

The Commercial Bank (P.S.Q.C.)
Financial Results
For the quarter ended 31 March 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 6.4% to QAR 431m for Q1 2019 compared to Q1 2018. Results were driven by an increase in non interest income, lower costs and lower credit provisioning.
- Net operating profit increased by 2.1% to QAR 621m. RoAE increased to 8.5% in Q1 2019, from 8% in Q1 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
- Best Remittance Product and Service in Asia Pacific, Middle East and Africa

✓ Capital & Funding

- CET1 and Total Capital Ratios increased to 10.9% and 16.1% respectively as compared to 9.3% and 14.7% in Q1 2018.
- Total consolidated deposits increased by QAR 10.3bn, up 14.4% in Q1 2019 vs Q4 2018
- LDR at 104.4% in Q1 2019 as compared to 117.4% in Q4 2018.

✓ Reshaping Loan Book

- Domestic loan growth outstripped market growth .
- Consolidated loan book at QAR 85.2bn in Q1 2019, up 1.8% v Q4 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. Although government sector remained unchanged, real estate and contracting sectors were down by 1% and 2% respectively.

✓ Provisioning

- NPL ratio unchanged at 5.6% as compared to Dec 2018 while the loan coverage ratio (including ECL) was 80.3%
- Cost of Risk reduced to 104bps in Q1 2019 compared with 107bps in 2018.

✓ Costs

- Consolidated Cost to Income ratio reduced from 33.9% to 30.9% and domestic from 29.6% in Q1 2018 to 27.4% in Q1 2019 led by digitisation, automation and productivity enhancements.
- Operating expenses reduced by QAR 33m (10.7%) vs Q1 2018. This was mainly within the Qatar domestic business where costs reduced by QAR 23m (9.7%) vs Q1 2018.

✓ Subsidiaries & Associates

- Despite the economic volatility, Alternatif bank reported net profit of TL 33m (QAR 22m) for Q1 2019 compared to TL 39m (QAR 37m) in Q1 2018 .
- NBO reported net profit of OMR 12m (CB’s share QAR 42m) vs OMR 13m (CB’S share QAR 43m) in Q1 2018.
- UAB continues to be an asset held for sale in Q1 2019.



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

QAR Million	CB Consolidated					
	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
Operating Income	875	919	914	831	845	899
Costs	313	311	309	272	281	278
Operating Profit	562	608	604	559	564	621
Provision	256	236	200	195	205	221
Associates Income	32	43	43	42	42	42
Net Profit	344	405	450	405	403	431
Lending Volume	89,123	92,728	87,195	84,783	83,702	85,161
Deposit Volume	77,633	79,300	75,116	74,894	71,321	81,597
NIM	2.3%	2.3%	2.3%	2.0%	2.0%	2.0%
C/I Ratio YTD	37.5%	33.9%	33.9%	33.5%	33.4%	30.9%
NPL Ratio	5.6%	5.3%	5.4%	5.5%	5.6%	5.6%
Coverage Ratio	81.0%	86.4%	84.2%	83.6%	78.9%	80.3%
CET 1	11.2%	9.3%	9.7%	9.7%	10.5%	10.9%
CAR	16.1%	14.7%	14.5%	14.6%	15.5%	16.1%



Group Financial Performance – Quarter ended 31 March 2019

Group Profitability

QAR Million	Q1 2019	Q1 2018	%
Net interest income	581	659	-11.8%
Non-interest income	319	260	22.7%
Total costs	278	311	-10.6%
Net provisions	221	236	-6.4%
Associates income	42	43	-2.3%
Net profit after tax	431	405	6.4%

Consolidated Balance Sheet

QAR Million	Q1 2019	Q1 2018	%
Total assets	143,959	146,346	-1.6%
Loan & advances	85,161	92,728	-8.2%
Investment Securities	22,869	20,211	13.2%
Customers' deposits	81,597	79,300	2.9%
Total equity	19,867	19,245	3.2%

Performance Ratios

	Q1 2019	Q1 2018
ROAE	8.5%	8.0%
ROAA	1.2%	1.1%
NIM	2.0%	2.3%

Capital

QAR Million	Q1 2019	Q1 2018
RWA (QAR million)	112,197	120,810
CET 1 ratio (Basel III)	10.9%	9.3%
Total Capital ratio (Basel III)	16.1%	14.7%



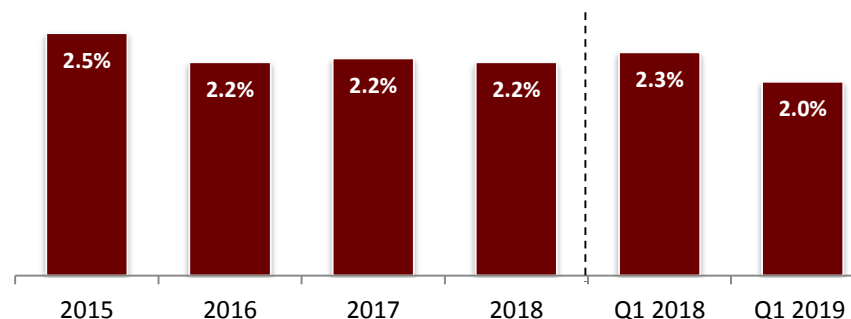
Earnings Performance – Quarter ended 31 March 2019

Profitability

- ◆ Net interest income up by 1.2% to QAR 581m in Q1 2019 vs Q4 2018 .
 - ◆ NIM for the quarter remained stable at 2.0% in Q1 2019 vs Q4 2018.
 - ◆ Margins have been managed through active loan book re-pricing, and diversifying liquidity sources to minimize the increasing cost of funding.

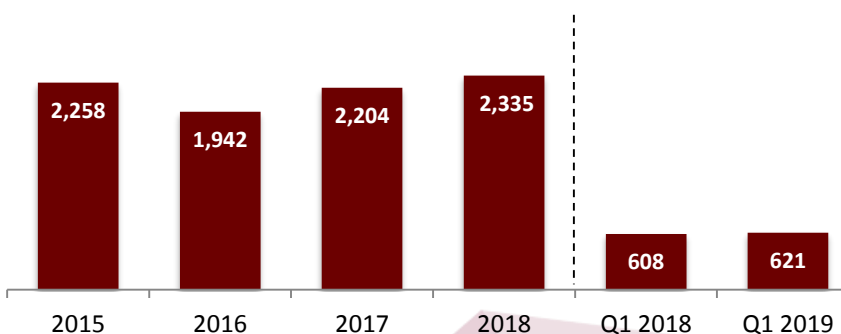
- ◆ Non-interest income up by 22.7% to QAR 319m vs Q1 2018
 - ◆ Net fee income increased to 2.0% in Q1 2019 to QAR222m with higher transaction banking fees and credit facility related fees.
 - ◆ Net foreign exchange income up 157.1% to QAR 78m in Q1 2019 vs QAR 30m in Q1 2018.

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

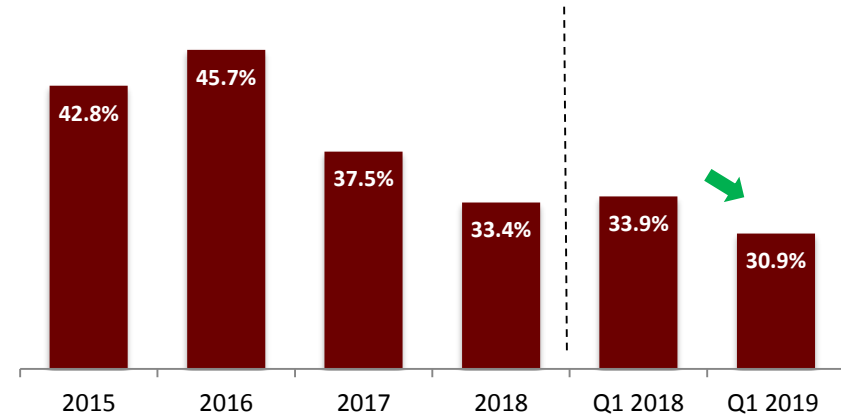


Cost to Income Ratio improves as cost efficiency measures take effect

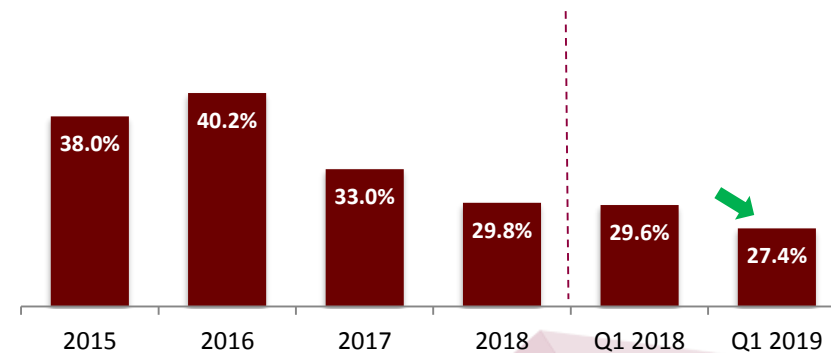
Operating Expenses

- ◆ Cost to income ratio lower at 30.9% v 33.9% in 2018 driven by a reduction in staff costs and G&A expenses.
 - ◆ Staff costs reduce by 3.1% to QAR 171m in Q1 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.
- ◆ Domestic C/I Ratio reduced from 29.6% in Q1 2018 to 27.4% in 2019
- ◆ Alternatifbank C/I Ratio reduced from 46.3% in Q1 2018 to 39.7% in Q1 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

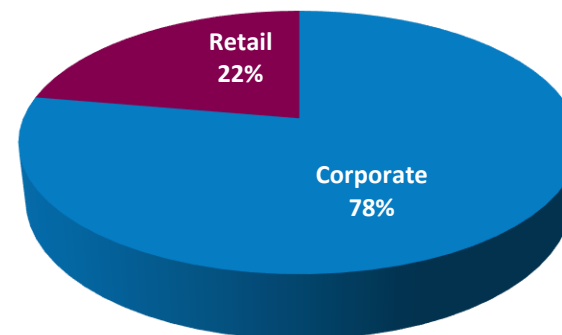


Improved loan book structure

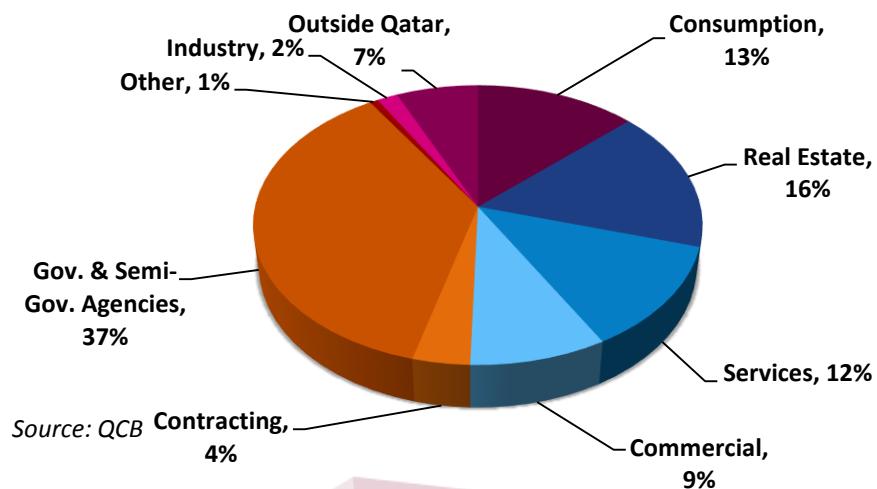
Summary

- ◆ Loans to customers at QAR 85.2bn, up 1.8% v Q4 2018. The Increase is mainly from governmental and services sectors.
- ◆ Growth in Services and governmental 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 (March 2019)



Qatari banks credit facilities breakdown by sector – Feb 2019



Loan book breakdown by sector – March 2019

Sector	31.03.19	31.03.18
Govt and Public Sector	13%	13%
Industry	8%	9%
Commercial	11%	9%
Services	31%	26%
Contracting	5%	7%
Real Estate	24%	25%
Consumption	7%	9%
Other	1%	2%
	100%	100%

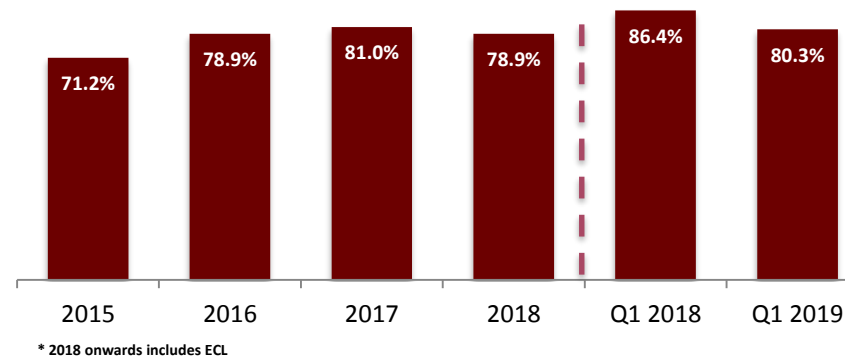


Asset Quality – 31 March 2019: Significant decrease in provision for loan losses as impairment on legacy portfolio reduces

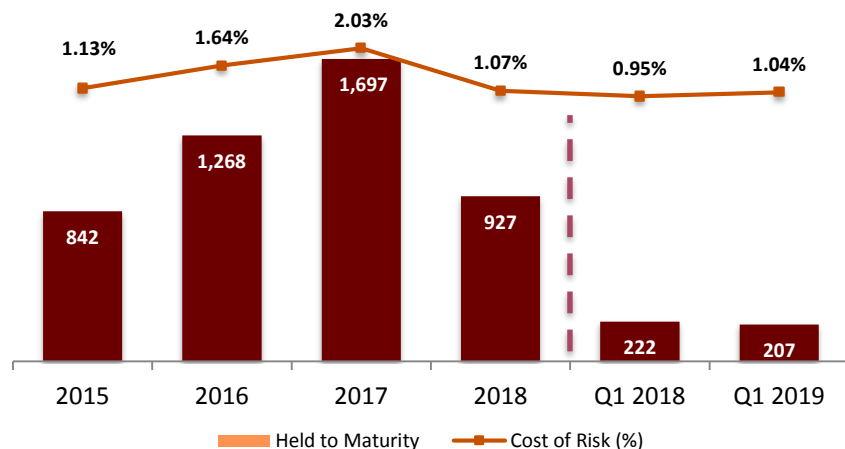
Summary

- ◆ Net Provision for loan loss of QAR 207m v QAR 222m in Q1 2018
 - ◆ QAR 53m for Wholesale
 - ◆ QAR 92m for Retail
 - ◆ QAR 62m for Alternatifbank
- ◆ NPL ratio remained constant at 5.6% from Q4 2018
- ◆ Loan coverage at 80.3% v 78.9% in Dec 2018

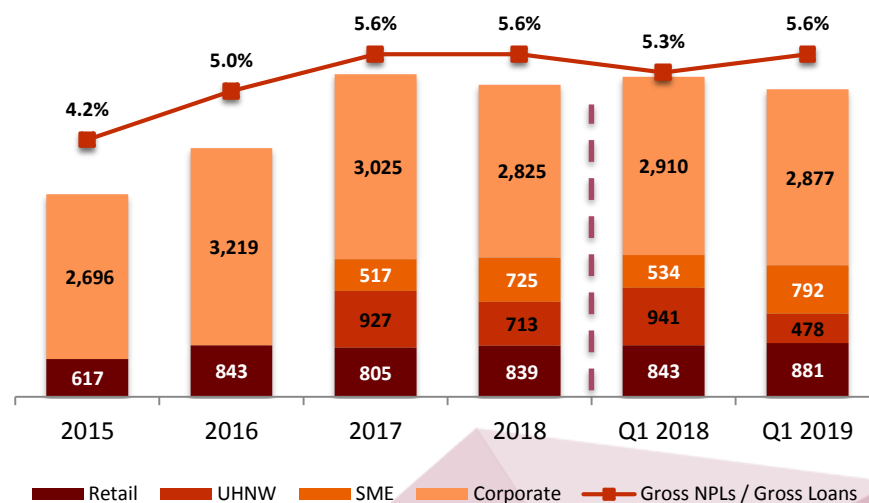
Loan coverage ratio



Net Provision for loan loss (QAR million)



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

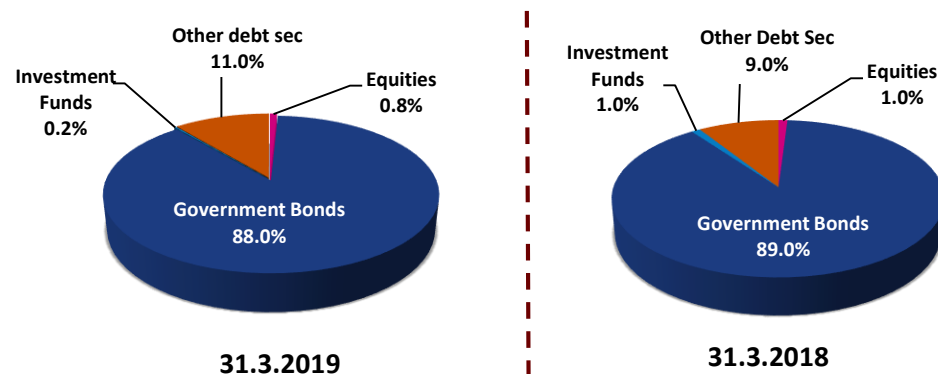


Investment Portfolio – 31 March 2019: High asset quality with 88% of the portfolio invested in HQLA Government Bonds

Summary

- ◆ Investment portfolio up 13.2% to QAR 22.9bn v Q1 2018
 - ◆ Driven by Purchase of Government Bonds, offset by a decrease in the equity portfolio as we exit from non core business activities
- ◆ 88% Government Bonds and QCB T-Bills

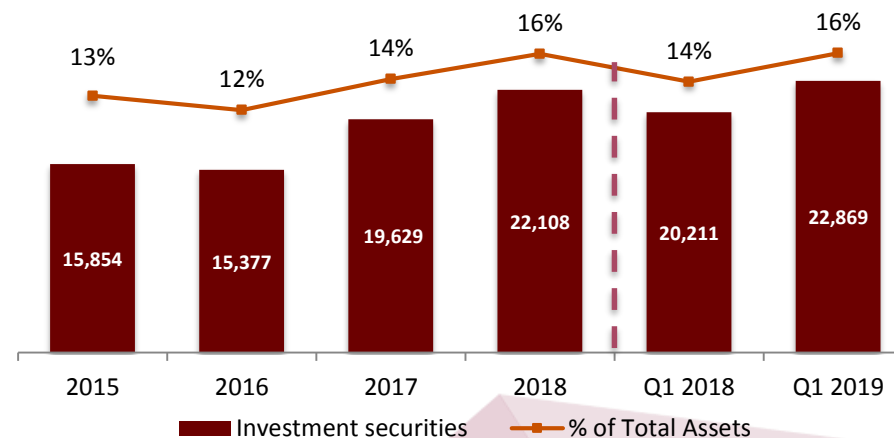
Investment portfolio – 31 March 2019 vs 31 March 2018



Investment portfolio by credit rating

Credit Rating	Portfolio Weight
AAA to AA-	89%
A+ to A-	3%
BBB+ to BB	2%
BB to B-	1%
Unrated	5%

Investment portfolio evolution (QAR million)



Funding : Continue to build up diverse sources of funding

Summary

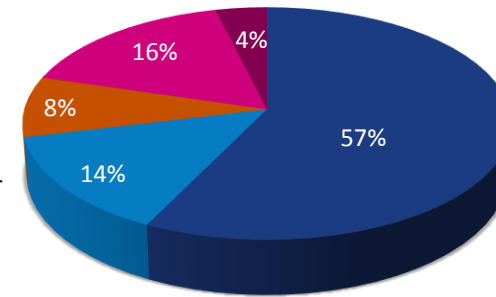
- ◆ Customers' deposits up by 2.9% to QAR 81.6bn in Q1 2019 v Q1 2018 representing 57% of the total funding base
- ◆ Well diversified funding mix
- ◆ Shareholders' equity represents 14% of funding mix
- ◆ Syndicated loan issuance of USD 750m in Dec 2018

Debt issued and other borrowed funds

Issuance Type (QARm)	Q1 2019	Q1 2018
Subordinated Notes	3,461	3,440
EMTN	7,944	6,849
Senior Notes	3,223	2,742
Other loans (including CPs)	10,400	10,641
Total	25,028	23,672

Total funding mix – 31 March 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 18
Fitch	A	F1	bb+	Stable	Mar19
S&P	BBB+	A-2	bbb-	Stable	Dec 18

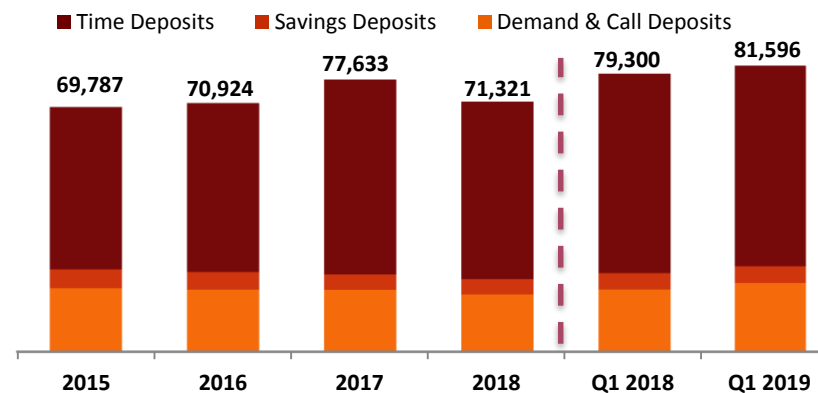


Well diversified deposit portfolio

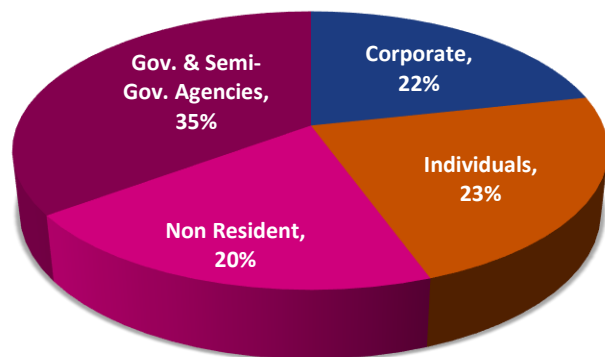
Summary

- ◆ Customers' deposits increased by 2.9% to QAR 81.6 Bn v Q1 2018
- ◆ Diversified deposit mix with Government and Semi-Government at 31% , corporate at 24% and individuals at 27%
- ◆ Current and Savings accounts deposit composition remains stable at 30% of the deposit base.
- ◆ The mix of Qatar non resident deposit is 18%.

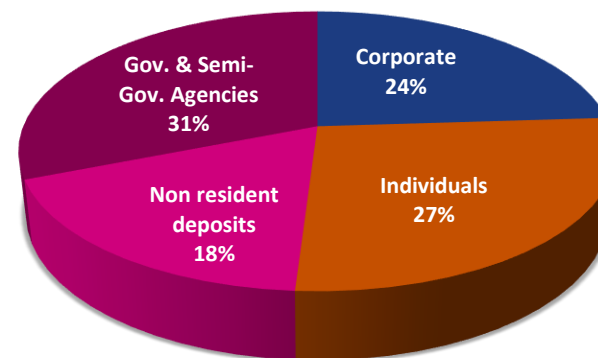
Customers' deposits (QAR million)



Qatari banks deposits breakdown by sector – February 2019



Deposits by customer type – March 2019



Source: QCB

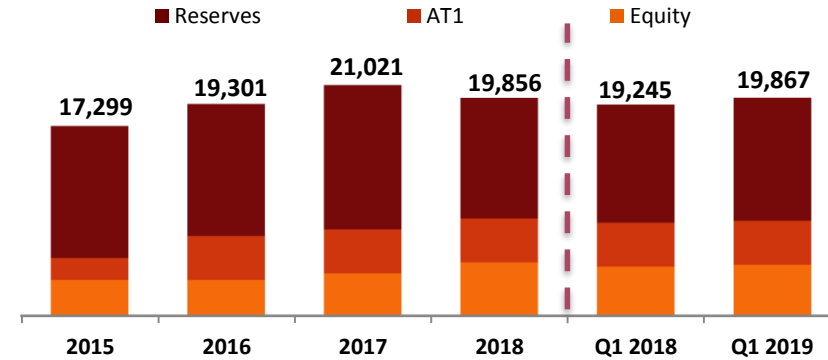
Capitalization Levels – 31 March 2019

Summary

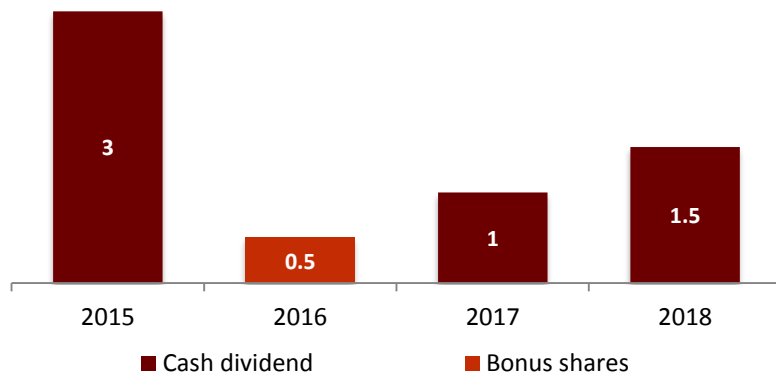
Total equity at QAR 19.9bn up by QAR 0.6bn from Q1 2018, due to:

- ◆ Increase in retained earnings by QAR 0.17bn on account of dividends payment at 2018.
- ◆ Increase in fair value reserves by QAR 0.2bn.
- ◆ Capital Adequacy Ratio at 16.1% (Basel III)

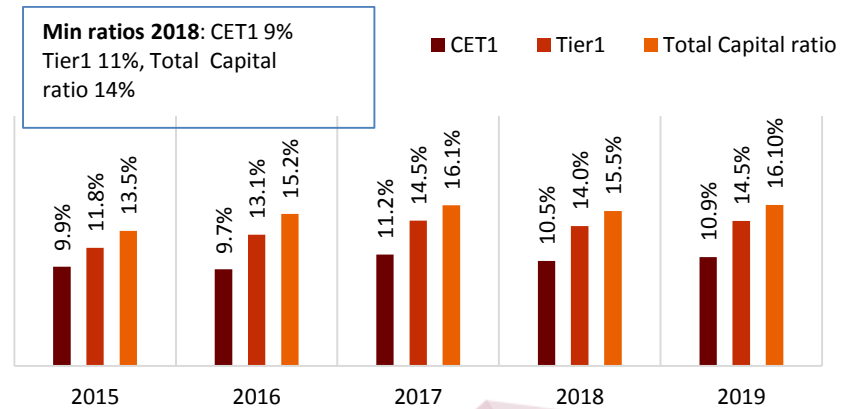
Total equity (QAR million)



Dividend distribution per share (QAR)



Capital Adequacy Ratio (Basel III)



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Commercial Bank Financial Performance – Quarter ended 31 March 2019 (Domestic)

Profitability

QAR Million	Q1 2019	Q1 2018	%
Net interest income	515	535	-3.7%
Non-interest income	254	243	4.5%
Total costs	211	233	-9.4%
Net provisions	159	199	-20.1%
Net profit	399	346	15.3%

Balance Sheet

QAR Million	Q1 2019	Q1 2018	%
Total assets	128,060	127,970	0.1%
Loan & advances	74,050	78,511	-5.7%
Securities investments	21,719	17,705	22.7%
Customers' deposits	72,948	69,369	5.2%
Total equity	19,834	19,642	1.0%

Performance Ratios

	Q1 2019	Q1 2018
ROAE (Consol)	8.5%	6.8%
ROAA	1.3%	1.1%
NIM	2.0%	2.2%

Capital

QAR Million	Q1 2019	Q1 2018
RWA (QAR million)	93,627	99,369
CET 1 ratio	11.2%	9.6%
Total Capital ratio	15.7%	14.4%



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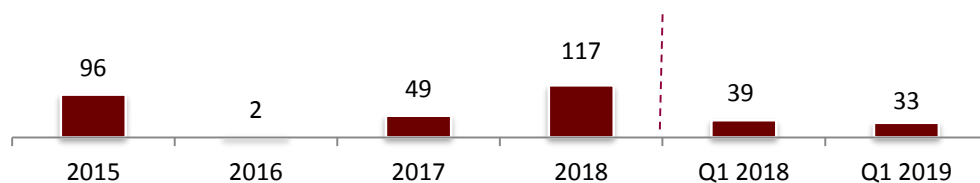


Alternatifbank Results – Quarter ended 31 March 2019

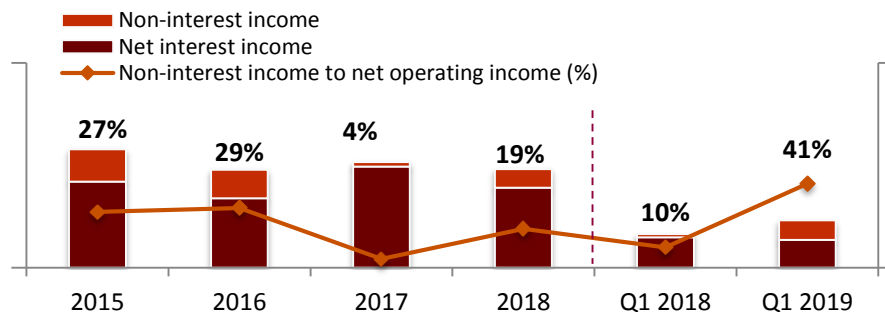
Alternatifbank of Turkey

- ◆ Net profit after tax at TL 33m v TL 39m in Q1 2018
- ◆ Operating income up by TL 67m v Q1 2018
- ◆ Operating expenses up by TL 16m v Q1 2018
- ◆ Total Loan losses up by TL 52m v Q1 2018
- ◆ Loan book up to TL 16.9bn v TL 15.3bn in Q1 2018
- ◆ Customers' deposits up to TL 13.2bn v TL 10.7bn in Q1 2018

Net Profit (TL million)



Net operating income (TL million)



Profitability

TL million	Q1 2019	Q1 2018
Operating Income	232	165
Total Operating Expenses	(92)	(76)
Total Provision	(91)	(39)
Profit Before Tax	50	51
Tax Expenses	(17)	(11)
Net Profit *	33	39

Balance Sheet

TL million	Q1 2019	Q1 2018
Assets		
Cash and Balances with Central Bank	2,112	2,408
Due from banks	1,896	272
Loans and advances to customers	16,920	15,290
Total Investments	3,648	2,567
Other Assets	2,032	1,331
Total Assets	26,608	21,868
Liabilities & Equity		
Due to banks	764	1,385
Customers' deposit	13,186	10,735
Other borrowed funds	9,430	7,419
Other Liabilities	1,173	889
Shareholders Equity	2,055	1,440
Total Liabilities and Equity	26,608	21,868

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

Associates' Performance Quarter ended 31 March 2019

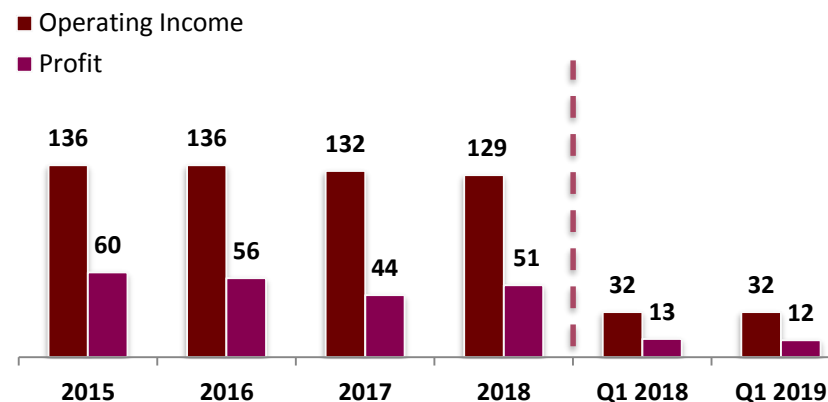
National Bank of Oman (NBO)

- ◆ Net profit after tax at OMR 12m, down by 1% from OMR 13m in Q1 2018
- ◆ Net operating income OMR 32m, up 1% from Q1 2018
 - ◆ Net interest income down 6% to OMR 23m
 - ◆ Non-interest income increased 20% to OMR 9m
- ◆ Net provisions OMR 2m, down by 8% from Q1 2018
- ◆ Loan portfolio Increased by 4.0% at OMR 2.8bn v Q1 2018
- ◆ Customers' deposits down by 4% from Q1 2018

United Arab Bank (UAB)

- ◆ UAB continues to be an asset held for sale in Q1 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

