

The Commercial Bank (P.S.Q.C.)
Financial Results
For the year ended 31 December 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 20.7% to QAR 2,021m for year ended 31 December 2019 compared to same period in 2018. Results were driven mainly by an increase in operating income and a decrease in credit provisions.
- Net operating profit increased by 33.6% to QAR 3,119m. ROAE increased to 9.7% for the year ended December 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 11.1% and 16.4% respectively as compared to 10.5% and 15.5% at 31 December 2018.
- Total consolidated deposits increased by QAR 4.5 bn, up 6.3% at 31 December 2019 vs December 2018

✓ Reshaping Loan Book

- Consolidated loan book at QAR 88.0bn in Dec 2019, up 4.0% v December 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 8%, real estate and contracting sectors were down by 5% and 1% respectively as compared to December 2018.

✓ Provisioning

- NPL ratio reduced to 4.9% in Dec 19 compared to 5.6% in December 2018 due to cash recovery /settlement. Consequently, the loan coverage ratio (including ECL) increased to 82.1% as compared to 78.6% in December 2018.
- Cost of Risk reduced to 68bps in 2019 compared with 107bps in 2018.

✓ Costs

- Consolidated Cost to Income ratio reduced from 33.4% to 28.3% and in Qatar from 28.5% in 2018 to 25.3% in 2019 led by increase in operating income and reduction of costs through digitisation, automation and productivity enhancements.
- G&A expenses reduced by QAR 86m (27.6%) vs 2018. The reduction was across all lines especially occupancy costs, marketing and professional fees.
- Increase in staff costs is on account of IFRS 2 accounting for its share options granted to staff.

✓ Subsidiaries & Associates

- Alternatif bank reported net profit of TL 155m (QAR 100m) for 2019 compared to TL 117m (QAR 91m) in 2018.
- NBO reported net profit of OMR 51.3m (CB’s share QAR 169.3m) for 2019 as compared to OMR 50.6m (CB’s share QAR 166.9m) for 2018.
- UAB reporting was changed to an associate in 2019.
- CB has recorded an impairment of QAR 413.9m on its investment in associate (UAB).



Progress against our 5-year plan : Record profit for the year 2019

QAR Million	CB Consolidated								
	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019	FY 2018	Q4 2019 (Normalised)
Operating Income	831	845	900	947	1,006	1,494	4,347	3,509	1,010
Costs	272	281	278	274	272	404	1,228	1,173	286
Operating Profit	559	564	622	673	734	1,090	3,119	2,335	724
Net impairment	195	205	221	208	197	442	1,068	836	191
Associates Income	42	53	42	43	43	(135)	(7)	181	44
Net Profit	405	414	431	503	570	517	2,021	1,674	582
Lending Volume	85,815	84,642	85,161	84,823	89,095	88,009	88,009	84,642	88,009
Deposit Volume	75,323	71,786	81,597	76,898	74,294	76,297	76,297	71,786	76,297
NIM	2.0%	2.1%	2.0%	2.2%	2.4%	3.2%	2.5%	2.1%	2.6%
C/I Ratio	32.7%	33.4%	30.9%	29.9%	28.9%	28.3%	28.3%	33.4%	27.8%
COR (bps)	86	144	102	99	71	2	68	107	63
NPL Ratio	5.5%	5.6%	5.6%	4.9%	4.9%	4.9%	4.9%	5.6%	4.9%
Coverage Ratio	83.6%	78.6%	80.3%	96.2%	95.2%	82.1%	82.1%	78.6%	82.1%
CET 1	9.7%	10.5%	10.9%	11.0%	11.0%	11.1%	11.1%	10.5%	11.1%
CAR	14.6%	15.5%	16.1%	16.3%	16.2%	16.4%	16.4%	15.5%	16.4%
EPS (annualized)	0.34	0.35	0.36	0.43	0.50	0.45	0.44	0.35	0.50



Group Financial Performance – Full year 31 December 2019

Group Profitability

QAR Million	FY 2019	FY 2018	%
Net interest income	2,963	2,482	19.4%
Non-interest income	1,383	1,026	34.8%
Total costs	(1,228)	(1,173)	4.7%
Net provisions	(1,068)	(836)	27.8%
Associates income	(7)	181	-103.7%
Net profit after tax	2,021	1,674	20.7%

Consolidated Balance Sheet

QAR Million	31.12.19	31.12.18	%
Total assets	147,536	134,928	9.3%
Loan & advances	88,009	84,642	4.0%
Investment Securities	26,844	22,206	20.9%
Customers' deposits	76,297	71,786	6.3%
Total equity	21,756	19,856	9.6%

Performance Ratios

	31.12.19	31.12.18
ROAE	9.7%	8.2%
ROAA	1.4%	1.2%
NIM	2.5%	2.1%

Capital

QAR Million	31.12.19	31.12.18
RWA (QAR million)	117,807	113,649
CET 1 ratio (Basel III)	11.1%	10.5%
Total Capital ratio (Basel III)	16.4%	15.5%



Commercial Bank is committed to enhancing its Environmental, Social and Governance practices



- MSCI ESG rating is currently “BBB”
- Seeking to upgrade in 2020 due to:
 - Improved quality of the lending portfolio
 - Enhanced public disclosure



- ESG rating is ranked 4th among all QSE companies
- Above the Qatar average rating



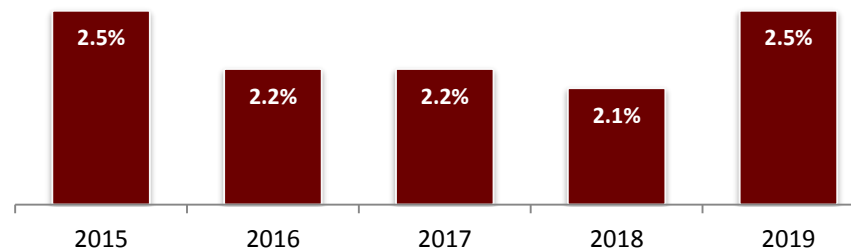
- Participant in QSE’s voluntary ESG disclosure initiative
- 89% disclosure score

Earnings Performance – Full year 31 December 2019

Profitability

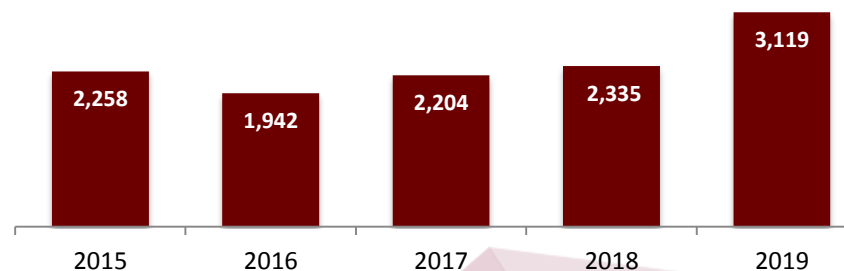
- ◆ Net interest income up by 19.4% to QAR 2,963m in 2019 vs 2018.
 - ◆ NIM increased to 2.5% in 2019 vs 2.1% in 2018.
 - ◆ Margins have been managed through diversifying liquidity sources to reduce cost of funding.
- ◆ Non-interest income up by 34.8% to QAR 1,383m vs 2018.
 - ◆ Net fee income increased by 20.8% in 2019 to QAR 915m with higher transaction banking fees and related fees.
 - ◆ Net foreign exchange income up 39.0% to QAR 281m in 2019 vs QAR 204m in 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

Operating Profit

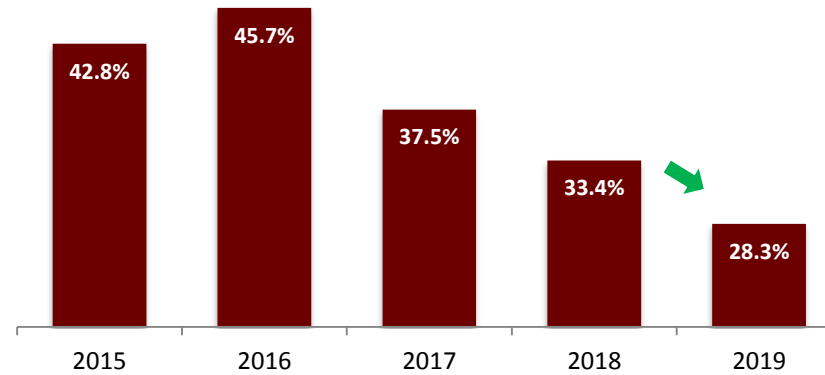


Cost to Income Ratio improves as cost efficiency measures take effect

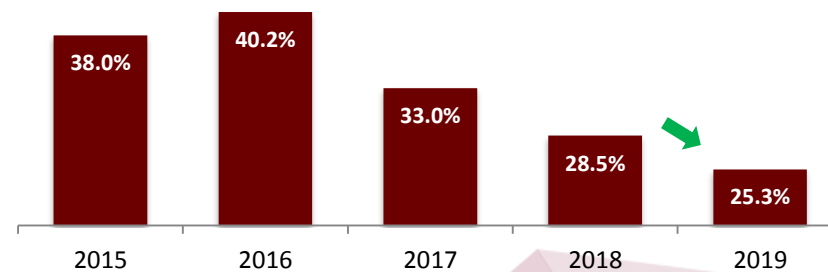
Operating Expenses

- ◆ Cost to income ratio lower at 28.3% in 2019 v 33.4% in 2018 driven by a reduction in G&A expenses and increase in operating income.
 - ◆ Staff costs increased by 17.7% to QAR 796m in 2019 v 2018 on account of the IFRS 2 accounting of its performance rights granted to staff. The cost of the performance rights scheme is fully hedged.
 - ◆ G&A expenses decreased across all lines especially occupancy costs, marketing and professional fees.
- ◆ Continued focus on digital processes and tight expense management.
- ◆ In Qatar C/I Ratio reduced from 28.5% in 2018 to 25.3% in 2019.
- ◆ Alternatifbank C/I Ratio reduced from 53.7% in 2018 to 40.5% in 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

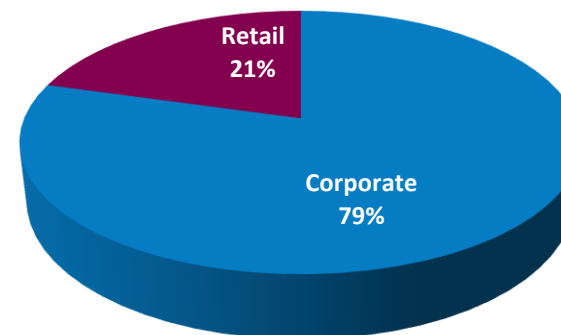


Improved loan book structure

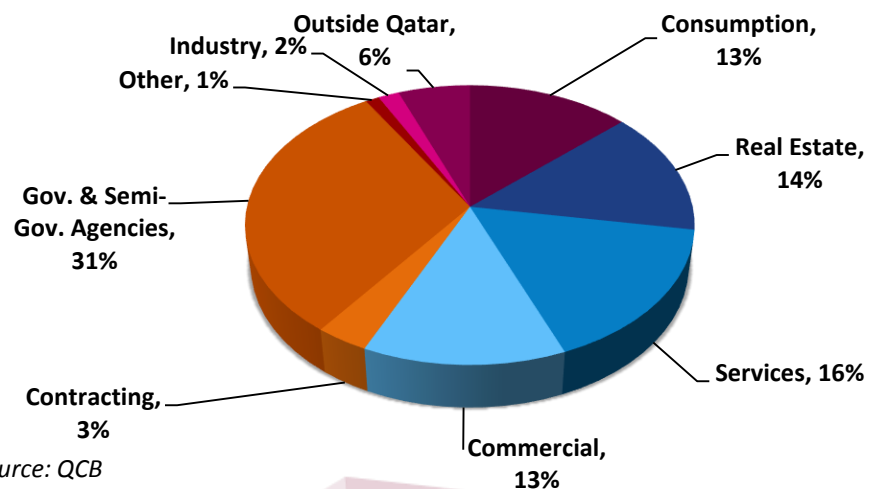
Summary

- ◆ Loans to customers at QAR 88.0bn, up 4.0% v Dec 2018.
- ◆ Growth in government and public sectors
- ◆ Reduction in real estate and contracting sectors
- ◆ Loan book diversified across sectors
- ◆ Corporate customers represent 79% of total loan book
- ◆ Focus continues on improving market share in Government and Public sector.

Loan book breakdown by division (Dec 2019)



Qatari banks credit facilities breakdown by sector – Nov 2019



Source: QCB

Loan book breakdown by sector – Dec 2019

Sector	31.12.19	31.12.18
Govt and Public Sector	17%	9%
Industry	9%	9%
Commercial	13%	11%
Services	28%	30%
Contracting	4%	5%
Real Estate	21%	26%
Consumption	7%	8%
Other	1%	2%
	100%	100%

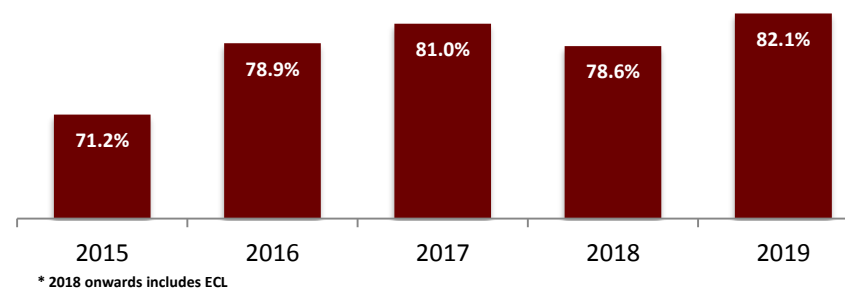


Asset Quality – 31 Dec 2019: Decrease in provision for loan losses

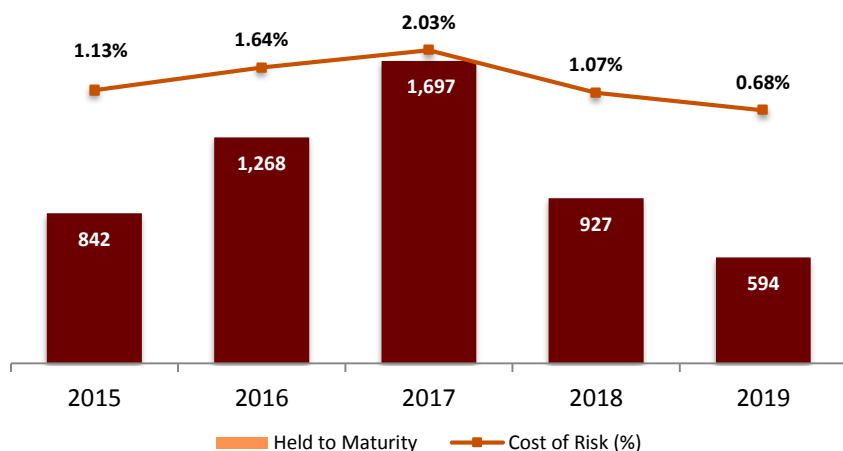
Summary

- ◆ Net impairment for loan loss of QAR 594m v QAR 927m in 2018
 - ◆ QAR 141m for Wholesale
 - ◆ QAR 235m for Retail
 - ◆ QAR 218m for Alternatifbank
- ◆ NPL ratio reduced to 4.9% from 5.6% in 2018
- ◆ Loan coverage at 82.1% v 78.6% in 2018

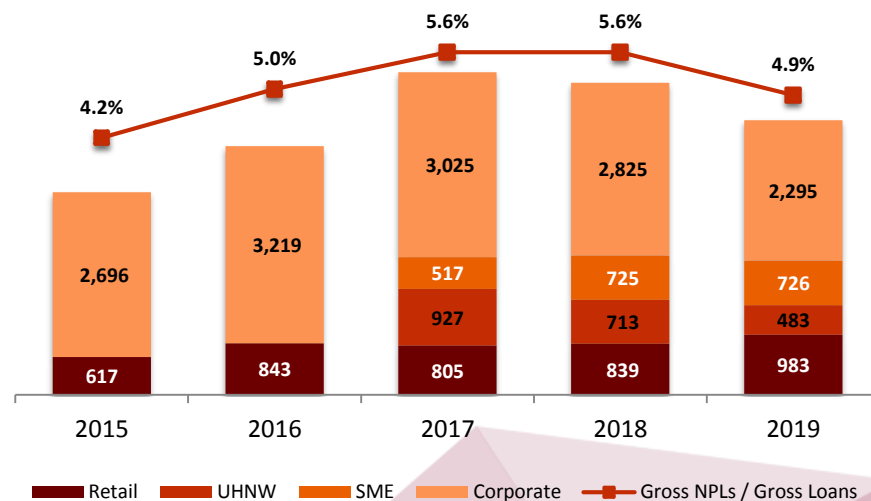
Loan coverage ratio



Net Provision for loan loss (QAR million)



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

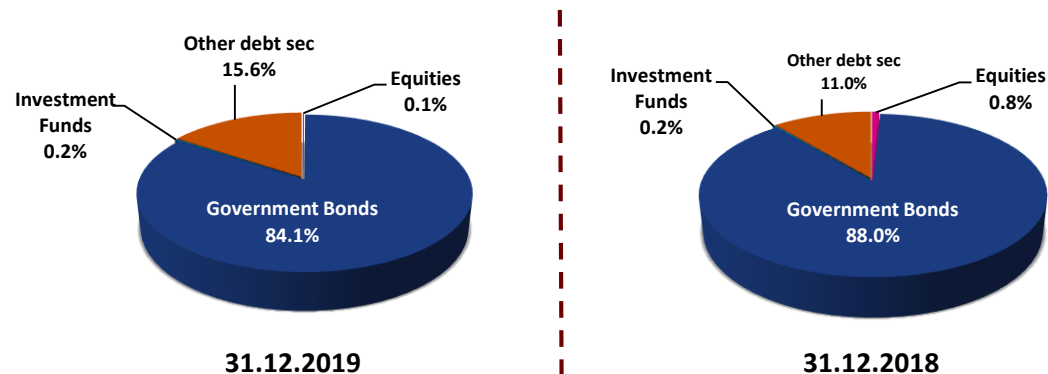


Investment Portfolio – 31 Dec 2019: High asset quality with 84% of the portfolio invested in HQLA Government Bonds

Summary

- ◆ Investment portfolio up 20.9% to QAR 26.8bn v 2018
 - ◆ Driven by purchase of highly rated sovereign bonds.
 - ◆ Investment in global debt securities to benefit from easing monetary conditions.
- ◆ 84.1% Government Bonds

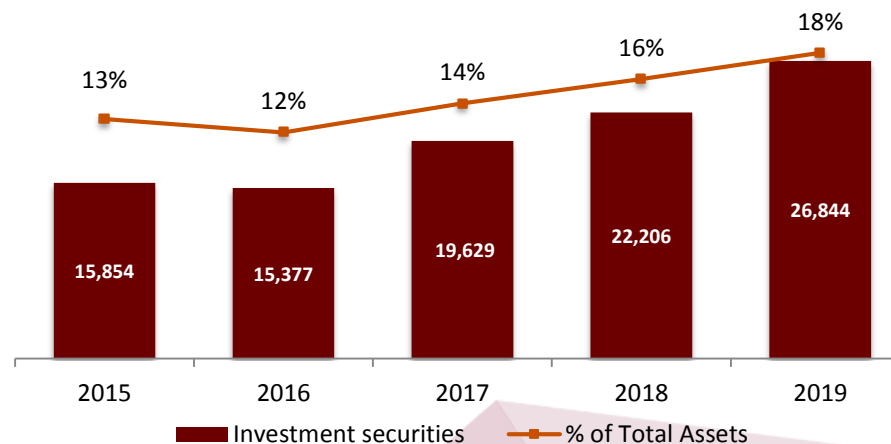
Investment portfolio – 31 Dec 2019 vs 31 Dec 2018



Investment portfolio by credit rating

Credit Rating	Portfolio Weight
AAA to AA-	78%
A+ to A-	6%
BBB+ to BB	7%
BB to B-	8%
Unrated	2%

Investment portfolio evolution (QAR million)



Funding : Continue to build up diverse sources of funding

Summary

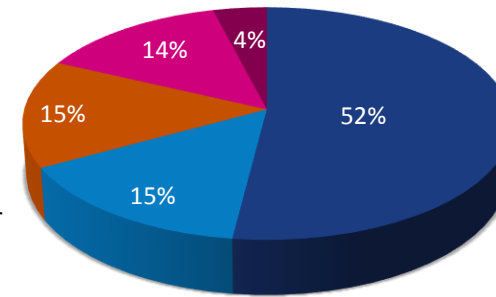
- ◆ Customers' deposits up by 6.3% to QAR 76.3bn in Dec 2019 v Dec 2018 representing 52% of the total balance sheet
- ◆ Well diversified funding mix
- ◆ Total equity represents 15% of funding mix

Debt issued and other borrowed funds

Issuance Type (QARm)	Dec-19	Dec-18
Subordinated Notes	1,261	3,441
EMTN	7,039	7,809
Senior Notes	467	2,888
Other loans (including CPs)	12,801	10,313
Total	21,568	24,451

Total funding mix – 31 Dec 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	Dec 19
Fitch	A	F1	bb+	Stable	Nov19
S&P	BBB+	A-2	bb+	Stable	Oct19

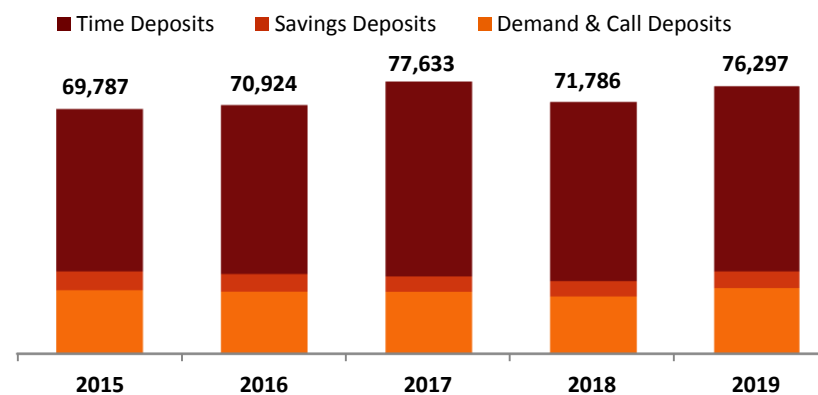


Well diversified deposit portfolio

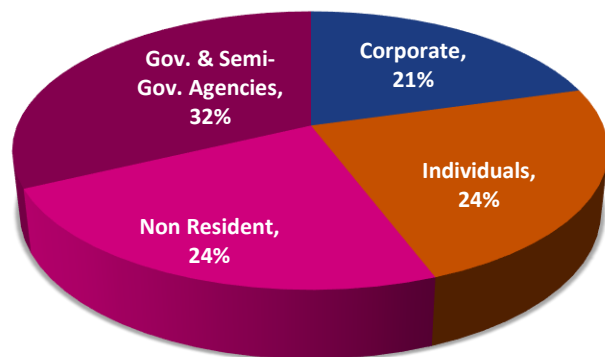
Summary

- ◆ Customer deposits increased by 6.3% to QAR 76.3 Bn v 2018
- ◆ Diversified deposit mix with Government and Semi-Government at 25% , corporate at 27% and individuals at 31%
- ◆ Current and Savings accounts deposit composition remains stable at 31% of the deposit base.
- ◆ The mix of Qatar non resident deposit is 16%.

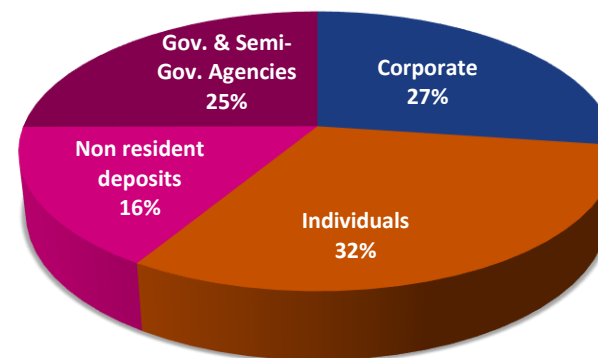
Customer deposits (QAR million)



Qatari banks deposits breakdown by sector – Nov 2019



Deposits by customer type – Dec 2019



Source: QCB

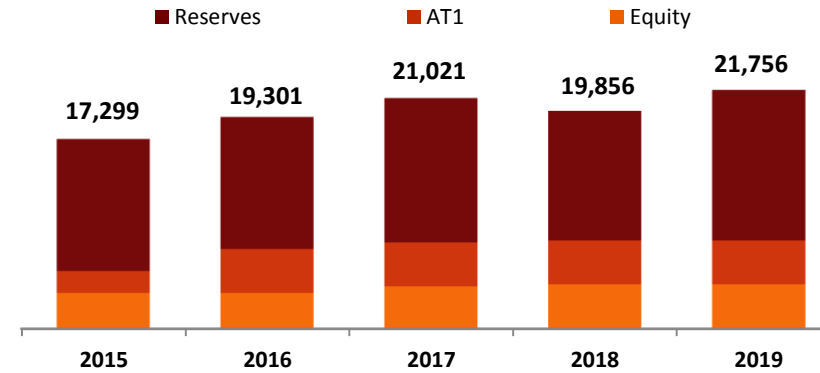
Capitalization Levels – 31 Dec 2019

Summary

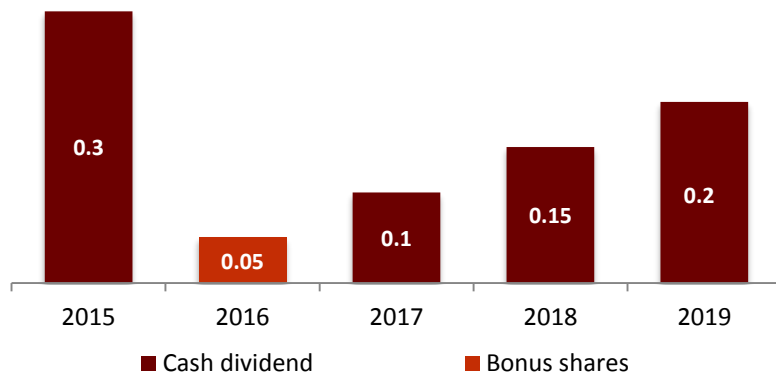
Total equity at QAR 21.8bn up by QAR 1.9bn from Dec 2018, due to:

- ◆ Increase in retained earnings by QAR 0.7bn on account of profits in 2019 adjusted by the dividends payment of 2018, transferred to risk reserve QAR 0.5bn & payment of AT1 dividend QAR 0.2 bn.
- ◆ Increase in fair value reserves by QAR 0.7bn.
- ◆ Increase in risk reserve by QAR 0.5 bn.
- ◆ Capital Adequacy Ratio at 16.4% (Basel III)

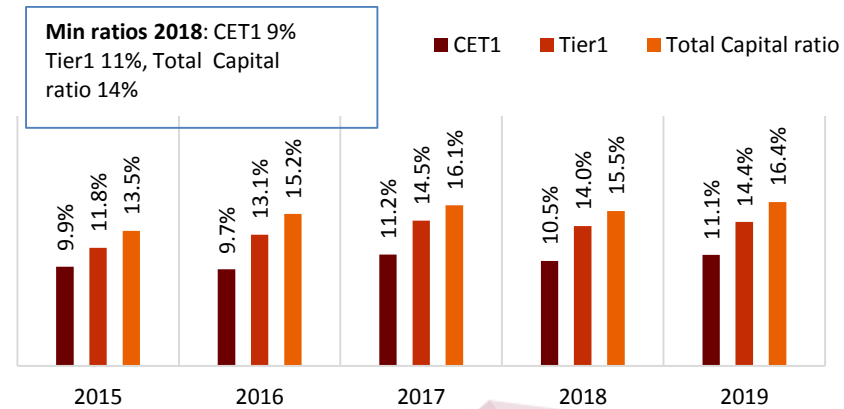
Total equity (QAR million)



Dividend distribution per share (QAR)



Capital Adequacy Ratio (Basel III)



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Commercial Bank Financial Performance – Full year 31 December 2019 (Parent Bank)

Profitability

QAR Million	FY 2019	FY 2018	%
Net interest income	2,574	2,087	23.4%
Non-interest income	1,172	909	29.0%
Total costs	979	896	9.2%
Net provisions	439	711	-38.3%
Net profit	1,915	1,388	37.9%

Balance Sheet

QAR Million	31.12.19	31.12.18	%
Total assets	131,570	118,852	10.7%
Loan & advances	76,475	72,644	5.3%
Securities investments	24,408	19,811	23.2%
Customers' deposits	66,854	62,738	6.6%
Total equity	21,540	19,847	8.5%

Performance Ratios

	31.12.19	31.12.18
ROAE	9.3%	6.7%
ROAA	1.5%	1.2%
NIM	2.6%	2.1%

Capital

QAR Million	31.12.19	31.12.18
RWA (QAR million)	98,132	94,394
CET 1 ratio	11.3%	10.9%
Total Capital ratio	15.9%	15.3%



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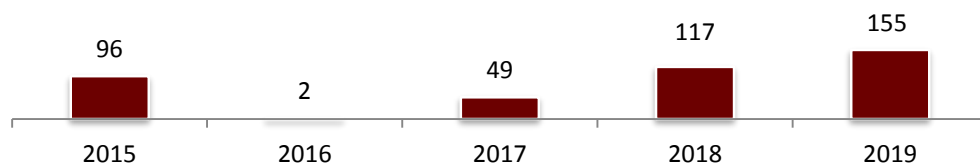


Alternatifbank Results – Full year ended 31 Dec 2019

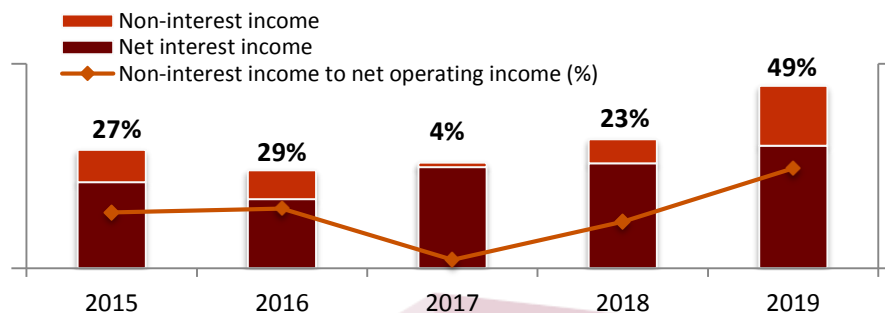
Alternatifbank of Turkey

- ◆ Net profit after tax at TL 155m v TL 117m in 2018
- ◆ Operating income up by TL 260 m v 2018
- ◆ Operating expenses up by TL 30m v 2018
- ◆ Total Loan losses up by TL 166m v 2018
- ◆ Loan book up to TL 18.9bn v TL 18.0bn in 2018
- ◆ Customer deposits up to TL 15.8bn v TL 13.6bn in 2018
- ◆ CB injected USD 50 million capital into Alternatif Bank

Net Profit (TL million)



Net operating income (TL million)



Profitability

TL million	31.12.19	31.12.18
Operating Income	892	631
Total Operating Expenses	(373)	(343)
Total Provision	(329)	(162)
Profit Before Tax	189	126
Tax Expenses	(35)	(9)
Net Profit *	155	117

Balance Sheet

TL million	31.12.19	31.12.18
Assets		
Cash and Balanceswith Cetral Bank	2,686	2,232
Due from banks	3,051	1,437
Loans and advances to customers	18,852	18,025
Total Investments	3,982	3,504
All Other Assets	1,598	640
Total Assets	30,169	25,838
Liabilities & Equity		
Due to banks	241	154
Customers' deposit	15,832	13,586
Other borrowed funds	10,657	9,433
Other Liabilities	998	962
Shareholders Equity	2,441	1,703
Total Liabilities and Equity	30,169	25,838

* Net Profit excludes TL 25m from MTM on AT1 capital that is eliminated on consolidation.

Associates' Performance 31 Dec 2019

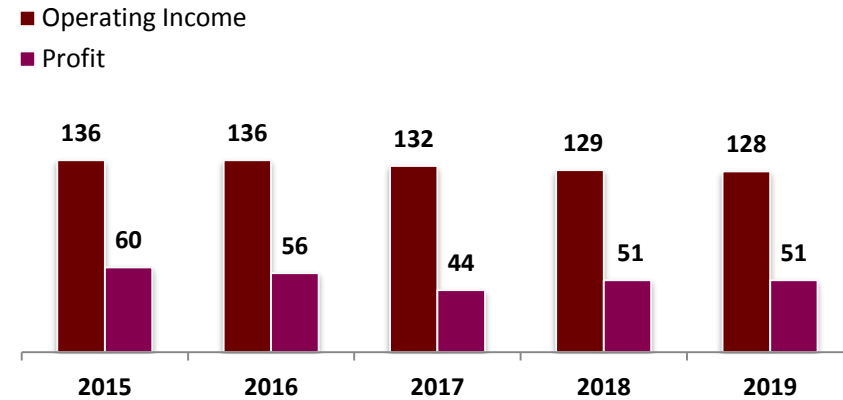
National Bank of Oman (NBO)

- ◆ Net profit after tax at OMR 51m, remains constant vs 2018
- ◆ Net operating income OMR 65m, remains steady vs 2018
 - ◆ Net interest income up 1.7% to OMR 94m
 - ◆ Non-interest income decreased 6% to OMR 34m
- ◆ Net provisions OMR 8m, up by 8% from 2018
- ◆ Loan portfolio remains the same as 2018 at 2.8 bn
- ◆ Customer deposits up by 3% to OMR 2.5bn v 2018

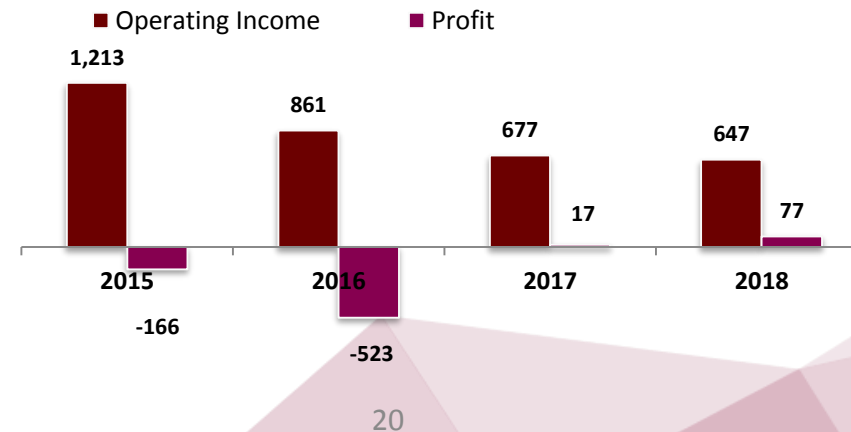
United Arab Bank (UAB)

- ◆ UAB has been classified from Held for sale to an associate
- ◆ QAR 414m impairment of investment in associate has been recorded

NBO Performance (OMR million)



UAB Performance (AED 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

