البنك التجاري
COMMERCIAL
BANK

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

Financial Results
For the full year ended 31 December 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.
- Any forward-looking statements made by or on behalf of Commercial Bank speak only as of the date they are made. Commercial Bank does not undertake to update forward-looking statements to reflect any changes in Commercial Bank's expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based. The information, statements and opinions contained in this presentation do not constitute a public offer under any applicable legislation or an offer to sell or solicitation of an offer to buy any securities or financial instruments or any advice or recommendation with respect to such securities or other financial instruments.

- **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 175.5% to QAR 1,663m for 2018 compared to 2017. Results were driven by non interest income, lower costs and lower credit provisioning. • Net operating profit increased by 5.9% to QAR 2,335m. ROAE increased to 8.1% in 2018, from 3% in 2017 • **Best Bank in Qatar award from Global Finance.**
Capital & Funding	• CET1 and Total Capital Ratios increased to 10.5% and 15.5% respectively as compared to 9.7% and 14.6% in Q3 2018. • First Qatari bank to get approval for EMTN post the Qatari sovereign issuance with USD 500m EMTN issuance in May, following the CHF 335m issuance in March, the largest ever achieved by a financial issuer out of the MENA region. • We had a USD 1 bn maturity of an unsecured term loan facility in Nov 2018, however we renewed it for a lower amount of USD 750m despite an oversubscription by 30%
Reshaping Loan Book	• Domestic loan growth outstripped market growth (excluding the government temporary overdraft reduction as well as de-risking). • Consolidated loan growth has been impacted due to the TL depreciation and the reduction in the government temporary overdraft resulting in a reduction in loan balance by 6.1% from 2017. • 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 2% each
Provisioning	• NPL ratio unchanged at 5.6% as compared to Dec 2017 while the loan coverage ratio (including ECL) was 78.9% • Cost of Risk reduced to 107bps in 2018 compared with 203bps in 2017.
Costs	• Consolidated Cost to Income ratio reduced from 37.5% to 33.4% and domestic from 32.5% to 28.5% led by digitisation, automation and productivity enhancements. • Operating expenses reduced by QAR 152m (11.5%) vs 2017. This was mainly within the Qatar domestic business where costs reduced by QAR 126m (12.4%) vs 2017.
Subsidiaries & Associates	• Despite the economic volatility, Alternatifbank reported net profit of TL 117m (QAR 91m) for 2018 compared to TL 49m (QAR 49m) in 2017. • NBO reported net profit of OMR 51m (CB's share QAR 167m) vs OMR 44m (QAR 145m) in 2017. • UAB continues to be an asset held for sale.

Group Financial Performance – full year 31 December 2018

Group Profitability

QAR Million	FY 2018	FY 2017	%
Net interest income	2,482	2,518	-1.4%
Non-interest income	1,026	1,011	1.5%
Total costs	(1,173)	(1,325)	-11.5%
Net provisions	(836)	(1,743)	-52.1%
Associates income	171	148	15.5%
Net profit after tax	1,663	604	175.5%

Consolidated Balance Sheet

QAR Million	31.12.18	31.12.17	%
Total assets	135,071	138,449	-2.4%
Loan & advances	83,702	89,122	-6.1%
Financial investments	22,108	19,629	12.6%
Customers' deposits	71,321	77,633	-8.1%
Total equity	19,999	21,022	-4.9%

Performance Ratios

	31.12.18	31.12.17
ROAE	8.1%	3.0%
ROAA	1.2%	0.5%
NIM	2.2%	2.2%

Capital

QAR Million	31.12.18	31.12.17
RWA (QAR million)	113,649	116,964
CET 1 ratio (Basel III)	10.5%	11.2%
Total Capital ratio (Basel III)	15.5%	16.1%

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

QAR Million	CB Consolidated								
	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	**FY 2018**	**FY 2017**	**FY 2016**
Operating Income	887	875	919	914	831	845	**3,509**	**3,529**	**3,578**
Costs	325	313	311	309	272	281	**1,173**	**1,325**	**1,636**
Operating Profit	562	562	608	604	559	564	**2,335**	**2,204**	**1,942**
Provision	501	256	236	200	195	205	**836**	**1,743**	**1,394**
Associates Income	19	32	43	43	42	42	**170**	**148**	**(46)**
Net Profit	79	344	405	450	405	403	**1,663**	**604**	**501**
Lending Volume	84,534	89,123	92,728	87,195	84,783	83,702	**83,702**	**89,122**	**77,797**
Deposit Volume	73,282	77,633	79,300	75,116	74,894	71,321	**71,321**	**77,633**	**70,926**
NIM	2.2%	2.3%	2.3%	2.3%	2.0%	2.1%	**2.2%**	**2.2%**	**2.2%**
C/I Ratio YTD	38.0%	37.5%	33.9%	33.9%	33.5%	33.4%	**33.4%**	**37.5%**	**45.7%**
NPL Ratio	5.6%	5.6%	5.3%	5.4%	5.5%	5.6%	**5.6%**	**5.6%**	**5.0%**
Coverage Ratio	91.6%	81.0%	86.4%	84.2%	83.6%	78.9%	**78.9%**	**81.0%**	**78.9%**
CET 1	11.3%	11.2%	9.3%	9.7%	9.7%	10.5%	**10.5%**	**11.2%**	**9.7%**
CAR	16.1%	16.1%	14.7%	14.5%	14.6%	15.5%	**15.5%**	**16.1%**	**15.2%**

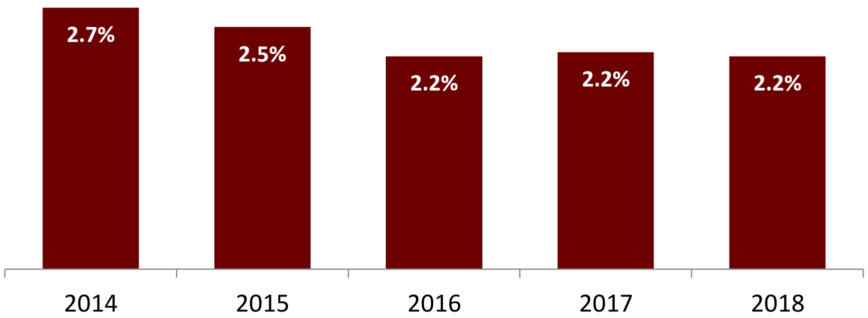
Earnings Performance – full year ended 31 December 2018

Profitability

- Net interest income down by 1.4% to QAR 2,482m v 2017.
  - NIM remains stable at 2.2%.
  - Margins have been managed through active loan book re-pricing, and diversifying liquidity sources to minimize the increasing cost of funding.

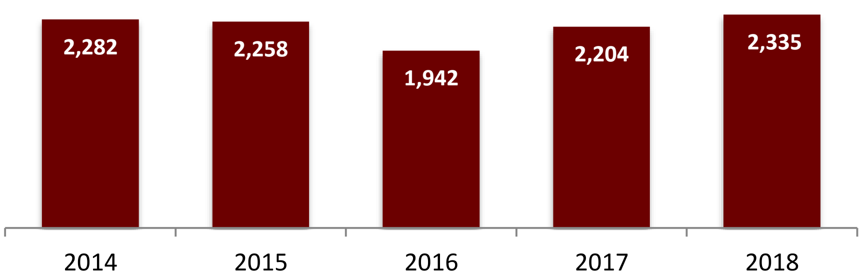
- Non-interest income up by 1.5% to QAR 1,026 m v 2017
  - Net fee income increased to 4.5% to QAR 756m with higher transaction banking fees and credit facility related fees.
  - Net foreign exchange income up 24.4% to QAR 202m. This was offset by lower investment portfolio income. As we have changed the composition of our investment portfolio with higher bonds and reducing the equity portfolio. A majority of the portfolio is now reflected under NII.

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

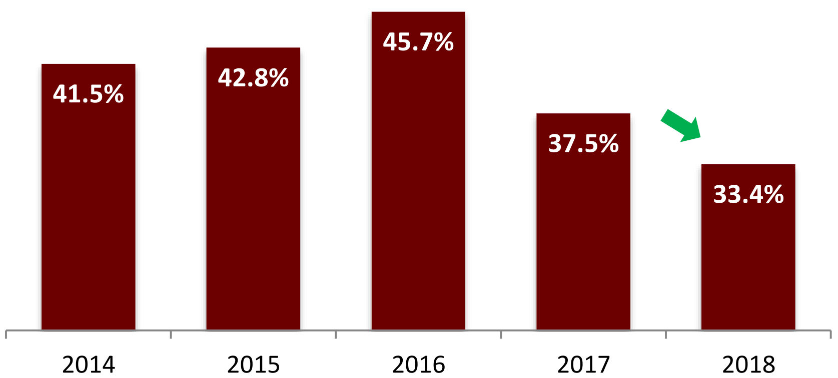


Cost to Income Ratio improves as cost efficiency measures take effect

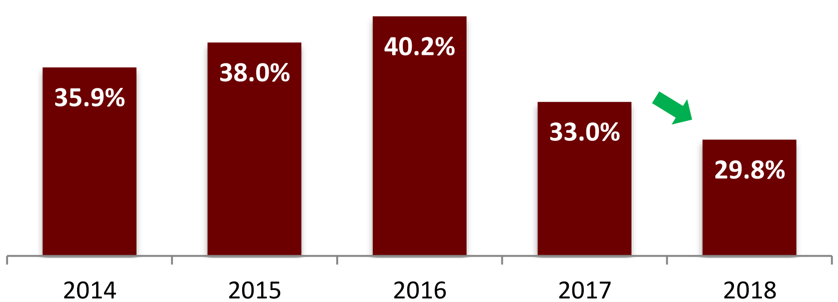
Operating Expenses

- Cost to income ratio lower at 33.4% v 37.5% in 2017 driven by a reduction in staff costs and G&A expenses.
  - Staff costs reduce by 5.2% to QAR 676m in 2018 v 2017.
  - G&A expenses decreased due to lower professional fees, depreciation and tighter control across all general and administrative spend.
- Continued focus on digital processes and tight expense management.
- Consolidated C/I Ratio reduced from 37.5% in 2017 to 33.4% in 2018
- Domestic C/I Ratio reduced from 33.0% in 2017 to 29.8% in 2018
- Alternatifbank C/I Ratio reduced from 55.5% in 2017 to 53.7% in 2018

Cost to Income Ratio Consolidated



Cost to Income Ratio Domestic



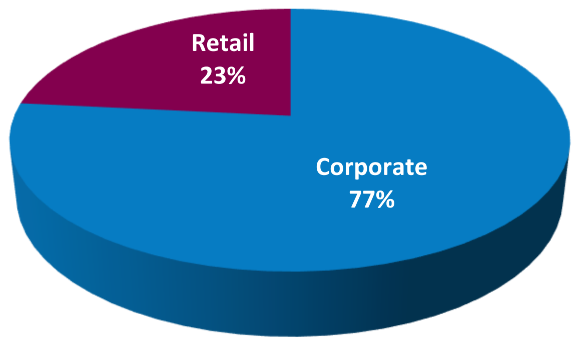
* Outsource service provider cost for 2017 was QAR 44m, which has now been brought in-house to subsidiary

Improved loan book structure

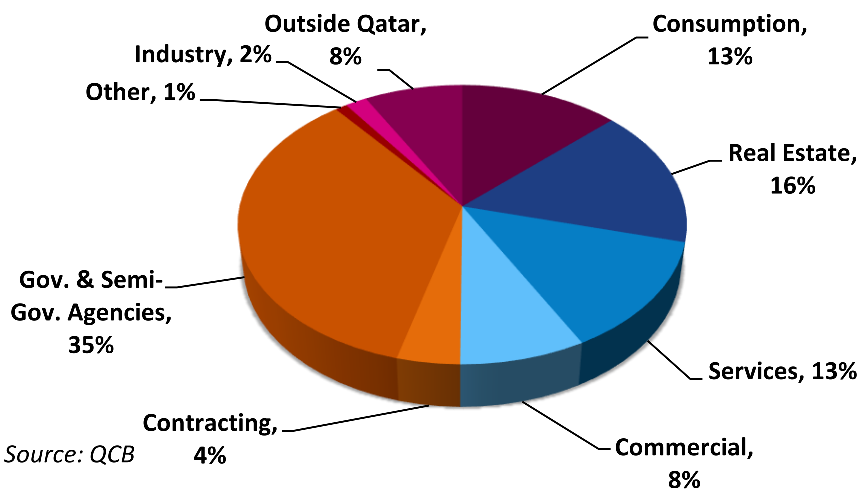
Summary

- Loans to customers at QAR 83.7bn, down 6.1% v Dec 2017. The reduction is mainly due to the TL depreciation and reduction in the temporary overdraft of the government
- Growth in Services and commercial sectors
- Reduction in real estate and contracting 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.
- Strong pipeline of public sector pipeline built over the year

Loan book breakdown by division



Qatari banks credit facilities breakdown by sector – Nov 2018



Source: QCB

Loan book breakdown by sector – December 2018

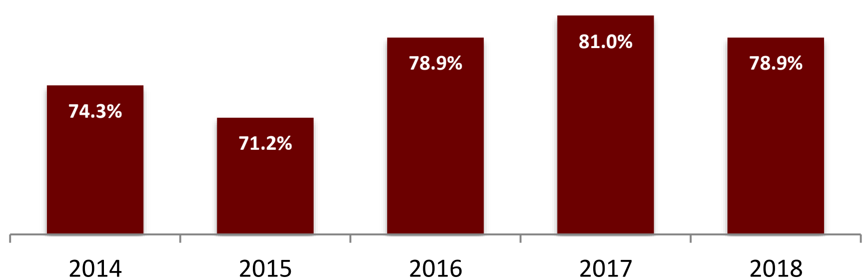
Sector	31.12.18	31.12.17
Govt and Public Sector	9%	9%
Industry	9%	9%
Commercial	11%	7%
Services	30%	28%
Contracting	5%	7%
Real Estate	26%	28%
Consumption	8%	10%
Other	2%	2%
* Excluding temporary overdraft of Government	**100%**	**100%**

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

Summary

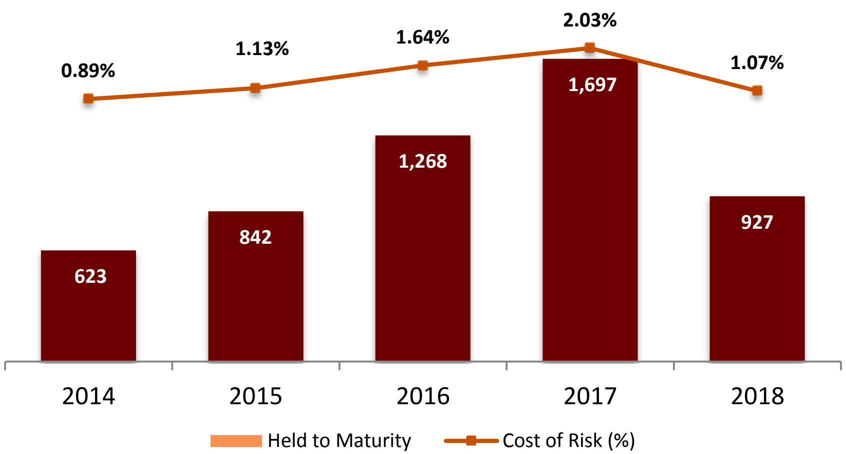
- Net Provision for loan loss of QAR 927m v QAR 1,697m in 2017
  - QAR 443m for Wholesale
  - QAR 277m for SME and QAR 100m for Retail
  - QAR 105m for Alternatifbank
- NPL ratio unchanged at 5.6%
- Loan coverage at 78.9% v 81.0% at Dec 2017
- IFRS 9 opening balance charge of QAR 1.5 bn

Loan coverage ratio

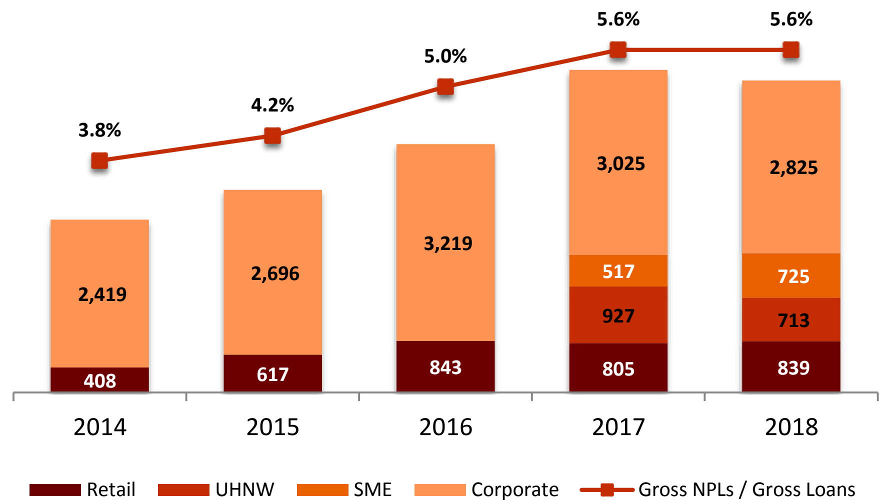


* 2018 ncludes ECL

Net Provision for loan loss (QAR million)



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

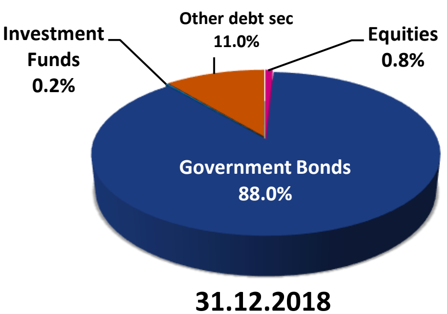


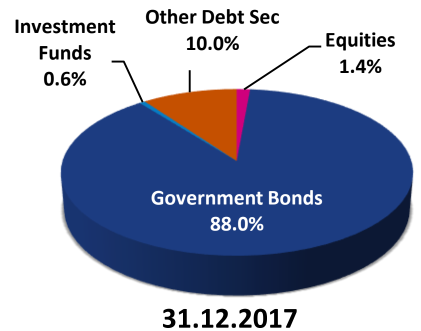
Investment Portfolio – 31 December 2018: High asset quality with 89% of the portfolio invested in HQLA Government Bonds

Summary

- Investment portfolio up 12.6% to QAR 22.1bn v Dec 2017
  - 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 Dec 2018 vs 31 Dec 2017

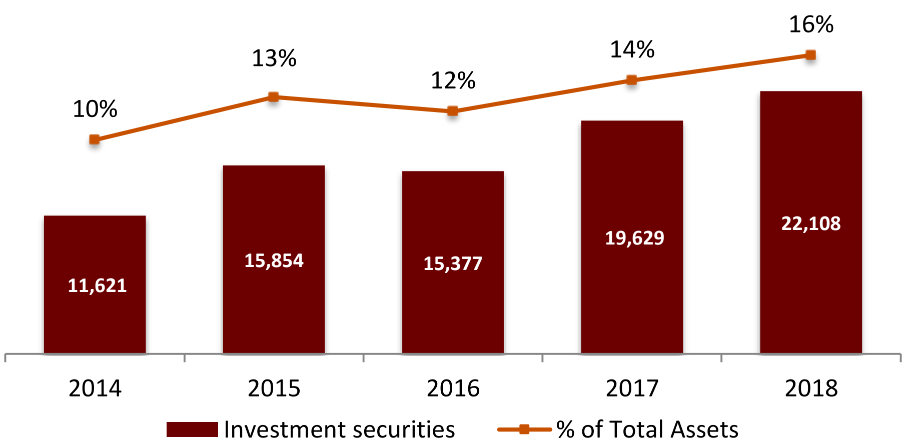




Investment portfolio by credit rating

Credit Rating	Portfolio Weight
AAA to AA-	89%
A+ to A-	2%
BBB+ to BB	2%
BB to B-	1%
Unrated	6%

Investment portfolio evolution (QAR million)

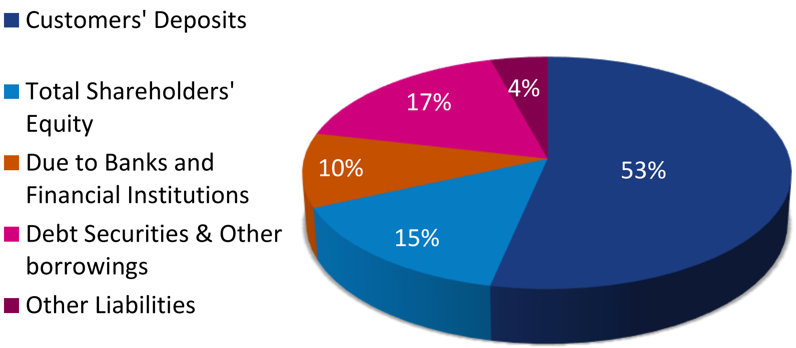


Funding : Continue to build up diverse sources of funding

Summary

- Customers' deposits down 8.1% to QAR 71.3bn v Dec 2017 representing 53% of the total funding base
- Well diversified funding mix
- Shareholders' equity represents 15% of funding mix
- Well received Swiss bond issuance of CHF 335m in March 2018.
- EMTN issuance of USD 500m in May 2018, first issuance of the Qatar sovereign issue oversubscribed by 30%
- Syndicated loan issuance of USD 750m in Dec 2018

Total funding mix – 31 December 2018



Debt issued and other borrowed funds

Issuance Type (QARm)	31.12.18	31.12.17
Subordinated Notes	3,441	3,432
EMTN	7,809	5,541
Senior Notes	2,888	1,131
Other loans (including CPs)	10,162	10,804
Total	**24,300**	**20,908**

Commercial Bank credit ratings

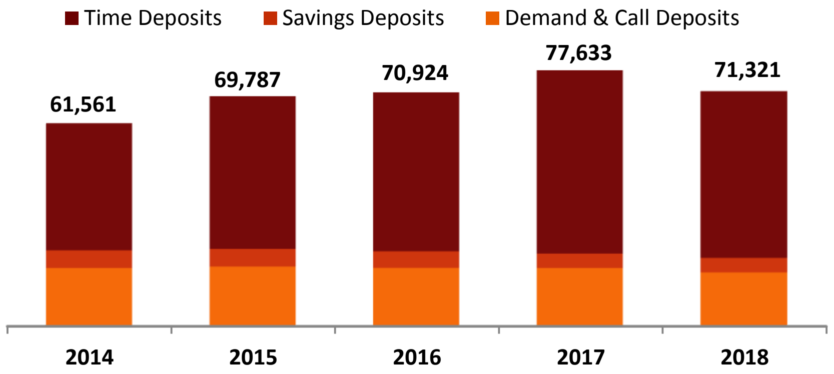
Rating Agency	Foreign Ccy Deposits/IDR		Bank Strength	Outlook	Date
	LT	ST			
Moody's	A3	Prime 2	ba1	Stable	Jul 18
Fitch	A	F1	bbb-	Stable	Jun 18
S&P	BBB+	A-2	bbb-	Stable	Dec 18

Well diversified deposit portfolio

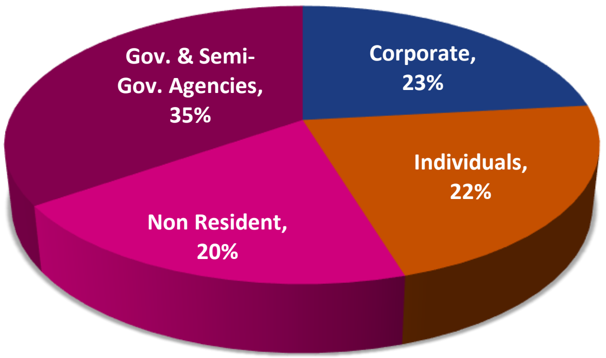
Summary

- Customers' deposits decreased by 8.1% to QAR 71.3bn v 2017
- Diversified deposit mix with Government and Semi-Government at 27% , corporate at 27% and individuals at 31%
- Current and Savings accounts deposit composition remains stable at 29% of the deposit base.
- The mix of Qatar non resident deposit is 15%.

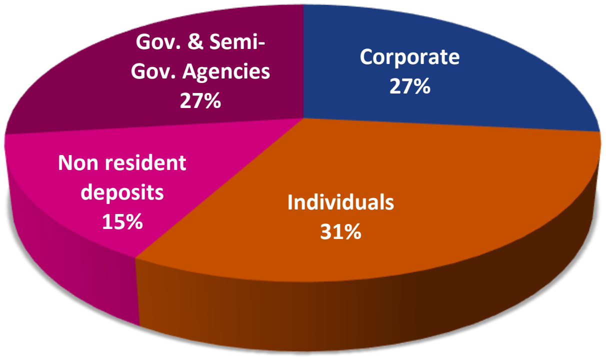
Customers' deposits (QAR million)



Qatari banks deposits breakdown by sector – November 2018



Deposits by customer type – December 2018



Source: QCB

Capitalization Levels – 31 December 2018

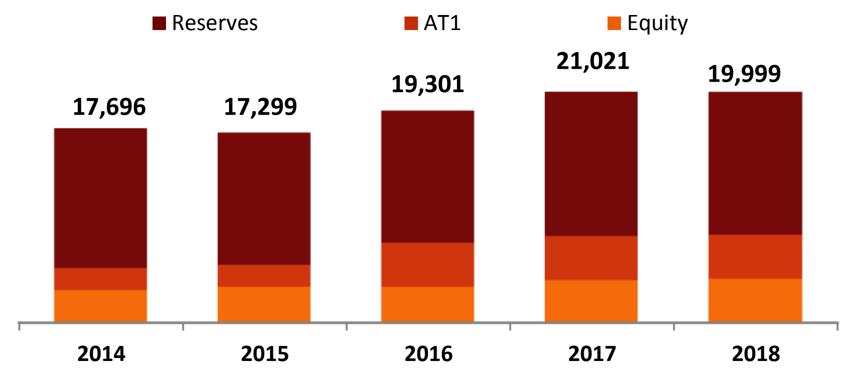
Summary

Total equity at QAR 20.0bn, down by QAR 1.0bn from Dec 2017, due to:

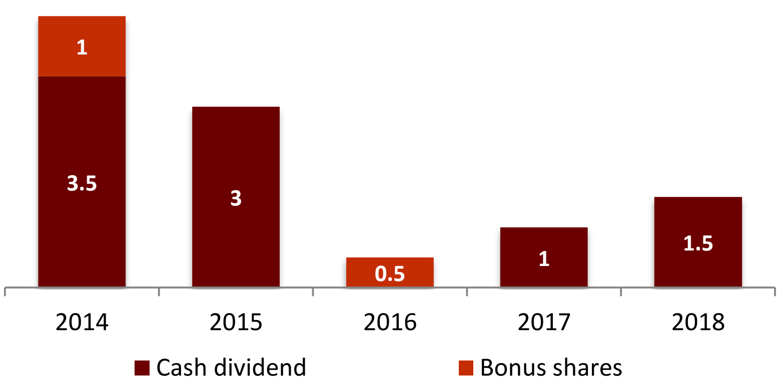
- Decrease in risk reserve by QAR 1.0bn due to the adjustment for IFRS 9 implementation.
- Decrease from foreign currency translation reserve of QAR 0.4bn due to TL depreciation.
- Increase in retained earnings by QAR 0.4bn on account of profit for the period.

Capital Adequacy Ratio at 15.5% (Basel III)

Total equity (QAR million)

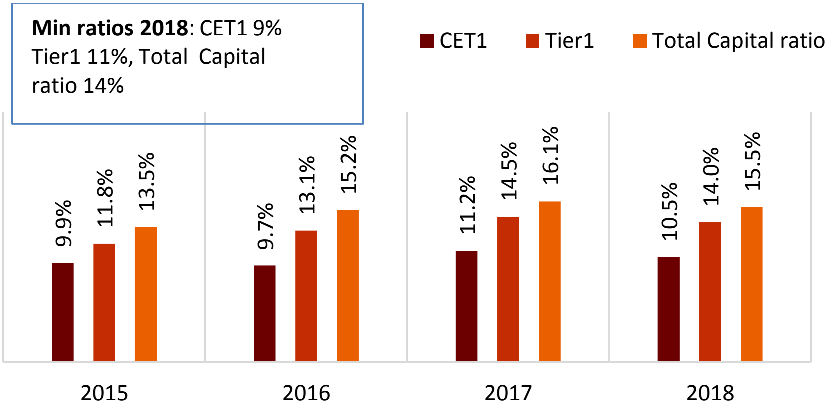


Dividend distribution per share (QAR)



Capital Adequacy Ratio (Basel III)

Min ratios 2018: CET1 9% Tier1 11%, Total Capital ratio 14%



- CONSOLIDATED HIGHLIGHTS AND PERFORMANCE
- **COMMERCIAL BANK FINANCIAL PERFORMANCE**
- SUBSIDIARIES AND ASSOCIATES FINANCIAL PERFORMANCE
- STRATEGIC INTENT

Commercial Bank Financial Performance – Full year ended 31 December 2018 (Domestic)

Profitability

QAR Million	FY 2018	FY2017	%
Net interest income	2,102	2,021	4.0%
Non-interest income	909	970	-6.2%
Total costs	(896)	(1,023)	-12.4%
Net provisions	(727)	(1,572)	-53.7%
Net profit	1388	396	250.5%

Balance Sheet

QAR Million	31.12.18	31.12.17	%
Total assets	118,995	120,821	-1.5%
Loan & advances	72,172	75,482	-4.4%
Securities investments	21,271	19,473	9.2%
Customers' deposits	62,357	67,561	-7.7%
Total equity	19,990	21,382	-6.5%

Performance Ratios

	31.12.18	31.12.17
ROAE	6.7%	2.0%
ROAA	1.2%	0.3%
NIM	2.1%	2.2%

Capital

QAR Million	31.12.18	31.12.17
RWA (QAR million)	94,394	96,897
CET 1 ratio	10.9%	11.7%
Total Capital ratio	15.3%	16.0%

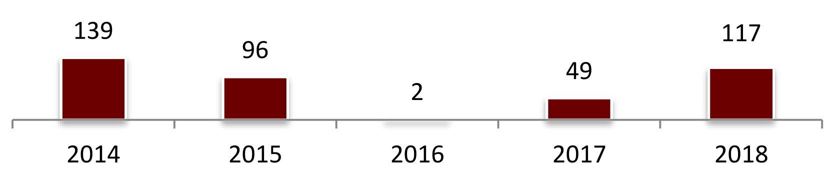
- CONSOLIDATED HIGHLIGHTS AND PERFORMANCE
- COMMERCIAL BANK FINANCIAL PERFORMANCE
- **SUBSIDIARIES AND ASSOCIATES FINANCIAL PERFORMANCE**
- STRATEGIC INTENT

Alternatifbank Results – Full year ended 31 December 2018

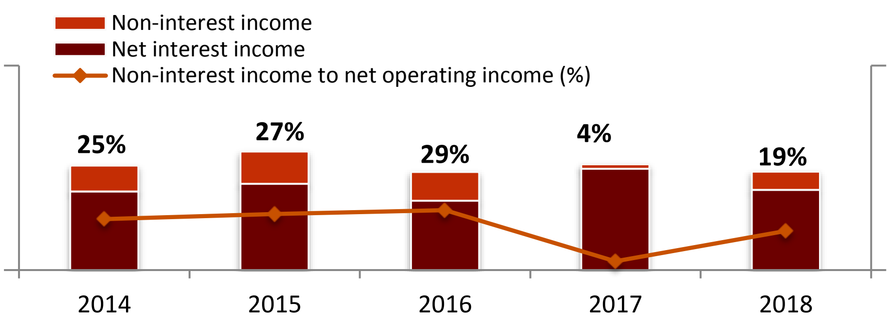
Alternatifbank of Turkey

- Net profit after tax at TL 117m v TL 49m in 2017
- Operating income up by TL 116m v 2017
- Operating expenses up by TL 57m v 2017
- Total Loan losses down by TL 13m v 2017
- Loan book up to TL 17.3bn v TL 14.0bn in Dec 2017
- Customers’ deposits up to TL 13.5bn v TL 10.6bn in Dec 2017

Net Profit (TL million)



Net operating income (TL million)



Profitability

TL million	31.12.18	31.12.17
Operating Income	631	515
Total Operating Expenses	(343)	(286)
Total Provision	(162)	(175)
Profit Before Tax	126	54
Tax Expenses	(9)	(5)
Net Profit *	117	49

Balance Sheet

TL million	31.12.18	31.12.17
Assets		
Cash and Balanceswith Cetral Bank	2,212	2,282
Due from banks	1,436	701
Loans and advances to customers	17,344	14,060
Total Investments	3,477	2,519
Other Assets	985	1,086
Total Assets	**25,454**	**20,648**
Liabilities & Equity		
Due to banks	150	1,137
Customers' deposit	13,465	10,684
Other borrowed funds	9,318	6,471
Other Liabilities	1,201	719
Shareholders Equity	1,703	1,637
Total Liabilities and Equity	**25,837**	**20,648**

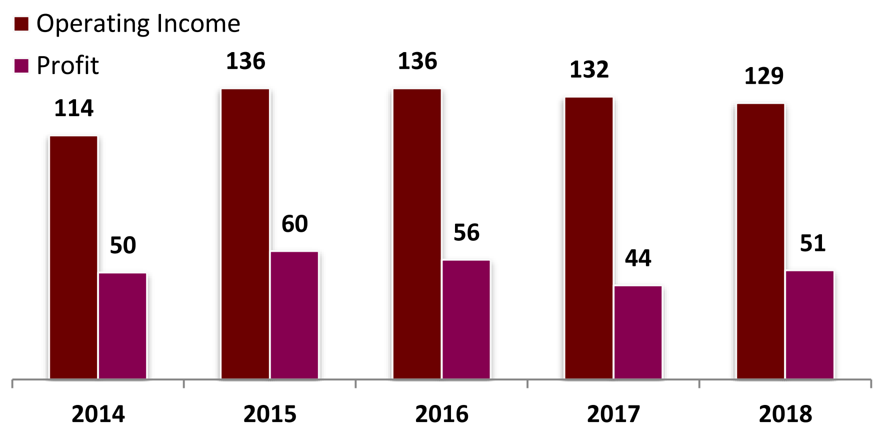
* Net Profit excludes TL 94m from MTM on AT1 capital that is eliminated on consolidation.

Associates' Performance – Full year ended 31 December 2018

National Bank of Oman (NBO)

- Net profit after tax at OMR 51m, up by 16% from OMR 44m in 2017
- Net operating income OMR 129m, down 2% from OMR 132m in 2017
  - Net interest income down 5% to OMR 90m
  - Non-interest income increased 6% to OMR 36.6m
- Net provisions OMR 7.4m, down by OMR 9m from OMR 16.4m in 2017
- Loan portfolio Increased by 5.7% at OMR 2.8bn v 2017
- Customers' deposits remained stable at OMR 2.5bn v 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.

- CONSOLIDATED HIGHLIGHTS AND PERFORMANCE
- COMMERCIAL BANK FINANCIAL PERFORMANCE
- SUBSIDIARIES AND ASSOCIATES FINANCIAL PERFORMANCE
- **STRATEGIC INTENT**

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

كل شيء يمكن تحقيقه
everything is possible