

**The Commercial Bank (P.S.Q.C.)**  
**Financial Results**  
**For the Nine Months Ended 30 September 2019**

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## 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 19.4% to QAR 1,504m for 9 months ended 30 September 2019 compared to same period in 2018. Results were driven mainly by an increase in operating income and lower costs.
- Net operating profit increased by 14.6% to QAR 2,029m. ROAE increased to 9.4% in 9 months 30 September 2019, from 8.2% in same period in 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
- Best Corporate Governance in Qatar 2019 award by World Finance.

### ✓ Capital & Funding

- CET1 and Total Capital Ratios increased to 11.0% and 16.2% respectively as compared to 9.7% and 14.6% at 30 September 2018.
- Total consolidated deposits reduced by QAR 1.0bn, down 1.4% at 30 September 2019 vs same period in 2018

### ✓ Reshaping Loan Book

- Consolidated loan book at QAR 89.1bn in Sept 2019, up 3.8% v Sept 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 4%, real estate and contracting sectors were down by 4% and 3% respectively as compared to Sept 2018

### ✓ Provisioning

- NPL ratio reduced to 4.9% in Sept 19 compared to 5.5% in Sept 2018 due to cash recovery /settlement. Consequently, the loan coverage ratio (including ECL) increased to 95.2% as compared to 83.6% in Q3 2018.
- Cost of Risk reduced to 90bps in Sept 2019 compared with 107bps in 2018.

### ✓ Costs

- Consolidated Cost to Income ratio reduced from 32.7% to 27.0% and in Qatar from 28.8% in 9m 2018 to 25.7% in 9m 2019 led by digitisation, automation, productivity enhancements and operating income.
- Operating expenses reduced by QAR 68.3m (7.7%) vs 9m 2018. This was mainly within the Qatar domestic business where costs reduced by QAR 77m (32%) vs 9m 2018.

### ✓ Subsidiaries & Associates

- Despite the economic volatility, Alternatif bank reported net profit of TL 170m (QAR 109m) for 9m 2019 compared to TL 92m (QAR 75m) in 9m 2018.
- NBO reported flat net profit of OMR 38.3m (CB’s share QAR 126.3m) as compared to 9m 2018.
- UAB continues to be an asset held for sale in Sept 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	Q3 2019
Operating Income	919	914	831	845	900	947	1,006
Costs	311	309	272	281	278	274	272
Operating Profit	608	604	559	564	622	673	734
Net impairment	236	200	195	205	221	208	197
Associates Income	43	43	42	42	42	43	43
Net Profit	405	450	405	403	431	503	570
Lending Volume	92,728	87,195	85,815	84,642	85,161	84,845	89,095
Deposit Volume	79,300	75,116	75,323	71,786	81,597	76,904	74,294
NIM	2.3%	2.3%	2.0%	2.0%	2.0%	2.2%	2.4%
C/I Ratio	33.9%	33.8%	32.7%	33.2%	30.9%	28.9%	27.0%
NPL Ratio	5.3%	5.4%	5.5%	5.6%	5.6%	4.9%	4.9%
Coverage Ratio	86.4%	84.2%	83.6%	78.9%	80.3%	96.2%	95.2%
CET 1	9.3%	9.7%	9.7%	10.5%	10.9%	11.0%	11.0%
CAR	14.7%	14.5%	14.6%	15.5%	16.1%	16.3%	16.2%



## Group Financial Performance – Nine months ended 30 September 2019

### Group Profitability

QAR Million	9m 2019	9m 2018	%
Net interest income	1,939	1,908	1.6%
Non-interest income	914	755	21.1%
Total costs	824	892	-7.7%
Net provisions	625	630	-0.9%
Associates income	128	129	-0.5%
Net profit after tax	1,504	1,260	19.4%

### Performance Ratios

	9m 2019	9m 2018
ROAE	9.4%	8.2%
ROAA	1.4%	1.2%
NIM	2.3%	2.2%

### Consolidated Balance Sheet

QAR Million	9m 2019	9m 2018	%
Total assets	145,694	138,695	5.0%
Loan & advances	89,095	85,815	3.8%
Investment Securities	27,034	21,653	24.8%
Customers' deposits	74,294	75,323	-1.4%
Total equity	21,536	19,708	9.3%

### Capital

QAR Million	9m 2019	9m 2018
RWA (QAR million)	116,842	118,169
CET 1 ratio (Basel III)	11.0%	9.7%
Total Capital ratio (Basel III)	16.2%	14.6%

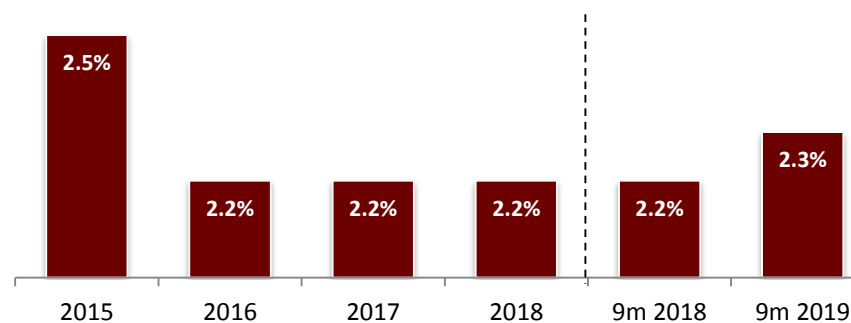


# Earnings Performance – Nine months ended 30 September 2019

## Profitability

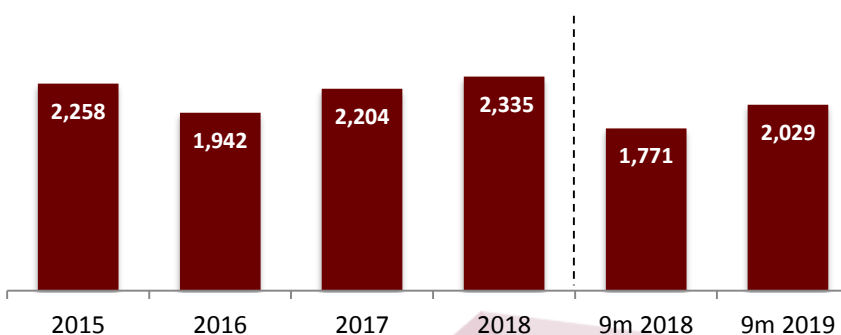
- ◆ Net interest income up by 1.6% to QAR 1,939m YTD 2019 vs YTD 2018.
  - ◆ NIM increased to 2.3% YTD 2019 vs 2.2% YTD 2018.
  - ◆ NIM has improved from 2.2% in Q2 2019 to 2.4% in Q3 2019.
  - ◆ Margins have been managed through active increase in high yielding assets, and diversifying liquidity sources to minimize cost of funding.
- ◆ Non-interest income up by 21.1% to QAR 914m vs YTD 2018
  - ◆ Net fee income increased by 9.2% YTD 2019 to QAR622m with higher transaction banking fees and credit facility related fees.
  - ◆ Net foreign exchange income up 40.6% to QAR 214m YTD 2019 vs QAR 152m YTD 2018 mainly due to FX income due to the currency volatility in the 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

## Operating Profit

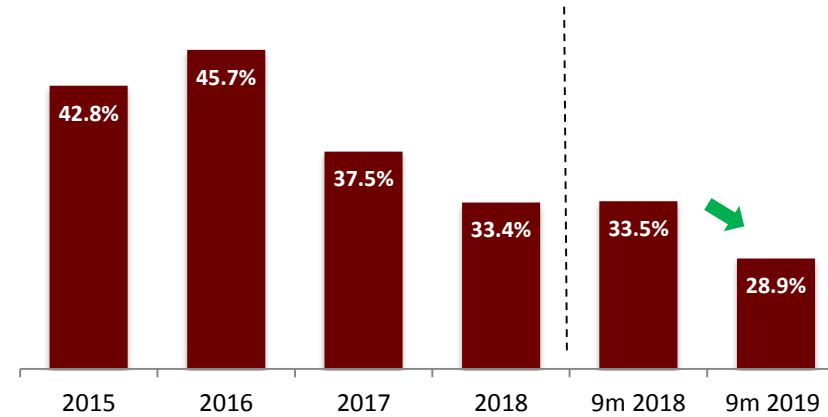


# Cost to Income Ratio improves as cost efficiency measures take effect

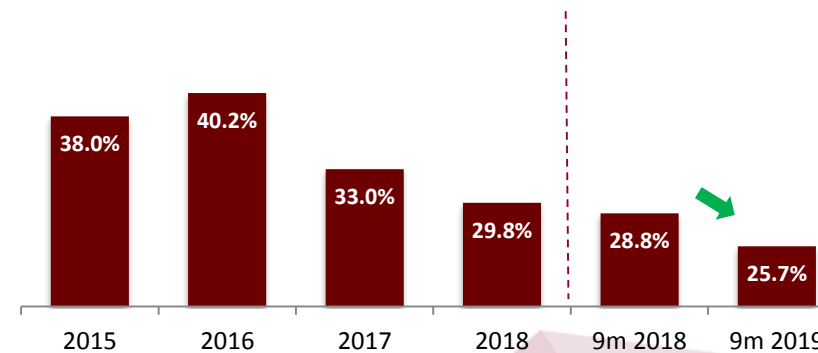
## Operating Expenses

- ◆ Cost to income ratio lower at 28.9% YTD 2019 v 33.5% for the same period in 2018 driven by a reduction in staff costs and G&A expenses.
  - ◆ Staff costs reduced by 2.2% to QAR 503m YTD 2019 v 2018.
  - ◆ G&A expenses decreased led by tighter control across all general and administrative spend.
- ◆ Continued focus on digital processes and tight expense management.
- ◆ In Qatar C/I Ratio reduced from 28.8% YTD 2018 to 25.7% in 2019.
- ◆ Alternatifbank C/I Ratio reduced from 50.6% YTD 2018 to 37.1% YTD 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



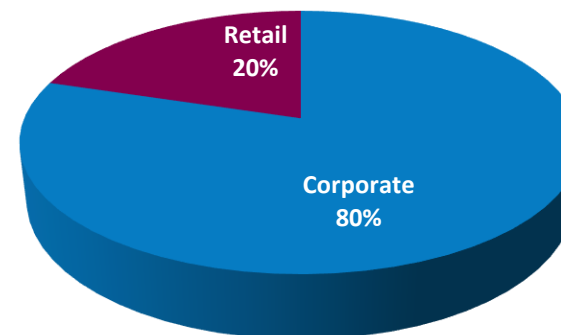


# Improved loan book structure

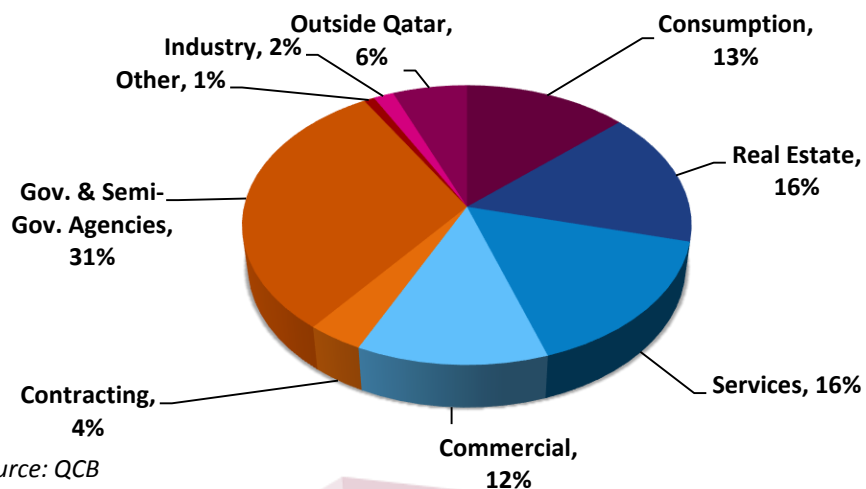
## Summary

- ◆ Loans to customers at QAR 89.1bn, up 3.8% v Sept 2018.
- ◆ Growth in government and public sectors
- ◆ Reduction in real estate and contracting sectors
- ◆ Loan book diversified across sectors
- ◆ Corporate customers represent 80% of total loan book
- ◆ Focus continues on improving market share in Government and Public sector.

## Loan book breakdown by division (Sept 2019)



## Qatari banks credit facilities breakdown by sector – Aug 2019



Source: QCB

## Loan book breakdown by sector – Sept 2019

Sector	Sep-19	Sep-18
Govt and Public Sector	14%	10%
Industry	9%	8%
Commercial	12%	9%
Services	30%	29%
Contracting	5%	8%
Real Estate	22%	26%
Consumption	7%	8%
Other	1%	2%
	<b>100%</b>	<b>100%</b>

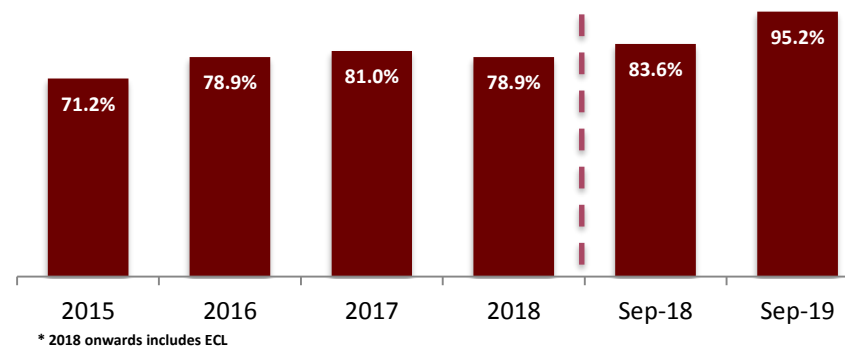


# Asset Quality – 30 Sept 2019: Decrease in provision for loan losses as impairment on legacy portfolio reduces

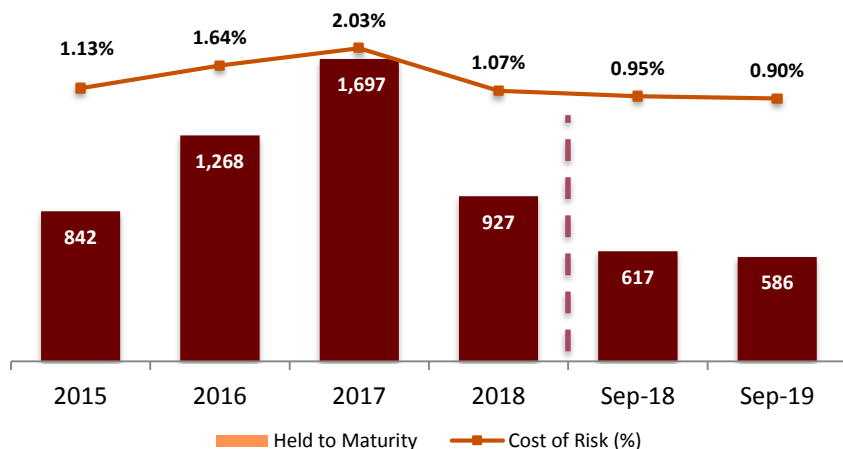
## Summary

- ◆ Net impairment for loan loss of QAR 586m v QAR 616m YTD 2018
  - ◆ QAR 229m for Wholesale
  - ◆ QAR 193m for Retail
  - ◆ QAR 164m for Alternatifbank
- ◆ NPL ratio reduced to 4.9% from 5.5% in Sept 2018
- ◆ Loan coverage at 95.2% v 83.6% in Sept 2018

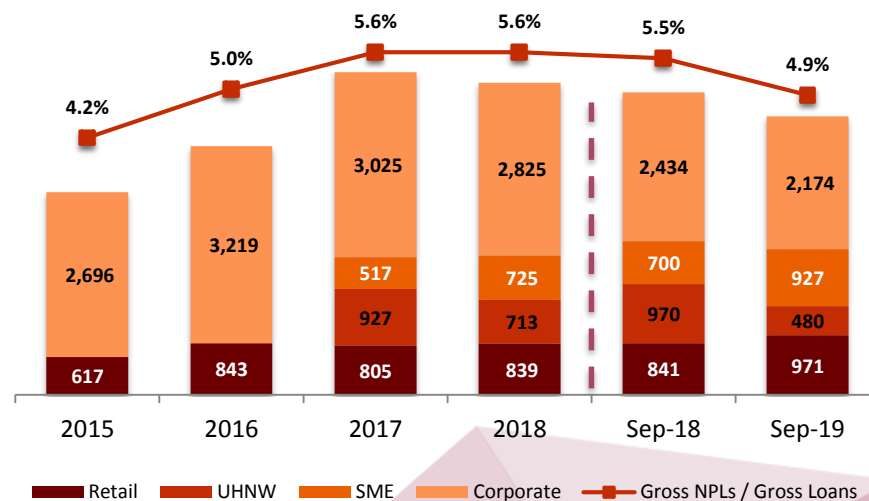
## Loan coverage ratio



## Net Provision for loan loss (QAR million)



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

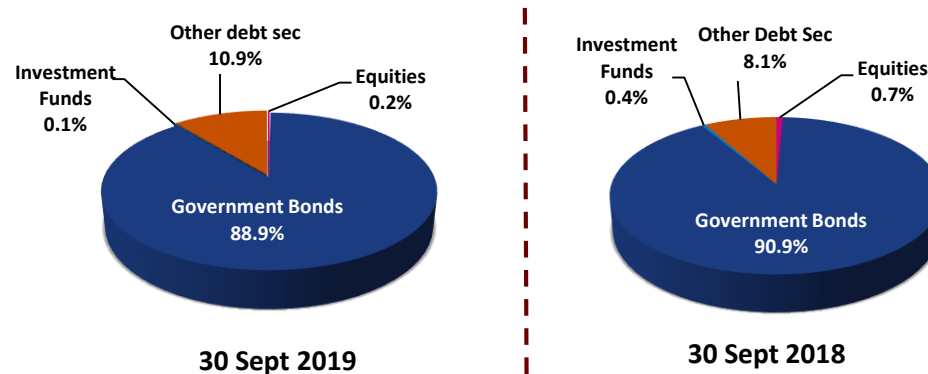


# Investment Portfolio – 30 Sept 2019: High asset quality with 89% of the portfolio invested in HQLA Government Bonds

## Summary

- ◆ Investment portfolio up 24.8% to QAR 27.0bn v Sept 2018
  - ◆ Driven by purchase of highly rated sovereign bonds.
  - ◆ Investment in global debt securities to benefit from easing monetary conditions.
- ◆ 88.9% Government Bonds and QCB T-Bills

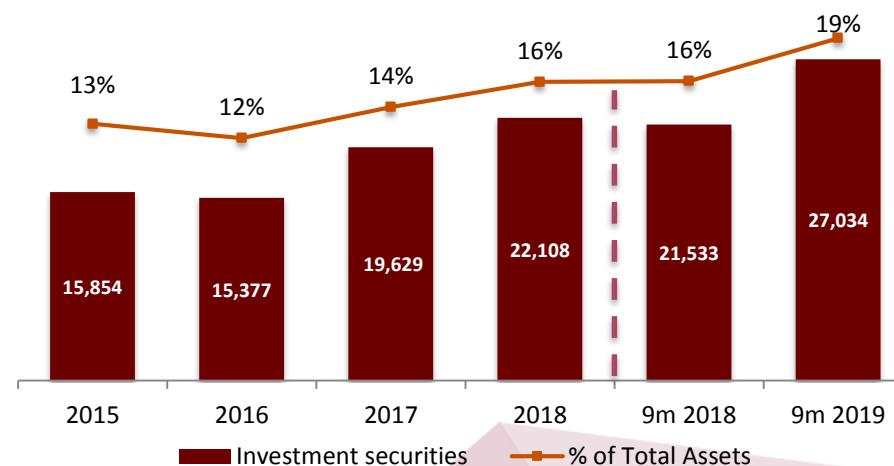
## Investment portfolio – 30 Sept 2019 vs 30 Sept 2018



## Investment portfolio by credit rating

Credit Rating	Portfolio Weight
AAA to AA-	87%
A+ to A-	7%
BBB+ to BB	3%
BB to B-	2%
Unrated	1%

## Investment portfolio evolution (QAR million)



# Funding : Continue to build up diverse sources of funding

## Summary

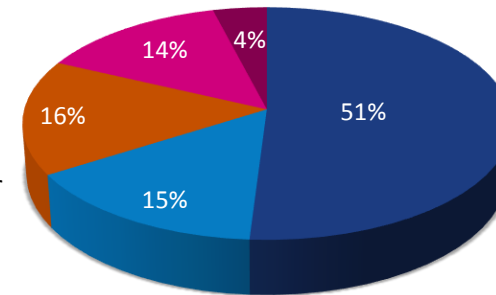
- ◆ Customers' deposits down by 1.4% to QAR 74.3bn in Sept 2019 v Sept 2018 representing 51% of the total balance sheet
- ◆ Well diversified funding mix
- ◆ Total equity represents 15% of funding mix
- ◆ Syndicated loan issuance of USD 750m in Dec 2018

## Debt issued and other borrowed funds

Issuance Type (QARm)	Sep-19	Sep-18
Subordinated Notes	3,446	3,425
EMTN	6,341	7,910
Senior Notes	603	2,434
Other loans (including CPs)	10,717	11,907
<b>Total</b>	<b>21,107</b>	<b>25,676</b>

## Total funding mix – 30 Sept 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

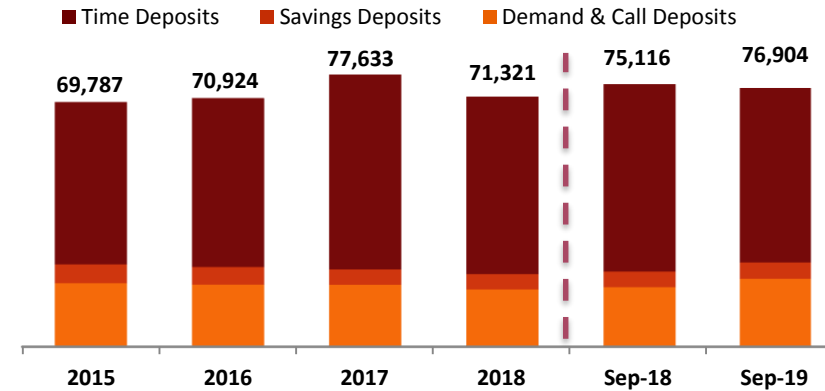


# Well diversified deposit portfolio

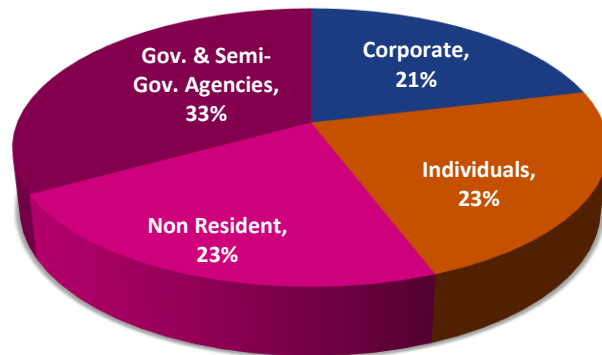
## Summary

- ◆ Customer deposits reduced by 1.4% to QAR 74.3 Bn v YTD 2018
- ◆ Diversified deposit mix with Government and Semi-Government at 24% , corporate at 27% and individuals at 32%
- ◆ Current and Savings accounts deposit composition remains stable at 32% of the deposit base.
- ◆ The mix of Qatar non resident deposit is 17%.

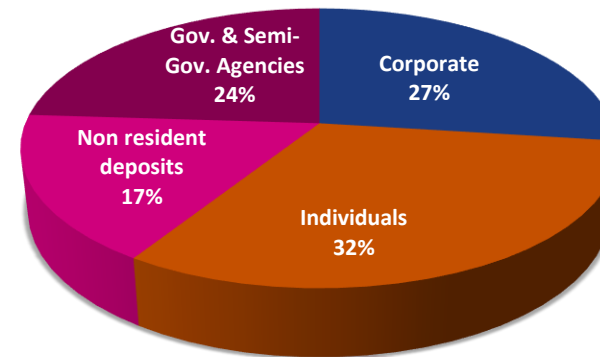
## Customer deposits (QAR million)



## Qatari banks deposits breakdown by sector –Aug 2019



## Deposits by customer type – Sept 2019



Source: QCB

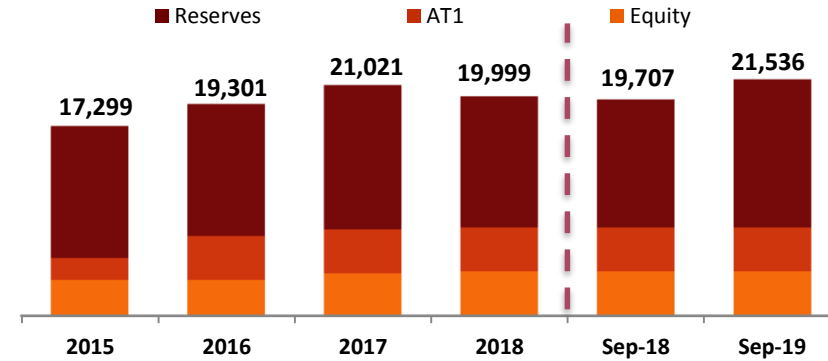
# Capitalization Levels – 30 Sept 2019

## Summary

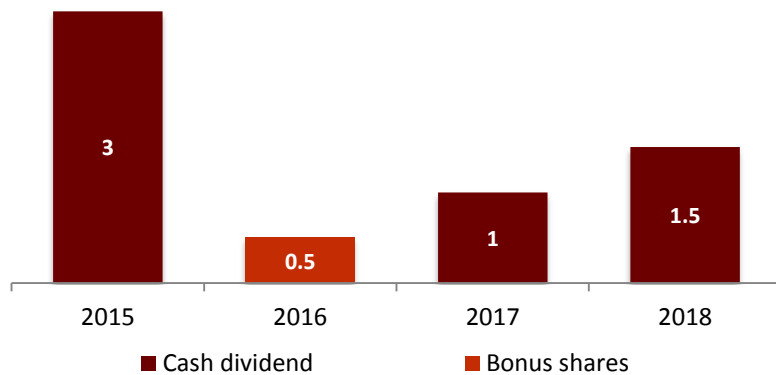
Total equity at QAR 21.5bn up by QAR 1.5bn from Q4 2018, due to:

- ◆ Increase in retained earnings by QAR 0.6bn on account of profits of 9m 2019 adjusted by the dividends payment of 2018.
- ◆ Increase in fair value reserves by QAR 0.6bn.
- ◆ Capital Adequacy Ratio at 16.2% (Basel III)
- ◆ Increase in risk reserve by QAR 0.2 bn.

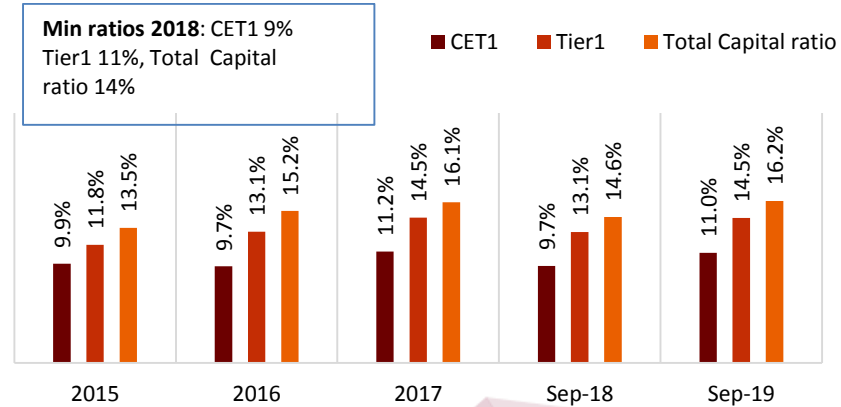
## Total equity (QAR million)



## Dividend distribution per share (QAR)



## Capital Adequacy Ratio (Basel III)



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## Commercial Bank Financial Performance – Nine months 30 Sept 2019 (Domestic)

### Profitability

QAR Million	9m 2019	9m 2018	%
Net interest income	1,704	1,668	2.2%
Non-interest income	755	686	10.1%
Total costs	633	679	-6.8%
Net provisions	464	522	-11.1%
Net profit	1,362	1,153	18.1%

### Balance Sheet

QAR Million	9m 2019	9m 2018	%
Total assets	129,087	122,346	5.5%
Loan & advances	77,068	73,839	4.4%
Securities investments	26,083	20,353	28.2%
Customers' deposits	64,264	66,325	-3.1%
Total equity	21,412	19,730	8.5%

### Performance Ratios

	9m 2019	9m 2018
ROAE (Consol)	9.4%	8.2%
ROAA	1.4%	1.2%
NIM	2.3%	2.2%

### Capital

QAR Million	9m 2019	9m 2018
RWA (QAR million)	96,438	99,589
CET 1 ratio	11.4%	10.0%
Total Capital ratio	16.0%	14.6%





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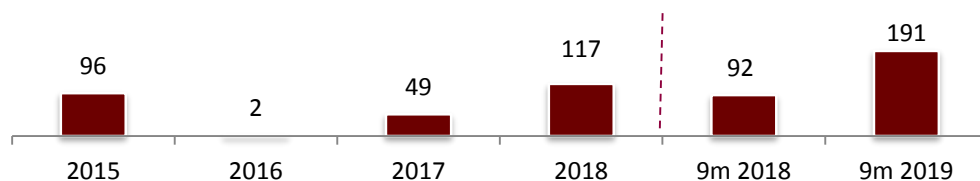


# Alternatifbank Results – Nine months ended 30 Sept 2019

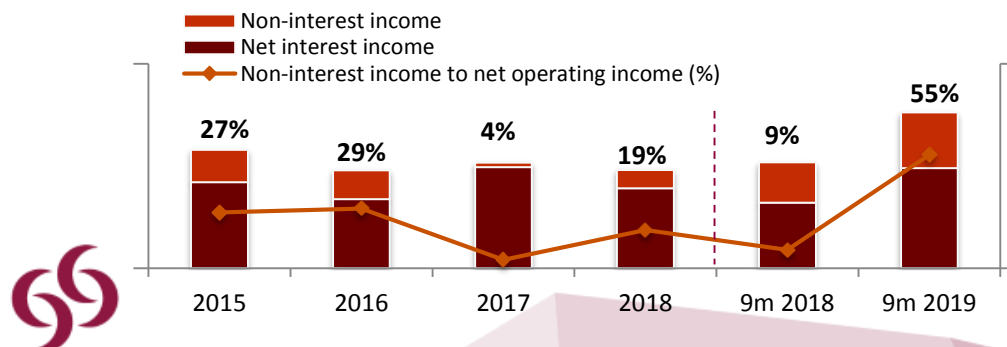
## Alternatifbank of Turkey

- ◆ Net profit after tax at TL 191m v TL 92m in 9m 2018
- ◆ Operating income up by TL 265m v 9m 2018
- ◆ Operating expenses up by TL 20m v 9m 2018
- ◆ Total Loan losses up by TL 110m v 9m 2018
- ◆ Loan book up to TL 18.6bn v TL 18.2bn in Q3 2018
- ◆ Customer deposits up to TL 15.6bn v TL 14.3bn in Q3 2018
- ◆ CB injected USD 50 million capital into Alternatif Bank

## Net Profit ( TL million)



## Net operating income (TL million)



## Profitability

TL million	9m 2019	9m 2018
Operating Income	735	496
Total Operating Expenses	(273)	(253)
Total Provision	(249)	(139)
Profit Before Tax	213	104
Tax Expenses	(43)	(12)
Net Profit *	170	92

## Balance Sheet

TL million	9m 2019	9m 2018
<b>Assets</b>		
Cash and Balances with Central Bank	2,533	2,506
Due from banks	3,103	2,328
Loans and advances to customers	18,640	18,165
Total Investments	3,601	3,906
Other Assets	1,528	2,562
<b>Total Assets</b>	<b>29,405</b>	<b>29,467</b>
<b>Liabilities &amp; Equity</b>		
Due to banks	601	1,433
Customers' deposit	15,556	14,271
Other borrowed funds	9,760	10,315
Other Liabilities	1,041	1,727
Shareholders Equity	2,447	1,721
<b>Total Liabilities and Equity</b>	<b>29,405</b>	<b>29,467</b>

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

# Associates' Performance YTD 30 Sept 2019

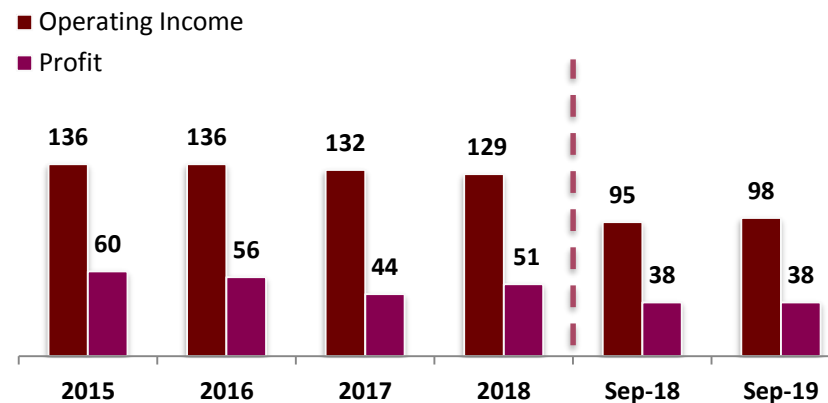
## National Bank of Oman (NBO)

- ◆ Net profit after tax at OMR 38.3m, increased from OMR 38.1m in YTD Sept 2018
- ◆ Net operating income OMR 51.2m, remains constant from YTD Sept 2018
  - ◆ Net interest income up 3% to OMR 72m
  - ◆ Non-interest income increased 3% to OMR 26m
- ◆ Net provisions OMR 6m, down by 19% from YTD Sept 2018
- ◆ Loan portfolio increased by 5% to OMR 2.8bn v Sept 2018
- ◆ Customer deposits up by 1% from Q3 2018

## United Arab Bank (UAB)

- ◆ UAB continues to be an asset held for sale in Q3 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

