



Commercial Bank of Qatar

2008 Financial Results

3rd February 2009



Forward-Looking Statements

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FY 2008 Financial Highlights

- Commercialbank achieved a **record Net Profit** of QR 1.7bn (+22.4%) based on strong performances in all core businesses and its affiliate banks
 - Net profit impacted by provision for impairment on investment portfolio of QR 465m
- **Operating Income increased 42.5%** from QR 1.9bn to QR 2.8bn driven by higher net interest income (+39%) and increased non-interest income (+45.4%)
- Record performance reflected in **higher Earnings per Share** of QR 8.76 per share compared to QR 7.63 in 2007
- Proposed **Cash Dividend** per Share of QR 7
- **Total Assets increased by 35.0% to QR 61.3bn** due to growth in lending and higher bank placements during Q4 08; high asset quality with Non Performing Loan Ratio at 0.85%
- **Loans grew to QR 33.9bn up 35.5%** principally due to increased lending in the corporate domestic book
- **Deposits increased 24.9% to QR 32.2bn** mainly due to Time Deposits raised from government and retail sectors
- **Shareholders' Equity rose by QR 3.8bn to QR 10.0bn**; Bank's Capital Adequacy Ratio was 15.7% at 31 December 2008, well above Basel II requirements



FY 2008 Operational Highlights

- **Strong growth and record profit levels** achieved due to the Bank's strong domestic franchise and market position in Qatar, as well as emerging benefits from the regional banks alliance
- **Market share** of deposits was 15.2% and lending 14.2%
- The Bank continued its **expansion programme** opening 3 new branches during the year
- **Al Safa Islamic banking** continued to expand its activities and perform well with net profit increasing 78% to QR 71m
- **National Bank of Oman and United Arab Bank** both achieved strong results in 2008 contributing 12%, QR 208m, of the Bank's net profit
- Bank's focus remained on controlled **growth with tight cost management**; Cost to Income Ratio reduced to 25.2% from 26.0%
- **Large capital raising exercise** concluded 2 July 2008 totaling QR 3.28bn, through rights, GDR and private placement issues
- **Successful debt raising** of US\$ 380m in November 2008 whilst repaying US\$ 800m in short term loan
- Occupancy of new **Commercialbank Plaza** head office building



Q4 2008 Highlights

- **Management implemented key measures** during the fourth quarter to protect the Bank's strong position during the global downturn; these measures impacted the P&L
 - increased available liquidity through more expensive deposits and inter-bank lines
 - re-priced certain assets
 - reduced lending during October and November
- **Solid Balance sheet growth:** Assets increased 6% to QR 61.3bn, Loans 5.6% to QR 33.9bn and Deposits 7.7% to QR 32.2bn compared to 30 September 2008
- **Net Profit for the quarter was QR 140m**, down 73% compared to Q3 2008; the Bank provided QR 262m for impairment against its investment portfolio
- **Net interest income and net fee & commission income** declined respectively by 8% and 19%, compared to Q3 2008, to QR 336m and QR 216m
- **Operating Income declined to QR 627m**, affected by actions to strengthen liquidity and tighten lending and loss of revenue from Investments of QR 75m



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Financial Performance – FY 2008

Strong performance despite Global Market volatility

	2008	2007	Variance		CAGR
	QR million	QR million	QR million	%	2004 - 2008
Total Assets	61,302	45,397	15,905	35.0%	47.5%
Loans & Advances to Customers	33,898	25,021	8,877	35.5%	49.9%
Customers' Deposits	32,186	25,766	6,420	24.9%	40.3%
Shareholders' Equity	9,978	6,228	3,750	60.2%	39.7%
Net Interest Income	1,218	876	342	39.0%	39.8%
Non Interest Income *	1,552	1,067	485	45.4%	64.5%
Operating Income	2,769	1,943	826	42.5%	51.1%
Operating Expense	750	540	210	38.8%	39.7%
Net Profit	1,702	1,391	311	22.4%	48.9%

* Includes Al Safa net income from Islamic financing and investment activities



Financial Performance – Key Ratios 2008

	2008	2007
ROAE	21.01%	23.5%
ROAA	3.19%	3.67%
Book Value	48.39	44.43
EPS (QR)	8.76	7.63
Cost To Income Ratio	25.2%	26.0%

Divisional Performance

Corporate

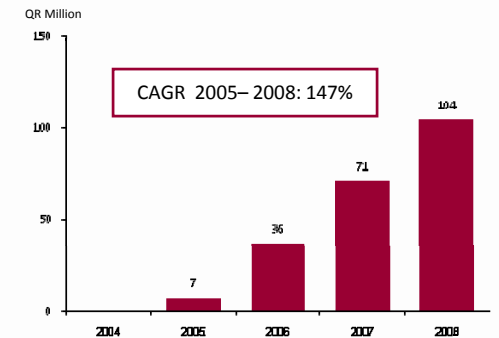
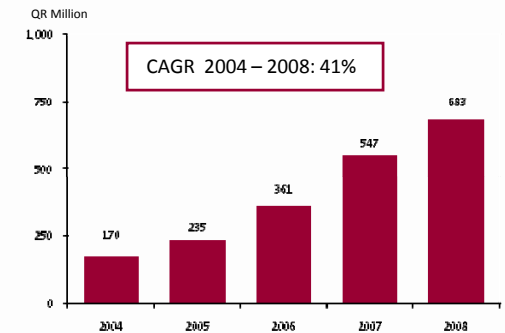
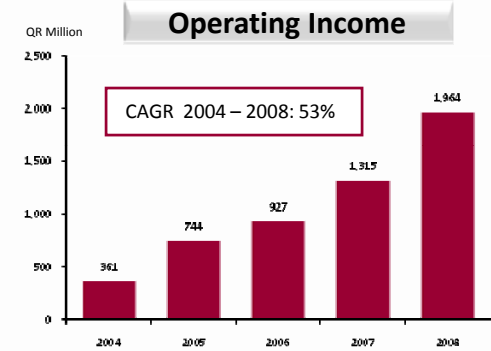
- Major contributor to Bank's growth and profit; focused on selective lending, asset quality and profitability
- Net operating income rose 49.4% to QR 2.0bn from QR 1.3bn in 2007
- Loans up 31% to QR 25.9bn; deposits grew 15.8% to QR 22.1bn

Retail

- Increased footprint to 27 full-service branches and 135 ATMs
- Innovative product offerings introduced for evolving customer needs
- Net operating income up 24.7% to QR 683.0m compared to 2007
- Loans grew 27% to QR 5.5bn, deposits rose 37% to QR 7.3bn versus 2007

Islamic

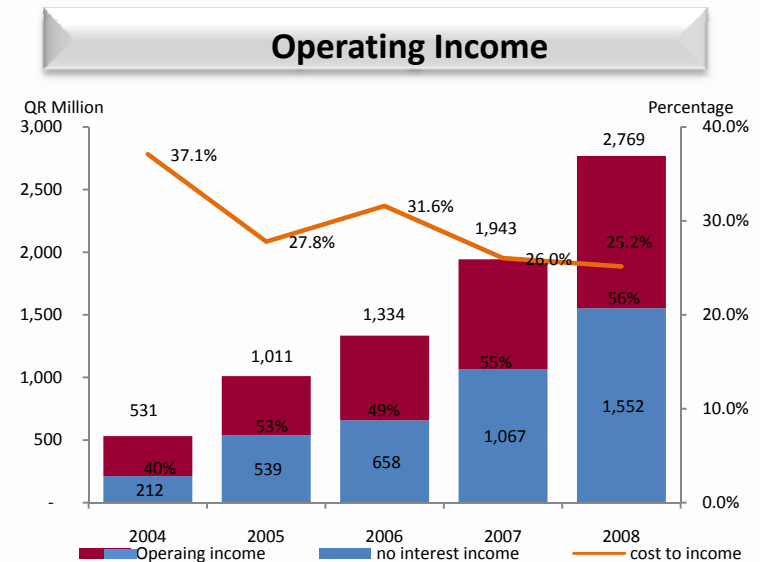
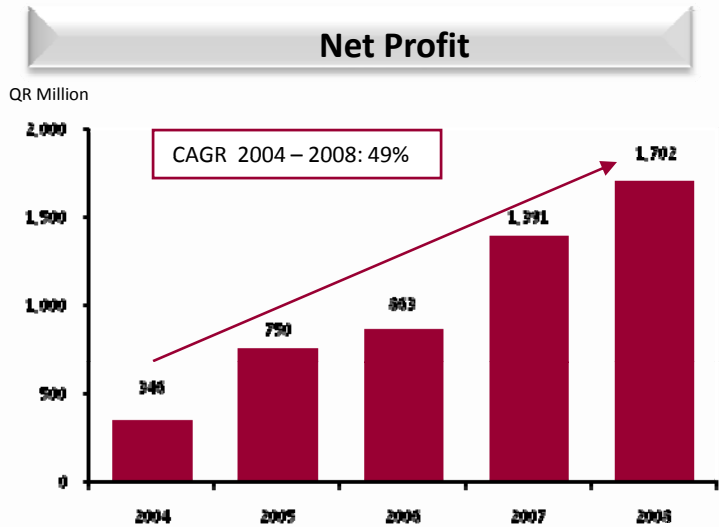
- Strong growth and expansion in Al Safa Islamic banking
- Net profit up 78% to QR 71m compared to 2007
- Net operating income reached QR 104m, up 47.4%
- Deposits increased 146% to QR 3.3bn and total Islamic assets reached QR 4.1bn compared to year end 2007





Delivering Strong Profit Growth

- Net profit compounded annual growth rate over past five years at 49% per annum
- Strong increase in operating income over past five years
- 39% growth in net interest income and 45% growth in non-interest income in 2008 compared to 2007
- Net interest margin improved from 2.9% in 2007 to 3.0% in 2008
- Costs increased 38.8% during 2008 due to growth of the business; however overall tight cost management and strong revenue growth led to a further decline in the cost to income ratio to 25.2%

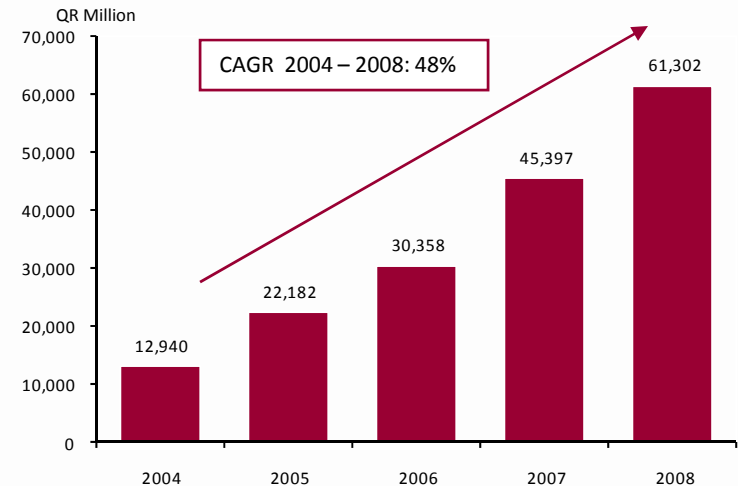




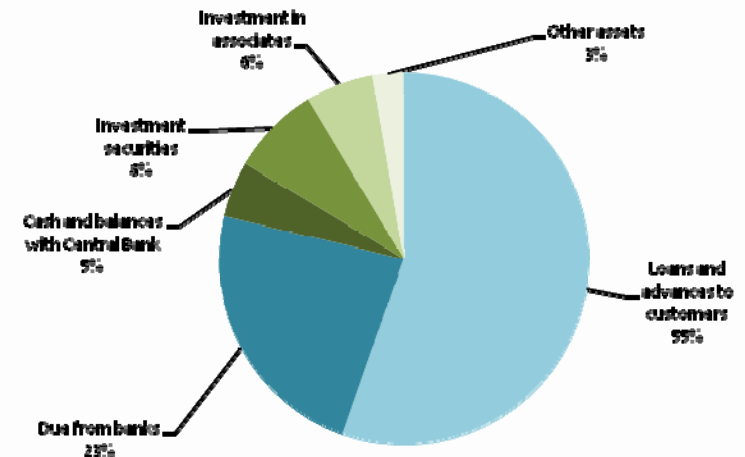
Strong Asset Growth & Diversity

- Total assets increased to QR 61.3bn up 35% compared to QR 45.4bn at year end 2007
- Asset growth primarily due to growth in lending plus an increase of QR 5.3bn to QR 14.3bn in amount due from banks reflecting the high level of liquidity held by the Bank during Q4 08
- Assets have grown at compounded annual rate of 48% over the past 5 years
- Assets remain diversified: Loan book represents 55% of assets, unchanged from 2007; Inter-bank placements account for 23%, up from 20% at end 2007: Investment securities are 8% and associates represent 6%.

Total Assets



December 2008 Assets Mix

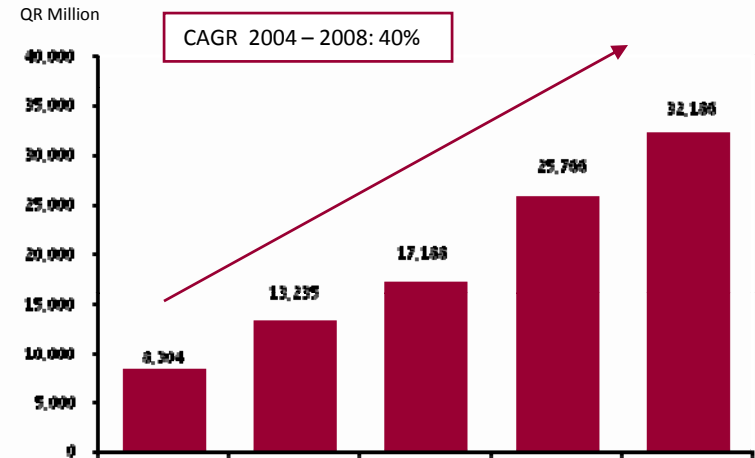




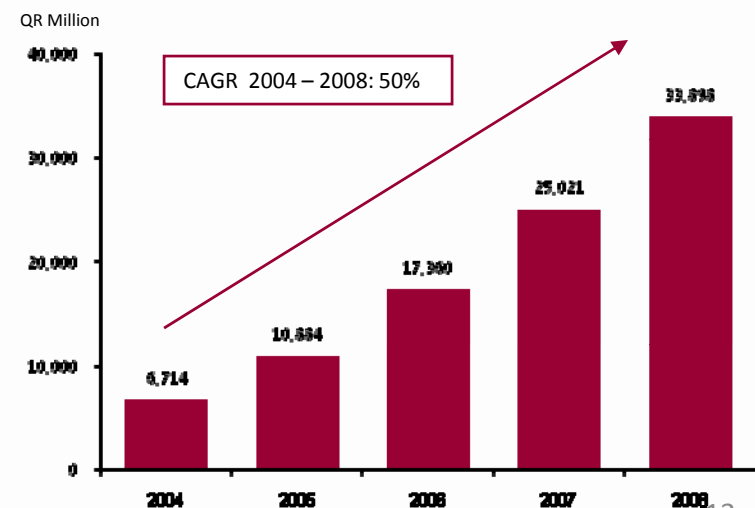
Strong Balance Sheet Growth

- Funding sources remain well diversified with Customers' Deposits contributing 48% of total funding
- The compounded annual growth rates for Deposits was 40% per annum
- The Bank's loan book increased to QR 33.9bn, a growth of 35.5% compared to 31 December 2007
- The compounded annual growth rate over the last five years was 50% per annum

Customers' Deposits



Loans & Advances

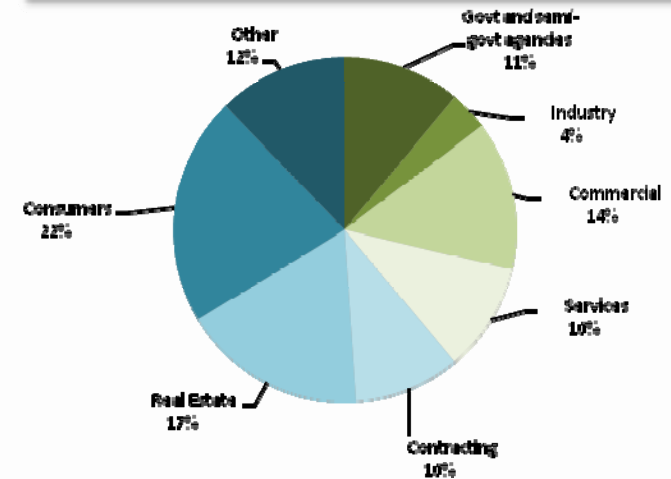




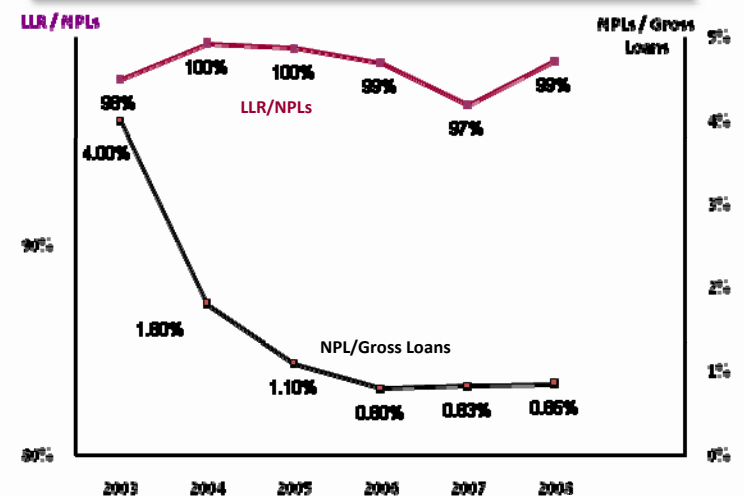
Balanced risk profile

- Lending activities are well diversified, split across a number of industry sectors, with no major concentrations of risk. 88% of lending is within Qatar
- Corporate represents 77%, Retail 16%, Islamic 7%
- Lending to consumers is 22% and real estate 17% of the Bank's total lending
- Loan demand was strong during 2008; lending was selective and criteria strengthened in Q4
- Asset quality continues to be good with 97.6% of the portfolio in current status
- Non performing loans remain low at 0.85% in 2008 and are 99% provided

Diversified Loan Portfolio



Improving Asset Quality





Investments

QR million	31 December 2008				31 December 2007
	AFS	HTM	Total	%	Total
Equity investments	1,310	-	1,310	27%	941
Qatar Government Bonds	14	2,042	2,056	43%	2,083
Other Bonds	640	318	958	20%	1,213
Investment Funds	451	-	451	9%	428
Net Book Value	2,415	2,360	4,775	100	4,665

- HTM comprises mainly Qatar Government Bonds
- AFS is 54% Equity investments, comprising mainly shares in Qatar and GCC companies
- Provision for impairment raised of QR 465m (QR 262m in Q4)
- Negative fair value reserve of QR 399m
- 87% of Other Bonds are capital protected, many now supported by Government investment



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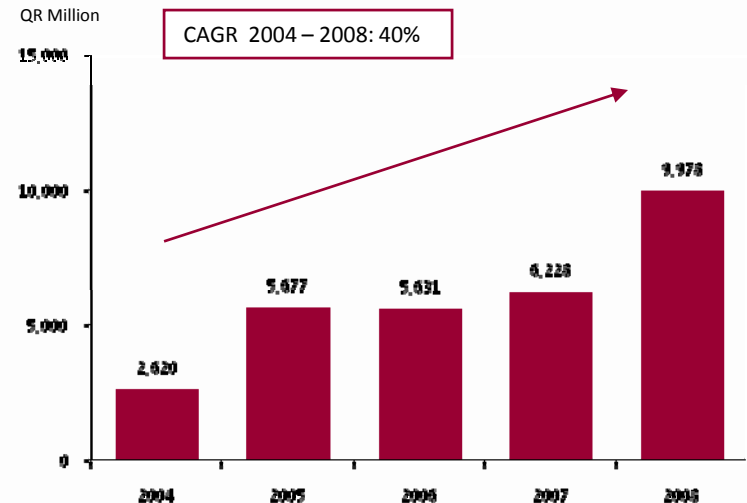
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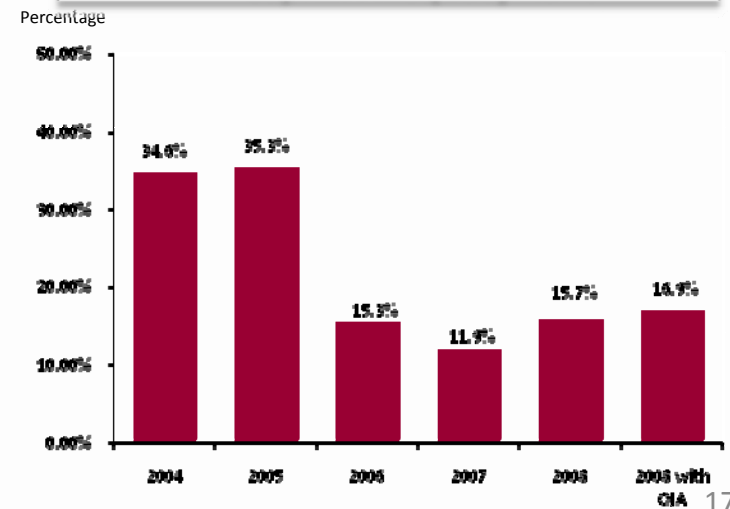
Capital further strengthened in 08

- Strong capitalisation to support future controlled asset growth
- Capital Adequacy Ratio at 15.7%, well above QCB minimum requirement of 10%
- Strong quality of capital - Tier 1 capital adequacy ratio at 15.16%
- Large Capital increase in July 2008 of QR 3.3bn (GDR / Rights /Private Placement)
- Total Tier I & II equity increased to QR 10bn
- QIA 5% capital injection 21 January 2009; proforma capital adequacy ratio increased to 16.9%
- Commercialbank ranks among the top 20 GCC banks by capital strength

Shareholders' Equity



Capital Adequacy Ratio

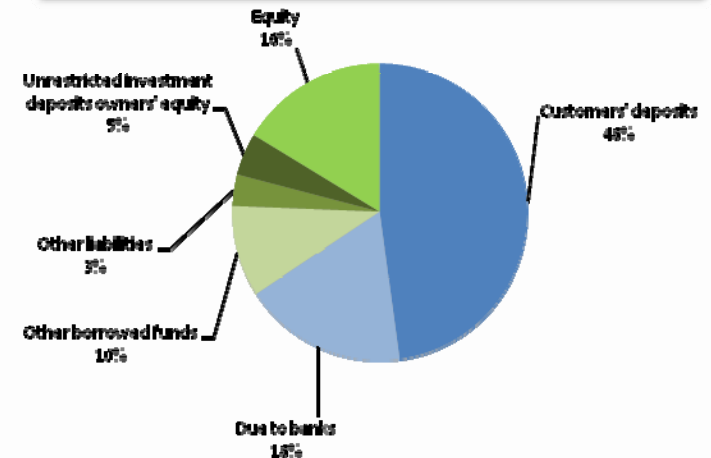




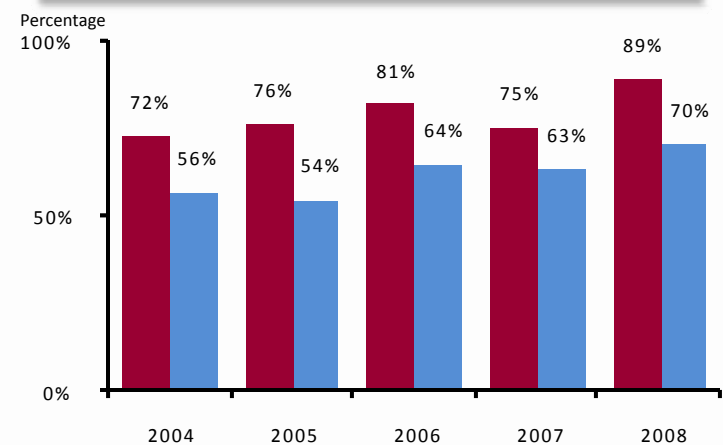
Strong, well managed liquidity

- Commercialbank has a diversified funding mix supporting its balance sheet ; customers' deposits grew by 24.9% to QR 32.2m
- Capital of QR 3.3bn in July and a Loan facility of QR 1.4bn in November; Bank also repaid a QR 2.9bn syndicated loan in November
- Bank re-scrutinised its liquidity contingency plan in Q4, including stress test of the Bank's liquid assets and sources of funds. Plans were found to be appropriate but were still amended to fit the new market conditions
- Management had close focus on liquidity during Q4
- Bank has exceeded key liquidity ratios during the year but set itself higher target ratios during Q4 to protect against any sudden shocks; the Bank has now reverted to normal ratio levels

December 2008 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)



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Outlook

- **Strong macroeconomic fundamentals** continue to underpin Qatar's economy; projected to continue growing at c.10% in 2009¹ supported by the country's oil supplies and by growth in LNG exports
- **Government support of economy**, particularly for infrastructure projects and real estate development
- **Government's support for the banking system**, e.g. QIA investment
- The Bank is focused on **strengthening its core businesses** and developing increased alignment and integration synergies across the alliance banks to support 2009 performance
- Continued **diversification of funding and revenue**; strong risk focus and increased capital base will support continued controlled asset growth
- Commercialbank remains **well positioned** to withstand economic uncertainties and benefit from growth opportunities; cautiously positive in outlook for 2009

1.Samba bank research December 2008



Q&A