البنك التجاري
COMMERCIAL BANK

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

Financial Results
For the period ended 30 June 2018

كل شيء يمكن تحقيقه
everything is possible

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	• Strong net profit growth of QAR 675m to QAR 855m for H1 2018 compared to same period last year. Results were driven by balance sheet growth, stable margins, lower costs and lower credit provisioning. • Net operating profit increased by 12.3% to QAR 1,212m. • Return on Average Equity increased to 8.5% in H1 2018.
Capital & Funding	• CET1 and Total Capital Ratios decreased to 9.7% and 14.5% respectively post implementation of IFRS 9. • Successful capital market funding program with USD 500m EMTN issuance in May, following the CHF 335m Swiss issuance in March.
Reshaping Loan Book	• Loan book growth of 4.3% year on year. • 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.
Provisioning	• NPL ratio decreased modestly to 5.4% from 5.6% at H1 2017 while the loan coverage ratio remained stable 84.2%. • Cost of Risk reduced to 109bps in H1 2018 compared with 238bps in H1 2017.
Costs	• Improving operating efficiency continues to be key focus, led by digitalisation, automation and streamlining business models. • Operating expenses reduced by QAR 67m (9.7%) vs H1 2017. This was within the domestic business where costs reduced by QAR 76m (14.2%) vs H1 2017.
Subsidiaries & Associates	• Alternatifbank reported a net profit of QAR 69m for H1 2018 compared to QAR 54m in H1 2017 (This excludes a MTM gain of QAR 53m on capital that is eliminated on consolidation). • NBO reported a net profit of QAR 240m (CB's share of QAR 84m) vs QAR 246m in H1 2017. • For UAB, discussions regarding the sale of Commercial Bank's stake were terminated.

Group Financial Performance – Half ended 30 June 2018

Group Profitability

QAR Million	H1 2018	H1 2017	%
Net interest income	1,328	1,228	8%
Non-interest income	504	539	-7%
Total costs	621	688	-10%
Net provisions	436	986	-56%
Associates income	87	96	-10%
Net profit after tax	855	180	376%

Consolidated Balance Sheet

QAR Million	H1 2018	H1 2017	%
Total assets	139,887	133,448	5%
Loan & advances	87,195	83,610	4%
Financial investments	21,704	18,847	15%
Customers' deposits	75,116	74,391	1%
Total equity	19,365	21,134	-8%

Performance Ratios

	H1 2018	H1 2017
ROAE	8.5%	1.8%
ROAA	1.2%	0.3%
NIM	2.3%	2.2%

Capital

QAR Million	H1 2018	H1 2017
RWA (QAR million)	119,660	120,107
CET 1 ratio (Basel III)	9.7%	11.3%
Total Capital ratio (Basel III)	14.5%	16.1%

Progress against our 5-year plan : Net profit further increases quarter to quarter with lower credit provisioning

QAR Million	CB Consolidated					
	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
Operating Income	885	882	887	875	919	914
Costs	355	332	325	313	311	309
Operating Profit	530	550	562	562	608	605
Provision	485	502	501	256	236	200
Associates Income	51	46	19	32	43	43
Net Profit	91	88	79	344	405	450
Lending Volume	82,029	83,610	84,534	89,123	92,728	87,195
Deposit Volume	71,879	74,391	73,282	77,633	79,300	75,116
NIM	2.2%	2.2%	2.2%	2.3%	2.3%	2.3%
C/I Ratio	40.1%	37.7%	36.6%	35.8%	33.9%	33.8%
C/I Ratio YTD	40.1%	38.9%	38.0%	37.5%	33.9%	33.9%
NPL Ratio	5.0%	5.6%	5.6%	5.6%	5.3%	5.4%
Coverage Ratio	85.9%	84.3%	91.6%	81.0%	86.4%	84.2%
CET 1	11.4%	11.3%	11.3%	11.2%	9.3%	9.7%
CAR	16.2%	16.1%	16.1%	16.1%	14.7%	14.5%

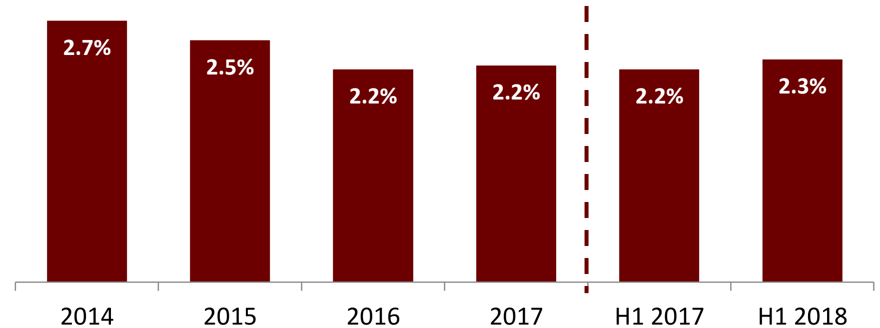
Earnings Performance – Half ended 30 June 2018

Profitability

- Net interest income up 8.2% to QAR 1,328m v H1 2017.
  - NIM remains stable at 2.3%.
  - Margins have been managed through active loan book re-pricing, and diversifying liquidity sources to minimize the increasing cost of funding.

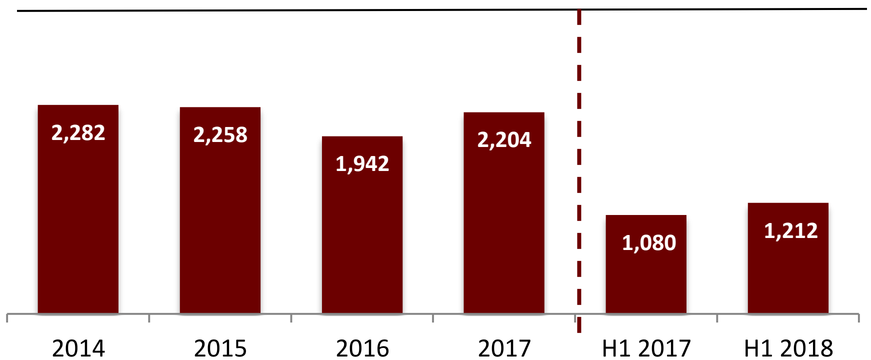
- Non-interest income down 6.5% to QAR 504m v H1 2017.
  - Investment portfolio income down by QAR 28m mainly due to adverse mark to market movement on the investment bond portfolio driven by higher interest rates.
  - Net foreign exchange income down 39% to QAR 59m
  - Net fee income increased 8.3% to QAR 405m with higher transaction banking fees and loan fees.

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

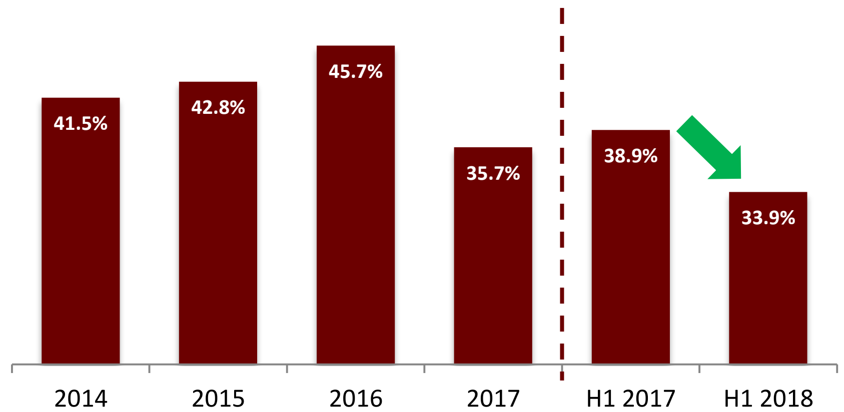


Cost to Income Ratio improves as cost efficiency measures take effect

Operating Expenses

- Cost to income ratio lower at 33.9% v 38.9% in H1 2017 driven by a reduction in staff costs and G&A expenses.
  - Staff costs reduce by 3.3% to QAR 355m in H1 2018 v H1 2017
  - G&A expenses decreased led by professional fees, marketing and tighter control across all general and administrative spend.
- Operational efficiencies and automation is expected to result in further reduction in cost and headcount. Branch Network Optimization & Streamlining front to back end processes will further deliver sustainable savings.

Cost to Income Ratio



Cost reduction drivers - Alternatifbank (QAR million)

QAR Million	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
Alternatifbank					
Staff Costs	39	43	41	41	44
Depreciation & G&A expense	33	29	33	32	34
Total	72	72	74	73	78
Head Count (Nos.)	940	942	942	952	943

Cost reduction drivers – Commercial Bank (QAR million)

QAR Million	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
Commercial Bank				-	-
Staff Costs	139	135	127	136	134
Depreciation & G&A expense	114	110	112	97	91
Total	253	245	239	233	225
Head Count CB (Nos.)	1,160	1,137	1,114	1,086	1,025

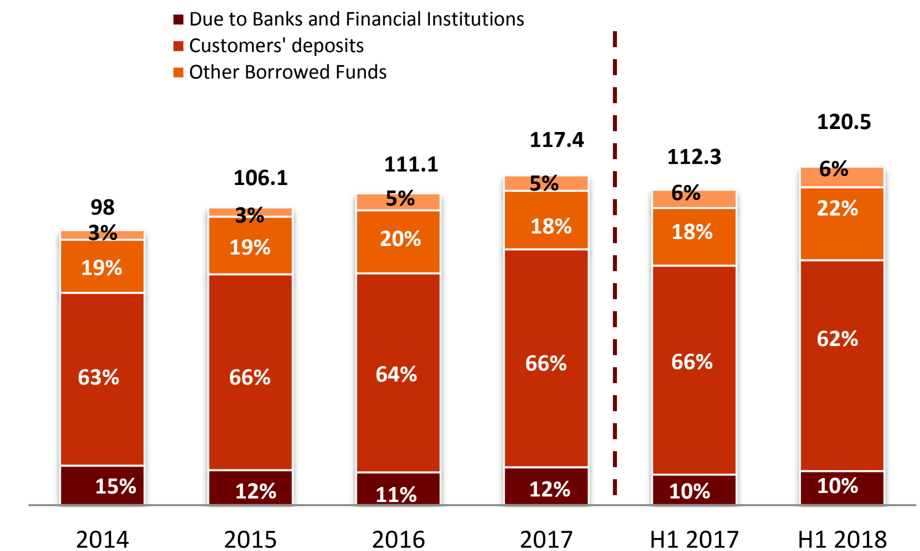
* The above table excludes consolidation adjustments

A strong balance sheet

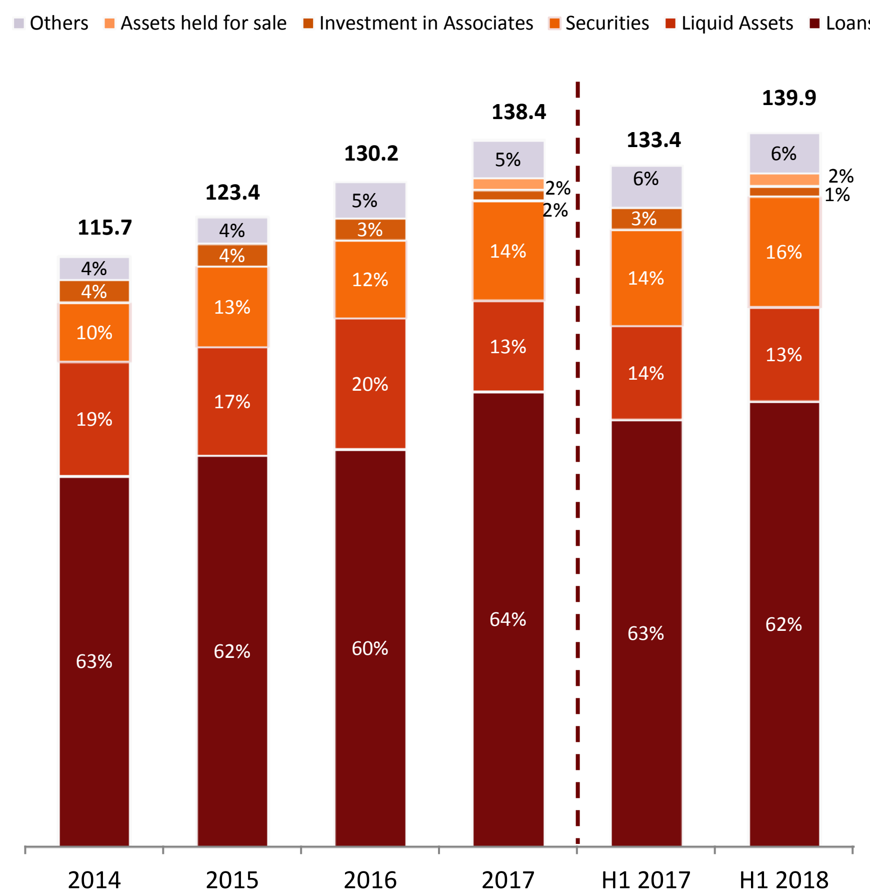
Summary

- Total assets increased by 4.8% to QAR 139.9bn v H1 2017;
  - Lending to customers up 4.3% to QAR 87.2bn
  - Due from banks up 9.3% to QAR 11.3bn
  - Investment in securities up 15.2% to QAR 21.7bn
- Total liabilities increased by 7.3% to QAR 120.5bn v H1 2017;
  - Customer deposits up by 1.0% to QAR 75.1bn compared to H1 2017
  - Due to banks increased by 10.6% to QAR 12.1bn
  - Other borrowed funds increased 26.6% to QAR 26.1bn

Liabilities mix



Assets mix

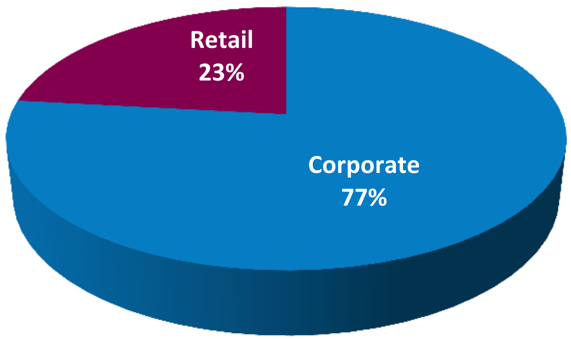


Improved loan book structure

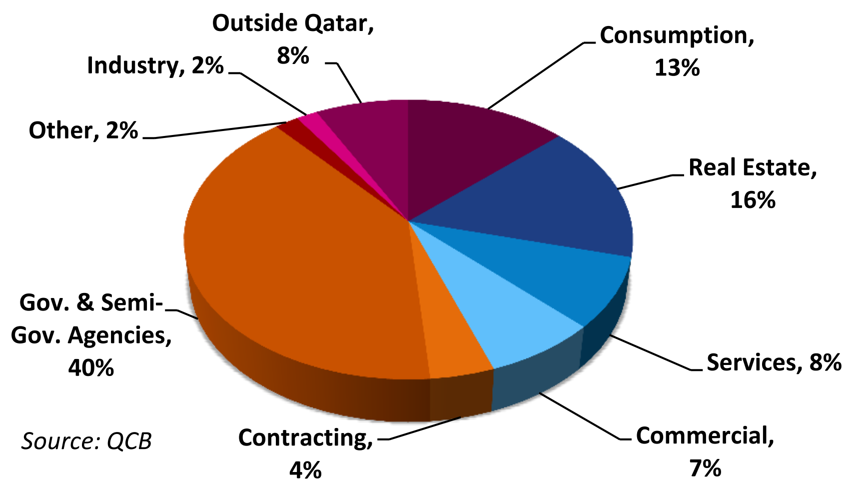
Summary

- Loans to customers at QAR 87.2bn, up 4.3% v H1 2017.
  - Growth mainly in Services , Industry and Commercial sectors.
- Loan book diversified across sectors
- Corporate customers represent 77% of total loan book
- Focus continues on improving market share in Government and Semi-Government with a strong deal pipeline.

Loan book breakdown by division



Qatari banks credit facilities breakdown by sector – May 2018



Source: QCB

Loan book breakdown by sector – June 2018

Sector	H1 2018	H1 2017
Govt and Public Sector	10%	10%
Industry	9%	7%
Commercial	9%	8%
Services	29%	25%
Contracting	8%	9%
Real Estate	25%	27%
Consumption	8%	11%
Other	2%	3%

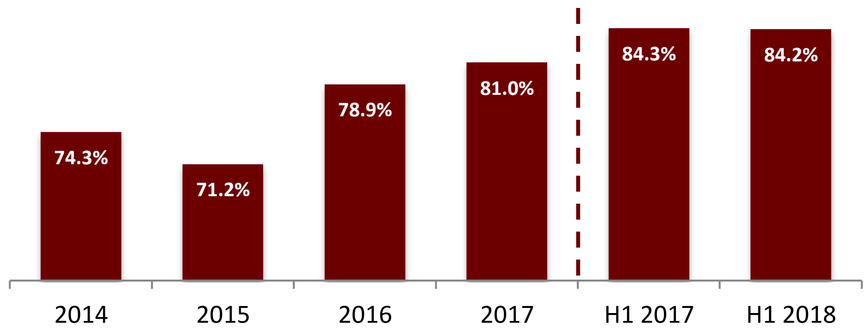
**Some clients were re-classified into Real-estate sector in June 2017 and previous period post a detailed portfolio review.*

Asset Quality – 30 June 2018: Significant decrease in provision for loan losses as impairment on legacy portfolio reduces

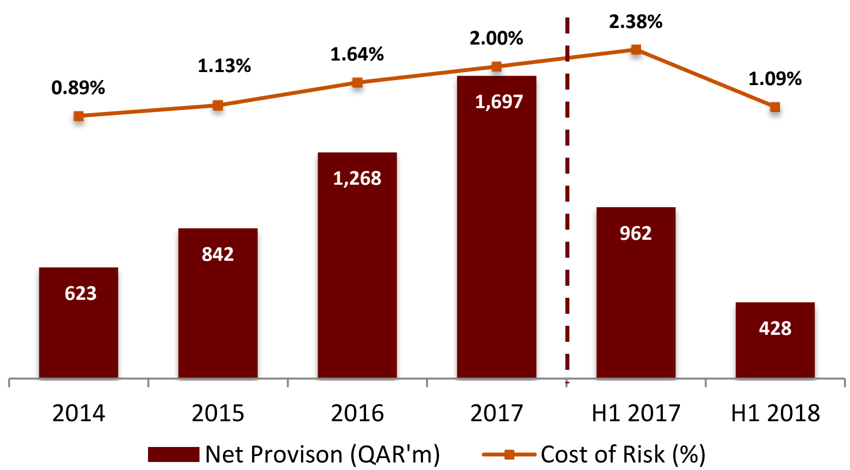
Summary

- Net Provision for loan loss of QAR 428m v QAR 962m in H1 2017
  - QAR 270m for Wholesale
  - QAR 41m for SME and QAR 52m for Retail
  - QAR 65m for Alternatifbank
- NPL ratio at 5.4% v 5.6% at H1 2017
- Loan coverage at 84.2% v 84.3% at H1 2017
- IFRS opening balance charge of QAR 1.5 bn

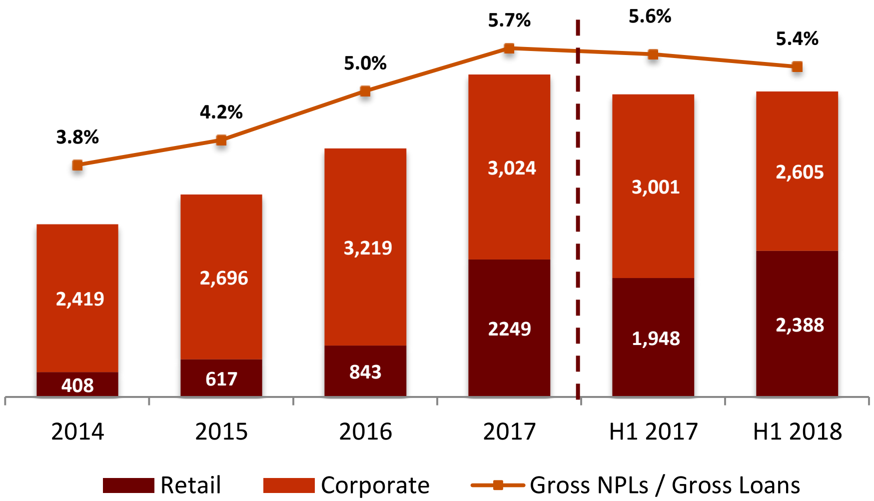
Loan coverage ratio



Net Provision for loan loss (QAR million)



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

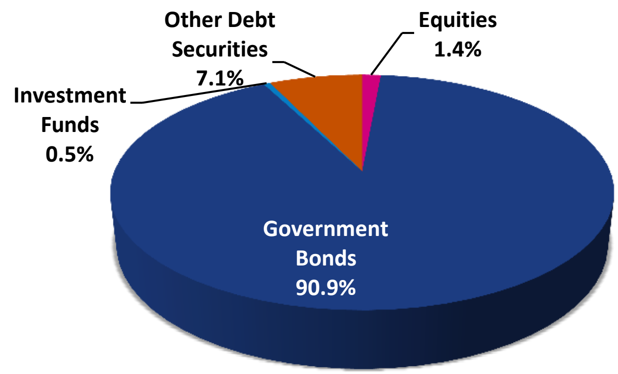


Investment Portfolio – 30 June 2018: High asset quality with 91% of the portfolio invested in HQLA Government Bonds

Summary

- Investment portfolio up 15.2% to QAR 21.7bn v H1 2017
  - Driven by Purchase of Government Bonds, offset by a decrease in the equity portfolio as we exit from non core business activities
- 91% Government Bonds and QCB T-Bills
- Investment income decreased by QAR 28m v H1 2017 mainly due to negative mark to market on the bond portfolio driven by increases in interest rates.

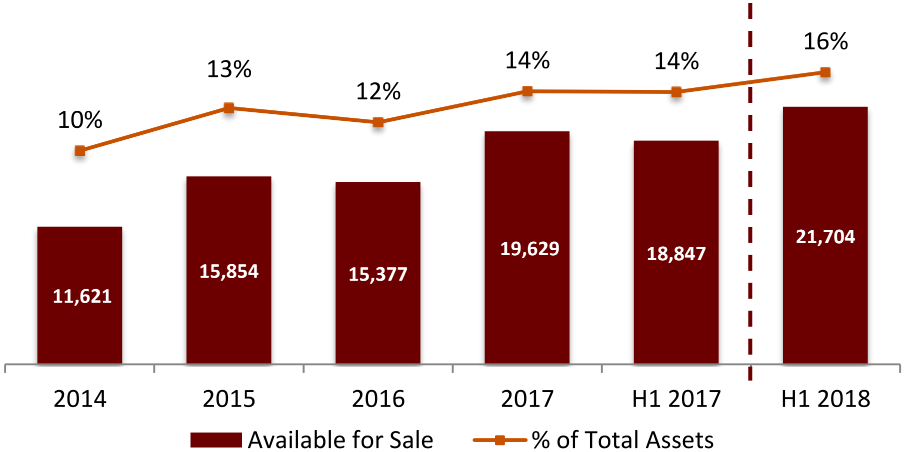
Investment portfolio – 30 June 2018



Investment portfolio by credit rating

Credit Rating	Portfolio Weight
-AA to AAA	86%
-A to A+	4%
BB to BBB+	4%
B- to BB	1%
Unrated	5%

Investment portfolio evolution (QAR million)

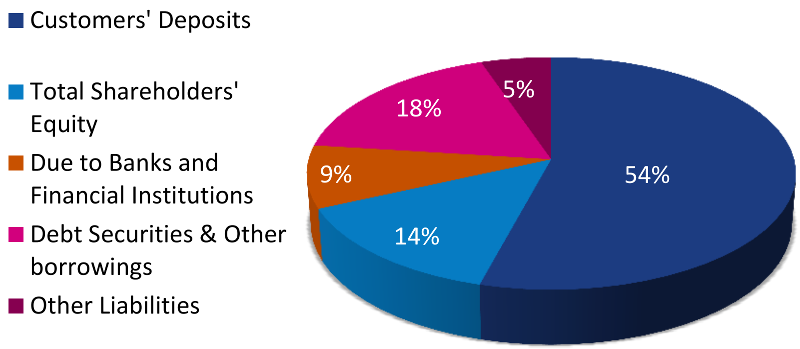


Funding Breakdown – 30 June 2018

Summary

- Customers' deposits up 1.0% to QAR 75.1bn v H1 2017 representing 54% of the total funding base
- Well diversified funding mix
- Shareholders' equity represents 14% of funding mix
- Swiss bond issuance of CHF 335m in March 2018.
- EMTN issuance of USD 500m in May 2018

Total funding mix – 30 June 2018



Debt issued and other borrowed funds

Issuance Type (QARm)	H1 2018	H1 2017
Subordinated Notes	3,436	3,439
EMTN	7,906	5,425
Senior Notes	2,585	1,156
Other loans (including CPs)	12,124	10,554
Total	**26,051**	**20,574**

Commercial Bank credit ratings

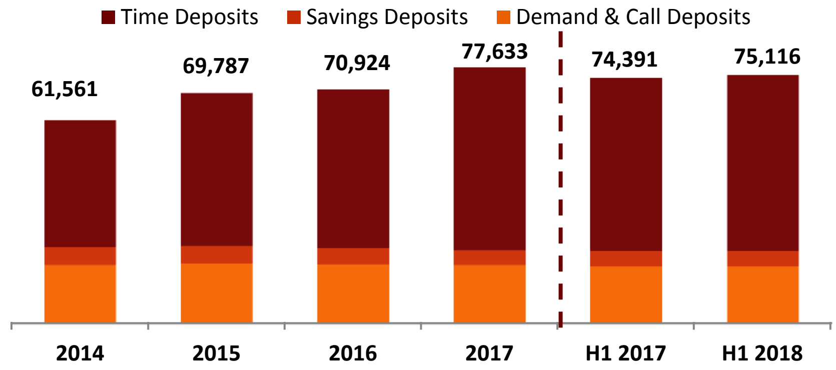
Rating Agency	Foreign Ccy Deposits/IDR		Bank Strength	Outlook	Date
	LT	ST			
Moody's	A3	Prime 2	ba1	Stable	Jul 18
Fitch	A	F1	bbb-	Stable	Jun 18
S&P	BBB+	A-2	bbb-	Negative	Jun 18

Well diversified deposit portfolio

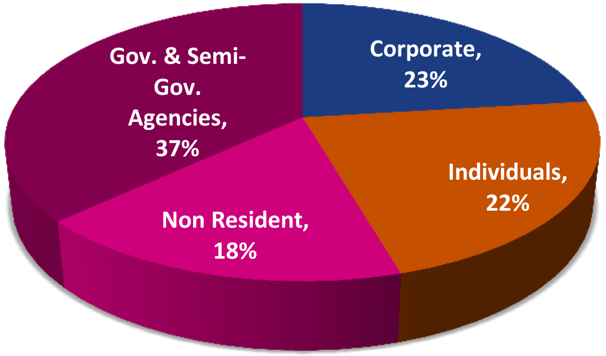
Summary

- Customers' deposits increased by 1.0% to QAR 75.1bn v H1 2017
- Diversified deposit mix with Government and Semi-Government at 28% , corporate at 27% and individuals at 28%
- Current and Savings accounts deposit composition remains stable at 29.0 % of the deposit base.
- Qatar resident mix 83% vs non resident 17%

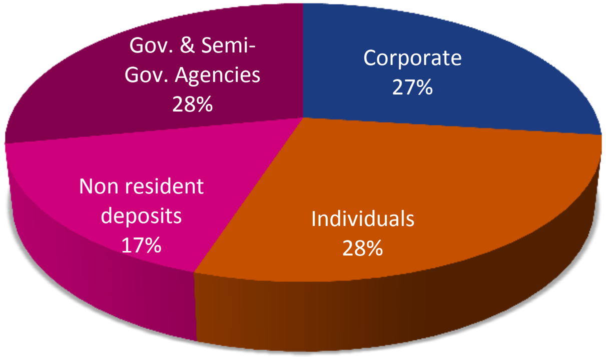
Customers' deposits (QAR million)



Qatari banks deposits breakdown by sector – May 2018



Deposits by customer type – June 2018



Source: QCB

Capitalization Levels – 30 June 2018

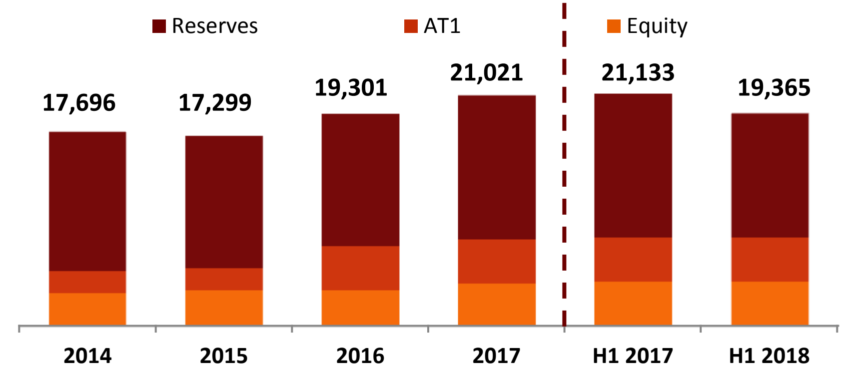
Summary

Total equity at QAR 19.4bn, down by QAR 1.7bn from H1 2017, due to:

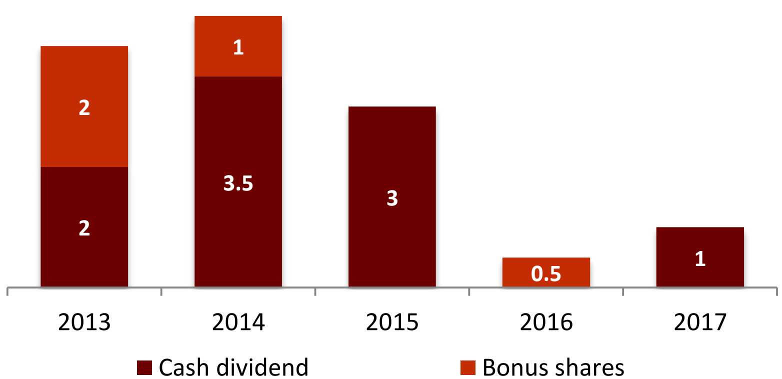
- Decrease in risk reserve by QAR 1.5bn from the opening balance adjustment for IFRS 9 implementation.
- Increase from H1 18 profit of QAR 855m
- Decrease from Fair value reserve of QAR 245m
- Decrease from cash dividend of QAR 405m
- Decrease from foreign currency translation reserve of QAR 407m

Capital Adequacy Ratio at 14.5% (Basel III)

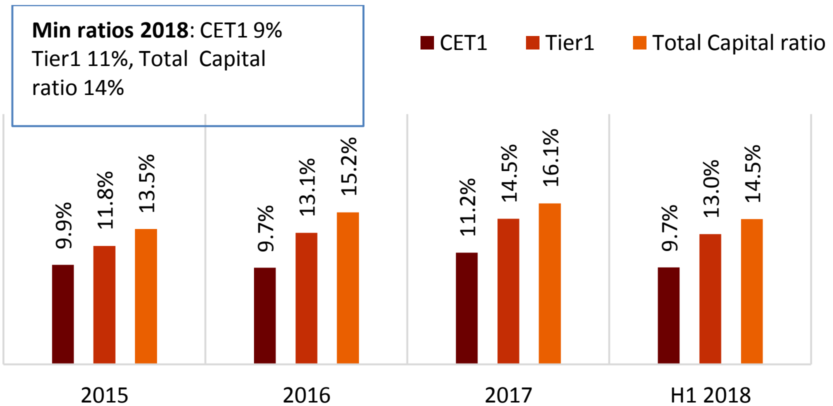
Total equity (QAR million)



Dividend distribution per share (QAR)



Capital Adequacy Ratio (Basel III)



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Commercial Bank Financial Performance – Half ended 30 June 2018 (Domestic)

Profitability

QAR Million	H1 2018	H1 2017	%
Net interest income	1,110	1,057	5%
Non-interest income	478	492	-3%
Total costs	458	534	-14%
Net provisions	366	922	-60%
Net profit	764	93	714%

Balance Sheet

QAR Million	H1 2018	H1 2017	%
Total assets	120,914	116,522	4%
Loan & advances	74,045	71,264	4%
Financial investments	18,987	16,485	15%
Customers' deposits	64,423	65,777	-2%
Total equity	19,686	21,572	-9%

Performance Ratios

	H1 2018	H1 2017
ROAE	7.5%	0.9%
ROAA	1.2%	0.2%
NIM	2.2%	2.2%

Capital

QAR Million	H1 2018	H1 2017
RWA (QAR million)	97,996	102,895
CET 1 ratio	10.1%	11.5%
Total Capital ratio	14.3%	15.8%

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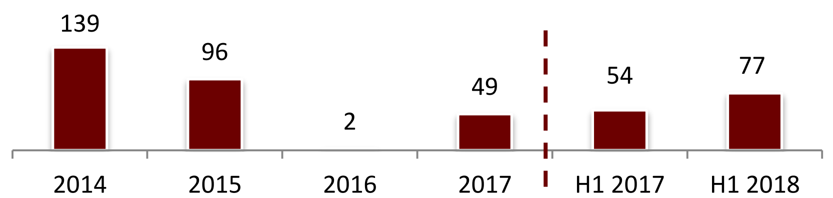
Alternatifbank Results – Half ended 30 June 2018

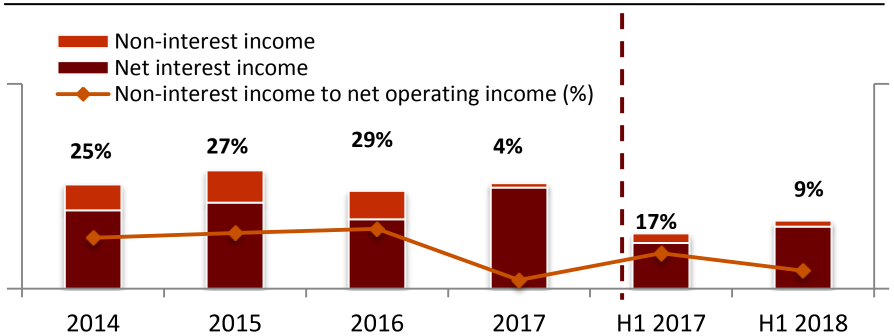
Alternatifbank of Turkey

- Net profit after tax at TL 77m v TL 54m in H1 2017
- Operating income up by TL 62m v H1 2017
- Operating expenses up by TL 26m v H1 2017
- Total Loan losses up by TL 13m v H1 2017
- Loan book up to TL 16.4bn v TL 11.7bn in H1 2017
- Customers’ deposits up to TL 13.4bn v TL 8.3bn in H1 2017

Net Profit (TL million)



Net operating income (TL million)



Profitability

TL million	H1 2018	H1 2017
Operating Income	333	271
Total Operating Expenses	169	142
Total Provision	78	65
Profit Before Tax	86	64
Tax Expenses	9	10
Net Profit *	77	54

Balance Sheet

TL million	H1 2018	H1 2017
Assets		
Cash and Balanceswith Cetral Bank	2,799	1,962
Due from banks	1,879	1,315
Loans and advances to customers	16,488	11,722
Total Investments	2,832	2,387
Other Assets	1,829	985
Total Assets	**25,827**	**18,371**
Liabilities & Equity		
Due to banks	1,204	1,426
Customers' deposit	13,419	8,259
Other borrowed funds	8,507	6,678
Other Liabilities	1,261	641
Shareholders Equity	1,436	1,367
Total Liabilities and Equity	**25,827**	**18,371**

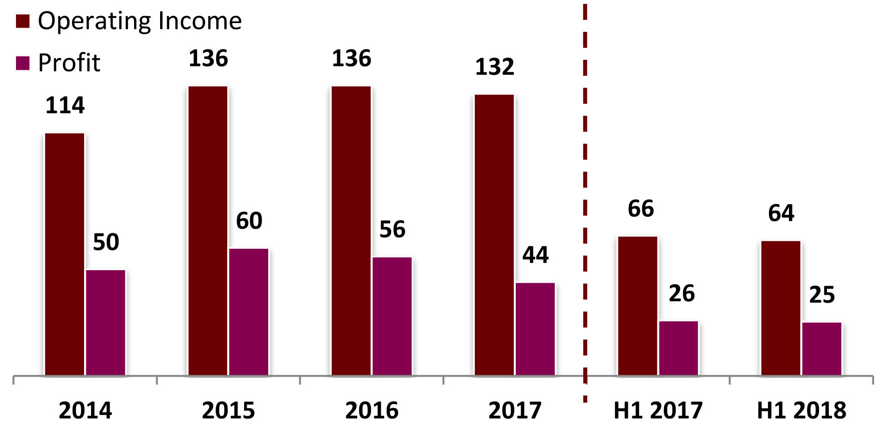
* Net Profit excludes TL 59m from MTM on AT1 capital that is eliminated on consolidation of CB accounts.

Associates' Performance – Half ended 30 June 2018

National Bank of Oman (NBO)

- Net profit after tax at OMR 25.4m, down 2% from OMR 26.1m in H1 2017
- Net operating income OMR 64m, down 3% from OMR 66m in H1 2017
  - Net interest income down 5% to OMR 45m
  - Non-interest income increased 2% to OMR 19m
- Net provisions OMR 3.6m, down by OMR 1.4m from OMR 5.0m in H1 17
- Loan portfolio decreased by 4% at OMR 2.7bn v H1 2017
- Customers' deposits decreased by 4% to OMR 2.5bn v H1 2017

NBO Performance (OMR million)



United Arab Bank (UAB)

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

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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

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Thank you

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