

Commercial Bank of Qatar

Financial Results

2011 Half-Year

28 July 2011



قطر مصدر إلهامنا
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**

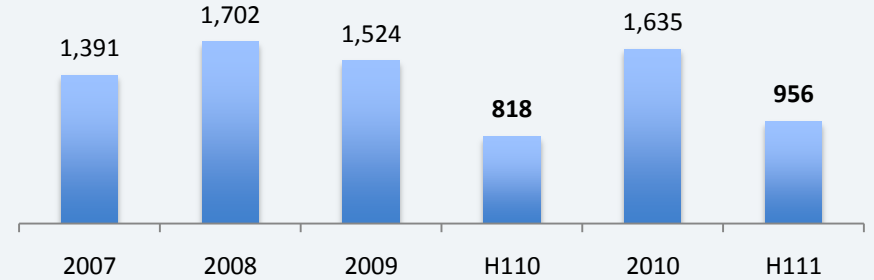
- Financial Performance
- Business Performance
- Outlook

Key Highlights

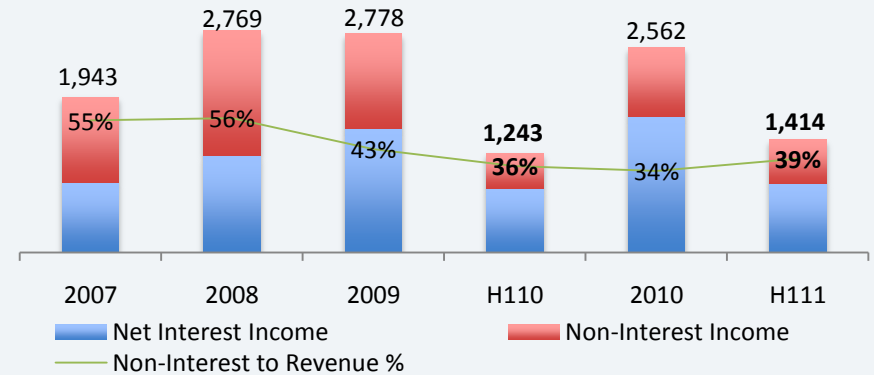
Key Highlights of first half 2011 performance

- ◆ Strategy being delivered; broadening of domestic franchise with positive underlying trends in performance
- ◆ Strong earnings momentum as strategic transformation delivers
 - ◆ Net profit of QR 956m v QR 818m, up 17% v H110
 - ◆ Up 14% v Q111
- ◆ Net operating income of QR 1.4bn, up 14% v H110
 - ◆ Net interest income of QR 861m, up 8%
 - ◆ Net interest margin at 3.6%
 - ◆ Non-interest income of QR 553m, up 25%
 - ◆ Net fee and commission income of QR 328m, up 7%
- ◆ Balance sheet actively managed to optimise efficiency
 - ◆ Total assets of QR 67.7bn, up 8% v FY10
 - ◆ Lending at QR 39.8bn, up 19% v H110 and FY10
 - ◆ Deposits at QR 34.7bn, up 14% v H110 and 4% v FY10
- ◆ Asset quality
 - ◆ Net provision for lending of QR 88m v QR 61m in H110
 - ◆ NPL ratio at 2.99% v 3.16% at FY10
 - ◆ Risk reserve at QR 757m
- ◆ Capital Adequacy Ratio stands at 18.9%

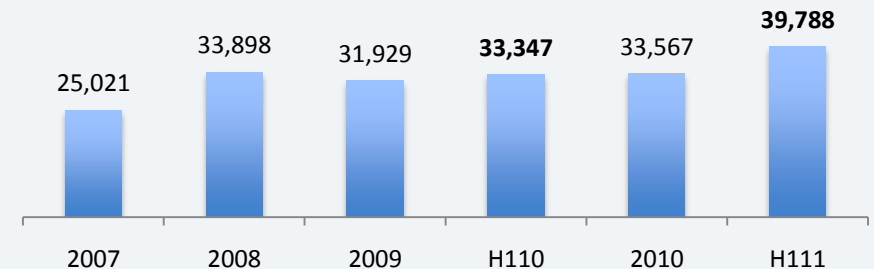
Net profit (QR million)



Net operating income (QR million)



Loans and advances to customers (QR million)



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

Financial Performance – H1 2011

Profitability

QR Million	H1 2011	H1 2010	%
Net interest income	861	801	8%
Non-interest income	553	442	25%
Total costs	423	384	10%
Net provisions	125	109	15%
Net profit	956	818	17%

Balance Sheet

QR Million	H1 2011	H1 2010	%
Total Assets	67,719	57,363	18%
Loans & Advances	39,788	33,347	19%
Financial Investments	12,696	9,326	36%
Customers' Deposits	34,737	30,414	14%
Shareholders' Equity	13,480	11,554	17%

Performance Ratios

	H1 2011	H1 2010
ROAE	14.7%	13.9%
ROAA	2.9%	2.9%
EPS (QR)	3.96	3.64
NIM	3.6%	3.7%

Capital

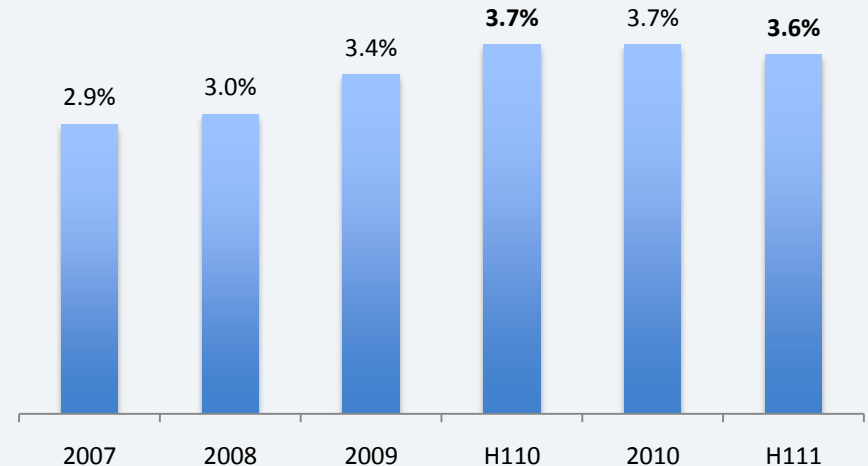
	H1 2011	H1 2010
RWA (QR Million)	57,911	48,107
Tier 1 Ratio	17.2%	17.4%
Total Capital Ratio	18.9%	19.2%

Earnings Performance – H1 2011

Comments

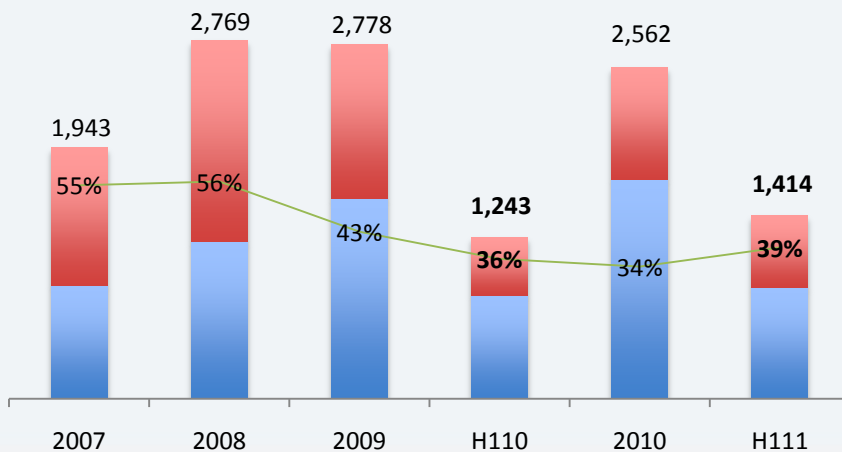
- ◆ Net interest income at QR 861m, up 8% v H110
 - ◆ Net interest margin down slightly to 3.6% from 3.7%
- ◆ Non-interest income up QR 111m in H111 to QR 553m v H110
 - ◆ Increased fee income, up 7%
 - ◆ Higher investment gains and dividend income
- ◆ Net operating income up QR 171m to QR 1,415m v H110
- ◆ Cost to income ratio reduced to 28.1%

Net interest margin (1)

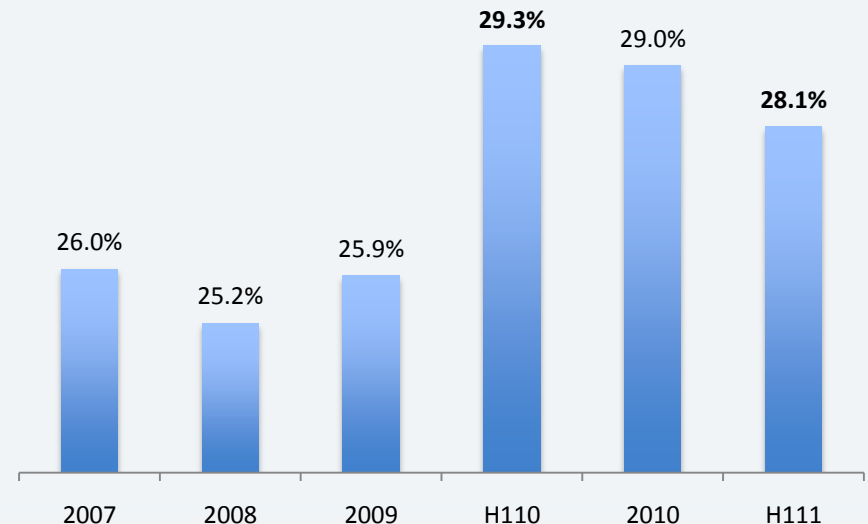


Net operating income (QR million)

■ Net Interest Income ■ Non-Interest Income
— Non-Interest to Revenue %



Cost to Income ratio (2)



(1) Net interest income as a % of average interest earning assets, including (i) loans and advances to customers, (ii) bonds and (iii) loans to other credit institutions (excluding Islamic Banking)

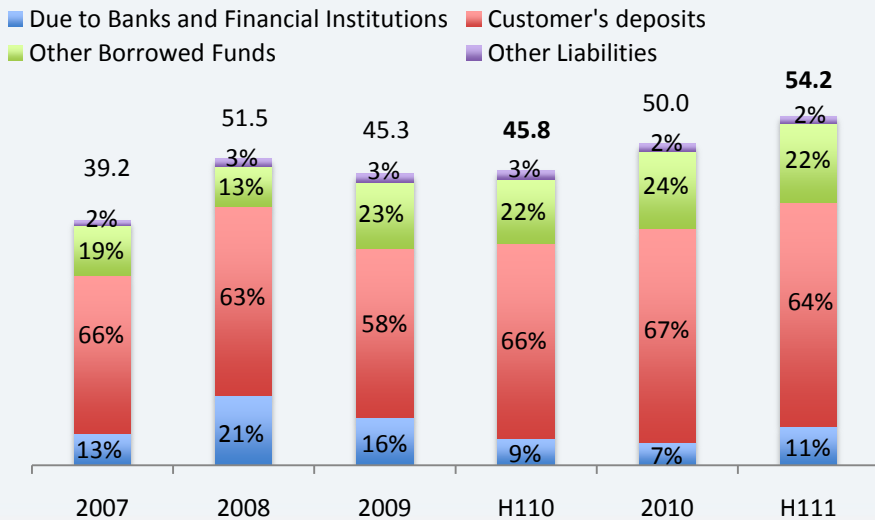
(2) Income adjusted with unrestricted investment account holders' share of profit relating to Islamic banking and includes share of profit of associates

Balance Sheet Structure – 30 June 2011

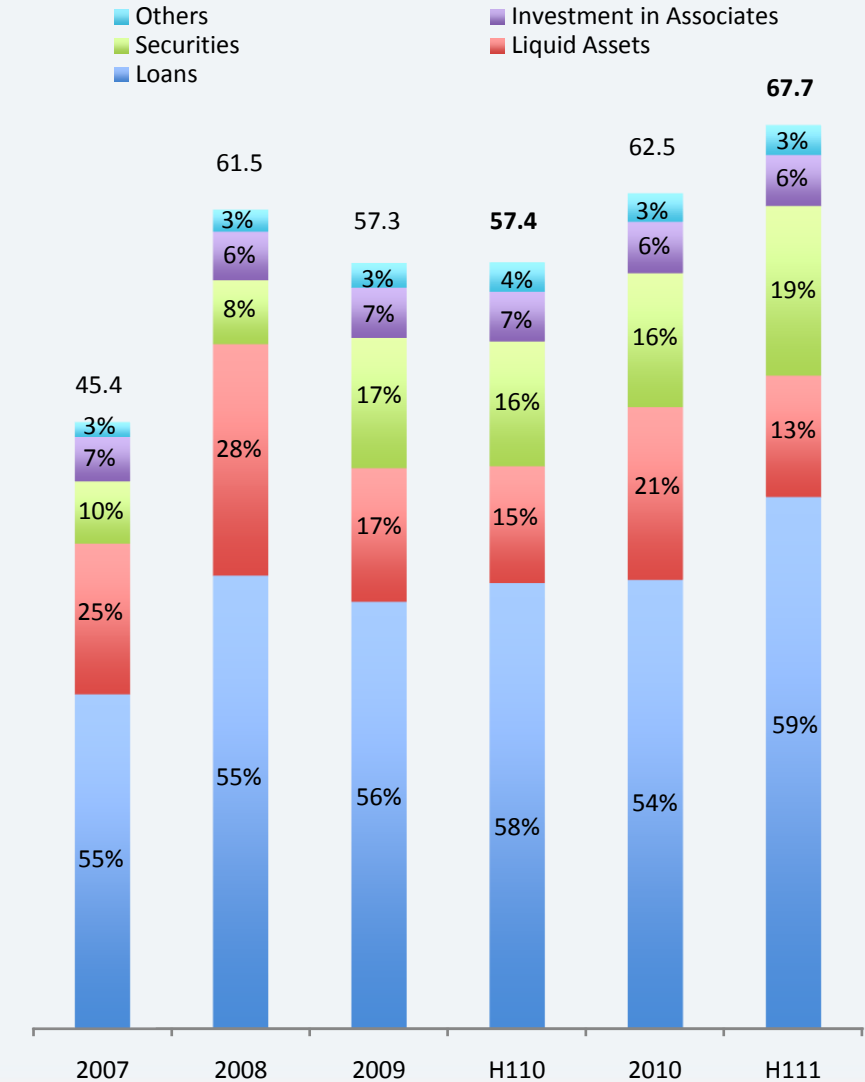
Comments

- ◆ Total assets increased to QR 67.7bn, up QR 10.4bn v H110 and up QR 5.2bn v FY10
 - ◆ Increase in lending of QR 6.2bn v FY10, up 19%
 - ◆ Increase in Investments of QR 2.7bn v FY10, up 27%; partially offset by
 - ◆ Reduction of cash balances of QR 5.9bn
- ◆ Total liabilities increased 8% to QR 54.2bn v FY10
 - ◆ Increase in customers' deposits of QR 1.5bn
 - ◆ Customers' deposits now represent 64% of liabilities, down from 67% at FY10

Liabilities mix



Assets mix

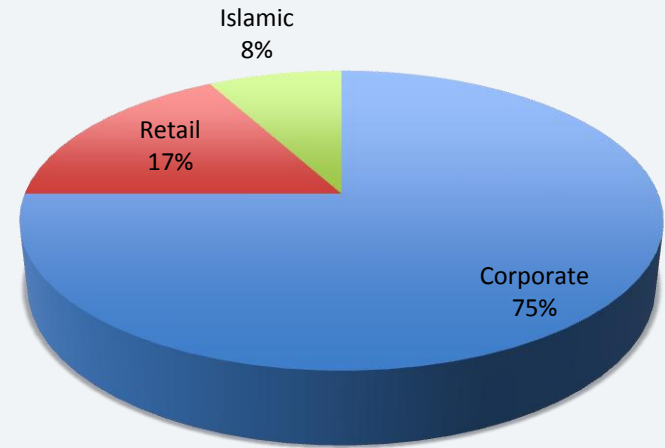


Loan Book Breakdown – 30 June 2011

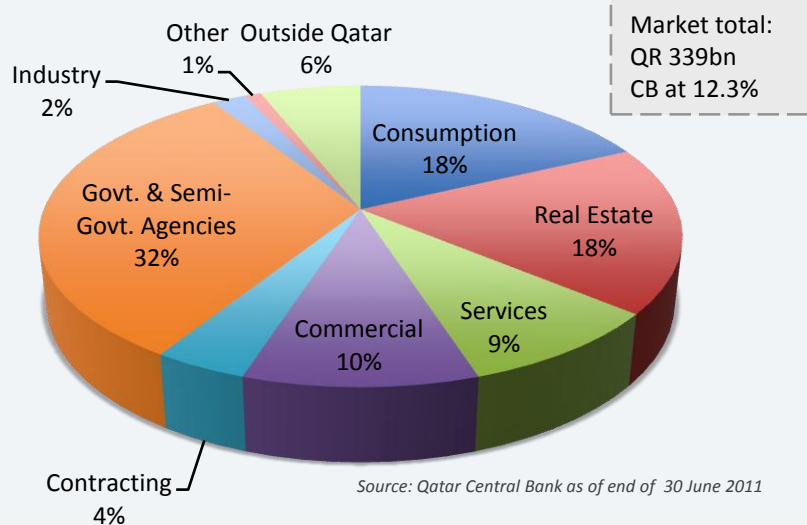
Comments

- Loans to customers were QR 39.8bn at H111, up 19% v H110 and FY10; 2011 growth in
 - Private and Public Sectors
 - Mainly four industry sectors: Government and semi-government, Consumption and Real Estate
- Loan book is well diversified across industry sectors with the Consumption sector the highest at 23%
- 91% of exposure is in Qatar
- Corporate customers represent 75% of total loan book
- 78% of the loan book has a maturity of more than one year

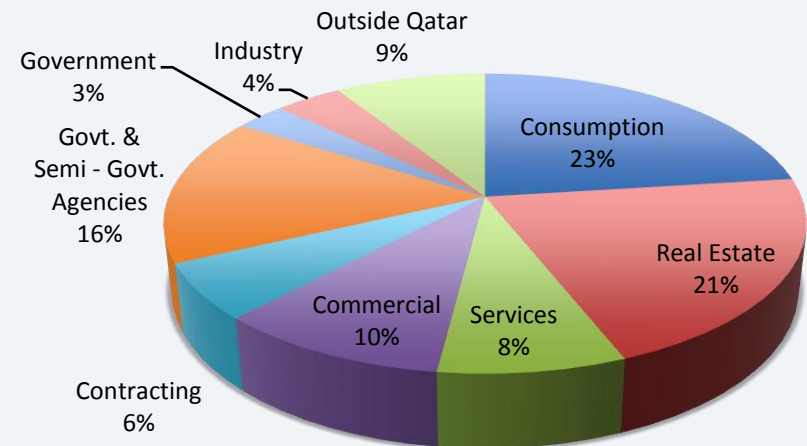
Loan book breakdown by division – 30 June 2011



Qatari banks credit facilities breakdown by sector



Loan book breakdown by sector – 30 June 2011

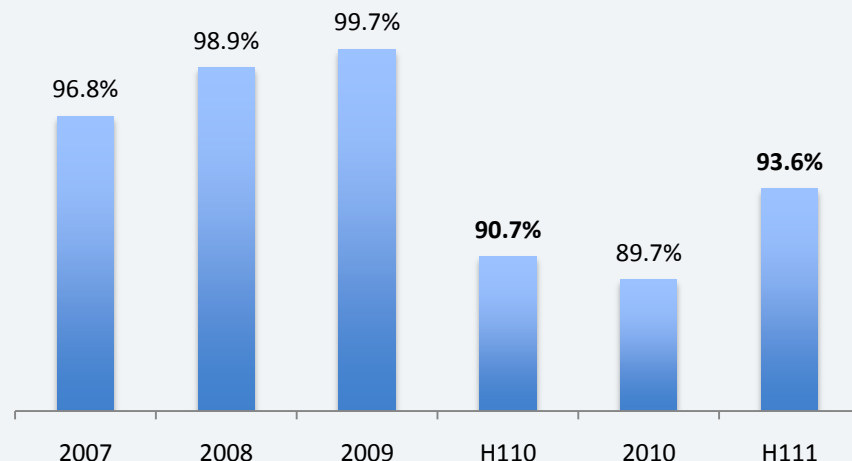


Asset Quality – 30 June 2011

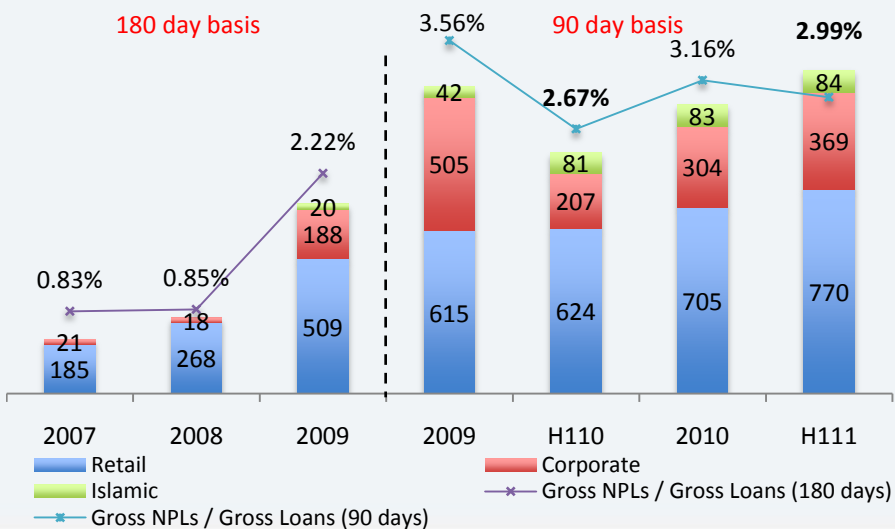
Comments

- ◆ Provision for Loan Loss was QR 88m in H111 v QR 61m in H110
 - ◆ QR 35m in Q211 v QR 53m in Q111
 - ◆ Comprising QR 62m for Corporate, QR 20m for Retail and QR 6m for Islamic
- ◆ NPL ratio reduced to 2.99% from 3.16% at FY10
 - ◆ The increasing impact of interest in suspense
 - ◆ A small increase in non-performing loans; offset by
 - ◆ Growth in the loan book
- ◆ Risk reserve of QR 757m; total loan loss coverage of 156%

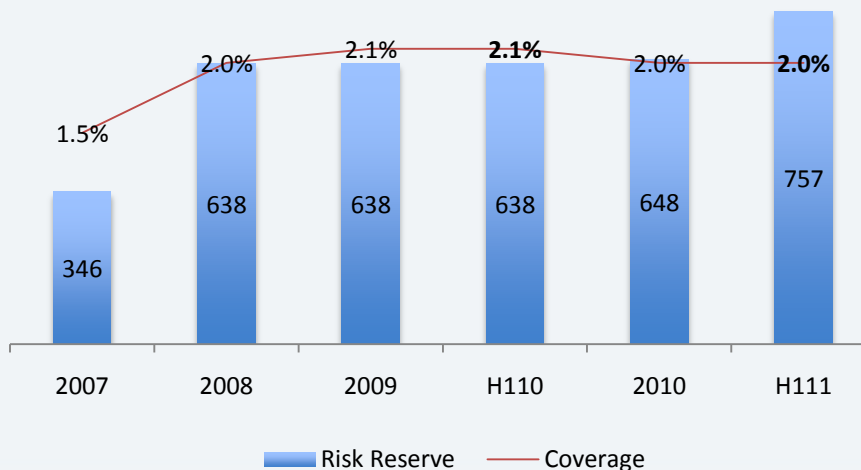
Specific loan coverage ratio (1)



NPL ratio



Risk reserve (QR million) (2)



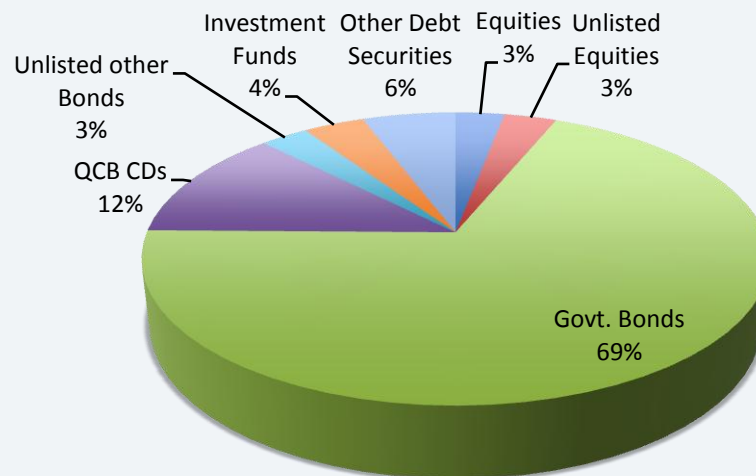
(1) Specific loan coverage ratio defined as specific provisions as a % of specific non-performing loans
 (2) Risk reserve ratio represents risk reserve over total loans & advances net of specific provisions, IIS, deferred profits of IB, lending to MOF and cash collateral

Investment Portfolio – 30 June 2011

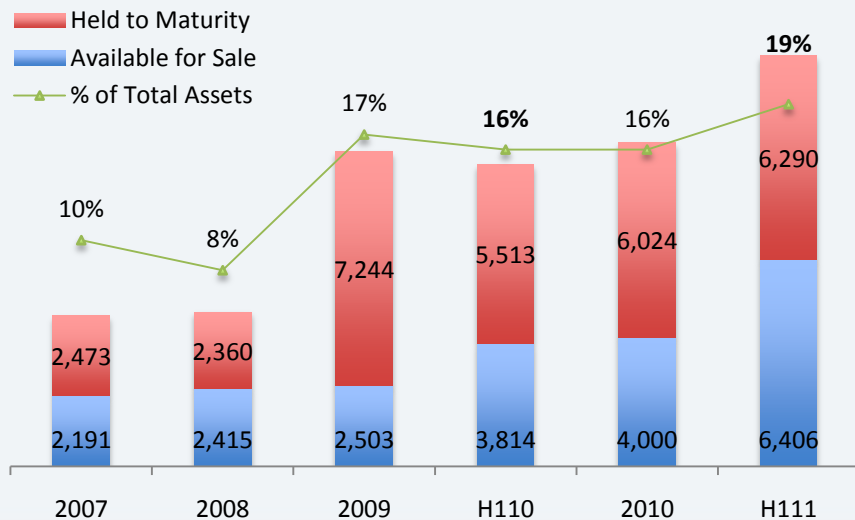
Comments

- ◆ Investment portfolio grew to QR 12.7bn, from QR 10.0bn at FY10
 - ◆ 81% Qatar Government bonds and QCB CDs
 - ◆ Qatar Government bonds and QCB CDs up QR 2.5bn v FY10
- ◆ Investment provisions at QR 37m v QR 47m in H110
- ◆ Mark-to-market positive fair value at QR 55m
- ◆ Investment gains of QR 65m in H111 v QR 3m in H110
- ◆ Dividend income of QR 15m in H111 v QR 7m in H110

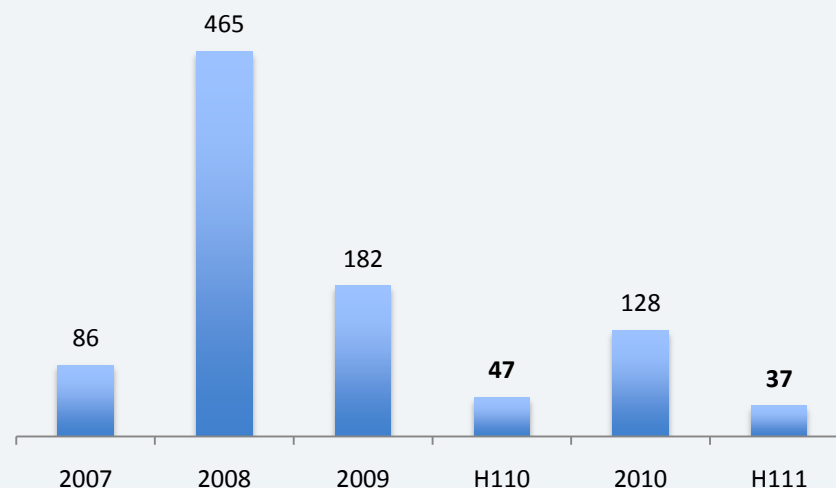
Investment portfolio as at 30 June 2011



Investment portfolio evolution (QR million)



Investment portfolio provisions (QR million)



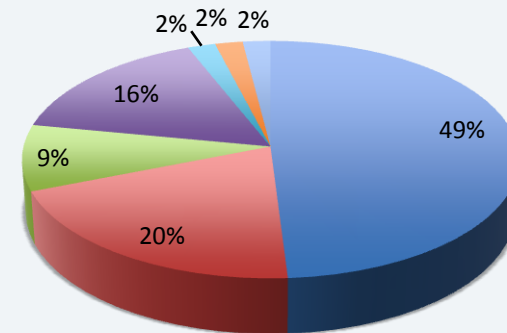
Funding Breakdown – 30 June 2011

Comments

- ◆ Customers' deposits increased QR 1.5bn to QR 34.7bn v FY10
- ◆ Well diversified funding mix with total deposits at 51%
- ◆ Stable wholesale funding represents 16% of funding mix
- ◆ Shareholders' equity represents 20% of funding mix
- ◆ Key liquidity ratios maintained well above levels set out by QCB
- ◆ Fitch reaffirmed their main rating of A in May 2011
- ◆ Moody's rate the Bank at A1 and S&P at A-

Total funding mix – 30 June 2011

- Customer Deposits
- Total Shareholders' Equity
- Due to Banks and Financial Institutions
- Other Borrowed Funds
- Other Liabilities
- Unrestricted Investment Deposits Owners' Equity
- Borrowing Under Repurchase Agreement



Wholesale funding

QR Million	H1 2011	H1 2010
EMTN (Floating Rate Notes due Oct 2011)	1,819	1,817
Syndicated Loan (\$650 MM Floating Rate due Feb 2012)	2,365	2,363
Senior Note (Fixed Rate due Nov 2014)	3,611	3,604
Swiss Franc note (Fixed Rate due Dec 2015)	1,206	--
Subordinated Note (Fixed Rate due Nov 2019)	2,152	2,149
Total	11,153	9,933

Commercialbank credit ratings

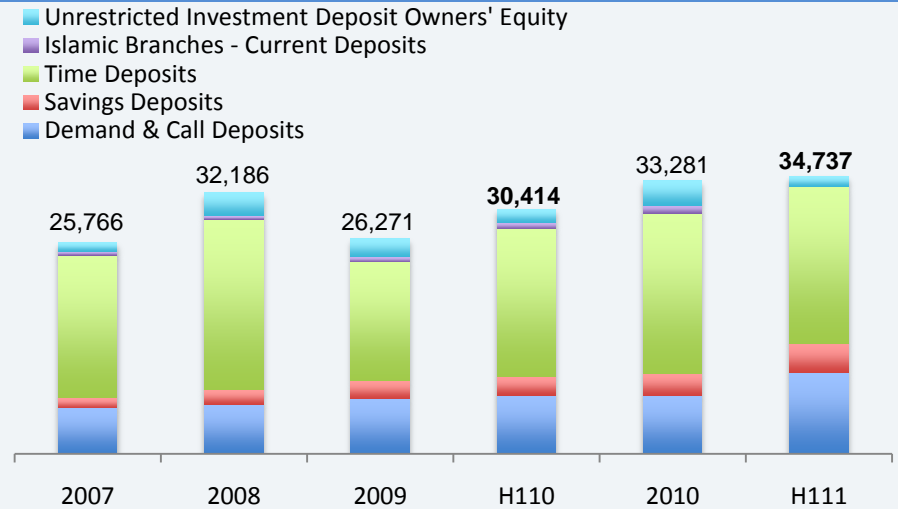
Rating Agency	Foreign Currency Bank Deposits/IDR		Bank Financial Strength/ Individual	Outlook	Date
	LT	ST			
Moody's	A1	Prime 1	C-	Stable	Mar 11
Fitch	A	F1	C	Stable	May 11
S&P	A-	A-2	-	Stable	Aug 10

Deposits Breakdown – 30 June 2011

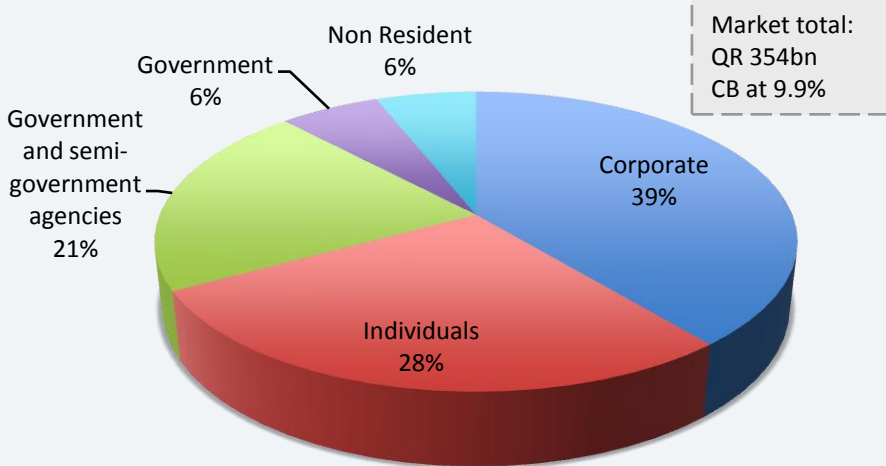
Comments

- ◆ Customers' deposits increased 4% to QR 34.7bn v FY10
 - ◆ Demand and call up QR 2.6bn to QR 10.4bn
 - ◆ Savings up QR 0.7bn to QR 3.7bn
- ◆ Corporate customers provide 41% of deposits through their strong customer relationships, with
 - ◆ Government and Semi-Government 29%, up from 25% at FY10
- ◆ Loan to deposit ratio has remained at 115%

Customers' deposits (QR million) – 30 June 2011

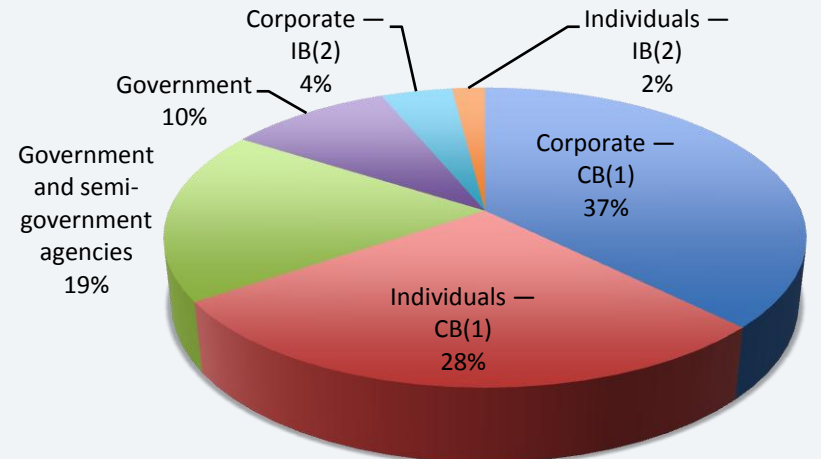


Qatari banks deposits breakdown by sector



Source: Qatar Central Bank as of end of 30 June 2011

Deposits by customer type – 30 June 2011



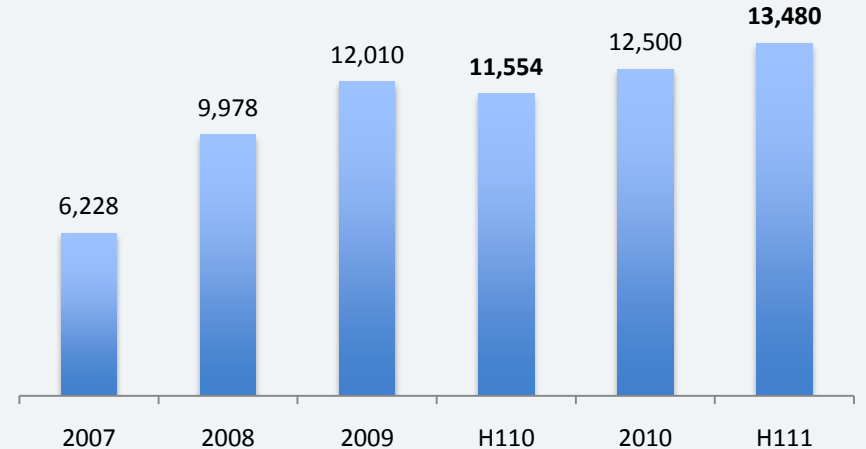
(1) CB stands for conventional banking
(2) IB stands for Islamic banking, includes unrestricted investment accounts

Strong Capitalisation – 30 June 2011

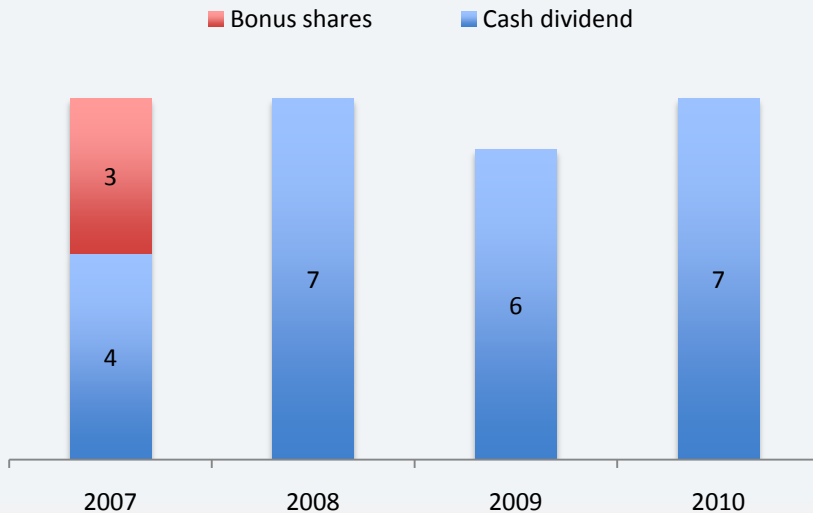
Comments

- ◆ Total shareholders' equity at QR 13.5bn, up QR 1bn from 31 December 2010, due to
 - ◆ Capital injection from Qatar Holdings (QH) of QR 1.6bn
 - ◆ H111 profit of QR 956m; reduced by
 - ◆ Dividend payment of QR 1.6bn – QR 7 per share
- ◆ 20.6 million new ordinary shares issued to QH in Feb 2011 after shareholder ratification at the Bank's EGM; QH shareholding stands at 16.7%
- ◆ Total capital adequacy ratio at 18.9%; Tier 1 ratio at 17.2%

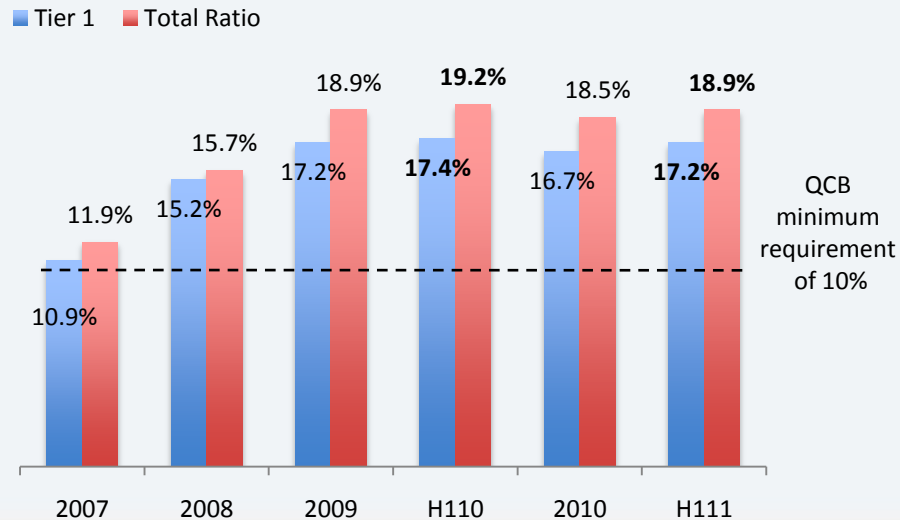
Shareholders' equity (QR million)



Dividend distribution per share (QR)



Capital Adequacy Ratio



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

Divisional Performance – H1 2011

Corporate

- ◆ Net operating income was QR 989m v QR 943m in H110
 - ◆ Net interest income up 5% at QR 702m
 - ◆ Other income up 5% to QR 287m
- ◆ Loan loss provisions of QR 62m in H111
 - ◆ QR 28m in Q211 v QR 34m in Q111
- ◆ Loans and advances to customers at QR 29.8bn, up 13% v FY10
 - ◆ Growth mainly in Government, semi-government and real estate sectors
- ◆ Customers' deposits at QR 23.0bn, up QR 2.2bn v FY10

Retail

- ◆ Net operating income was QR 329m v QR 226m in H110
 - ◆ Net interest income up 23% to QR 161m
 - ◆ Other income up QR 73m to QR 168m
- ◆ Loan loss provisions of QR 20m v QR 28m in H110
- ◆ Loans and advances to customers were QR 6.9bn v QR 4.6bn at FY10
- ◆ Customers' deposits up 21% to QR 9.8bn v QR 8.1bn at H110
- ◆ New branches opened at Umm Lekhba and Al Rayyan

Islamic

- ◆ Net operating income was QR 76m v QR 49m in H110
- ◆ Provisions for loan loss of QR 6m in H111
- ◆ Islamic banking net profit of QR 55m v QR 12m in H110
- ◆ Islamic financing was QR 3.2bn v QR 2.6bn at FY10
- ◆ Islamic banking deposits were QR 1.9bn
- ◆ Future of Islamic banking under consideration

Divisional loan book (QR million)

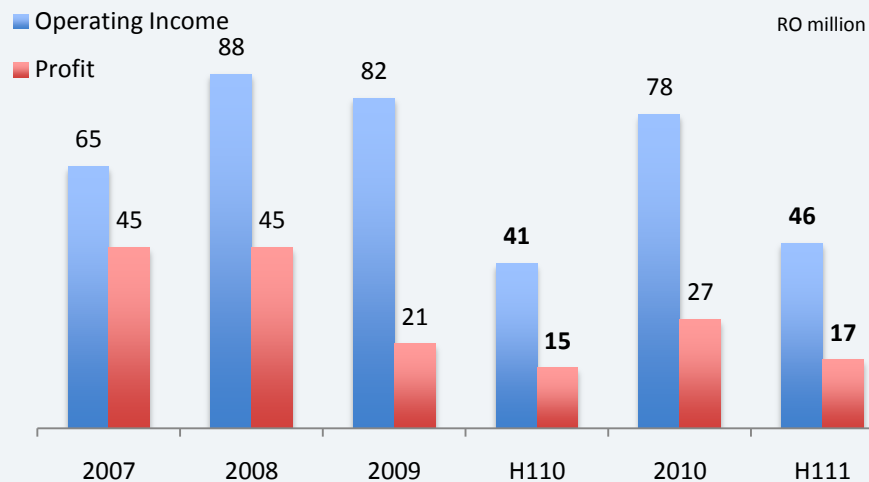


Associates' Performance – H1 2011

National Bank of Oman (NBO)

- ◆ NBO delivered improved earnings with net profit after tax at RO 17.1m v RO 14.6m in H110
- ◆ Operating income up 12% to RO 45.7m v RO 40.7m in H110
 - ◆ Net interest income increased 2% to RO 28.3m
 - ◆ Non-interest income grew RO 4.5m to RO 17.4m
- ◆ Provisions for loan loss improved by RO 1.6m to RO 4.4m v H110
- ◆ NPL ratio reduced to 2.7% from 3.5% at FY10
- ◆ Loan book increased marginally to RO 1.55bn v FY10
- ◆ Customers' deposits up 10% to RO 1.46bn v FY10

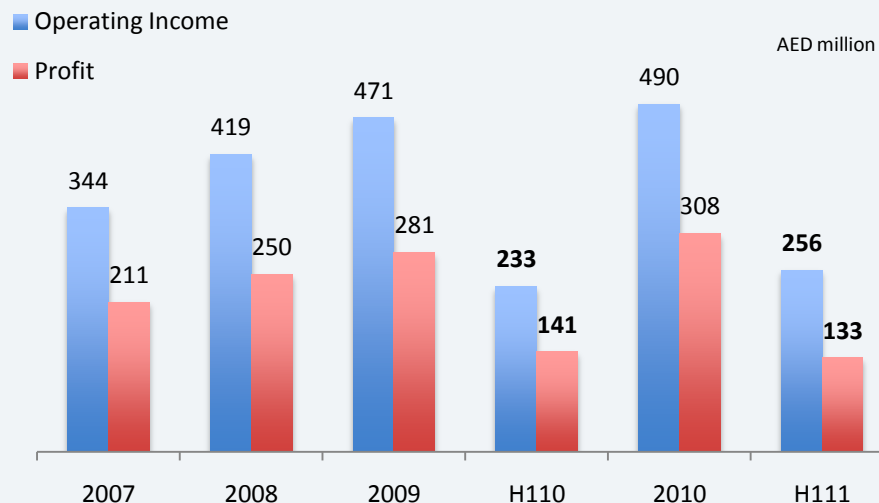
NBO performance



United Arab Bank (UAB)

- ◆ Net profit AED 133m v AED 141m in H110
- ◆ Net operating income up 11% to AED 257m v AED 233m in H110
 - ◆ Net interest income up 14% to AED 183m
 - ◆ Non-interest income up 3% to AED 75m
- ◆ Operating expenses up AED 7m to AED 89m
- ◆ Provisions for loan losses increased by AED 25m
- ◆ Loan book grew 20% to AED 6.6bn v FY10
- ◆ Customers' deposits up 13% to AED 5.5bn v FY10

UAB performance



- Key Highlights
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- **Outlook**

Outlook

Comments

First half 2011

- ◆ Encouraging start to the year further developed in Q2
- ◆ Strong growth in lending and income
- ◆ Positive underlying trends

Economy and Opportunities

- ◆ Improving credit demand
- ◆ Government's budget expected to stimulate further demand in H2
- ◆ Economic outlook is positive

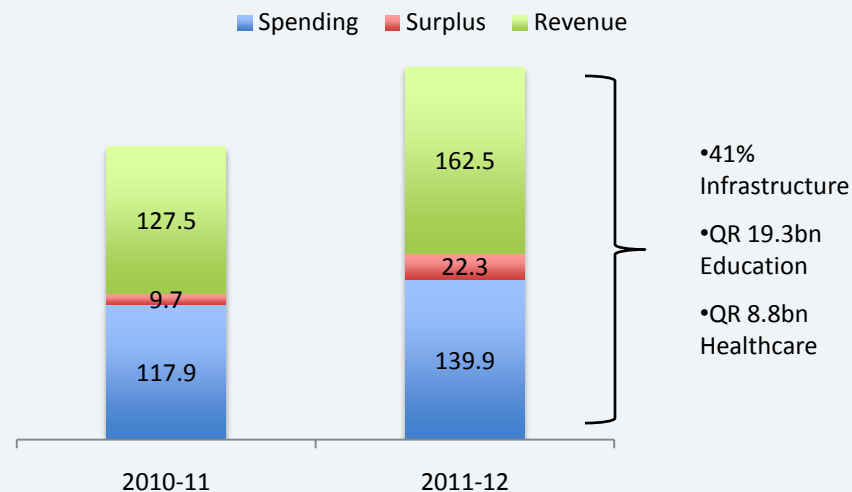
Strategy into Action

- ◆ Domestic growth across all alliance banks in H111
- ◆ Realigned business capturing market opportunities
- ◆ Successful diversification of income
- ◆ Strategic outsourcing partnership progressing well

Outlook

- ◆ Build on first half momentum for the full year
- ◆ Realigned business well positioned to continue growth
- ◆ Maintain focus on balance sheet management, asset quality and risk management
- ◆ Deliver long term value to shareholders and to customers

State of Qatar 2011 – 2012 budget



Qatar GDP growth (1)

