

QATAR Banking Primer



December 20, 2006

Key Data

General

FX Rate	USD 1 = QR 3.64
GDP (2005)	USD 42,463 million
GDP per Capita (2005)	USD 50,000
Population	0.85 million

As of 30 August 2006

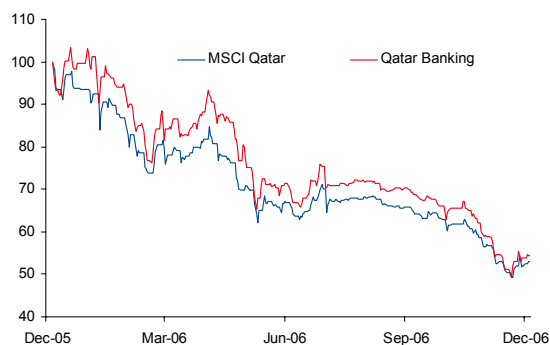
Total Assets-to-GDP	102%
Total Deposits-to-GDP	67%

As of 19 Dec 2006

Sector Market Capitalization	USD 19.7 billion
Sector Trailing P/E	13.8
Sector Trailing P/B	3.2

Sources: Banks' financial statements, Reuters, Qatar Central Bank, and MENA Equity Research

Relative Performance of the Sector



Sources: Reuters, MSCI, and MENA Equity Research

- The Qatari government shifted from being a net borrower from local banks to a net lender in 2005. As government exposure drops, it is expected that banks' profitability will be enhanced, given the low-risk, low-return character of government lending.
- The declining government exposure coincided with a surge in private sector borrowing, with personal lending overtaking public sector lending as the main route of banking credit.
- Net profits skyrocketed in 2005 on the back of substantial investment earnings fueled by the performance of the equity markets. Earnings growth was scathed in 2006 as the equity markets collapsed, but banks comfortably withstood the shock due to healthy performance in their core underlying business.
- The launching of Islamic banking services by conventional banks during 2005 was a turning point for the Qatari banking sector. With the appetite for Islamic financing growing rapidly, all listed Qatari banks have opened up Islamic branches and are swiftly gaining market share in the Islamic banking arena.
- The project finance market in Qatar has become one of the fastest growing worldwide, which translates into considerable potential for the banking sector. Mitigating the asset/liability mismatch by sourcing more long-term funds is becoming more requisite if a bigger share of the generally long maturity project financing is to be reaped by the Qatari banks.

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Banks Covered in this Report *

Bank [RIC]	Closing Price (QR)	Market Cap. (USD millions)	Change in Price (%)		Trailing Valuation Multiples	
			YTD	1-Year	P/E	P/B
Qatar National Bank (QNB) [QNBK.QA]	220.3	7,854.3	-27.0%	-26.2%	14.5	3.4
Commercial Bank (CBQ) [COMB.QA]	80.5	3,099.6	-47.4%	-47.5%	13.1	2.1
Doha Bank (Doha) [DOBK.QA]	81.8	2,805.0	-53.3%	-51.6%	11.6	3.8
Ahli Bank (Ahli) [AABQ.QA]	79.0	881.7	-8.4%	-10.7%	16.3	2.8
Qatar Islamic Bank (QIB) [QISB.QA]	110.3	3,616.3	-49.7%	-50.5%	15.2	3.3
Qatar International Islamic Bank (QIIB) [QIIB.QA]	111.7	1,433.6	-54.0%	-54.9%	12.0	4.6

Sources: Banks' financial statements, Reuters, and MENA Equity Research

* Prices as of 19 December 2006

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EXECUTIVE SUMMARY

The Qatari economy is experiencing significant dynamism, and the banking sector is no exception to that. Various structural changes are occurring, including the banks' declining exposure to the government, growing Islamic financing, and expanding private sector lending. The immense project finance requirements of energy sector investments and mega infrastructure projects offer banks abundant opportunities and present them with several challenges. In addition, the banking sector was caught in the boom and bust of the Qatar equity market. The investment gains logged from that exposure were significant, especially during 2005. Finally, with relatively low levels of financial intermediation, as measured by loans-to-GDP ratios and indirectly by deposits-to-GDP ratios, there is ample room for overall sector growth both in Qatar and across the GCC.

During 2005, the government, inclusive of its various institutions, shifted from being a net borrower from local banks to a net lender, with the ratio of government assets to government deposits dropping below 100%—down from much higher levels in previous years. Nevertheless, government dissociation from the sector is not uniform; government deposits continue to climb, while government borrowing is at relatively stable levels. This is partly explained by the huge budget surpluses witnessed in Qatar stemming from the robust economic growth generated by rising energy prices. Another explanation lies in the government liberalization strategy, which aims to boost private sector participation in the economy as a whole. The banks' declining exposure to the government coincided with a surge in private sector borrowing, with personal lending overtaking public sector lending as the main route of banking credit. Accordingly, it is expected that banks' profitability will be enhanced as higher-margin private sector lending replaces the low-risk, low-return government lending.

The launching of Islamic banking services by conventional banks during 2005 was a turning point for that subsector, as well as for the overall banking sector. With the appetite for Islamic financing growing rapidly not only regionally but also globally, all listed Qatari banks have opened Islamic branches or Islamic windows. The earnings of the two well-established Islamic banks have witnessed exponential rates of growth lately, while, at the same time, conventional banks are swiftly gaining market share in the Islamic banking arena.

The project finance market in Qatar has become one of the fastest growing worldwide, which translates into considerable potential for the banking sector. Mitigating the asset/liability mismatch by sourcing more long-term funds is becoming more requisite if a bigger share of the generally long maturity project financing is to be reaped by the Qatari banks.

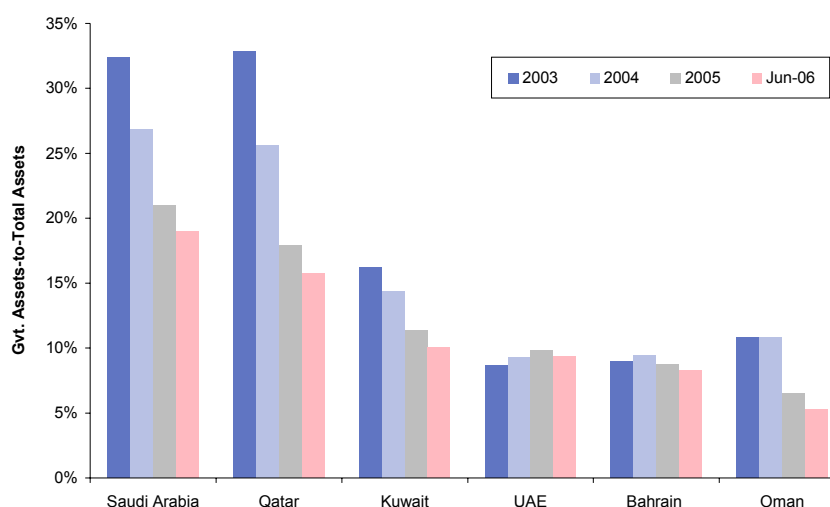
Net profits skyrocketed in 2005 on the back of substantial investment earnings fueled by the performance of the Gulf equity markets in general and the Doha Securities Market in particular. Earnings growth was scathed in 2006 as the equity markets collapsed, but banks comfortably withstood the shock due to healthy performance in their core underlying business. Despite the banks' declining exposure to the government, capital adequacy remains significantly higher than the minimum requirements stipulated by the Qatar Central Bank and the Bank of International Settlements (BIS).

SECTOR OVERVIEW

The Qatari banking sector comprises 16 banks, seven of which are foreign. Of the nine Qatari banks, five are conventional, three are Islamic, and one is specialized in providing financing to small- and medium-scale industrial projects. In this report, we have focused our analysis on the four largest conventional banks as well as the two well-established Islamic ones, all of which are listed on the Doha Securities Market (DSM). This sample is a good representation of the whole sector, as it accounted for, as of December 2005, 91% and 84% of total banking deposits and assets, respectively. These six banks also command a 35% share of the DSM market capitalization.

The banking sector in Qatar has historically been deeply intertwined with the Qatari government and its institutions. Recently, in Qatar as well as in most GCC countries, the banking sector's exposure to the government has been steadily declining (Figure 1). One reason for this is that governments now have less need to borrow funds, owing to record budget surpluses. Most governments are also striving to implement liberalization strategies, and boosting private sector participation in the economy is one facet of these efforts.

Figure 1 Government Assets as a Share of Total Bank Assets in GCC Countries



Sources: GCC Central Banks and MENA Equity Research

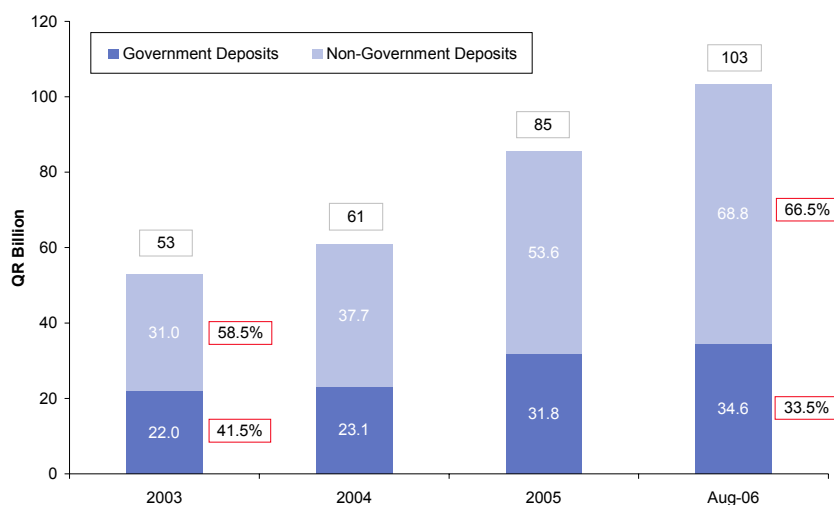
The banking sector's exposure to the government is declining in most GCC countries

Government assets as a share of total bank assets in Saudi Arabia and Qatar are decreasing rapidly and approaching more acceptable levels, though they still exceed those of the other GCC countries.

On the deposits side, a similar trend can be observed in Qatar, where the government's share of total deposits is falling (Figure 2). Nevertheless, unlike the nearly flat government asset levels, government deposits are on the rise, growing by QR 11.5 billion (50%) from December 2004 to August 2006, fueled by a cumulative budget surplus of close to QR 34.3 billion in the last two fiscal years.

Figure 2 Government versus Non-Government Deposits in Qatar

Though growing in absolute terms, government deposits as a share of total deposits are decreasing



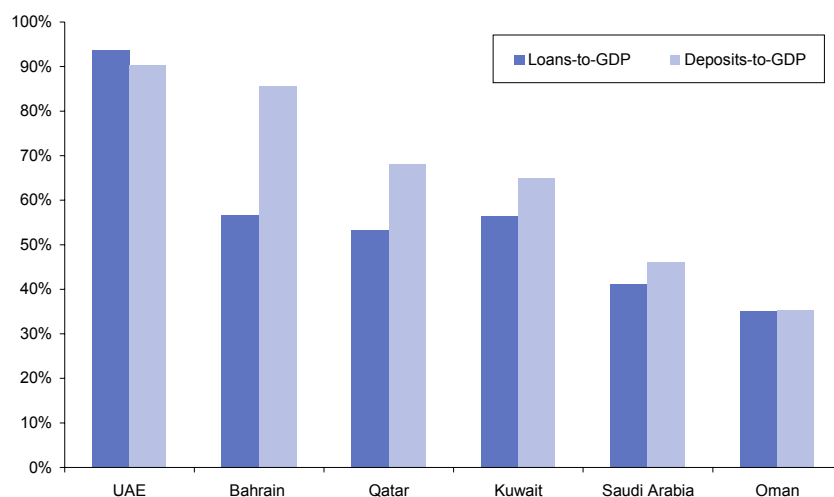
Sources: Qatar Central Bank and MENA Equity Research

Sector Size versus Size of the Economy

Ample room for sector growth can be detected by observing the ratios of loans and deposits to 2005 gross domestic product (GDP), as shown in Figure 3.

Figure 3 Loans-to-GDP and Deposits-to-GDP Ratios as of June 2006

Low loans-to-GDP and deposits-to-GDP ratios indicate ample room for sector growth



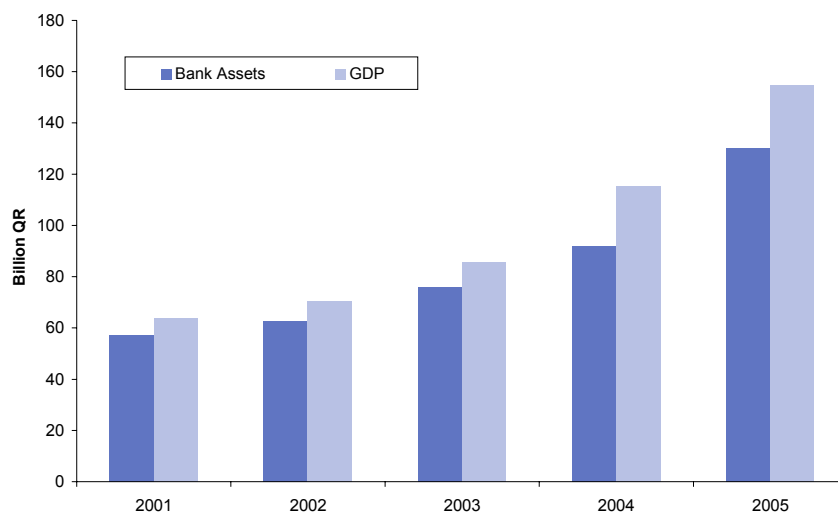
Sources: GCC Central Banks and MENA Equity Research

This is the case for most other GCC countries as well, with the United Arab Emirates (UAE) being the only exception. A sample of countries with a similar GDP per capita to that of Qatar had much higher loans-to-GDP ratios, averaging 154% as of December 2005. However, a sample of countries with similar ratings to those of Qatar showed similar ratios, with the sample's average standing at 57% as of December 2005. With economic growth forecast to stay robust, Qatari banks will face a challenge to step up

lending to a level that matches the growth of the economy. At the same time, a close association between the size of the economy and the size of the banking sector can be seen by comparing total bank assets to GDP, as shown in Figure 4.

Figure 4 Bank Assets Compared to GDP in Qatar

A close association exists between the size of the economy and the size of the banking sector



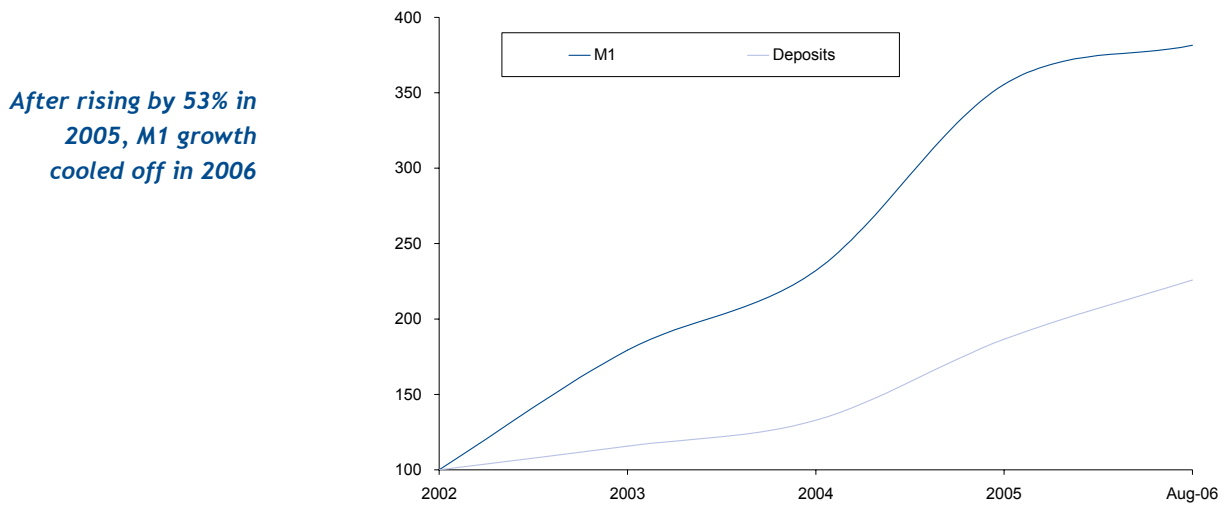
Sources: Qatar Central Bank and MENA Equity Research

The assets-to-GDP ratio has hovered between 80% and 90% during the last five years. Hence, forecasts of real economic growth in Qatar of 8.9% and 9.6% for 2007 and 2008, respectively, by the Economist Intelligence Unit, bode well for the country's banking sector.

Liquidity in Qatar

Liquidity, as measured by M1, has risen by 53% during 2005 (Figure 5), fueled by a 34% growth in nominal GDP during that year. In fact, the Qatari economy expanded by 80% during the two years ending in 2005, making Qatar one of the top-ranked countries in terms of GDP per capita. Inflation followed accordingly, rising to 6.8% and 8.8% during 2004 and 2005, respectively, driven mainly by rising housing costs. However, the latest official figures show that inflation slowed during the first quarter of 2006 to 0.7%.

Figure 5 M1 and Deposits in Qatar – Rebased

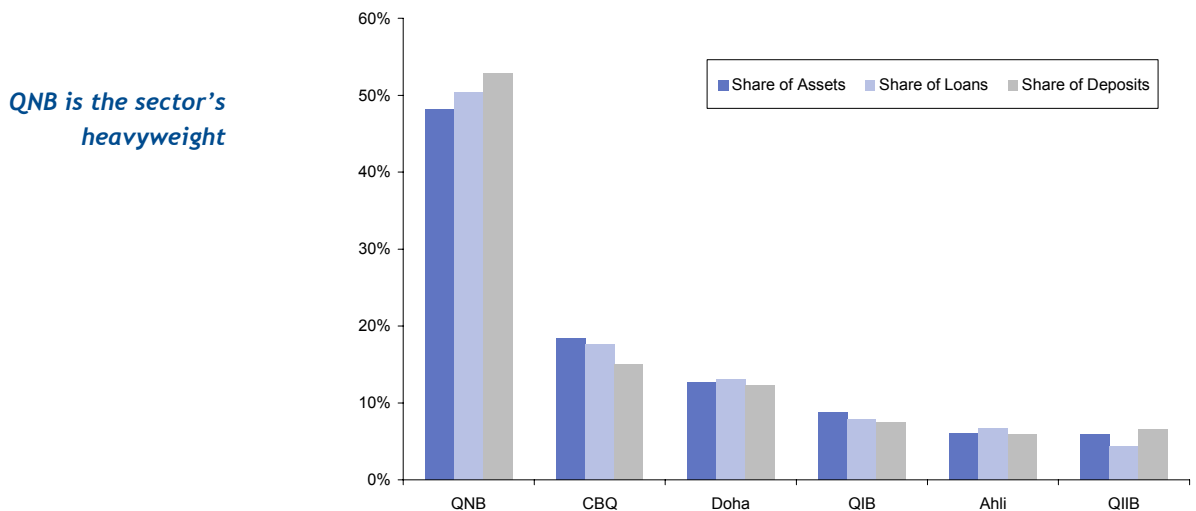


Sources: Qatar Central Bank and MENA Equity Research

Banking Market Share and Government Exposure

The banking sector in Qatar is dominated by Qatar National Bank (QNB), the sector’s heavyweight by all measures. Figure 6 shows the banks’ shares of total assets, deposits, and loans as of September 2006. QNB holds close to half the assets, deposits, and loans of the banks in our sample. Furthermore, it was the first commercial bank to open for business in Qatar and enjoys the largest branch network in the country. In 2004, QNB acquired Ansbacher, a London-based wealth management institution. The acquisition was a milestone in the bank’s overseas expansion, and it serves to diversify the bank’s earning base by leveraging on the mounting wealth of GCC nationals, especially Qataris.

Figure 6 Shares of Assets, Loans, and Deposits as of September 2006

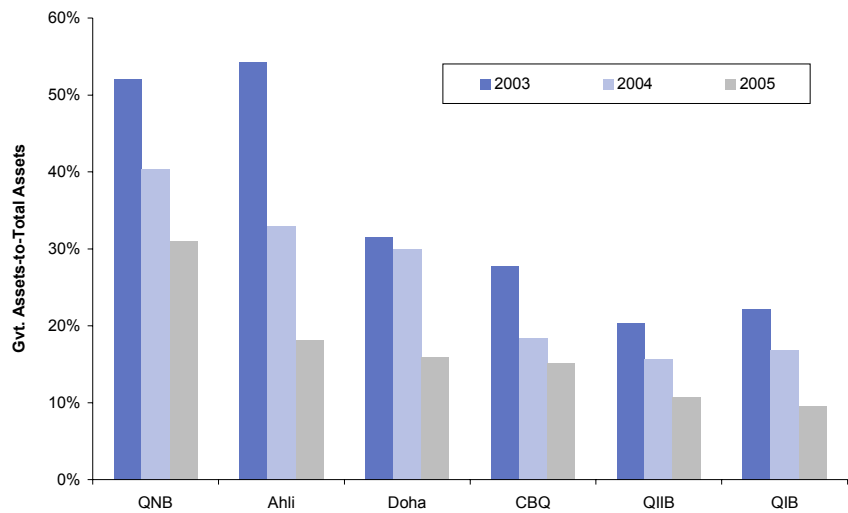


Sources: Banks’ financial statements and MENA Equity Research

In April 2005, QNB was the first conventional Qatari bank to open an Islamic branch, tapping into the lucrative Islamic banking business. QNB is 50% owned by the Qatari government and has substantial business with it and its agencies. In fact, as of the end of 2005, 45% of QNB’s loan portfolio was for the government or its agencies, and 31% of its total assets were either loans extended to the government or government securities. Figure 7 shows government assets as a share of total assets, while Figure 8 displays government loans as a share of total loans for our sampled banks.

Figure 7 Government Assets as a Share of Total Assets

Exposure to the government is decreasing

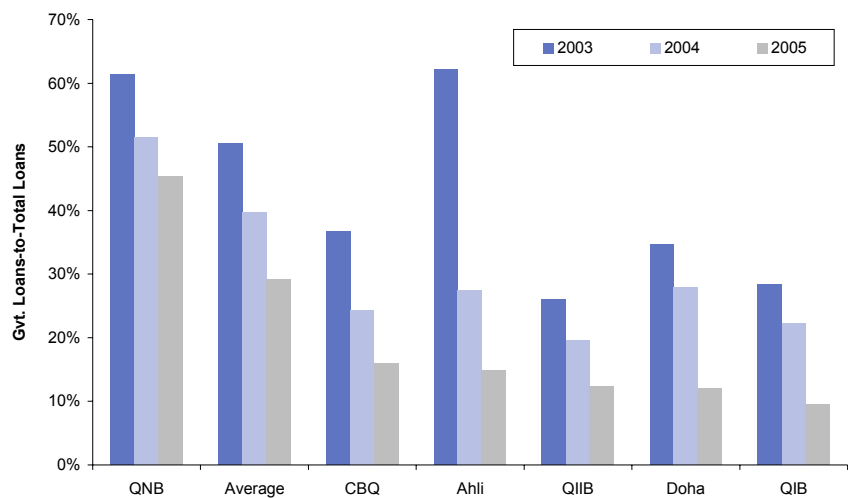


Sources: Banks’ financial statements and MENA Equity Research

Both charts clearly show the banks’ declining exposure to the government. QNB stands out as the bank with the highest exposure, albeit a steadily decreasing one.

Figure 8 Government Loans as a Share of Total Loans

Higher-margin private sector lending is replacing government lending

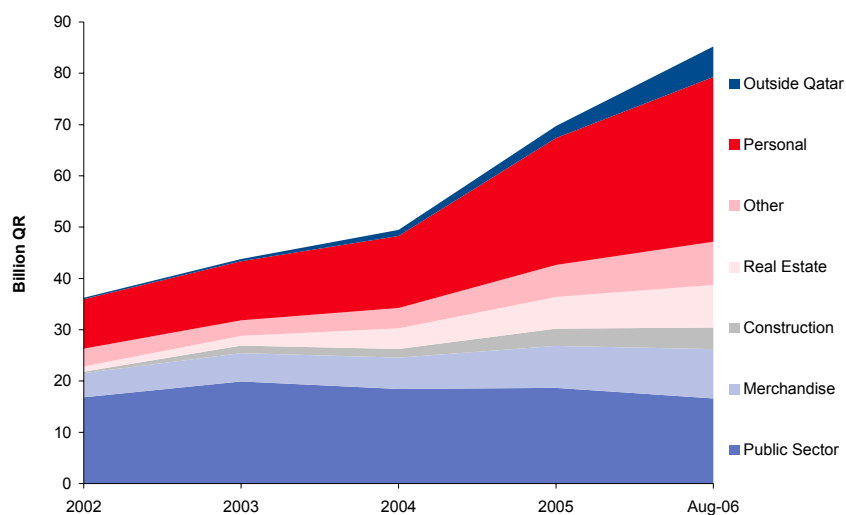


Sources: Banks’ financial statements and MENA Equity Research

As of December 2005, QNB's government loan portfolio represented 77% of the sample's total government loans. The government loan portfolio is characterized as being of a low-risk, low-return nature. Hence, the decreasing share of government business is expected to boost interest margins for QNB as well as for the other banks in our sample.

Figure 9 Total Credit Facilities Breakdown by Sector

Personal facilities overtook public sector facilities during 2005

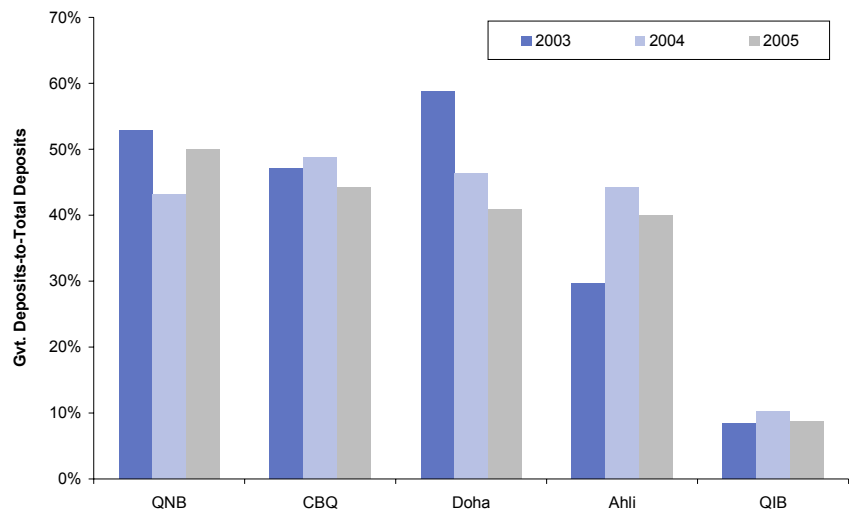


Sources: Qatar Central Bank and MENA Equity Research

Credit facilities extended to the public sector have been nearly flat in the last few years (Figure 9), hence their decreasing share of the total. Personal facilities, in contrast, have risen sharply since the end of 2004, driven by robust economic growth as Qataris find it more convenient to borrow funds from the banking sector. Accordingly, personal facilities constituted 38% of the total as of August 2006, up from 28% in December 2004. Some of these personal facilities no doubt found their way into the booming equity market, though it is difficult to quantify their extent. After more than doubling in 2005, thanks to the real estate boom, facilities extended to the housing and construction sector moderated a bit in 2006. Banks are also increasingly looking abroad for lending opportunities; credit facilities extended outside Qatar rose from an insignificant QR 247 million in 2002 to almost QR 6 billion as of August 2006.

On the deposits side, government involvement in the sector is slightly different. The share of government deposits is in fact declining, as previously mentioned; however, unlike the almost unchanged level of government loans, government deposits are on the rise. Figure 10 shows government deposits as a share of total deposits for our sample, excluding Qatar International Islamic Bank (QIIB) due to insufficient disclosure of its government deposits. Again, QNB is the most exposed, with 50% of its deposits coming from the government. In fact, all four conventional banks rely to a large extent on government funding. Another source of caution, though a related one, is the generally high concentration risk present in the sector where few depositors hold sizable shares of a given bank's total deposits. This is partly due to Qatar's small population, especially those holding the Qatari nationality, as well as to the economic dominance of a handful of corporate entities.

Figure 10 Government Deposits as a Share of Total Deposits

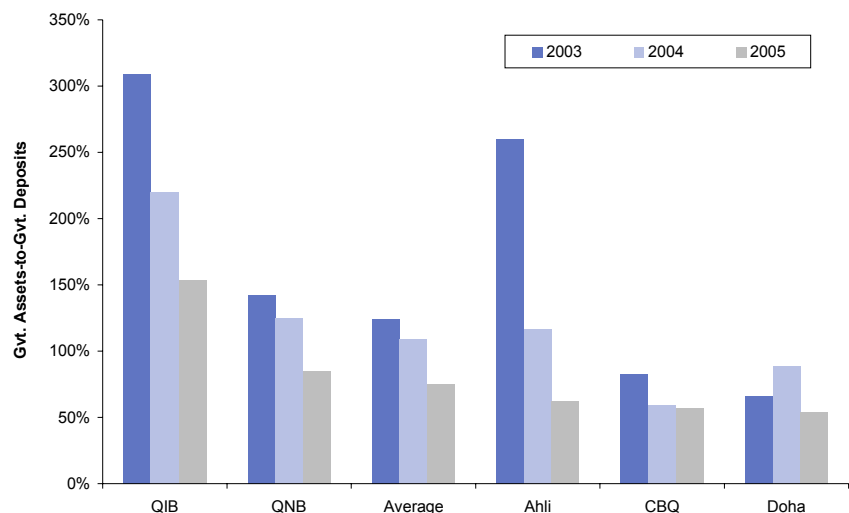


Conventional banks rely to a large extent on government funding

Sources: Banks' financial statements and MENA Equity Research

With increasing government deposits and decreasing government assets held by banks, the Qatari government, inclusive of its various institutions, shifted in 2005 from being a net borrower of banking funds to being a net lender of funds. Figure 11 displays the ratio of government assets to government deposits for the sample, again excluding QIIB. The ratio for the sample dropped to 75% as of December 2005, down from 109% a year earlier. The end result places the overall sector in a favorable position, in which it leans on a loyal and growing funding stream, accompanied by better opportunities to funnel funds to the more lucrative private sector.

Figure 11 Ratio of Government Assets to Government Deposits



The government shifted from being a net borrower of banking funds to a net lender during 2005

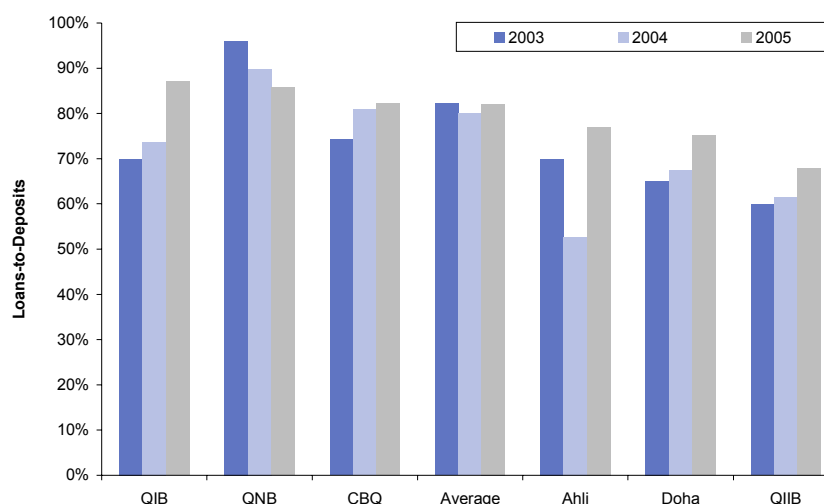
Sources: Banks' financial statements and MENA Equity Research

Bank Liquidity

During 2005, with the aim of slowing loan growth, Qatar Central Bank (QCB) lowered the maximum loans-to-deposits ratio from 95% to 90%. As of December 2005, all banks were in compliance, with their ratios ranging from a low of 68% for QIIB to a high of 87% for Qatar Islamic Bank (QIB), as shown in Figure 12.

Figure 12 Loans-to-Deposits Ratios

Consolidated loans and deposits had similar growth rates, keeping the loans-to-deposits ratio almost unchanged



Sources: Banks' financial statements and MENA Equity Research

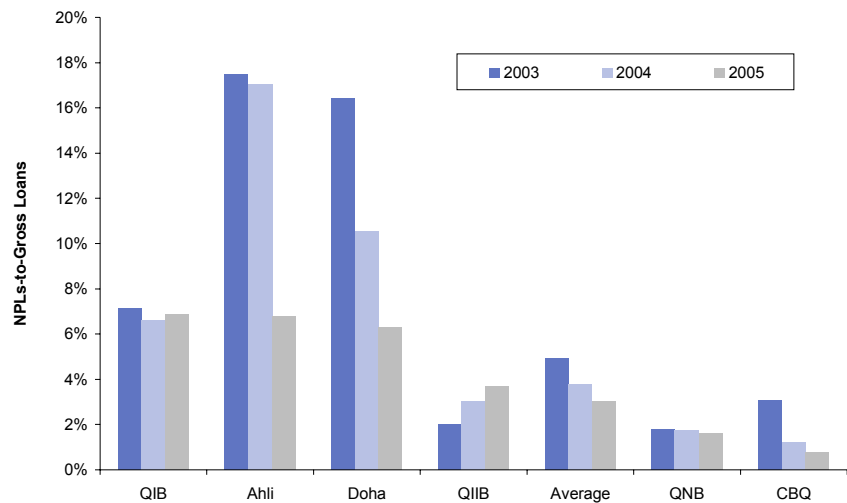
Both loans and deposits grew by a cumulative 62% for the two years ending in 2005, keeping the loans-to-deposits ratio around 82%. This ratio consistently dropped for QNB, as deposit growth outpaced loan growth due to an increase in government deposits, while government loans were nearly flat. Third-quarter results show a continuation of this trend, with an even more significant drop in QNB's ratio. All other banks, however, saw an increase in their ratios, with Commercial Bank (CBQ) and Ahli Bank (Ahli) being the most aggressive in growing their loan portfolios. Finally, as in the deposits case, Qatari banks in general suffer from high concentration risk in their loan portfolios, with a few borrowers holding a significant share of a bank's total lending.

Asset Quality

Asset quality appears to be improving, with nonperforming loans (NPLs) dropping as a share of gross loans during the last two years (Figure 13). The average for the sample dropped from 4.9% in 2003 to 3% in 2005, with all banks besides QIIB exhibiting lower ratios. This enhanced asset quality resulted from a robust growth in lending and was not due to a general drop in the absolute level of NPLs. In fact, the two Islamic banks saw a significant jump in their NPLs. However, this rapid growth in lending and the resulting provisional improvement in asset quality will be put to the test in the medium term as the loans recently given become seasoned. The significant drop in Doha Bank's (Doha) ratio was due to sizable write-offs and recoveries as well as to a sharp increase in lending during 2005. Personal lending more than doubled during that year, reflecting the bank's management focus on retail banking.

Figure 13 NPLs as a Share of Gross Loans

Asset quality appears to be improving, but only the future will tell

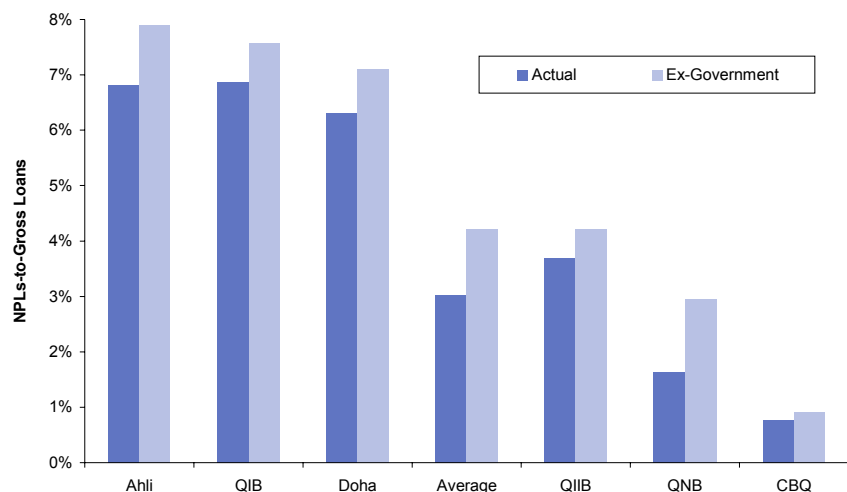


Sources: Banks' financial statements and MENA Equity Research

Only QIIB witnessed a deteriorating asset quality on the back of a significant increase in its NPLs, which rose threefold in a span of two years. CBQ's ratio dropped significantly during 2004, reflecting sizable recoveries as well as a robust growth in lending. Excluding government loans from total gross loans probably results in a better gauge of asset quality, as government loans are, in effect, performing facilities. Results as of December 2005 are summarized in Figure 14.

Figure 14 NPLs as a Share of Gross Loans – Actual versus Adjusted 2005

QNB's ratio increases the most when government loans are excluded



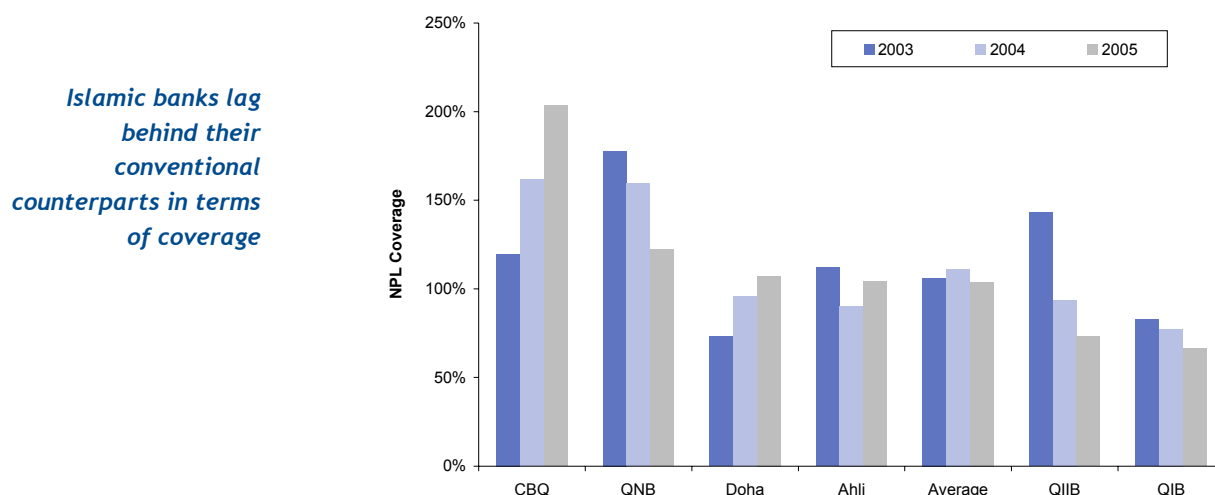
Sources: Banks' financial statements and MENA Equity Research

As expected, QNB's ratio increases the most, jumping from 1.6% to 2.9%, reflecting the 45% share of government loans in its total loan portfolio. According to this measure, CBQ enjoys the best asset quality, with a ratio significantly below those of all the other banks,

while the ratios for Ahli, QIB, and Doha are higher than those of their peers by a wide margin.

Coverage, defined as the ratio of general plus specific provisions to NPLs, seems adequate, with a 104% average for the sample (Figure 15). The two Islamic banks are lagging behind, with their ratios deteriorating in the last two years due to rising NPLs accompanied by insufficient provisioning. However, it is worth mentioning that Islamic finance is by nature asset-backed, which lessens the disadvantage of having such low ratios.

Figure 15 Nonperforming Loan Coverage



Sources: Banks' financial statements and MENA Equity Research

Again, CBQ stands out as having the best asset quality, with an NPL coverage ratio of 204% as of December 2005, significantly higher than its counterparts' ratios and up from 120% two years earlier.

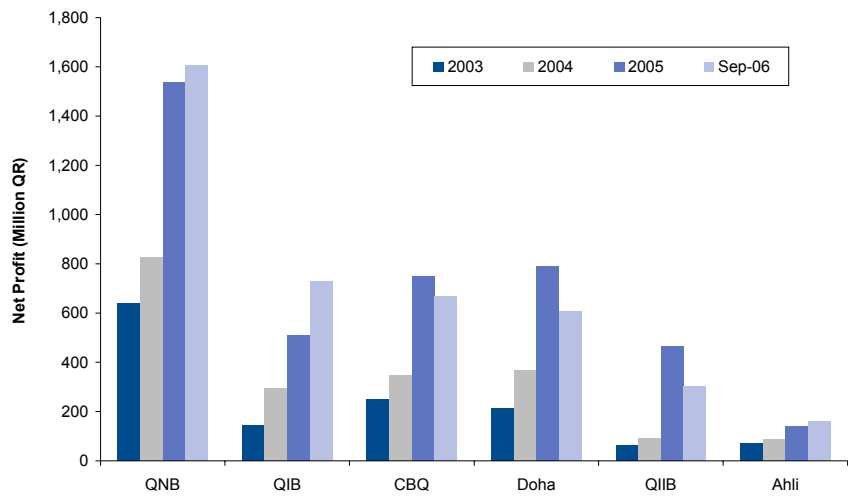
It is worthwhile to note that with effect from January 2005, the general provision for the impairment of loans is being treated as an appropriation of net profit rather than a charge to the statement of income. This follows QCB requirements and results in an increase in net income, owner's equity, and net loans.

Profitability

The earnings of Qatari banks have soared in the last few years (Figure 16). After growing by 45% in 2004, the net profits of the six banks in our sample reached QR 4.2 billion in 2005, a 109% increase over 2004 figures. Moreover, earnings in the first nine months of 2006 almost equaled total net profits achieved in 2005. The surge in 2005 earnings is clear, with QIIB achieving a stunning 424% growth in its net profit, driven by a massive increase in investment earnings derived from the favorable performance of the DSM. In fact, all sources of earnings showed robust growth, with consolidated net interest income and consolidated fees and commissions growing by 46% and 109%, respectively, during 2005.

Figure 16 Net Profits

Earnings for the first nine months of 2006 almost equaled the total for 2005, but 2005 earnings growth will still be difficult to replicate

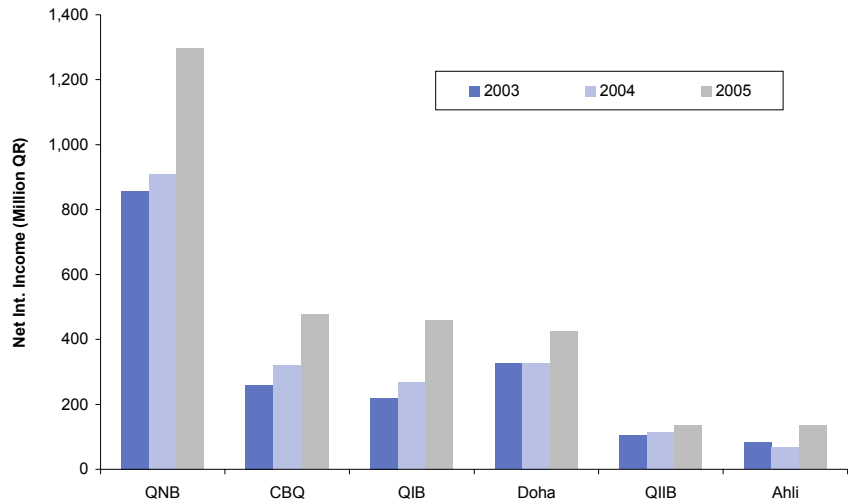


Sources: Banks' financial statements and MENA Equity Research

Figure 17 shows the robust increase in net interest income during 2005, driven by a 35% growth in net loans.

Figure 17 Net Interest Income

Consolidated net interest income rose 46% in 2005 on the back of a 35% increase in net loans

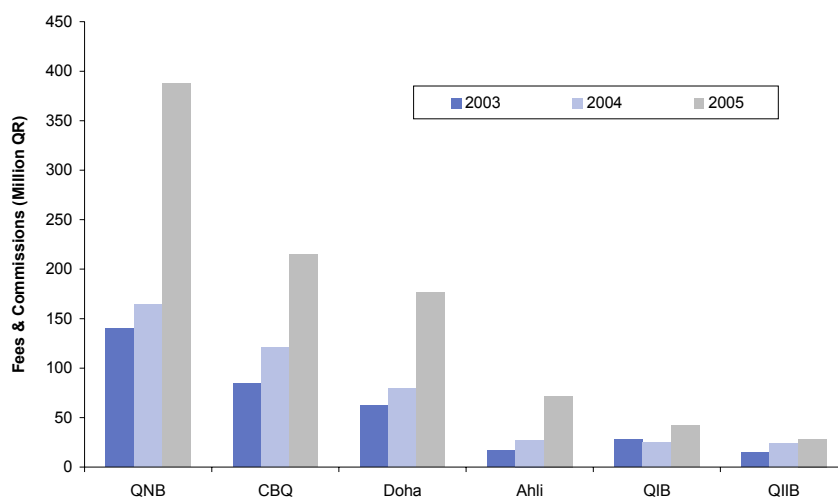


Sources: Banks' financial statements and MENA Equity Research

It is important to note that a substantial share of the recent increase in income from fees and commissions (Figure 18) can be attributed to the buoyant performance of the equity market through brokerage fees and other investment-related activities.

Figure 18 Income from Fees and Commissions

Income from fees and commissions more than doubled in 2005, and a substantial share of this increase was due to the favorable performance of the equity market

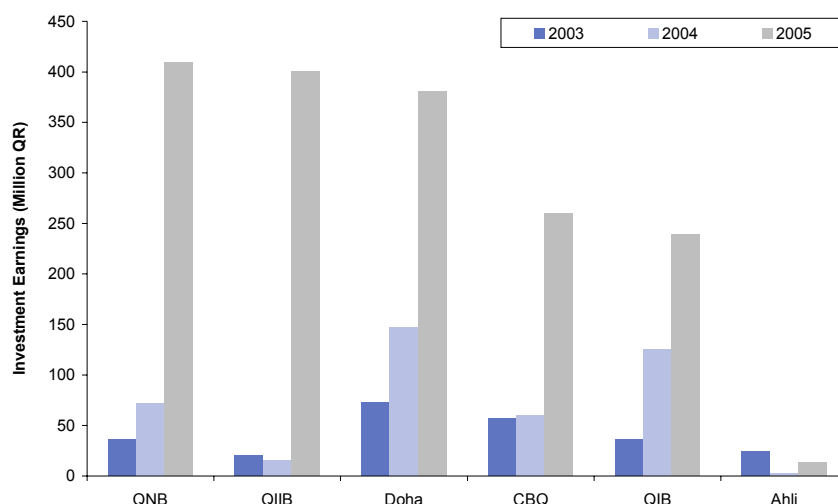


Sources: Banks' financial statements and MENA Equity Research

Though underlying core earnings showed robust growth, they are dwarfed by the increase in investment earnings, as shown in Figure 19. Investment earnings, derived primarily from the sale of available-for-sale equities, grew by a dramatic 305% during 2005 on the back of a 70% surge in the DSM, despite suffering two major corrections during that year.

Figure 19 Investment Earnings

Investment earnings quadrupled in 2005

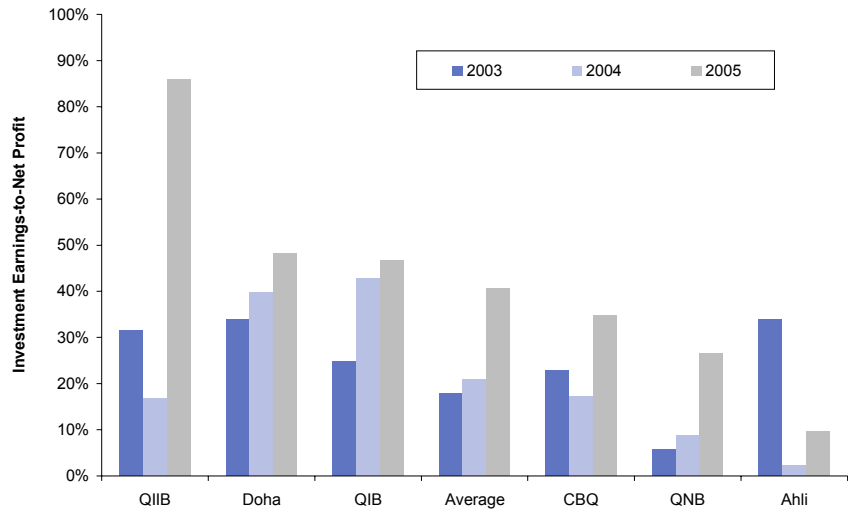


Sources: Banks' financial statements and MENA Equity Research

This led to a steep rise in investment earnings as a share of net profit for all banks, as shown in Figure 20. While 18% of net profits were attributed to investment earnings in 2003, this share climbed to 41% in 2005.

Figure 20 Investment Earnings as a Share of Net Profit

Consolidated net profit in 2005 would be 40% less if investment earnings were excluded

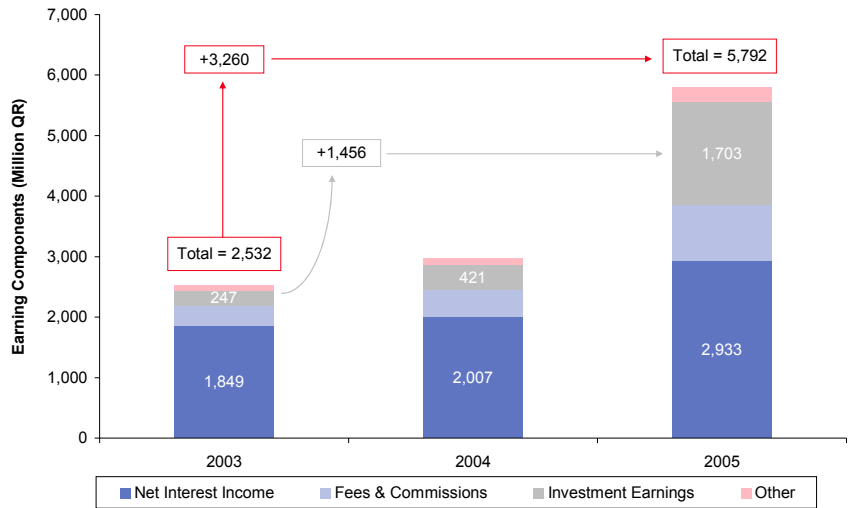


Sources: Banks' financial statements and MENA Equity Research

Moreover, of the QR 3.3 billion increase in total earnings between 2003 and 2005, QR 1.5 billion (45%) was due to growth in investment earnings, as shown in Figure 21.

Figure 21 Earning Components

45% of the growth in total earnings is due to growth in investment earnings

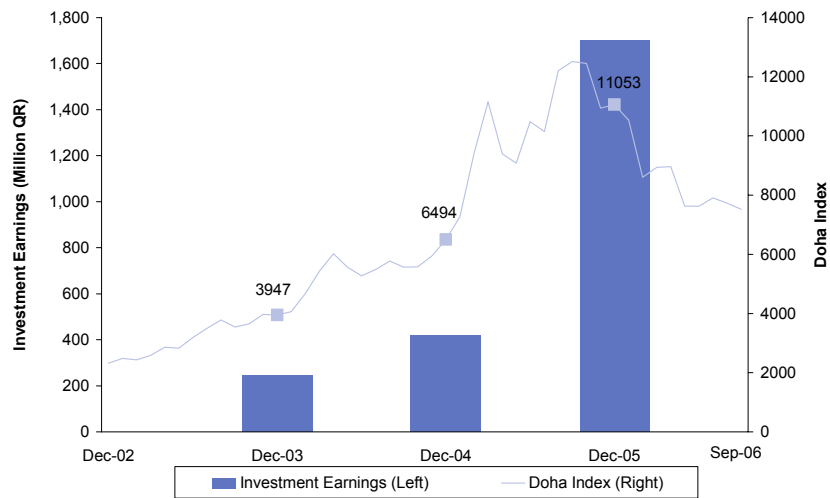


Sources: Banks' financial statements and MENA Equity Research

Figure 22 shows investment earnings as well as the level of the DSM for the three years ending in 2005.

Figure 22 Investment Earnings Compared to Doha Index

Investment earnings were derived primarily from the favorable performance of the DSM

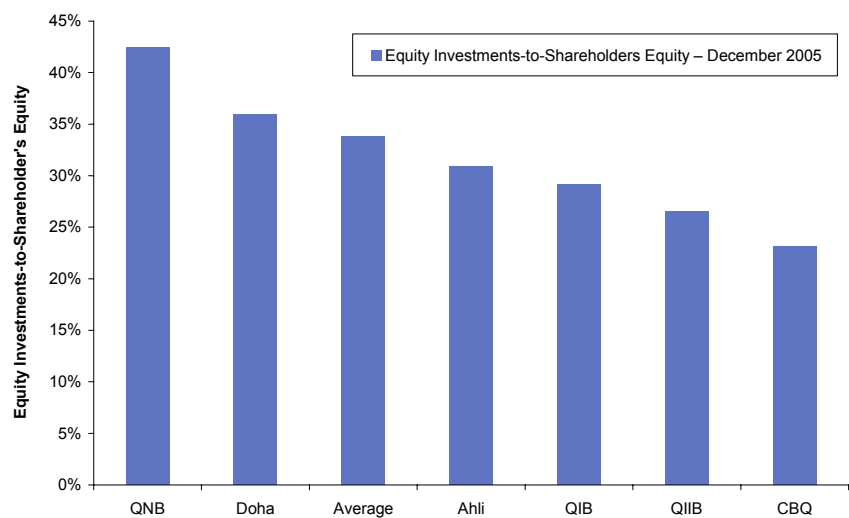


Sources: Banks' financial statements, Reuters, and MENA Equity Research

As of December 2005, Qatari banks had significant exposure to equity investments, with the sample's average standing close to 34% of total shareholders' equity, as shown in Figure 23. Subsequently, the DSM crashed, and by September 2006, it had lost 32% of its December 2005 value. Accordingly, investment earnings dropped, and all banks incurred unrealized investment losses, which put pressure on the rate of net profit growth in 2006. Furthermore, the collapse of the DSM affected the size of the banks' balance sheets, as is evident in the significant declines in the balances of the fair value reserves, due mainly to the reversal of previous unrealized gains. Due to inadequate disclosure in interim financials, however, we are not able to accurately quantify the overall damage incurred, be it in lower earnings growth or in shrinking balance sheets.

Figure 23 Equity Investments as a Percentage of Shareholders' Equity

As of December 2005, banks had significant exposure to the equity market



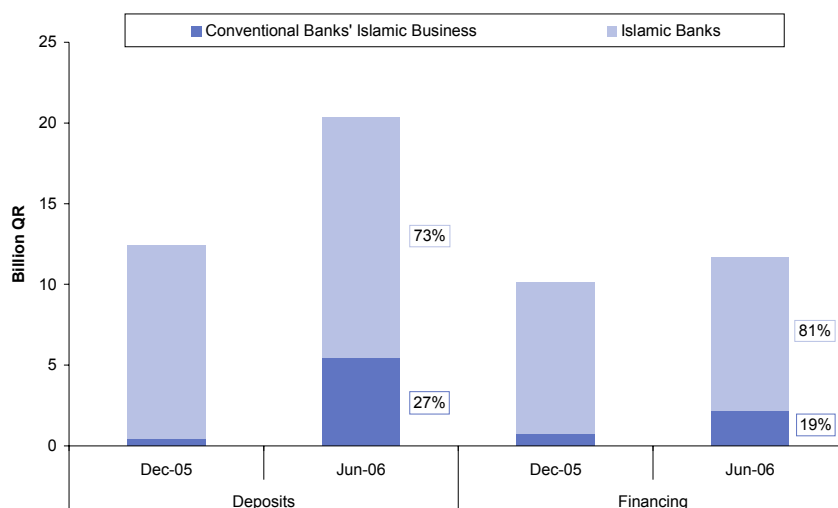
Sources: Banks' financial statements and MENA Equity Research

Islamic Banking

The conventional banks' Islamic business started to bear fruit during the first nine months of 2006. Though it still represents a tiny share—estimated at less than 3%—of conventional banks' net profits, the Islamic business is expected to flourish, resulting in a rising share vis-à-vis these banks' conventional banking operations.

In fact, the Islamic arms of conventional banks have been successful as they enhanced diversification and competition, exerted pressure on the existing Islamic banks to be more innovative and service-oriented, and, in the process, contributed to the sector's ongoing evolution. Actually, conventional banks have been gaining market share in the Islamic subsector. Their share of total Islamic deposits stood at 27% as of June 2006, up from an insignificant 3.5% in December 2005, while their share of Islamic financing reached 19%, up from 8% during the same period, as seen in Figure 24.

Figure 24 Conventional Banks' Islamic Business versus the Islamic Banks'



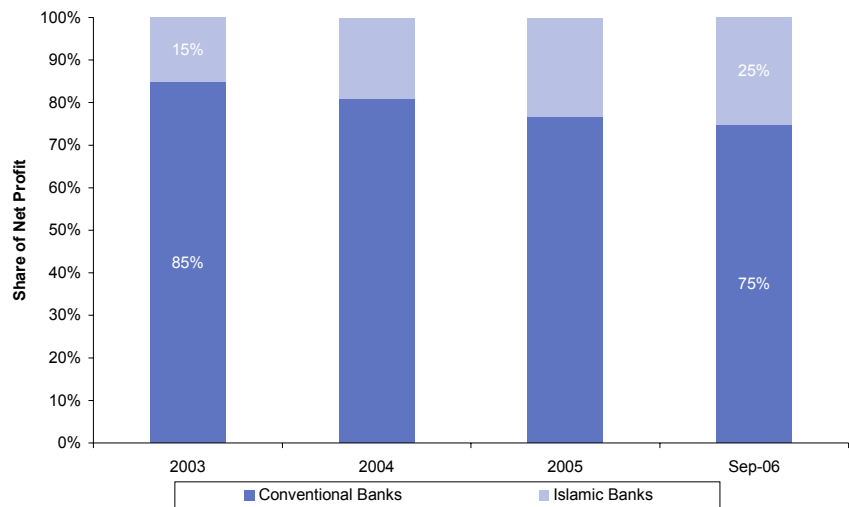
Sources: Banks' financial statements and MENA Equity Research

Conventional banks are gaining market share in the Islamic subsector

Nevertheless, the combined net profit of the two Islamic banks has been rising, as a share of total net profit, as seen in Figure 25. During the first nine months of 2006, the combined earnings of the two Islamic banks had already surpassed their 2005 level, reflecting a faster rate of growth than that of their conventional counterparts. As of September 2006, their combined earnings represented a quarter of our sample's total, up from a 15% share in 2003 after rising by fivefold during that period. QIB came second to QNB in terms of earnings for the first nine months of 2006 and has shown determination to expand locally as well as internationally. The bank tapped the Malaysian market through Asia Finance House, a joint venture with other regional financial institutions, and will soon be launching, in association with Gulf Finance House, Qatar's first Islamic investment bank, the Islamic Investment Bank of Qatar.

Figure 25 Share of Net Profits

As of September 2006, net profits of the two Islamic banks represented a quarter of the total



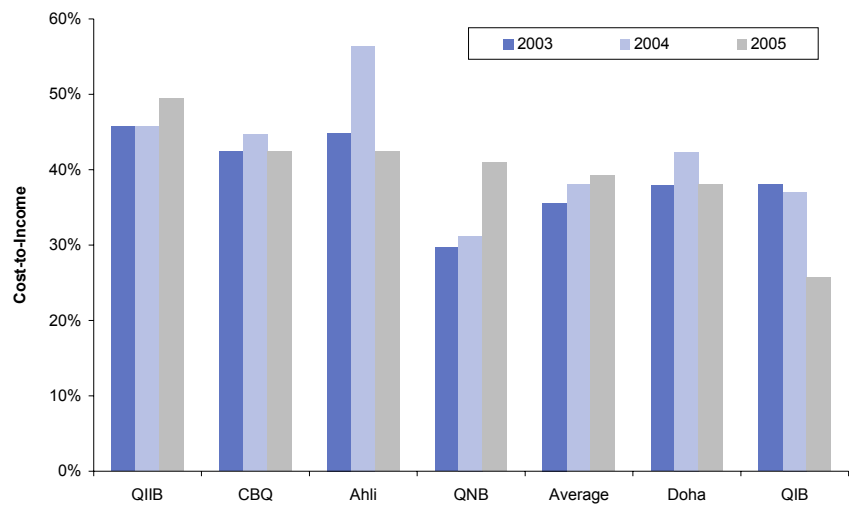
Sources: Banks' financial statements and MENA Equity Research

Cost Efficiency

The cost-to-income ratio dropped for most banks in 2005, though QNB bucked the trend. In our computation of this ratio, cost included only general, administrative, and depreciation expenses, while income included only net interest income and net fees and commissions. By excluding other more volatile sources of earnings and cost, we aimed to arrive at more stable ratios in order to get a better feel of the banks' cost efficiency. QNB's deteriorating ratio for 2005 was due primarily to a significant increase in the bank's general and administrative expenses relating to the consolidation of its subsidiary, Ansbacher, in addition to investments in IT infrastructure.

Figure 26 Cost-to-Income Ratio

Most banks showed improving cost efficiency during 2005



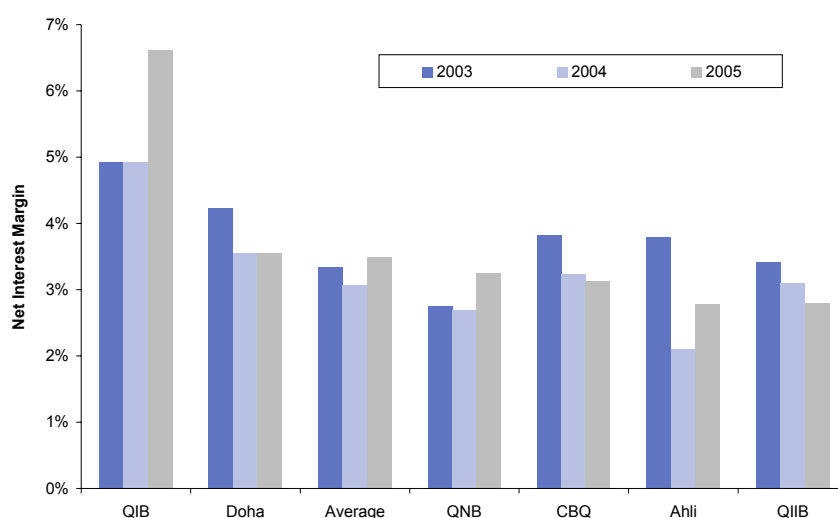
Sources: Banks' financial statements and MENA Equity Research

Margins and Returns

With the exception of QIB's, the sampled banks' net interest margins, defined as net interest income divided by average earning assets, do not differ much, ranging between 2.8% and 3.5%, as shown in Figure 27. The higher margin for QIB is partly explained by the fact that Islamic banks generally enjoy a greater share of non-interest-bearing deposits than their conventional counterparts do. The low margin for QIIB, in contrast, which has been cutting margins for the past three years, could be explained by its drive to increase its market share; the relatively high interest rates for its unrestricted account holders is one instance of that strategy.

Figure 27 Net Interest Margin

With the exception of QIB, the banks have comparable net interest margins

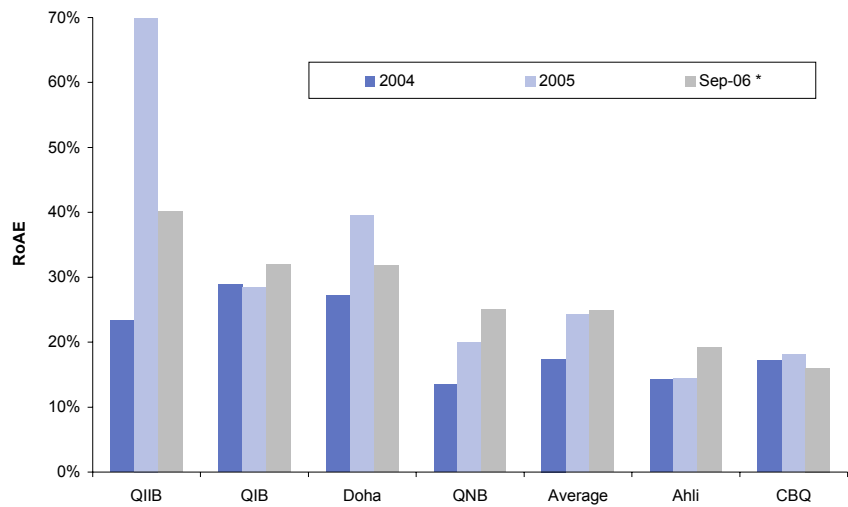


Sources: Banks' financial statements and MENA Equity Research

QIIB leads in terms of return on average equity (RoAE), reflecting the bank's relatively lower capital base as well as the record profitability achieved in 2005—driven mainly by investment gains, as previously mentioned. QIB comes in second place (Figure 28), after achieving startling profitability in the first nine months of this year and despite undertaking a rights issue in July for 19.9 million shares at QR 70 each. Though most banks showed higher returns in 2005, CBQ's modestly improving return rate was partly due to undertaking a rights issue during that year.

Figure 28 Return on Average Equity

Islamic banks lead in terms of return on equity...



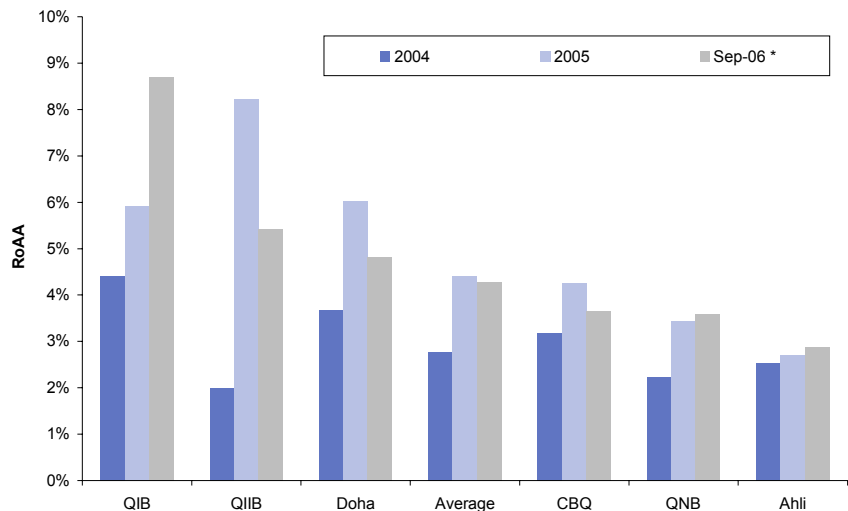
Sources: Banks' financial statements and MENA Equity Research

* Annualized

Looking at the return on average assets (RoAA), as shown in Figure 29, a similar story can be observed whereby the two Islamic banks rank at the top, partly reflecting the boom in Islamic banking.

Figure 29 Return on Average Assets

... and in terms of return on assets



Sources: Banks' financial statements and MENA Equity Research

* Annualized

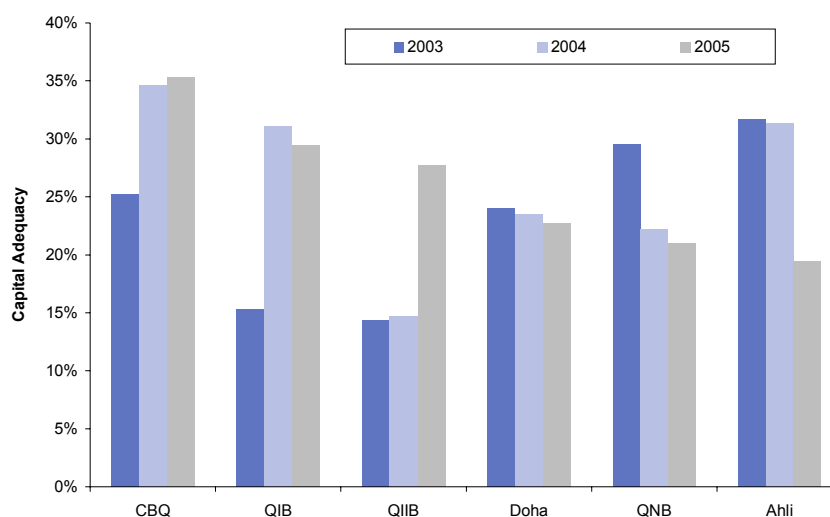
Likewise, QNB succeeded in realizing increasing figures for both RoAE and RoAA during the last couple of years. One reason for this lies in the decreasing public sector exposure, which is generally a low-risk, low-return undertaking.

Capital Adequacy

As of December 2005, the sampled banks showed very satisfactory capital adequacy ratios, as shown in Figure 30, compared with the Basel I minimum requirement of 8% and the QCB minimum requirement of 10%. The lowest capital adequacy ratio was that of Ahli, at 19%, which was still well above the minimum threshold. In fact, the bank's ratio deteriorated significantly during 2005, due to strong growth in its private sector lending as well as to a significant increase in its contingent liabilities.

Starting in January 2006, Qatari banks were required to adopt the Basel II framework as the standard for capital adequacy, following the QCB mandate. Capital adequacy is not reported in interim financial statements; however, it is expected that ratios will decrease, partly due to the introduction of a capital charge for operational risks under Basel II.

Figure 30 Capital Adequacy Ratios



Capital adequacy is satisfactory, though ratios are expected to drop

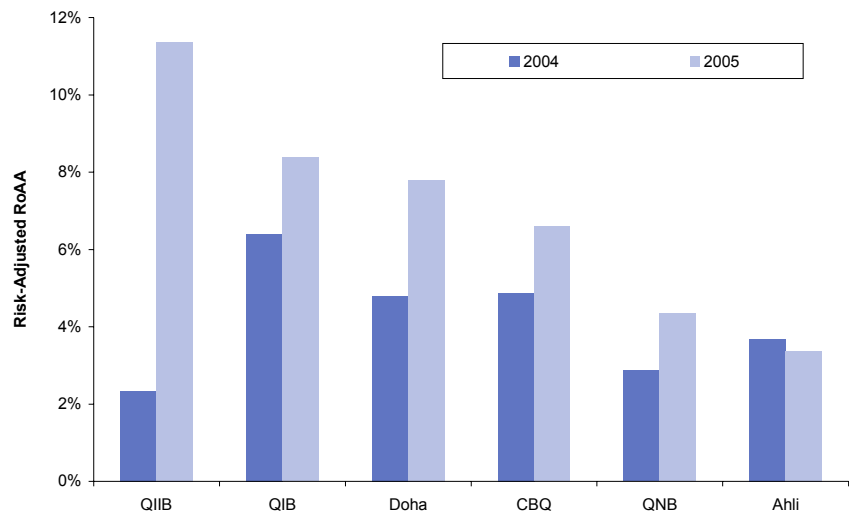
Sources: Banks' financial statements and MENA Equity Research

Risk versus Return

It is worthwhile to look at returns in conjunction with a risk measure in order to get a feel for the risk-adjusted returns achieved by the sampled banks (Figure 31). For that, we calculate the risk-adjusted RoAA, defined as the RoAA divided by 1 minus the capital adequacy ratio. The results are similar to those of the unadjusted RoAA, though not identical. Most noticeable is the slight improvement in the RoAA of Ahli, translating into a minor deterioration in its risk-adjusted RoAA due to the dip in the bank's capital adequacy, as previously mentioned.

Figure 31 Risk-Adjusted Returns

Risk-adjusted returns improved in 2005



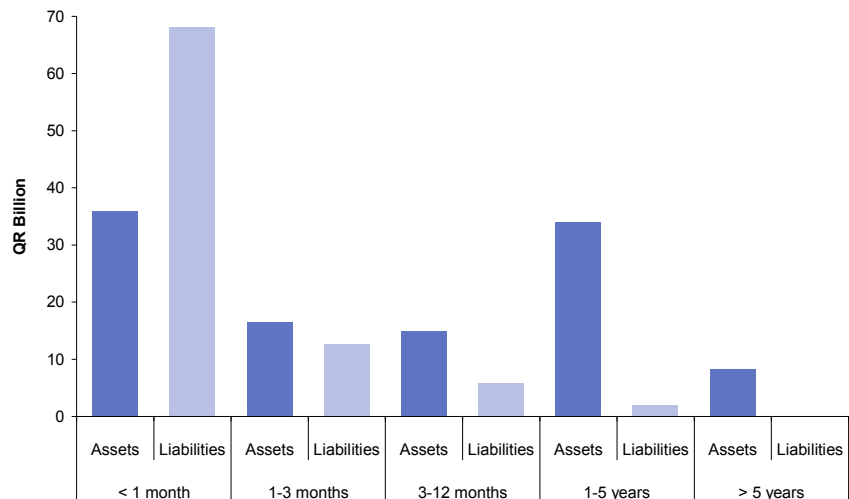
Sources: Banks' financial statements and MENA Equity Research

Asset/Liability Mismatch

Mismatches in the maturities of the assets and liabilities of GCC banks in general and Qatari banks in particular have always existed. Specifically, liabilities, mostly in deposits, have a very short-term maturity, while assets, mostly in loans, tend to have a longer maturity spectrum. Nevertheless, the customary rollover of those short-term deposits, as well as the abundant capital enjoyed by the banks, lessened the problem and made it less urgent for the banks to tackle that mismatch.

Figure 32 Asset/Liability Mismatch - December 2005

Tackling the asset/liability mismatch is becoming more urgent



Source: Banks' financial statements and MENA Equity Research

Now, however, the unprecedented boom in project finance and the sharp growth in personal lending, both of which are characterized by generally longer maturities, have

pushed the asset/liability mismatch to the forefront. This issue merits more credence as banks search for alternative means, other than equity capital, to lengthen the maturity of their liabilities. Utilizing Euro Medium Term Note (EMTN) programs is one option to achieve that. In fact, Qatari banks have been largely absent when it comes to issuing notes or bonds, with some regional banking institutions issuing bonds as early as 2002, while others raised significant funding through EMTN programs during 2005. Nevertheless, during 2006, CBQ and Doha announced that they would utilize EMTN programs to raise \$1.5 billion and \$1 billion, respectively. In fact, the first phase of CBQ's program was completed in October, while Doha recently completed the issuance of a USD 340 million subordinated bond under the bank's EMTN program. Other means to address the asset/liability mismatch could lie in securitization. Though securitization is a longer-term objective, it could prove highly beneficial for that matter.

Ratings

Several international agencies have recently upgraded Qatari banks' ratings. In its most recent update, released on November 15, 2006, Fitch Ratings upgraded the Issuer Default Ratings (IDR) of 28 banks across the Middle East, following an update of the agency's view of government support in the region. This affected the ratings of four of our six sampled banks. A Fitch director commented, "What has changed is the significant improvement in public finances reflected in stronger sovereign ratings, which has given the GCC governments a greater ability to support more banks to a higher rating level, which in turn has reinforced our confidence in the governments' propensity to do so."

Figure 33 Ratings

Bank	Moody's		Standard & Poor's		Fitch
	LT Deposits	FSR	Long Term	Outlook	Long Term
QNB	Aa3	C-	A	Stable	A+
CBQ	A1	C-	A-	Stable	A
Doha	A2	D+	n/a	n/a	n/a
QIB	n/a	n/a	n/a	n/a	A-

Sources: Moody's, Standard & Poor's, Fitch, and MENA Equity Research

Qatari banks have recently been upgraded by several agencies

Qatar National Bank (QNB)

Key Data

General		Multiples	
Reuters Code	QNBK.QA	Trailing P/E	14.5
Bloomberg Code	QNBK.QD	Trailing P/B	3.4
Price (QR)		Price Performance	
Closing Price	220	YTD	-27.0%
52-Week High	303	1-Year Period	-26.2%
52-Week Low	200	Avg. Daily Trad. (Mln USD)	2.1
Market Capitalization		Outstanding Shares (Latest)	
Million USD	7,854.3	Million Shares	129.8

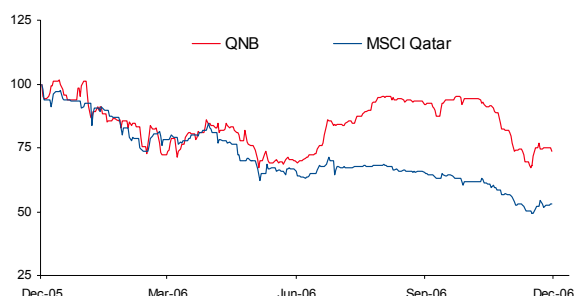
Bank Financials

Balance Sheet (QR '000)	2004	2005	Sep-06
Assets			
Cash & Balances with Central Bank	1,700,369	2,406,327	2,995,118
Due from Banks & Financial Institutions	2,345,936	7,499,202	15,052,362
Loans & Financing Activities to Customers	26,590,983	31,477,500	41,601,351
Investments	7,624,824	7,637,946	8,626,016
Fixed Assets	528,435	467,419	572,126
Other Assets	756,996	571,762	732,680
Total Assets	39,547,543	50,060,156	69,579,653
Liabilities and Owners' Equity			
Due to Banks & Financial Institutions	2,153,383	2,598,708	3,767,914
Customer Deposits	29,613,833	36,457,014	51,380,233
Other Liabilities	1,095,555	2,046,368	1,002,125
Unrestricted Investment Accounts	-	249,151	5,072,334
Total Owners' Equity	6,684,772	8,708,915	8,357,047
Total Liabilities and Owners' Equity	39,547,543	50,060,156	69,579,653

Income Statement (QR '000)	2004	2005	Sep-06
Interest Income	1,413,793	2,172,318	2,414,879
Interest Expense	(504,730)	(887,507)	(1,241,666)
Net Interest Income	909,063	1,284,811	1,173,213
Net Fees and Commissions	164,597	387,993	353,044
Investment Earnings	71,750	413,399	307,171
Income from Islamic Activities	-	14,304	200,887
Other Operating Income	47,016	88,344	98,783
Total Operating Income	1,192,426	2,188,851	2,133,098
General & Administrative Expenses	(308,198)	(634,910)	(503,133)
Depreciation	(27,159)	(56,071)	(36,834)
Loan Impairment (Provisions)/ Recoveries	(30,339)	76,457	168,946
Investment Revaluation Gains / (Losses)	7,749	9,071	(17,014)
Other (Expenses) & (Provisions) / Earnings	3,150	(38,765)	13,642
Share of Unrestricted Investment Accounts	-	(798)	(145,596)
Net Profit before Tax	837,629	1,543,835	1,613,109
Taxes	(10,132)	(7,023)	(7,570)
Net Profit	827,497	1,536,812	1,605,539
Earnings Per Share (QR)	6.4	11.8	12.4

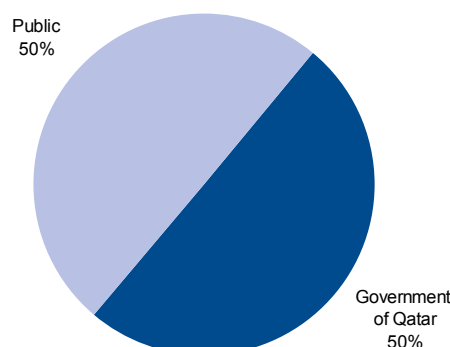
Sources: Banks' financial statements and MENA Equity Research

Relative Performance of the Stock



Sources: Reuters, MSCI, and MENA Equity Research

Ownership Structure



Key Ratios

	2003	2004	2005
Return on Average Equity	12.1%	13.5%	20.0%
Return on Average Assets	1.9%	2.2%	3.4%
Net Interest Margin	2.8%	2.7%	3.3%
Net Profit Growth	10.5%	29.1%	85.7%
EPS Growth	10.5%	29.1%	85.7%
Adjusted # of Shares ('000)	129,776	129,776	129,776
Loan Market Share	58.9%	56.4%	49.5%
Deposit Market Share	50.4%	50.3%	47.4%
Asset Market Share	53.8%	49.1%	45.7%
Loans-to-Deposits	96.0%	89.8%	85.8%
NPLs-to-Gross Loans	1.8%	1.7%	1.6%
NPL Coverage	177.8%	159.3%	122.0%
Cost-to-Income	29.7%	31.2%	41.0%

Sources: Banks' financial statements and MENA Equity Research

Commercial Bank (CBQ)

Key Data

General		Multiples	
Reuters Code	COMB.QA	Trailing P/E	13.1
Bloomberg Code	CBQK QD	Trailing P/B	2.1
Price (QR)		Price Performance	
Closing Price	81	YTD	-47.4%
52-Week High	162	1-Year Period	-47.5%
52-Week Low	76	Avg. Daily Trad. (Mln USD)	3.6
Market Capitalization		Outstanding Shares (Latest)	
Million USD	3,099.6	Million Shares	140.2

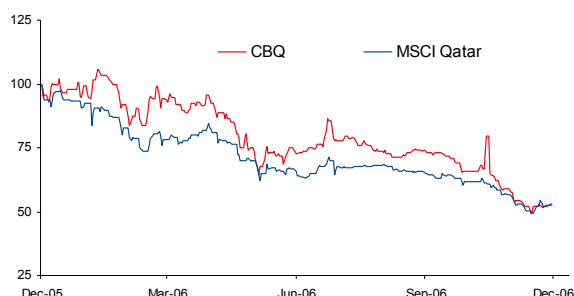
Bank Financials

Balance Sheet (QR '000)	2004	2005	Sep-06
Assets			
Cash & Balances with Central Bank	401,217	648,290	1,040,832
Due from Banks & Financial Institutions	3,892,498	5,352,434	4,718,474
Loans & Financing Activities to Customers	6,713,844	10,884,138	14,509,007
Investments	1,461,170	4,632,296	5,435,041
Fixed Assets	323,601	317,948	501,827
Other Assets	147,935	346,437	389,550
Total Assets	12,940,265	22,181,543	26,594,731
Liabilities and Owners' Equity			
Due to Banks & Financial Institutions	752,596	1,704,233	2,260,815
Customer Deposits	8,304,137	13,056,421	15,352,376
Other Borrowed Funds	982,800	1,092,000	2,329,600
Other Liabilities	280,738	470,033	557,478
Unrestricted Investment Accounts	-	181,757	655,155
Total Owners' Equity	2,619,994	5,677,099	5,439,307
Total Liabilities and Owners' Equity	12,940,265	22,181,543	26,594,731

Income Statement (QR '000)	2004	2005	Sep-06
Interest Income	441,451	804,283	970,757
Interest Expense	(122,284)	(332,272)	(480,941)
Net Interest Income	319,167	472,011	489,816
Net Fees and Commissions	121,316	214,695	286,590
Investment Earnings	59,876	260,235	141,627
Income from Islamic Activities	-	8,731	25,272
Other Operating Income	30,887	58,364	53,295
Total Operating Income	531,246	1,014,036	996,600
General & Administrative Expenses	(179,032)	(259,729)	(289,753)
Depreciation	(17,849)	(34,062)	(28,294)
Loan Impairment (Provisions)/ Recoveries	17,285	1,793	(9,205)
Investment Revaluation Gains / (Losses)	(2,612)	(19,638)	(40,433)
Other (Expenses) & (Provisions) / Earnings	(3,152)	50,514	52,772
Share of Unrestricted Investment Accounts	-	(3,396)	(14,643)
Net Profit before Tax	345,886	749,518	667,044
Taxes	-	-	-
Net Profit	345,886	749,518	667,044
Earnings Per Share (QR)	3.3	6.4	4.8

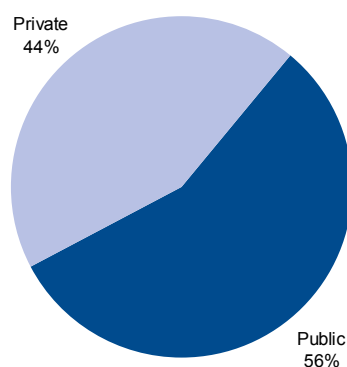
Sources: Banks' financial statements and MENA Equity Research

Relative Performance of the Stock



Sources: Reuters, MSCI, and MENA Equity Research

Ownership Structure



Key Ratios

	2003	2004	2005
Return on Average Equity	22.6%	17.2%	18.1%
Return on Average Assets	3.3%	3.2%	4.3%
Net Interest Margin	3.8%	3.2%	3.1%
Net Profit Growth	56.2%	39.5%	116.7%
EPS Growth	42.0%	12.2%	97.3%
Adjusted # of Shares ('000)	85,652	106,416	116,876
Loan Market Share	11.8%	14.2%	17.1%
Deposit Market Share	13.1%	14.1%	17.1%
Asset Market Share	13.6%	16.1%	20.2%
Loans-to-Deposits	74.2%	80.8%	82.2%
NPLs-to-Gross Loans	3.1%	1.2%	0.8%
NPL Coverage	119.8%	161.8%	203.5%
Cost-to-Income	42.4%	44.7%	42.5%

Sources: Banks' financial statements and MENA Equity Research

Doha Bank (Doha)

Key Data

General		Multiples	
Reuters Code	DOBK.QA	Trailing P/E	11.6
Bloomberg Code	DHBK QD	Trailing P/B	3.8
Price (QR)		Price Performance	
Closing Price	82	YTD	-53.3%
52-Week High	182	1-Year Period	-51.6%
52-Week Low	75	Avg. Daily Trad. (Mln USD)	3.7
Market Capitalization		Outstanding Shares (Latest)	
Million USD	2,805.0	Million Shares	124.8

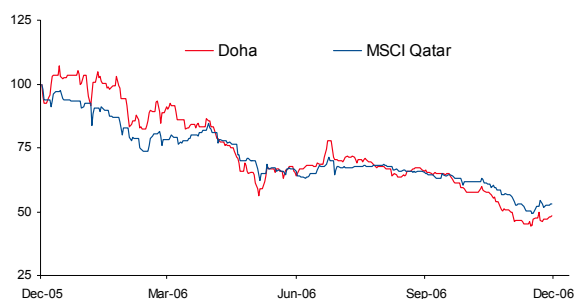
Bank Financials

Balance Sheet (QR '000)	2004	2005	Sep-06
Assets			
Cash & Balances with Central Bank	318,001	469,213	845,857
Due from Banks & Financial Institutions	2,447,830	3,702,958	3,747,054
Loans & Financing Activities to Customers	5,436,821	8,294,718	10,826,106
Investments	2,620,154	2,529,129	2,527,280
Fixed Assets	96,016	116,662	162,294
Other Assets	73,836	117,549	207,800
Total Assets	10,992,658	15,230,229	18,316,391
Liabilities and Owners' Equity			
Due to Banks & Financial Institutions	1,115,920	1,383,996	1,939,015
Customer Deposits	8,068,134	11,023,760	12,692,994
Other Liabilities	214,490	396,552	632,871
Unrestricted Investment Accounts	-	25,085	351,529
Total Owners' Equity	1,594,114	2,400,836	2,699,982
Total Liabilities and Owners' Equity	10,992,658	15,230,229	18,316,391

Income Statement (QR '000)	2004	2005	Sep-06
Interest Income	433,585	676,042	747,750
Interest Expense	(105,787)	(255,797)	(364,396)
Net Interest Income	327,798	420,245	383,354
Net Fees and Commissions	79,704	176,433	182,587
Investment Earnings	146,879	380,584	155,128
Income from Islamic Activities	-	4,898	22,540
Other Operating Income	12,647	29,731	32,985
Total Operating Income	567,028	1,011,891	776,594
General & Administrative Expenses	(154,585)	(209,663)	(192,355)
Depreciation	(17,915)	(18,970)	(17,683)
Loan Impairment (Provisions)/ Recoveries	(26,110)	(6,214)	61,441
Investment Revaluation Gains / (Losses)	-	-	(20,898)
Other (Expenses) & (Provisions) / Earnings	350	14,196	9,743
Share of Unrestricted Investment Accounts	-	(508)	(9,322)
Net Profit before Tax	368,768	790,732	607,520
Taxes	(389)	(865)	-
Net Profit	368,379	789,867	607,520
Earnings Per Share (QR)	3.0	6.3	4.9

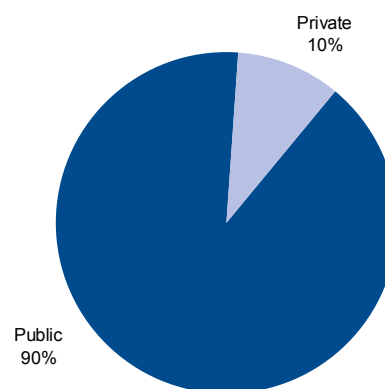
Sources: Banks' financial statements and MENA Equity Research

Relative Performance of the Stock



Sources: Reuters, MSCI, and MENA Equity Research

Ownership Structure



Key Ratios

	2003	2004	2005
Return on Average Equity	22.1%	27.1%	39.5%
Return on Average Assets	2.6%	3.7%	6.0%
Net Interest Margin	4.2%	3.5%	3.5%
Net Profit Growth	77.4%	71.6%	114.4%
EPS Growth	77.4%	71.6%	114.4%
Adjusted # of Shares ('000)	124,818	124,818	124,818
Loan Market Share	12.3%	11.5%	13.0%
Deposit Market Share	15.5%	13.7%	14.3%
Asset Market Share	14.0%	13.7%	13.9%
Loans-to-Deposits	65.0%	67.4%	75.1%
NPLs-to-Gross Loans	16.4%	10.5%	6.3%
NPL Coverage	73.0%	96.0%	107.3%
Cost-to-Income	37.9%	42.3%	38.0%

Sources: Banks' financial statements and MENA Equity Research

Ahli Bank (Ahli)

Key Data

General		Multiples	
Reuters Code	AABQ.QA	Trailing P/E	16.3
Bloomberg Code	ABQK QD	Trailing P/B	2.8
Price (QR)		Price Performance	
Closing Price	79	YTD	-8.4%
52-Week High	104	1-Year Period	-10.7%
52-Week Low	75	Avg. Daily Trad. (Mln USD)	0.3
Market Capitalization		Outstanding Shares (Latest)	
Million USD	881.7	Million Shares	40.6

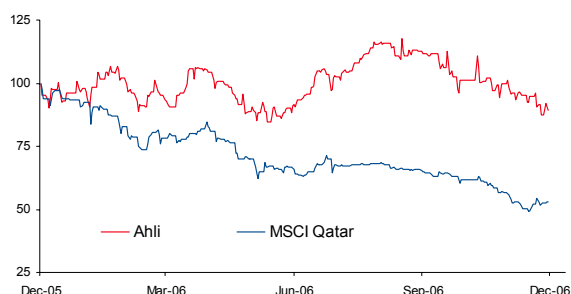
Bank Financials

Balance Sheet (QR '000)	2004	2005	Sep-06
Assets			
Cash & Balances with Central Bank	103,915	147,095	273,039
Due from Banks & Financial Institutions	1,335,124	1,335,735	1,532,859
Loans & Financing Activities to Customers	1,444,843	3,490,141	5,527,971
Investments	1,357,301	1,086,644	1,204,373
Fixed Assets	27,330	75,038	97,735
Other Assets	17,422	46,380	94,230
Total Assets	4,285,935	6,181,033	8,730,207
Liabilities and Owners' Equity			
Due to Banks & Financial Institutions	569,875	441,330	1,065,199
Customer Deposits	2,743,780	4,530,465	6,313,385
Other Liabilities	82,132	134,080	189,299
Unrestricted Investment Accounts	-	-	7,852
Total Owners' Equity	890,148	1,075,158	1,154,472
Total Liabilities and Owners' Equity	4,285,935	6,181,033	8,730,207

Income Statement (QR '000)	2004	2005	Sep-06
Interest Income	109,203	267,775	357,543
Interest Expense	(41,248)	(132,169)	(182,006)
Net Interest Income	67,955	135,606	175,537
Net Fees and Commissions	27,387	71,738	59,930
Investment Earnings	2,001	13,662	(1,498)
Income from Islamic Activities	-	-	917
Other Operating Income	6,461	9,635	10,264
Total Operating Income	103,804	230,641	245,150
General & Administrative Expenses	(47,692)	(79,182)	(80,261)
Depreciation	(6,088)	(8,732)	(4,150)
Loan Impairment (Provisions)/ Recoveries	17,037	5,254	21,188
Investment Revaluation Gains / (Losses)	(1,221)	-	(21,196)
Other (Expenses) & (Provisions) / Earnings	20,324	(6,360)	-
Share of Unrestricted Investment Accounts	-	-	-
Net Profit before Tax	86,164	141,621	160,731
Taxes	-	-	-
Net Profit	86,164	141,621	160,731
Earnings Per Share (QR)	2.9	3.5	4.0

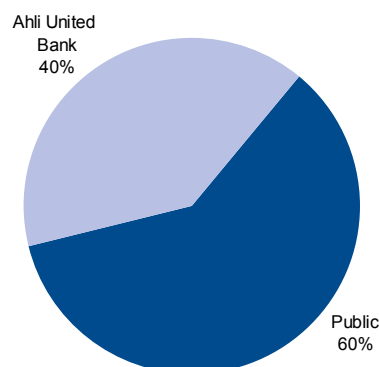
Sources: Banks' financial statements and MENA Equity Research

Relative Performance of the Stock



Sources: Reuters, MSCI, and MENA Equity Research

Ownership Structure



Key Ratios

	2003	2004	2005
Return on Average Equity	25.3%	14.2%	14.4%
Return on Average Assets	3.1%	2.5%	2.7%
Net Interest Margin	3.8%	2.1%	2.8%
Net Profit Growth	13.1%	18.7%	64.4%
EPS Growth	13.1%	-3.4%	21.3%
Adjusted # of Shares ('000)	24,375	29,972	40,625
Loan Market Share	3.2%	3.1%	5.5%
Deposit Market Share	3.8%	4.7%	5.8%
Asset Market Share	3.9%	5.3%	5.6%
Loans-to-Deposits	70.0%	52.7%	77.0%
NPLs-to-Gross Loans	17.5%	17.0%	6.8%
NPL Coverage	112.0%	90.4%	104.5%
Cost-to-Income	44.9%	56.4%	42.4%

Sources: Banks' financial statements and MENA Equity Research

Qatar Islamic Bank (QIB)

Key Data

General		Multiples	
Reuters Code	QISB.QA	Trailing P/E	15.2
Bloomberg Code	QIBK QD	Trailing P/B	3.3
Price (QR)		Price Performance	
Closing Price	110	YTD	-49.7%
52-Week High	239	1-Year Period	-50.5%
52-Week Low	96	Avg. Daily Trad. (Mln USD)	7.5
Market Capitalization		Outstanding Shares (Latest)	
Million USD	3,616.3	Million Shares	119.3

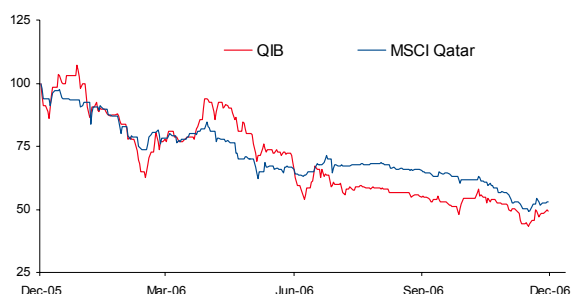
Bank Financials

Balance Sheet (QR '000)	2004	2005	Sep-06
Assets			
Cash & Balances with Central Bank	333,609	514,525	276,591
Due from Banks & Financial Institutions	1,887,119	1,166,924	3,097,798
Due from Financing Activities	4,263,327	5,972,902	6,468,593
Investments	1,077,281	1,613,312	2,108,128
Fixed Assets	65,565	60,888	145,298
Other Assets	114,755	223,005	669,542
Total Assets	7,741,656	9,551,556	12,765,950
Liabilities and Owners' Equity			
Accounts with Banks & Financial Institutions	20,516	26,024	72,082
Customers' Current Accounts	1,323,034	2,212,422	2,252,374
Other Liabilities	379,323	506,559	679,557
Unrestricted Investment Accounts	4,493,820	4,653,808	5,717,562
Minority Interest	28,421	56,957	66,112
Total Owners' Equity	1,496,542	2,095,786	3,978,263
Total Liabilities and Owners' Equity	7,741,656	9,551,556	12,765,950

Income Statement (QR '000)	2004	2005	Sep-06
Income from Financing Activities	340,077	502,550	437,102
Income from Investing Activities	170,888	317,256	463,715
	510,965	819,806	900,817
Net Fees and Commissions	25,164	41,721	221,304
Other Operating Income	16,710	1,890	25,674
Total Operating Income	552,839	863,417	1,147,795
General & Administrative Expenses	(98,918)	(118,322)	(110,118)
Depreciation	(9,540)	(10,780)	(8,282)
Provisions for Financing Activities	(383)	(47,132)	(27,342)
Investment Revaluation Gains / (Losses)	-	-	(72,292)
Other (Expenses) & (Provisions) / Earnings	(21,657)	1,633	(13,550)
Share of Unrestricted Investment Accounts	(119,122)	(143,649)	(174,555)
Minority Interest	(9,164)	(33,915)	(13,322)
Net Profit before Tax	294,055	511,252	728,334
Taxes	-	-	-
Net Profit	294,055	511,252	728,334
Earnings Per Share (QR)	3.2	5.1	6.7

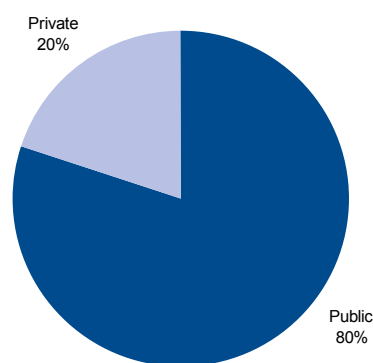
Sources: Banks' financial statements and MENA Equity Research

Relative Performance of the Stock



Sources: Reuters, MSCI, and MENA Equity Research

Ownership Structure



Key Ratios

	2003	2004	2005
Return on Average Equity	30.1%	28.9%	28.5%
Return on Average Assets	2.8%	4.4%	5.9%
Net Interest Margin	4.9%	4.9%	6.6%
Net Profit Growth	43.8%	102.8%	73.9%
EPS Growth	43.8%	68.8%	60.6%
Adjusted # of Shares ('000)	76,500	91,864	99,450
Loan Market Share	8.5%	9.1%	9.4%
Deposit Market Share	10.0%	9.9%	8.9%
Asset Market Share	8.7%	9.6%	8.7%
Loans-to-Deposits	69.9%	73.6%	87.1%
NPLs-to-Gross Loans	7.2%	6.6%	6.9%
NPL Coverage	82.5%	77.4%	66.4%
Cost-to-Income	38.0%	37.0%	25.7%

Sources: Banks' financial statements and MENA Equity Research

Qatar International Islamic Bank (QIIB)

Key Data

General		Multiples	
Reuters Code	QIIB.QA	Trailing P/E	12.0
Bloomberg Code	QIIB QD	Trailing P/B	4.6
Price (QR)		Price Performance	
Closing Price	112	YTD	-54.0%
52-Week High	270	1-Year Period	-54.9%
52-Week Low	98	Avg. Daily Trad. (Mln USD)	3.8
Market Capitalization		Outstanding Shares (Latest)	
Million USD	1,433.6	Million Shares	46.7

Bank Financials

Balance Sheet (QR '000)	2004	2005	Sep-06
Assets			
Cash & Balances with Central Bank	199,674	320,376	259,467
Due from Banks & Financial Institutions	1,387,595	1,952,745	3,867,950
Due from Financing Activities	2,621,080	3,396,586	3,515,971
Investments	715,737	554,752	583,790
Fixed Assets	39,730	36,216	34,369
Other Assets	34,512	74,972	219,632
Total Assets	4,998,328	6,335,647	8,481,179
Liabilities and Owners' Equity			
Accounts with Banks & Financial Institutions	43,237	108,737	75,648
Customers' Current Accounts	954,394	1,653,835	1,551,310
Other Liabilities	145,931	267,882	216,567
Unrestricted Investment Accounts	3,405,218	3,422,904	5,514,107
Minority Interest	-	-	-
Total Owners' Equity	449,548	882,289	1,123,547
Total Liabilities and Owners' Equity	4,998,328	6,335,647	8,481,179

Income Statement (QR '000)	2004	2005	Sep-06
Income from Financing Activities	189,067	271,971	285,503
Income from Investing Activities	34,192	453,077	160,431
	223,259	725,048	445,934
Net Fees and Commissions	23,484	28,263	47,595
Other Operating Income	997	(1,614)	8,461
Total Operating Income	247,740	751,697	501,990
General & Administrative Expenses	(55,114)	(74,084)	(54,398)
Depreciation	(8,486)	(7,478)	(5,600)
Provisions for Financing Activities	(2,710)	(18,466)	(10,000)
Investment Revaluation Gains / (Losses)	-	-	(2,479)
Other (Expenses) & (Provisions) / Earnings	212	1,828	-
Share of Unrestricted Investment Accounts	(92,784)	(187,873)	(127,784)
Minority Interest	-	-	-
Net Profit before Tax	88,858	465,624	301,729
Taxes	-	-	-
Net Profit	88,858	465,624	301,729
Earnings Per Share (QR)	2.2	11.5	6.9

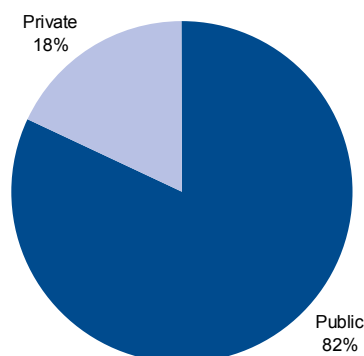
Sources: Banks' financial statements and MENA Equity Research

Relative Performance of the Stock



Sources: Reuters, MSCI, and MENA Equity Research

Ownership Structure



Key Ratios

	2003	2004	2005
Return on Average Equity	23.2%	23.3%	69.9%
Return on Average Assets	1.9%	2.0%	8.2%
Net Interest Margin	3.4%	3.1%	2.8%
Net Profit Growth	27.1%	38.0%	424.0%
EPS Growth	27.1%	38.0%	424.0%
Adjusted # of Shares ('000)	40,625	40,625	40,625
Loan Market Share	5.3%	5.7%	5.4%
Deposit Market Share	7.2%	7.4%	6.6%
Asset Market Share	6.0%	6.2%	5.8%
Loans-to-Deposits	59.9%	61.5%	68.0%
NPLs-to-Gross Loans	2.0%	3.0%	3.7%
NPL Coverage	142.9%	93.8%	73.3%
Cost-to-Income	45.7%	45.7%	49.4%

Sources: Banks' financial statements and MENA Equity Research



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