areas of focus have continued to be:
 - ◆ Balance sheet management
 - ◆ Strong asset quality
 - ◆ Low cost funding base
- ◆ Quarterly trends indicate success of business realignment:
 - ◆ Growth in loans and advances and customers' deposits
- ◆ Improvement in asset quality

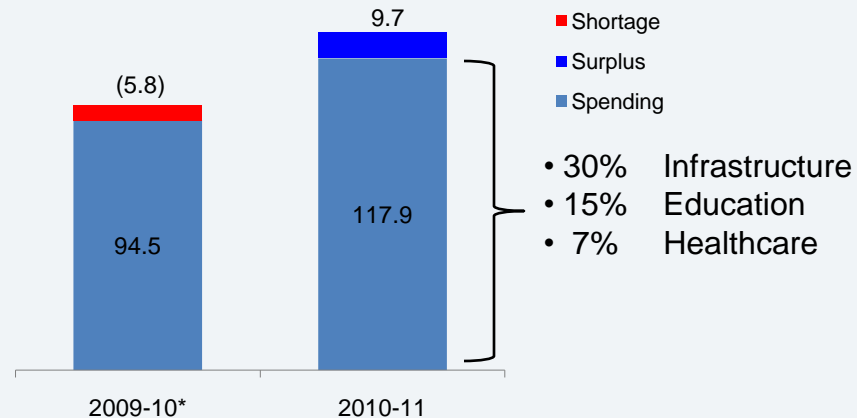
Economy and Opportunities

- ◆ Public sector: developing presence to pursue and win opportunities
- ◆ Private sector muted YTD: focus on established relationships

Outlook

- ◆ Market showing signs of improvement but mainly in public sector
- ◆ Realignment of business has ensured the Bank is well positioned to target opportunities in both public and private sectors
- ◆ Continue to focus on the three core areas
- ◆ Q3 provides confidence for improved year on year performance

State of Qatar budget



*The budgeted shortage in 2009-10 turned into surplus due to higher oil prices and the increase of LNG production

Qatar Strong Real GDP Growth and Real GDP/ Capital

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

