

**The Commercial Bank (P.S.Q.C.)
Financial Results
For the Half ended 30 June 2019**

Forward Looking Statements

- 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



Executive summary

Strategic Focus

Progress

✓ Results

- Net profit growth of QAR 9.2% to QAR 934m for H1 2019 compared to H1 2018. Results were driven mainly by an increase in non interest income, lower costs and lower provisioning.
- Net operating profit increased by 6.8% to QAR 1,295m. ROAE increased to 9.0% in H1 2019, from 8.5% in H1 2018
- Best Cash Management Bank in Qatar for the third year in a row from “The Asian Banker”
- Best Transaction Banking service in Qatar from “The Asian Banker”
- Commercial Bank won the Asian Banker’s ‘Best Retail Bank in Qatar’ award for the third year in a row
- ‘Financial Technology Innovation Award 2019’ for the 60 Seconds Online Remittance service

✓ Capital & Funding

- CET1 and Total Capital Ratios increased to 11.0% and 16.3% respectively as compared to 9.7% and 14.5% in H1 2018.
- Total consolidated deposits increased by QAR 5.6 bn, up 7.8% in H1 2019 vs Q4 2018
- LDR at 110.3% in H1 2019 as compared to 117.4% in Dec 2018.

✓ Reshaping Loan Book

- Consolidated loan book at QAR 84.8bn in H1 2019, up 1.4% v Dec 2018.
- Focus remains on re-shaping profile of the lending book, by diversifying risk across a range of sectors including decreasing real estate exposure and increasing exposure to government and public sector. Government sector has increased by 5%, real estate and contracting sectors were down by 2% and 4% respectively as compared to H1 2018

✓ Provisioning

- NPL ratio reduced to 4.9% in June 19 compared to 5.6% in Dec 2018 due to cash recovery /settlement. Consequently, the loan coverage ratio (including ECL) increased to 96.2% as compared to 80.3% in Q1 2019.
- Cost of Risk reduced to 102bps in H1 2019 compared with 107bps in 2018.

✓ Costs

- Consolidated Cost to Income ratio reduced from 33.9% to 29.9% and in Qatar from 28.9% in H1 2018 to 26.6% in H1 2019 led by digitisation, automation, productivity enhancements and operating income.
- Operating expenses reduced by QAR 69m (11.1%) vs H1 2018. This was mainly within the Qatar domestic business where costs reduced by QAR 36m (7.9%) vs H1 2018.

✓ Subsidiaries & Associates

- Despite the economic volatility, Alternatifbank reported net profit of TL 99m (QAR 64m) for H1 2019 compared to TL 77m (QAR 69m) in H1 2018.
- Injected USD 50 million capital in June 2019.
- NBO reported flat net profit of OMR 24m (CB’s share QAR 83m) as compared to H1 2018.
- UAB continues to be an asset held for sale in H1 2019.



Progress against our 5-year plan : Net profit further increases quarter on quarter

QAR Million	CB Consolidated					
	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019
Operating Income	919	914	831	845	900	947
Costs	311	309	272	281	278	274
Operating Profit	608	604	559	564	622	673
Provision	236	200	195	205	221	208
Associates Income	43	43	42	42	42	43
Net Profit	405	450	405	403	431	503
Lending Volume	92,728	87,195	84,783	83,702	85,161	84,845
Deposit Volume	79,300	75,116	74,894	71,321	81,597	76,904
NIM	2.3%	2.3%	2.0%	2.0%	2.0%	2.2%
C/I Ratio	33.9%	33.8%	32.7%	33.2%	30.9%	28.9%
NPL Ratio	5.3%	5.4%	5.5%	5.6%	5.6%	4.9%
Coverage Ratio	86.4%	84.2%	83.6%	78.9%	80.3%	96.2%
CET 1	9.3%	9.7%	9.7%	10.5%	10.9%	11.0%
CAR	14.7%	14.5%	14.6%	15.5%	16.1%	16.3%



Group Financial Performance – Half year ended 30 June 2019

Group Profitability

QAR Million	H1 2019	H1 2018	%
Net interest income	1,218	1,328	-8.3%
Non-interest income	629	504	24.8%
Total costs	552	621	-11.1%
Net provisions	428	436	-1.8%
Associates income	85	87	-2.3%
Net profit after tax	934	855	9.2%

Consolidated Balance Sheet

QAR Million	H1 2019	H1 2018	%
Total assets	141,292	139,887	1.0%
Loan & advances	84,845	87,195	-2.7%
Investment Securities	23,347	21,704	7.6%
Customers' deposits	76,904	75,116	2.4%
Total equity	20,589	19,365	6.3%

Performance Ratios

	H1 2019	H1 2018
ROAE	9.0%	8.5%
ROAA	1.3%	1.2%
NIM	2.1%	2.3%

Capital

QAR Million	H1 2019	H1 2018
RWA (QAR million)	112,173	119,660
CET 1 ratio (Basel III)	11.0%	9.7%
Total Capital ratio (Basel III)	16.3%	14.5%



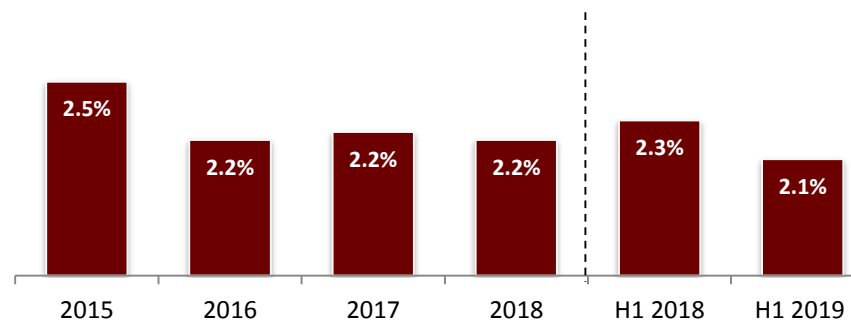
Earnings Performance – Half year ended 30 June 2019

Profitability

- ◆ Net interest income down by 8.3% to QAR 1,218m in H1 2019 vs H1 2018 .
 - ◆ NIM reduced to 2.1% in H1 2019 vs 2.3% in H1 2018.
 - ◆ However NIM has improved from 2.0% in Q1 2019 to 2.2% in Q2 2019.
 - ◆ Margins have been managed through active loan book re-pricing, and diversifying liquidity sources to minimize the increasing cost of funding.

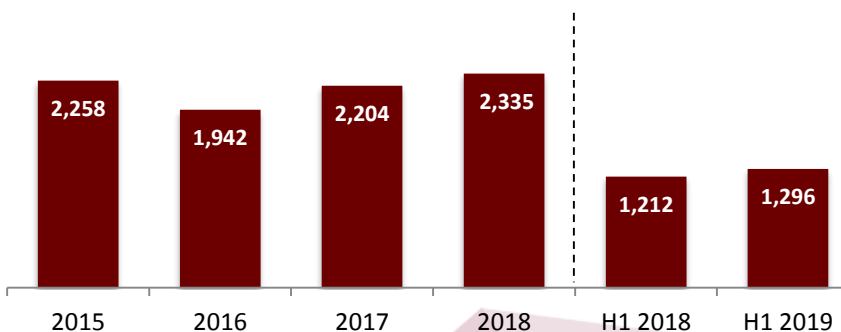
- ◆ Non-interest income up by 24.8% to QAR 629m vs H1 2018
 - ◆ Net fee income increased by 5.8% in H1 2019 to QAR429m with higher transaction banking fees and credit facility related fees.
 - ◆ Net foreign exchange income up 143.5% to QAR 143m in H1 2019 vs QAR 59m in H1 2018 mainly due to FX income from Turkey operations.

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
 IIS – Interest in Suspense

Operating Profit

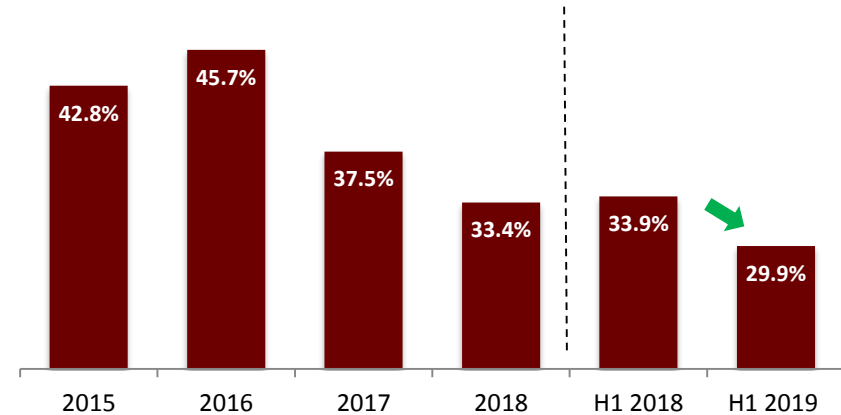


Cost to Income Ratio improves as cost efficiency measures take effect

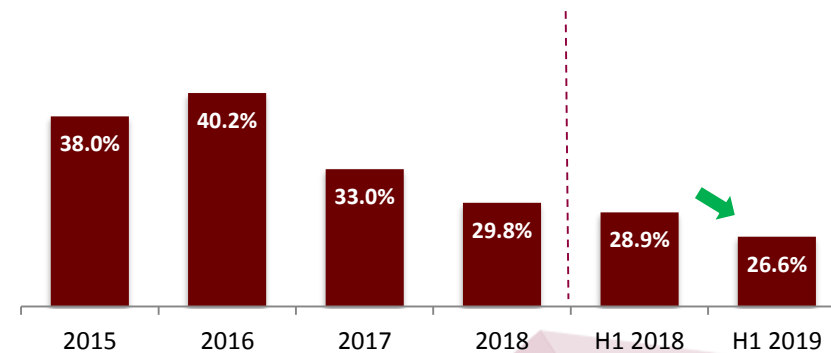
Operating Expenses

- ◆ Cost to income ratio lower at 29.9% v 33.9% in H1 2018 driven by a reduction in staff costs and G&A expenses.
 - ◆ Staff costs reduced by 5.2% to QAR 336m in H1 2019 v 2018.
 - ◆ G&A expenses decreased led by professional fees, and tighter control across all general and administrative spend.
- ◆ Continued focus on digital processes and tight expense management.
- ◆ In Qatar C/I Ratio reduced from 28.9% in H1 2018 to 26.6% in 2019.
- ◆ Alternatifbank C/I Ratio reduced from 50.7% in H1 2018 to 37.8% in H1 2019.

Cost to Income Ratio Consolidated



Cost to Income Ratio Domestic



* Outsource service provider cost for 2017 was QAR 44m, which has now been brought in-house to subsidiary

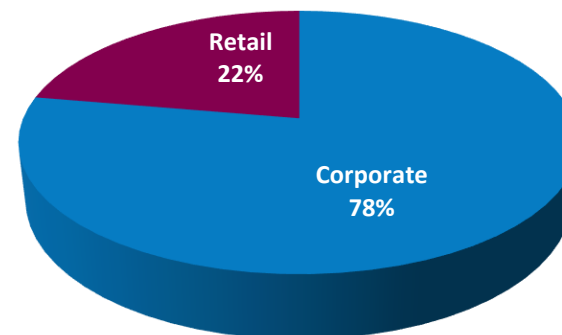


Improved loan book structure

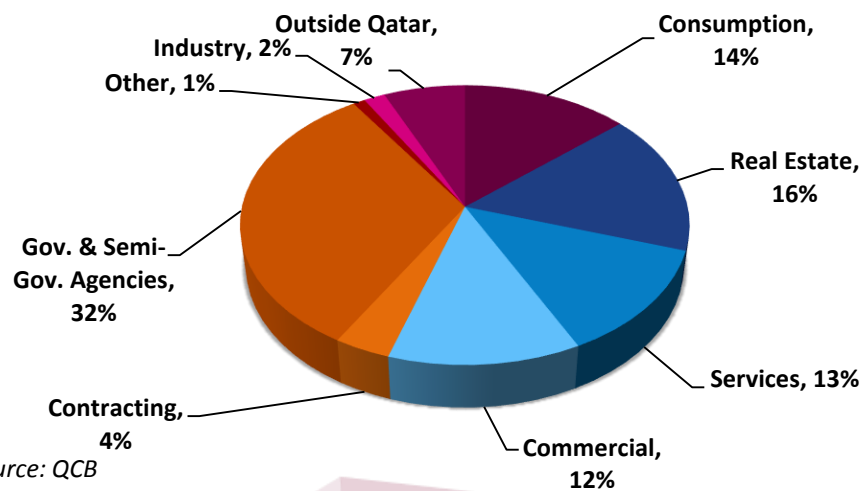
Summary

- ◆ Loans to customers at QAR 84.8bn, down 2.7% v H1 2018.
- ◆ Growth in governmental and public sectors
- ◆ Reduction in real estate and contracting sectors
- ◆ Loan book diversified across sectors
- ◆ Corporate customers represent 78% of total loan book
- ◆ Focus continues on improving market share in Government and Semi-Government.

Loan book breakdown by division (June 2019)



Qatari banks credit facilities breakdown by sector – May 2019



Source: QCB



Loan book breakdown by sector – June 2019

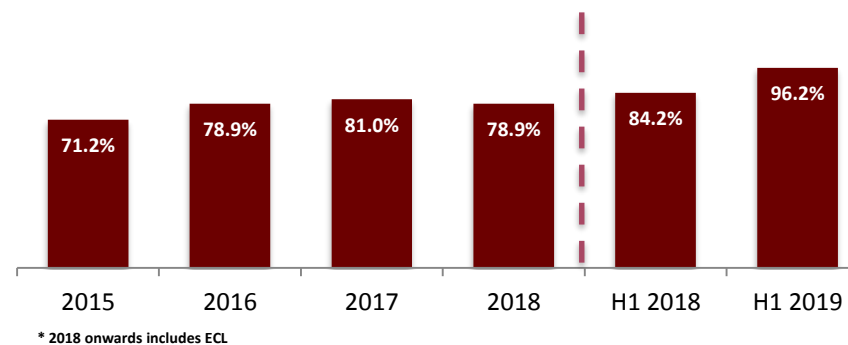
Sector	H1 2019	H1 2018
Govt and Public Sector	15%	10%
Industry	9%	9%
Commercial	10%	9%
Services	29%	29%
Contracting	4%	8%
Real Estate	23%	25%
Consumption	8%	8%
Other	2%	2%
	100%	100%

Asset Quality – 30 June 2019: Significant decrease in provision for loan losses as impairment on legacy portfolio reduces

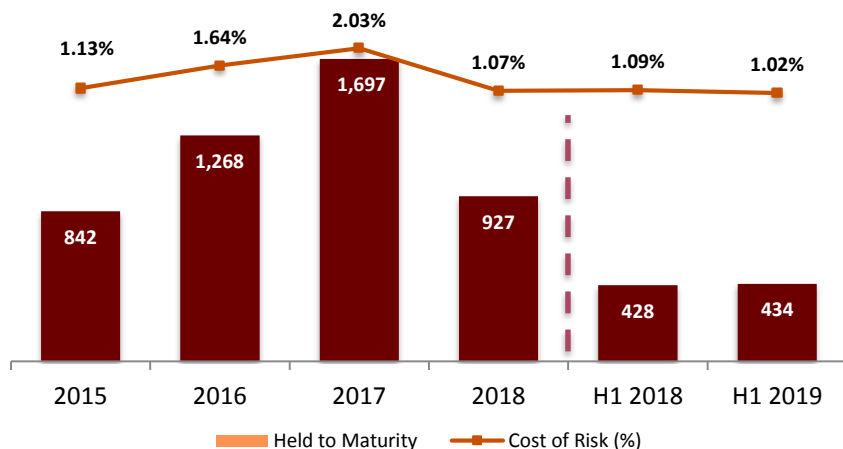
Summary

- ◆ Net Provision for loan loss of QAR 434m v QAR 428m in H1 2018
 - ◆ QAR 165m for Wholesale
 - ◆ QAR 153m for Retail
 - ◆ QAR 116m for Alternatifbank
- ◆ NPL ratio reduced to 4.9% from 5.6% in Q4 2018
- ◆ Loan coverage at 96.2% v 78.9% in Q4 2018

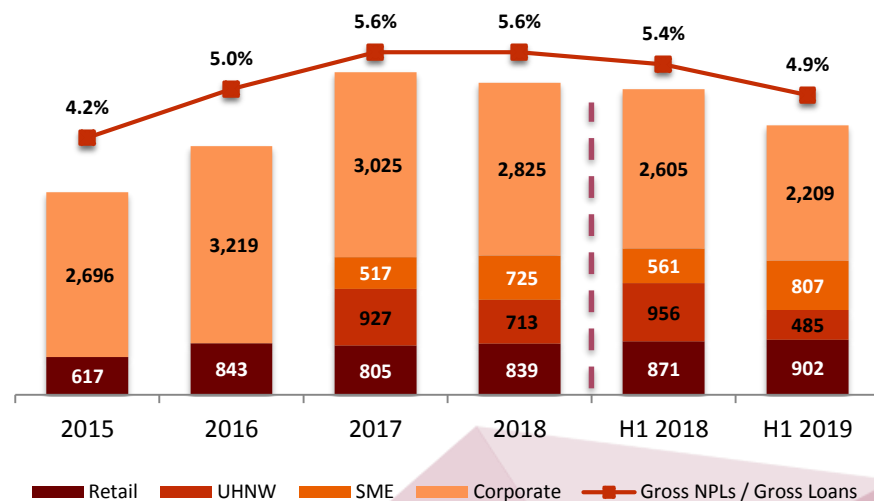
Loan coverage ratio



Net Provision for loan loss (QAR million)



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

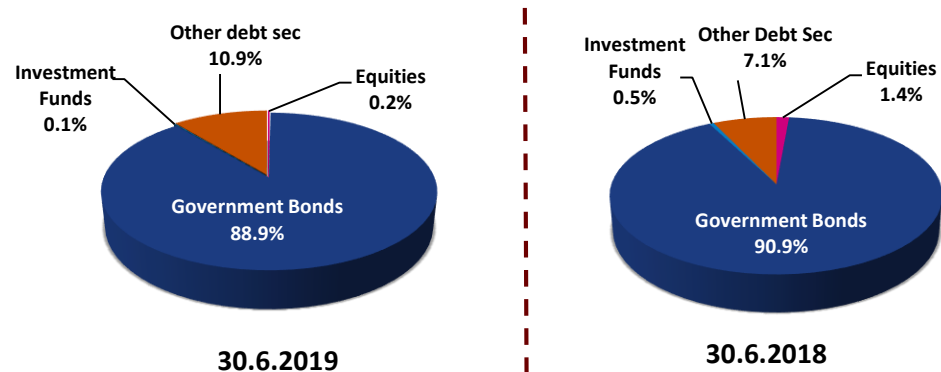


Investment Portfolio – 30 June 2019: High asset quality with 89% of the portfolio invested in HQLA Government Bonds

Summary

- ◆ Investment portfolio up 7.6% to QAR 23.3bn v H1 2018
 - ◆ Driven by Purchase of Government Bonds and other debt securities, offset by a decrease in the equity portfolio as we exit from non core business activities
- ◆ 89% Government Bonds and QCB T-Bills

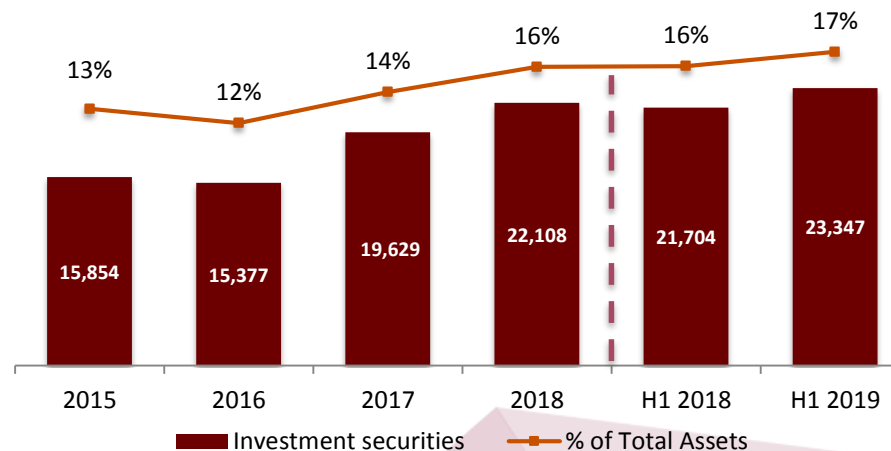
Investment portfolio – 30 June 2019 vs 30 June 2018



Investment portfolio by credit rating

Credit Rating	Portfolio Weight
AAA to AA-	92%
A+ to A-	2%
BBB+ to BB	2%
BB to B-	3%
Unrated	1%

Investment portfolio evolution (QAR million)



Funding : Continue to build up diverse sources of funding

Summary

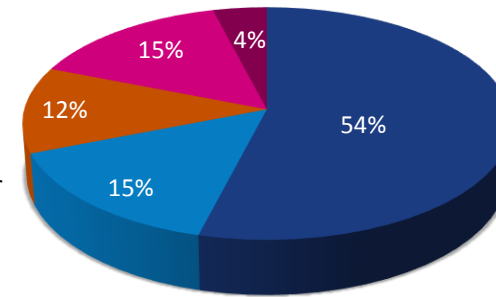
- ◆ Customers' deposits up by 2.4% to QAR 76.9bn in H1 2019 v H1 2018 representing 54% of the total funding base
- ◆ Well diversified funding mix
- ◆ Shareholders' equity represents 15% of funding mix
- ◆ Syndicated loan issuance of USD 750m in Dec 2018

Debt issued and other borrowed funds

Issuance Type (QARm)	H1 2019	H1 2018
Subordinated Notes	3,437	3,436
EMTN	6,272	7,906
Senior Notes	1,650	2,585
Other loans (including CPs)	9,805	12,124
Total	21,165	26,051

Total funding mix – 30 June 2019

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



Commercial Bank credit ratings

Rating Agency	Foreign Ccy Deposits/IDR		Bank Strength	Outlook	Date
	LT	ST			
Moody's	A3	Prime 2	ba1	Stable	Jul 19
Fitch	A	F1	bb+	Stable	Mar19
S&P	BBB+	A-2	bb+	Stable	Jun19

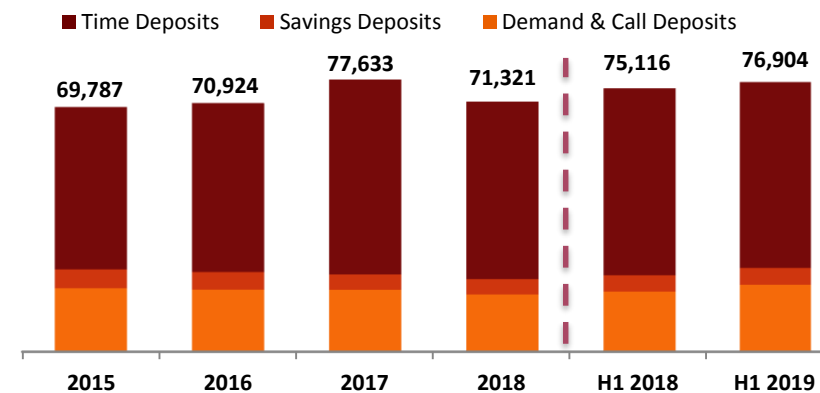


Well diversified deposit portfolio

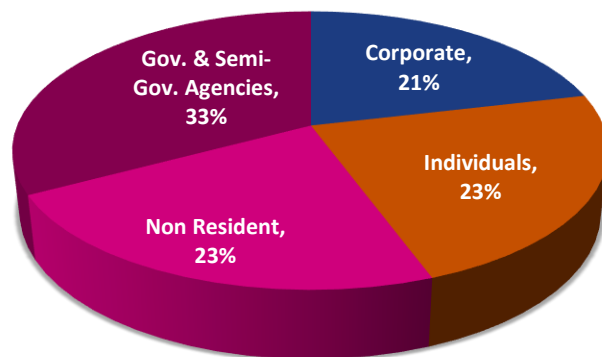
Summary

- ◆ Customers' deposits increased by 2.4% to QAR 76.9 Bn v H1 2018
- ◆ Diversified deposit mix with Government and Semi-Government at 25% , corporate at 26% and individuals at 30%
- ◆ Current and Savings accounts deposit composition remains stable at 31% of the deposit base.
- ◆ The mix of Qatar non resident deposit is 19%.

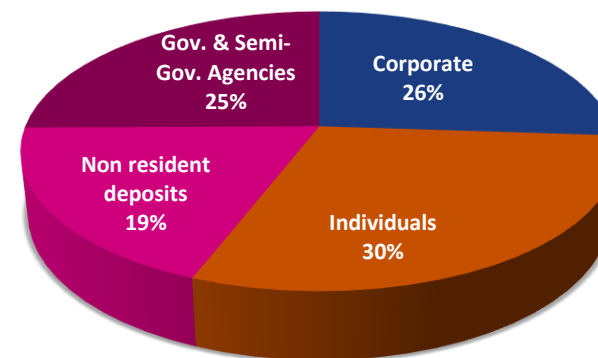
Customers' deposits (QAR million)



Qatari banks deposits breakdown by sector – May 2019



Deposits by customer type – June 2019



Source: QCB

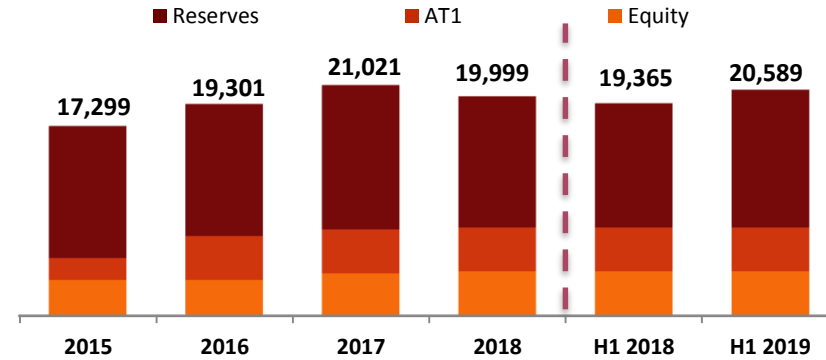
Capitalization Levels – 30 June 2019

Summary

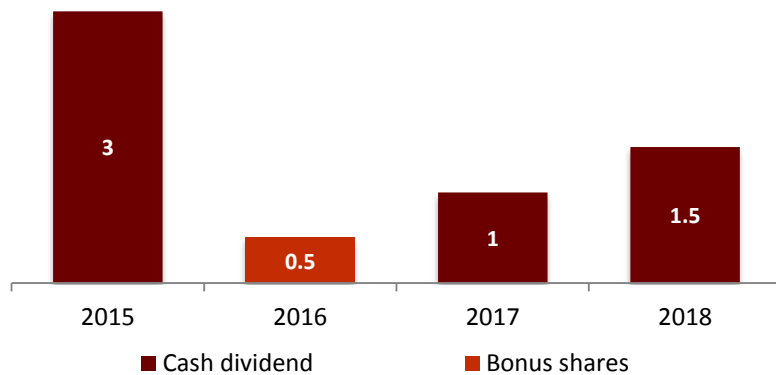
Total equity at QAR 20.6bn up by QAR 0.6bn from Q4 2018, due to:

- ◆ Increase in retained earnings by QAR 0.3bn on account of profits of H1 2019 adjusted by the dividends payment of 2018.
- ◆ Increase in fair value reserves by QAR 0.4bn.
- ◆ Capital Adequacy Ratio at 16.3% (Basel III)

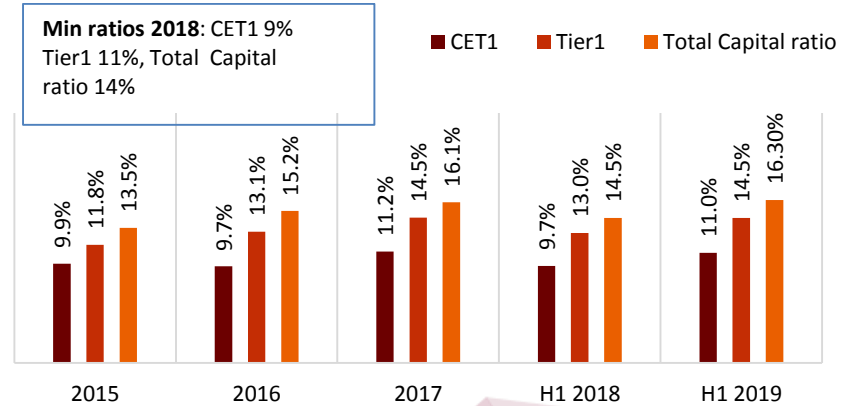
Total equity (QAR million)



Dividend distribution per share (QAR)



Capital Adequacy Ratio (Basel III)



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Commercial Bank Financial Performance – Half year ended 30 June 2019 (Domestic)

Profitability

QAR Million	H1 2019	H1 2018	%
Net interest income	1,069	1,110	-3.7%
Non-interest income	514	478	7.5%
Total costs	422	458	-7.9%
Net provisions	313	366	-14.5%
Net profit	849	764	11.1%

Balance Sheet

QAR Million	H1 2019	H1 2018	%
Total assets	123,896	120,914	2.5%
Loan & advances	73,669	74,045	-0.5%
Securities investments	21,073	18,987	11.0%
Customers' deposits	67,225	64,423	4.3%
Total equity	20,531	19,686	4.3%

Performance Ratios

	H1 2019	H1 2018
ROAE (Consol)	9%	7.5%
ROAA	1.4%	1.2%
NIM	2.2%	2.2%

Capital

QAR Million	H1 2019	H1 2018
RWA (QAR million)	92,942	97,996
CET 1 ratio	11.4%	10.1%
Total Capital ratio	16.1%	14.3%



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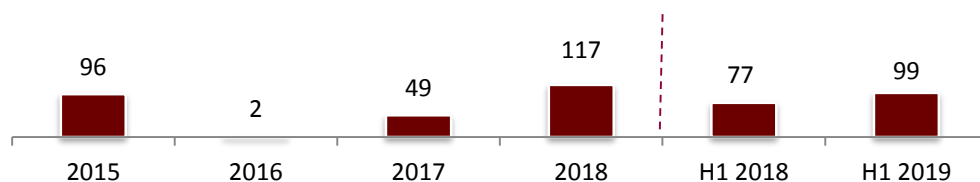


Alternatifbank Results – Half year ended 30 June 2019

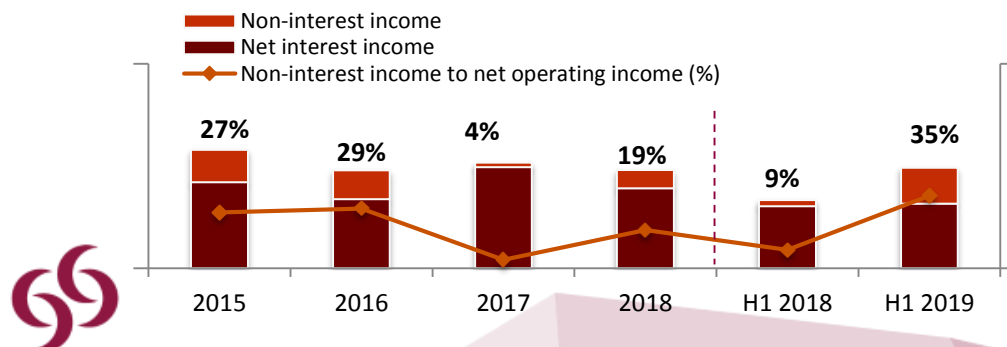
Alternatifbank of Turkey

- ◆ Net profit after tax at TL 99m v TL 77m in H1 2018
- ◆ Operating income up by TL 158m v H1 2018
- ◆ Operating expenses up by TL 19m v H1 2018
- ◆ Total Loan losses up by TL 100m v H1 2018
- ◆ Loan book up to TL 17.7bn v TL 16.5bn in H1 2018
- ◆ Customers' deposits up to TL 15.3bn v TL 13.4bn in Q1 2018
- ◆ CB injected USD 50 million capital into Alternatif Bank

Net Profit (TL million)



Net operating income (TL million)



Profitability

TL million	H1 2019	H1 2018
Operating Income	491	333
Total Operating Expenses	(188)	(169)
Total Provision	(178)	(78)
Profit Before Tax	125	86
Tax Expenses	(26)	(9)
Net Profit *	99	77

Balance Sheet

TL million	H1 2019	H1 2018
Assets		
Cash and Balances with Central Bank	3,026	2,799
Due from banks	3,651	1,879
Loans and advances to customers	17,748	16,426
Total Investments	3,618	2,832
Other Assets	2,103	1,829
Total Assets	30,146	25,765
Liabilities & Equity		
Due to banks	607	1,204
Customers' deposit	15,345	13,419
Other borrowed funds	10,678	8,507
Other Liabilities	1,126	1,199
Shareholders Equity	2,391	1,436
Total Liabilities and Equity	30,146	25,765

* Net Profit excludes TL 35m from MTM on AT1 capital that is eliminated on consolidation.

Associates' Performance Half year ended 30 June 2019

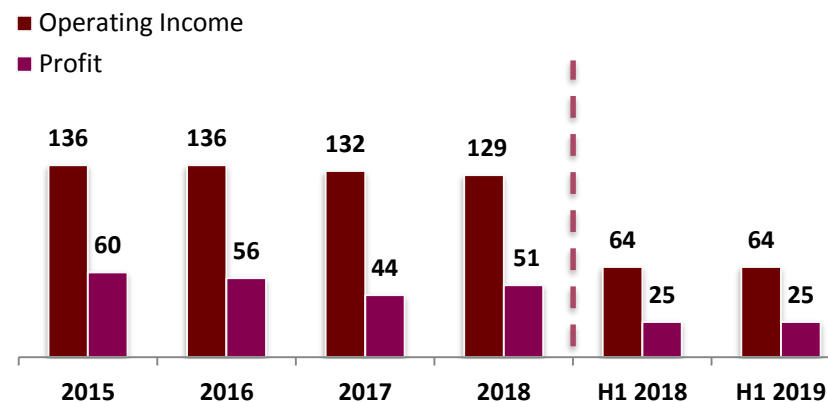
National Bank of Oman (NBO)

- ◆ Net profit after tax at OMR 25m, remains constant from OMR 25m in H1 2018
- ◆ Net operating income OMR 64m, remains constant from H1 2018
 - ◆ Net interest income up 1% to OMR 46.3m
 - ◆ Non-interest income increased 3% to OMR 18m
- ◆ Net provisions OMR 3m, down by 9% from H1 2018
- ◆ Loan portfolio Increased by 6% at OMR 2.8bn v H1 2018
- ◆ Customers' deposits up by 0.1% from Q1 2018

United Arab Bank (UAB)

- ◆ UAB continues to be an asset held for sale in Q2 2019.

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**



Thank you

