

البنك التجاري
COMMERCIAL
BANK



THE COMMERCIAL BANK (P.S.Q.C.)

Financial Results

For the quarter ended 31 March 2018

كل شيء يمكن تحقيقه
everything is possible



- This presentation and subsequent discussion may contain certain forward-looking statements with respect to certain plans and current goals and expectations of Commercial Bank 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 but also represent Commercial Bank's expectations and beliefs concerning future events. By their nature forward-looking statements involve known and unknown risks and uncertainty because they relate to future events and circumstances including a number of factors which are beyond Commercial Bank's control. As a result, Commercial Bank's actual future results or performance may differ materially from the plans, goals and expectations expressed or implied in such statements.
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- **CONSOLIDATED HIGHLIGHTS AND PERFORMANCE**
- COMMERCIAL BANK FINANCIAL PERFORMANCE
- SUBSIDIARIES AND ASSOCIATES FINANCIAL PERFORMANCE
- STRATEGIC INTENT



Strategic Focus

Progress

Results

- Net profit increased by 345% to QAR 405 million for Q1 2018 compared to same period last year. Results were driven by strong balance sheet growth, stable margins and lower credit provisioning.
- Net operating profit increased by 14.6% to QAR 608 million.
- We are on track with our strategic plan with focus on reshaping the loan book, prudent provisioning levels and improving the cost to income ratio.

Capital & Funding

- CET1 and Total Capital Ratios decreased to 9.4% and 14.8% respectively following the implementation of IFRS 9.
- Largest issuance by Qatari bank in Swiss market with a 3yr CHF 335m debt issuance (EMTN program).

Reshaping Loan Book

- Loan book growth of 13.0% year on year.
- Re-shaping profile of the lending book, by diversifying risk and opportunity across a wide range of sectors and decreasing real estate exposure and increasing exposure to government and public sector.

Provisioning

- NPL ratio reduces to 5.3% from 5.6% at Q4 2017 and loan coverage ratio improved from 81.0% to 86.4%.
- IFRS 9 impact of QAR 1.5 bn to the 2018 opening retained earning.
- Cost of risk reduces from 238bps in 2017 to less than 100bps in Q1 2018.

Costs

- Continued focus on cost management resulting in a reduction in C/I ratio to 33.9% from 35.7% in Q4 2017.
- Domestic: costs are lower by 1.7% for the quarter with the C/I ratio reducing from 30.9% to 29.9%.

Subsidiaries & Associates

- Alternatifbank reported a net profit of QAR 37 million for the quarter compared to QAR 14 million in Q1 2017.
- NBO reported a net profit of QAR 119 million (CB's share of QAR 42m)
- For UAB, discussions are ongoing to negotiate terms of the potential sale of Commercial Bank's stake.

Progress against our 5-year plan : Net profit further increases during the quarter with increases in operating income, lower credit provisioning and improvement in the cost to income ratio



QAR Million	CB Consolidated					
	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
Operating Income	857	885	882	887	875	919
Costs	413	355	332	325	313	311
Operating Profit	444	530	550	562	562	608
Provision	218	485	501	501	256	236
Net Profit	10	91	89	79	345	405
Lending Volume	77,797	82,029	83,610	84,534	89,123	92,728
Deposit Volume	70,926	71,879	74,391	73,282	77,633	79,300
NIM	2.2%	2.2%	2.2%	2.2%	2.3%	2.3%
C/I Ratio	48.2%	40.1%	37.6%	36.6%	35.7%	33.9%
C/I Ratio YTD	46.0%	40.1%	38.9%	38.0%	37.5%	33.9%
NPL Ratio	5.6%	5.0%	5.6%	5.6%	5.6%	5.3%
Coverage Ratio	81.4%	85.9%	84.3%	91.6%	81.0%	86.4%
CET 1	9.7%	11.4%	11.3%	11.3%	11.2%	9.4%
CAR	15.2%	16.2%	16.1%	16.1%	16.1%	14.8%

Group Financial Performance – Quarter ended 31 March 2018



Group Profitability

QAR Million	Q1 2018	Q1 2017	%
Net interest income	659	599	10%
Non-interest income	260	287	-11%
Total costs	311	355	-12%
Net provisions	236	485	-51%
Associates; income	43	51	-16%
Net profit after tax	405	91	345%

Consolidated Balance Sheet

QAR Million	Q1 2018	Q1 2017	%
Total assets	146,346	135,061	8%
Loan & advances	92,728	82,029	13%
Financial investments	20,211	17,168	18%
Customers' deposits	79,300	71,879	10%
Total equity	19,245	20,983	-8%

Performance Ratios

	Q1 2018	Q1 2017
ROAE	8.0%	1.8%
ROAA	1.1%	0.3%
NIM	2.3%	2.2%

Capital

QAR Million	Q1 2018	Q1 2017
RWA (QAR million)	120,810	118,835
CET 1 ratio (Basel III)	9.4%	11.4%
Total Capital ratio (Basel III)	14.8%	16.2%

Earnings Performance – Quarter ended 31 March 2018

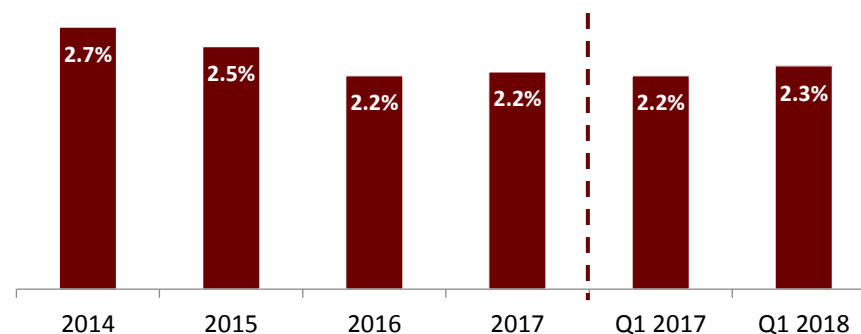


Profitability

- ◆ Net interest income up 10.1% to QAR 659m v Q1 2017.
 - ◆ NIM remains stable at 2.3% against Q4 2017.
 - ◆ NIM increases by 0.1% compared with Q1 2017.
 - ◆ Margins have been managed through active loan book re-pricing, and diversifying liquidity sources to minimize the increasing cost of funding.

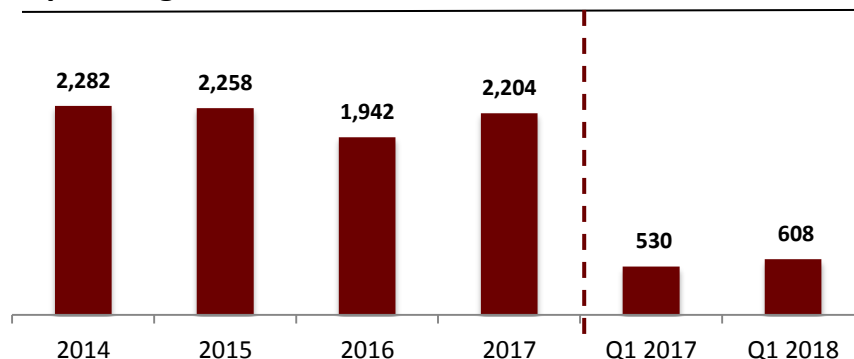
- ◆ Non-interest income down 9.4% to QAR 260m v Q1 2017.
 - ◆ Net fee income increased 10.7% to QAR 217m on strong loan growth.
 - ◆ Investment portfolio income down by QAR 22m mainly due to adverse mark to market movement on the investment bond portfolio driven by higher interest rates.
 - ◆ Net foreign exchange income down 47.7% to QAR 30m

Net interest margin



*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
NIS – Interest in Suspense*

Operating Profit



Cost to Income Ratio improves as cost efficiency measures take effect



Operating Expenses

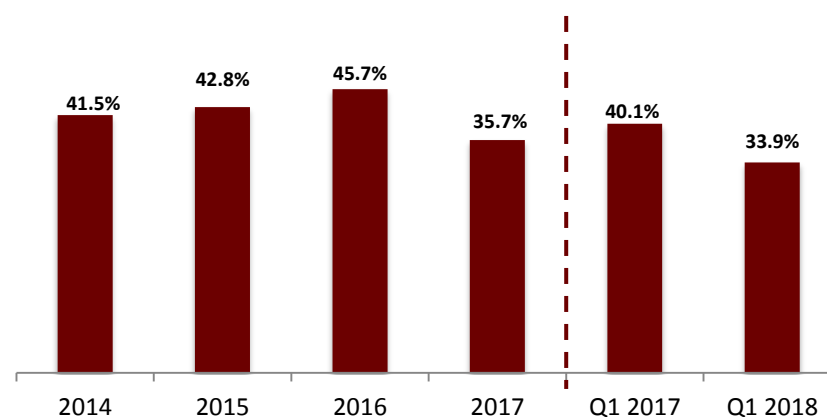
- ◆ Cost to income ratio lower at 33.9% v 40.1% in Q1 2018 driven by a reduction in staff costs and G&A expenses.
 - ◆ Staff costs reduce by 6.8% to QAR 176m in Q1 2018 v Q1 2017
 - ◆ G&A expenses decreases led by lower occupancy, professional fees, marketing and tighter control across all general and administrative spend.
- ◆ Headcount reduction of 2.5% from Q4 2017 to 1,086 in Q1 2018 (Commercial Bank) with a minimal impact on operations.
- ◆ Operational efficiencies and automation expected to result in further reduction in cost and headcount. Branch Network Optimization & Streamlining front to back end processes will further deliver

Cost reduction drivers - Alternatifbank (QAR million)

QAR Million	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
Alternatifbank					
Staff Costs	39	39	43	41	41
Depreciation & G&A expense	28	33	29	33	32
Total	67	72	72	74	73
Head Count (Nos.)	931	940	942	942	952

* The above table excludes consolidation adjustments

Cost to Income Ratio



Cost reduction drivers – Commercial Bank (QAR million)

QAR Million	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
Commercial Bank					-
Staff Costs	150	139	135	127	136
Depreciation & G&A expense	131	114	110	112	99
Total	281	253	245	239	235
Head Count CB (Nos.)	1,187	1,160	1,137	1,114	1,086
Head Count CB (Nos.)				195	257

* CBIS is the new captive onshore entity that has taken over previously offshored support services provided by an external third party entity

Balance Sheet Structure – 31 March 2018

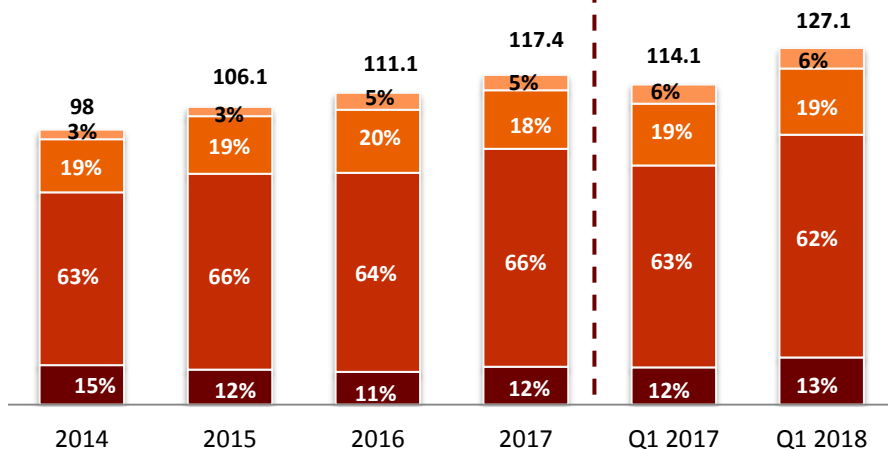


Summary

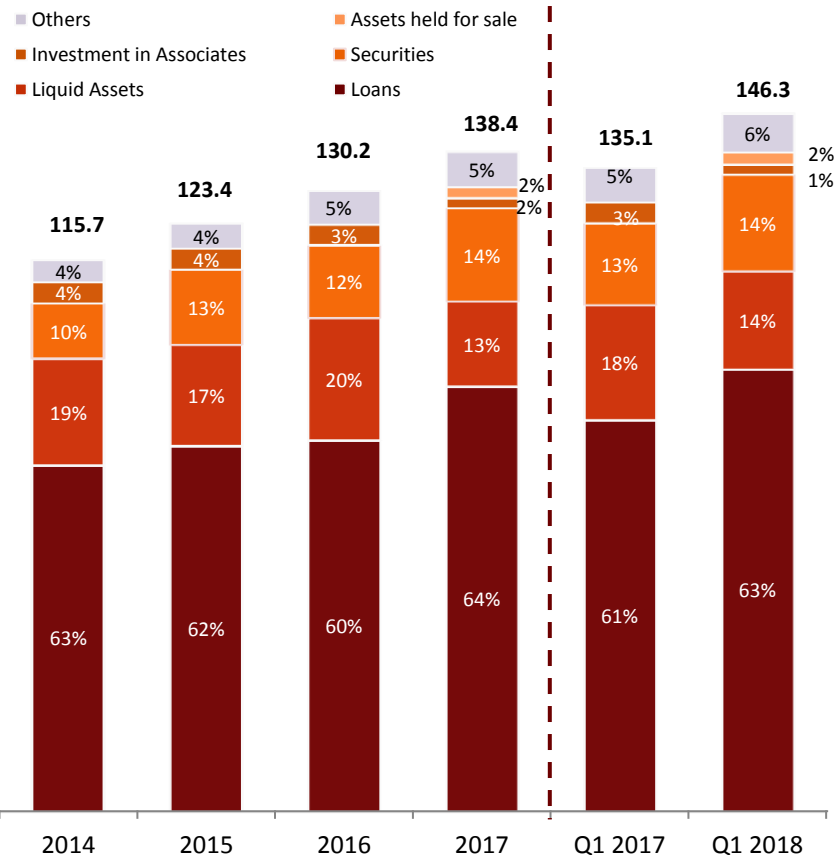
- ◆ Total assets increased by 8.5% to QAR 146.3bn v Q1 2017;
 - ◆ Lending to customers up 13.0% to QAR 92.7bn
 - ◆ Due from banks down QAR 6.5bn to QAR 12.2bn
 - ◆ Investment in securities up 17.7% to QAR 20.2bn
- ◆ Total liabilities increased by 11.4% to QAR 127.1bn v Q1 2017;
 - ◆ Customer deposits up 10.3% to QAR 79.3bn
 - ◆ Due to banks increased by 26.3% to QAR 16.8bn
 - ◆ Other borrowed funds increased 7.2% to QAR 23.7bn

Liabilities mix

- Due to Banks and Financial Institutions
- Customers' deposits
- Other Borrowed Funds



Assets mix



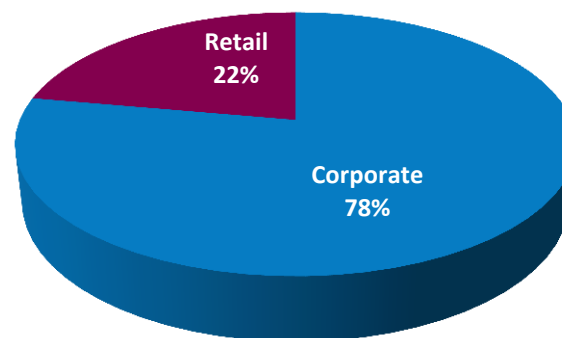
Loan Book Breakdown – 31 March 2018



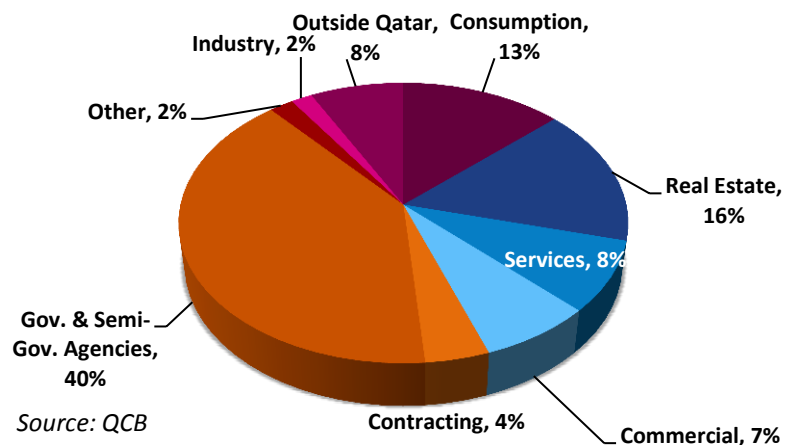
Summary

- ◆ Loans to customers at QAR 92.7bn, up 13.0% v Q1 2017.
 - ◆ Growth mainly in Government & Public sector and Services sector.
- ◆ Loan book diversified across industry sectors
- ◆ Corporate customers represent 78% of total loan book
- ◆ Focus on improving market share in Government and Semi-Government with a strong deal pipeline and undrawn commitments.

Loan book breakdown by division



Qatari banks credit facilities breakdown by sector – Feb 2018



Loan book breakdown by sector – March 2018

Sector	Q1 2018	Q1 2017
Govt and Public Sector	14%	13%
Industry	9%	9%
Commercial	9%	7%
Services	26%	28%
Contacting	7%	7%
Real Estate	25%	26%
Consumption	8%	9%
Other	2%	1%
	100%	100%

**Some clients were re-classified into Real-estate sector in June 2017 and previous period post a detailed portfolio review.*

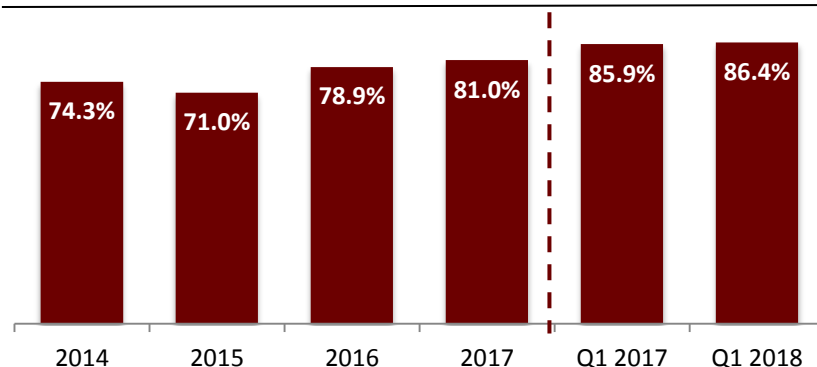
Asset Quality – 31 March 2018: Significant decrease in provision for loan losses as impairment on legacy portfolio reduces



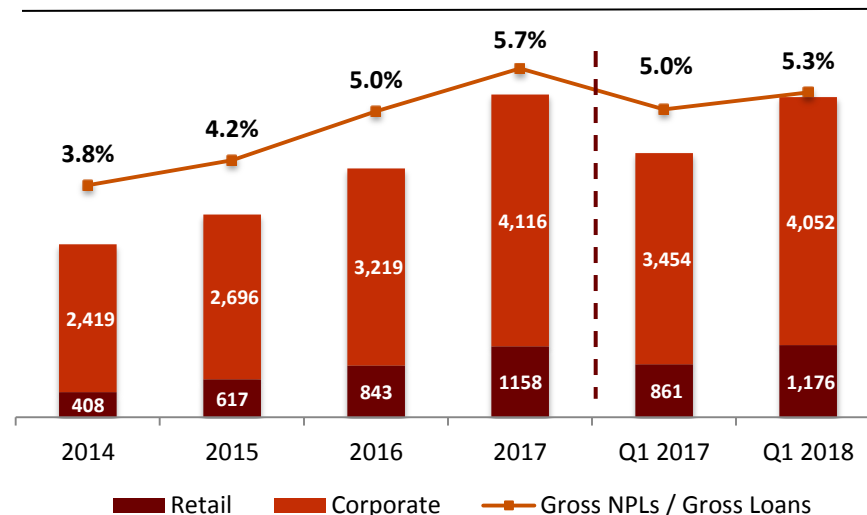
Summary

- ◆ Net Provision for loan loss of QAR 222m v QAR 479m in Q1 2017
 - ◆ QAR 164m for Wholesale
 - ◆ QAR 21m for Retail
 - ◆ QAR 37m for Alternatifbank
- ◆ NPL ratio at 5.3% v 5.7% at Q4 2017
- ◆ Loan coverage at 86.4% v 81.0% at Q4 2017
- ◆ IFRS opening balance charge of QAR 1.5 bn
- ◆ Risk reserve reduces to QAR 361 following the impact of IFRS 9

Loan coverage ratio



Non-performing loan ('NPL') ratio (90 day basis)



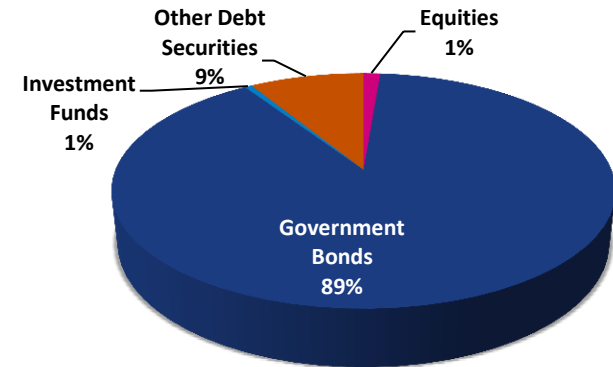
Investment Portfolio – 31 March 2018: High asset quality with 89% of the portfolio invested in HQLA Government Bonds



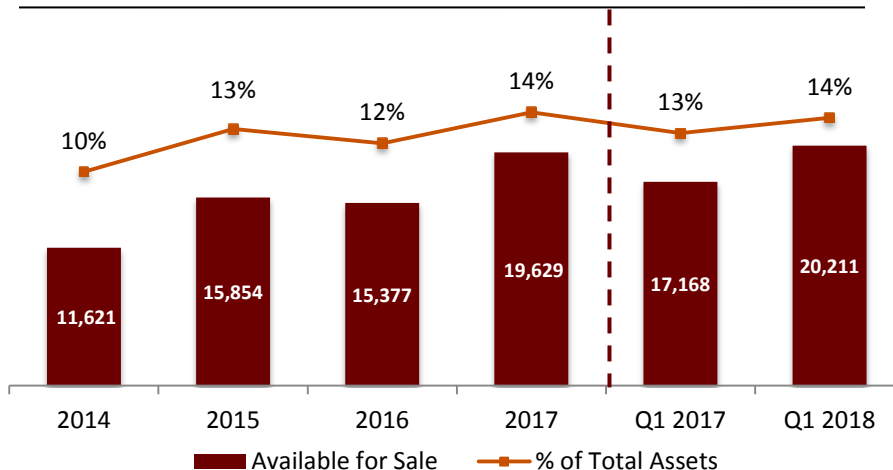
Summary

- ◆ Investment portfolio up 17.7% to QAR 20.2bn v Q1 2017
 - ◆ Driven by Purchase of Government Bonds, offset by a decrease in the equity portfolio as we exit from non core business activities
- ◆ 89% Government Bonds and QCB T-Bills
- ◆ Investment income decrease by QAR 22m v Q1 2017 mainly due to negative mark to market on the bond portfolio driven by increases in interest rates.

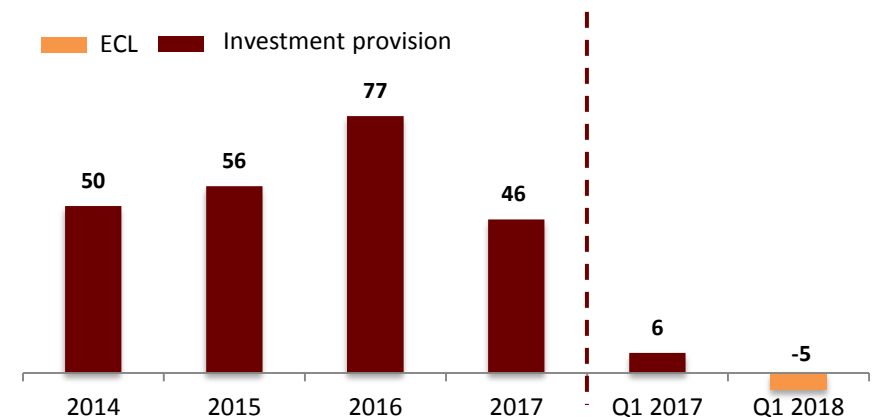
Investment portfolio – 31 March 2018



Investment portfolio evolution (QAR million)



Investment portfolio provisions (QAR million)



Funding Breakdown – 31 March 2018



Summary

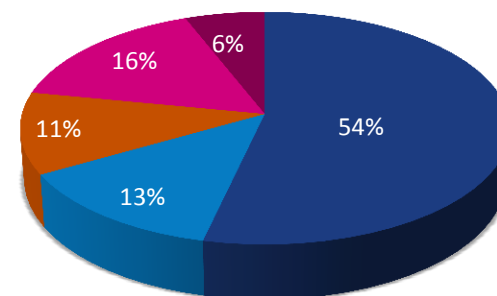
- ◆ Customers' deposits up 10.3% to QAR 79.3bn v Q1 2017 representing 54% of the total funding base
- ◆ Well diversified funding mix
- ◆ Shareholders' equity represents 13% of funding mix
- ◆ Swiss bond issuance of CHF 335m in March 2018.

Debt issued and other borrowed funds

QAR Million	Q1 2018	Q1 2017
Subordinated Notes	3,440	3,429
EMTN	6,849	7,242
Senior Notes	2,742	1,095
Other loans (including CPs)	10,641	10,318
Total	23,672	22,084

Total funding mix – 31 March 2018

- Customers' Deposits
- Total Shareholders' Equity
- Due to Banks and Financial Institutions
- Debt Securities & Other borrowings
- Other Liabilities



Commercial Bank credit ratings

Rating Agency	Foreign Currency Bank Deposits/IDR		Bank Financial Strength / Individual	Outlook	Date
	LT	ST			
Moody's	A2	Prime 1	baa3	Negative	17-Aug
Fitch	A	F1	bbb-	Negative	17-Dec
S&P	BBB+	A-2	bbb-	Negative	17-Nov

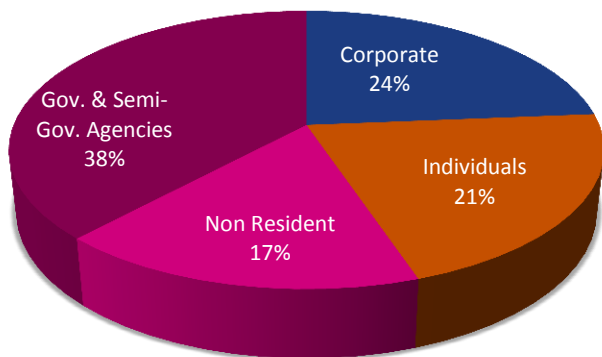
Well diversified deposit portfolio



Summary

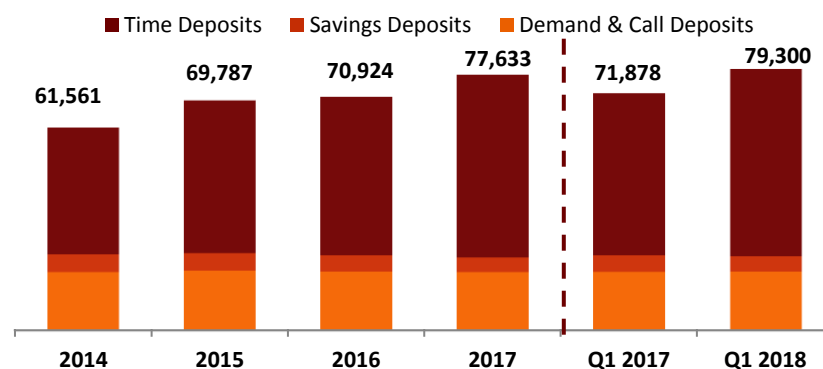
- ◆ Customers' deposits increased by 10.3% to QAR 79.3bn v Q1 2017
- ◆ Diversified deposit mix with Government and Semi-Government at 33% , corporate at 24% and individuals at 26%
- ◆ Current and Savings accounts represent 28.2% of the deposit base.
- ◆ Qatar resident mix 83% vs non resident 17%

Qatari banks deposits breakdown by sector – February 2018

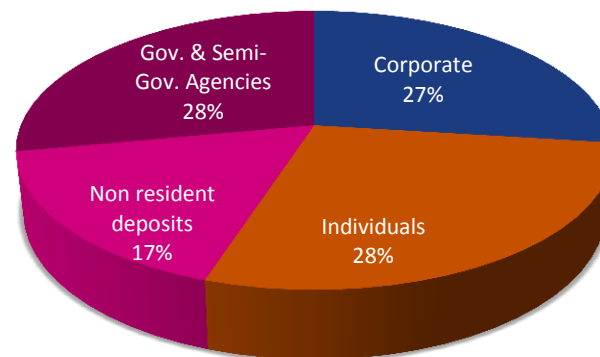


Source: QCB

Customers' deposits (QAR million)



Deposits by customer type – March 2018



Capitalization Levels – 31 March 2018



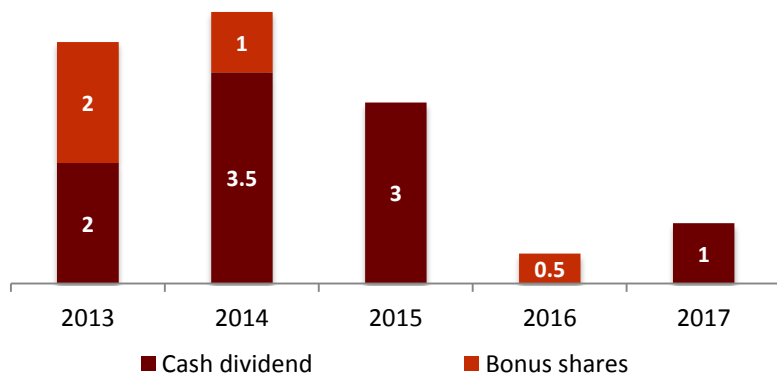
Summary

Total equity at QAR 19.2bn, down by QAR 1.8bn from Q4 2017, due to:

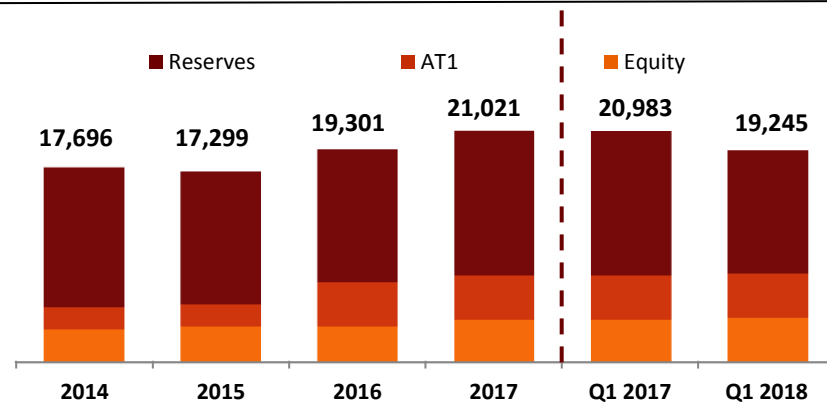
- ◆ Decrease in risk reserve by QAR 1.5bn from the opening balance adjustment for IFRS 9 implementation.
- ◆ Increase from Q1 18 profit of QAR 405m
- ◆ Decrease in Fair value reserve of QAR 206m
- ◆ Decrease from cash dividend of QAR 405m
- ◆ Decrease in foreign currency translation reserve of QAR 61m

Capital Adequacy Ratio at 14.8% (Basel III)

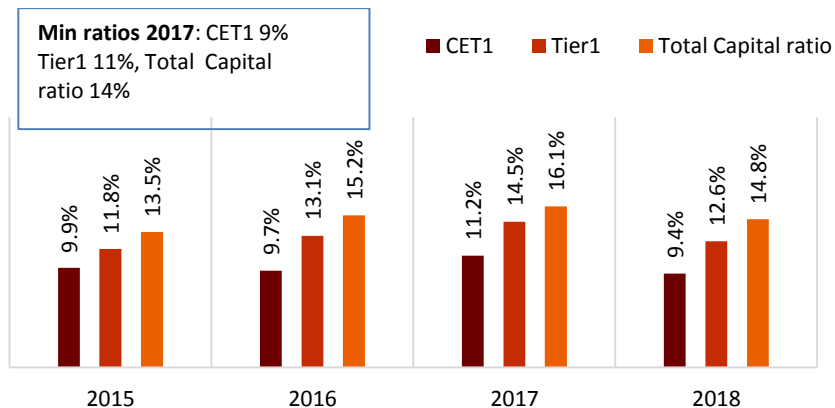
Dividend distribution per share (QAR)



Total equity (QAR million)



Capital Adequacy Ratio (Basel III)





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Commercial Bank Financial Performance – Quarter ended 31 March 2018 (Domestic)



Profitability

QAR Million	Q1 2018	Q1 2017	%
Net interest income	535	531	-1%
Non-interest income	243	251	-3%
Total costs	233	281	17%
Net provisions	199	443	55%
Net profit	346	58	497%

Balance Sheet

QAR Million	Q1 2018	Q1 2017	%
Total assets	127,970	119,015	8%
Loan & advances	78,511	70,476	11%
Financial investments	17,705	14,045	26%
Customers' deposits	69,369	64,089	8%
Total equity	19,642	18,285	9%

Performance Ratios

	Q1 2018	Q1 2017
ROAE	6.8%	1.2%
ROAA	1.1%	0.2%
NIM	2.2%	2.2%

Capital

QAR Million	Q1 2018	Q1 2017
RWA (QAR million)	99,369	102,319
CET 1 ratio (Basel III)	9.6%	11.6%
Total Capital ratio (Basel III)	14.4%	15.9%



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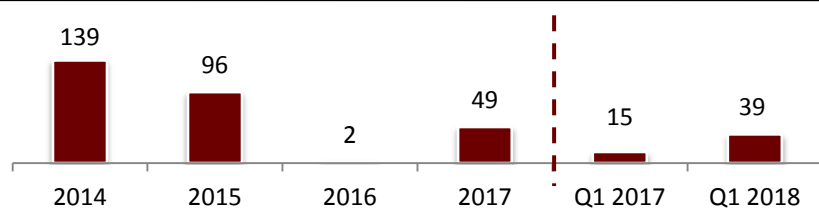
Alternatifbank Results – Quarter ended 31 March 2018



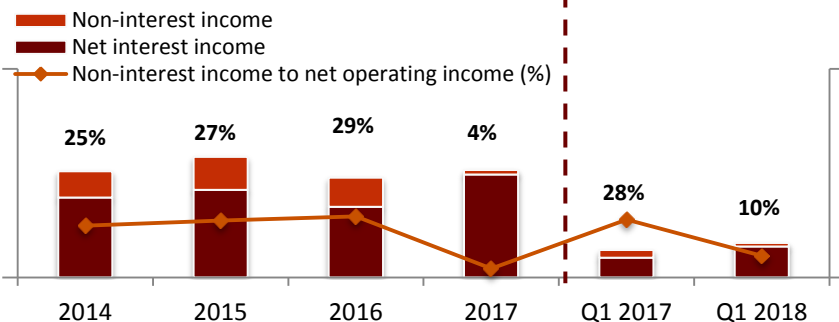
Alternatifbank of Turkey

- ◆ Net profit after tax at TL 39m v TL 15m in Q1 2017
- ◆ Operating income up by TL 33m v Q1 2017
- ◆ Operating expenses up by TL 6m v Q1 2017
- ◆ Lower provisions up by TL 4m v Q1 2017
- ◆ Loan book up to TL 15.2bn v TL 11.4bn in Q1 2017
- ◆ Customers' deposits up to TL 10.8bn v TL 7.8bn in Q1 2017

Net Profit (TL million)



Net operating income (TL million)



Profitability

TL million	Q1 2018	Q1 2017
Operating Income	165	132
Total Operating Expenses	76	70
Total Provision	39	43
Profit Before Tax	51	19
Tax Expenses	11	5
Net Profit	39	15

Balance Sheet

TL million	Q1 2018	Q1 2017
Assets		
Cash and Balances with Central Bank	2,408	1,804
Due from banks	272	1,403
Loans and advances to customers	15,290	11,392
Total Investments	2,567	2,452
Other Assets	1,331	982
Total Assets	21,868	18,033
Liabilities & Equity		
Due to banks	1,385	1,283
Customers' deposit	10,735	7,763
Other borrowed funds	7,419	7,018
Other Liabilities	889	669
Shareholders Equity	1,440	1,300
Total Liabilities and Equity	21,868	18,033

Associates' Performance – Quarter ended 31 March 2018



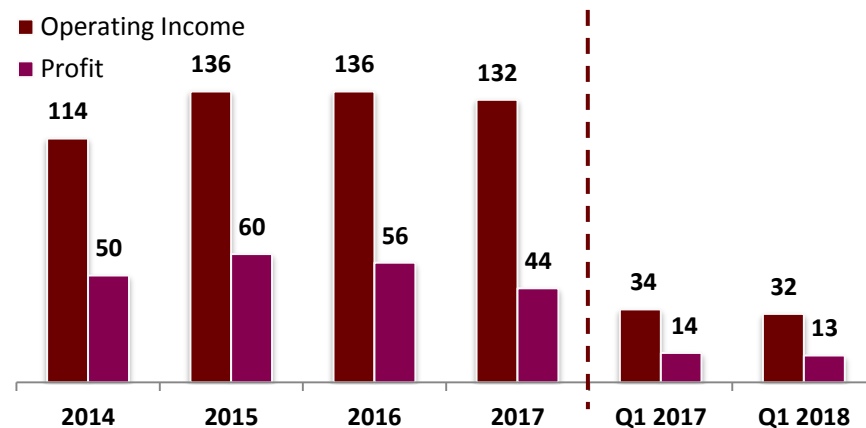
National Bank of Oman (NBO)

- ◆ Net profit after tax at OMR 13m, down 8% from OMR 13.8m in Q1 2017
- ◆ Net operating income OMR 32m, down 6% from OMR 34m in Q1 2017
 - ◆ Net interest income down 5% to OMR 23m
 - ◆ Non-interest income down 9% to OMR 9m
- ◆ Net provisions OMR 2.2m down by OMR 0.7m from OMR 2.9m in Q1 17
- ◆ Loan book down by 4% at OMR 2.7bn v Q1 2017
- ◆ Customers' deposits increased by 4% to OMR 2.6bn v Q1 2017

United Arab Bank (UAB)

- ◆ UAB is accounted for as an asset held for sale. Equity accounting treatment ceased at Q3 2017.

NBO Performance (OMR million)





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Strategic intent



- 1 **Maintain a minimum CET1 range of 11.0% to 11.5%**
- 2 **De-risk legacy assets, diversify the portfolio and proactively exit high risk names**
- 3 **Reshape and diversify our loan book**
- 4 **Costs broadly held flat until CB moves back into alignment with the market average**
- 5 **Focus on client experience as a key differentiator**
- 6 **Deepen our digital leadership through end-to-end process automation**
- 7 **'One Team – One Bank' culture**
- 8 **Market leader for compliance and good governance**
- 9 **A region-wide 'Alliance of banks' with closer integration of risk protocols and business strategy for sustainable earnings**



Contactless Cards

- We continue to lead through cards payments and innovation through the launch of Qatar's first contactless debit card.
- Issued more than 30,000 new contactless cards during the quarter and upgraded more than 1,600 POS machines to support contactless.
- On target to roll out to more than 200,000 card holders and 6,000 POS machines during the year.



New Mobile Banking App

- CB continues to be a market leader offering innovative new products to our customers.
- CB Mobile Banking App received a 95%+ satisfaction rating and is currently rated the **#1 financial app** in the Apple App Store in Qatar
- The New Mobile banking App will contain the following new features, another first to market in Qatar;
 - **Voice Recognition**
 - **Facial Recognition**
 - **Ability to customize** dashboards and photo along with intelligence to remember favorite transactions and placing suggested services.



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STRATEGIC BUSINESS INTELLIGENCE FOR THE FINANCIAL SERVICES COMMUNITY
Best Retail Bank in Qatar 2018

VISA Best New Product Qatar 2017
Signature Credit Card for SME

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Thank you

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