

البنك التجاري
COMMERCIAL
BANK



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

Financial Results

For the Nine Month Ended 30 September
2018

كل شيء يمكن تحقيقه
everything is possible



- 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



Strategic Focus

Progress

✓ Results

- Strong net profit growth of QAR 1,001m to QAR 1,260m for YTD Sept 2018 compared to the same period last year. Results were driven by higher NII, lower costs and lower credit provisioning.
- Net operating profit increased by 7.9% to QAR 1,771m. RoAE increased to 8.2% in YTD Sept 2018.
- **Best Bank in Qatar award from Global Finance.**

✓ Capital & Funding

- CET1 and Total Capital Ratios remained stable at 9.7% and 14.6% respectively as compared to Q2 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.

✓ Reshaping Loan Book

- Domestic loan growth at 4%, however, this is offset by the TL depreciation and hence consolidated loan growth of 0.3% 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 remains stable at 5.5% in Q3 2018 while the loan coverage ratio decreased marginally to 83.5% from 84.2% compared to prior quarter.
- Cost of Risk reduced to 95bps in Q3 2018 compared with 238bps in Q3 2017.

✓ Costs

- Improving operating efficiency continues to be key focus, led by digitisation, automation and streamlining business models.
- Operating expenses reduced by QAR 120m (11.8%) vs YTD Sept 2017. This was mainly within the Qatar domestic business where costs reduced by QAR 100m (12.9%) vs YTD Sept 2017.

✓ Subsidiaries & Associates

- Alternatifbank reported net profit of TL 92m (QAR 75m) for YTD Sept 2018 compared to TL 57m (QAR 58m) in YTD Sept 2017 (Excludes MTM gain of TL 130m on capital that is eliminated on consolidation).
- NBO reported net profit of OMR 38m (CB's share QAR 126m) vs OMR 34.5m (QAR 114m) in YTD Sept 2017.
- UAB continues to be an asset held for sale.

Group Financial Performance – Nine Months ended 30 September 2018



Group Profitability

QAR Million	9m 2018	9m 2017	%
Net interest income	1,908	1,836	4%
Non-interest income	755	818	-8%
Total costs	892	1,012	12%
Net provisions	630	1,488	58%
Associates income	129	116	11%
Net profit after tax	1,260	259	386%

Consolidated Balance Sheet

QAR Million	Sept. 2018	Sept. 2017	%
Total assets	138,695	133,997	4%
Loan & advances	84,783	84,534	0.3%
Financial investments	21,533	19,318	11%
Customers' deposits	74,894	73,282	2%
Total equity	19,708	21,253	-7%

Performance Ratios

	Sept. 2018	Sept. 2017
ROAE	8.2%	1.7%
ROAA	1.2%	0.3%
NIM	2.2%	2.2%

Capital

QAR Million	Sept. 2018	Sept. 2017
RWA (QAR million)	118,169	120,752
CET 1 ratio (Basel III)	9.7%	11.3%
Total Capital ratio (Basel III)	14.6%	16.1%

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



QAR Million	CB Consolidated							
	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q3 18 with equalized TL exchange rate
Operating Income	885	882	887	875	919	914	831	862
Costs	355	332	325	313	311	309	272	292
Operating Profit	530	550	562	562	608	605	559	570
Provision	485	502	501	256	236	200	195	189
Associates Income	51	46	19	32	43	43	42	42
Net Profit	91	88	79	344	405	450	405	422
Lending Volume	82,029	83,610	84,534	89,123	92,728	87,195	84,783	86,959
Deposit Volume	71,879	74,391	73,282	77,633	79,300	75,116	74,894	77,018
NIM	2.2%	2.2%	2.2%	2.3%	2.3%	2.3%	2.0%	2.2%
C/I Ratio	40.1%	37.7%	36.6%	35.8%	33.9%	33.8%	32.7%	33.9%
C/I Ratio YTD	40.1%	38.9%	38.0%	37.5%	33.9%	33.9%	33.5%	33.8%
NPL Ratio	5.0%	5.6%	5.6%	5.6%	5.3%	5.4%	5.5%	5.5%
Coverage Ratio	85.9%	84.3%	91.6%	81.0%	86.4%	84.2%	83.5%	83.5%
CET 1	11.4%	11.3%	11.3%	11.2%	9.3%	9.7%	9.7%	9.7%
CAR	16.2%	16.1%	16.1%	16.1%	14.7%	14.5%	14.6%	14.6%

Earnings Performance – Nine Months ended 30 September 2018

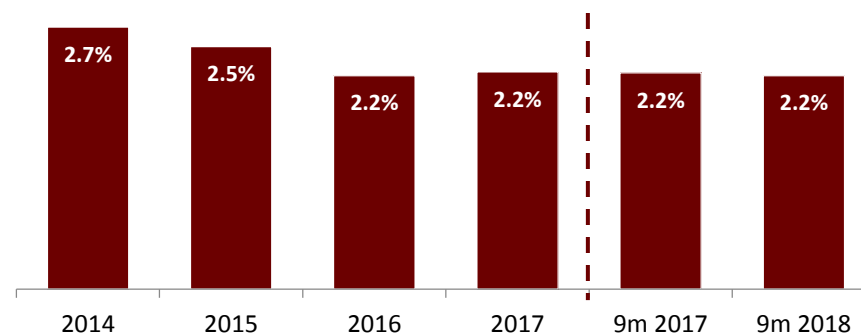


Profitability

- ◆ Net interest income up 4.0% to QAR 1,908m v YTD Sept 2017.
 - ◆ NIM remains stable at 2.2%.
 - ◆ Margins have been managed through active loan book repricing, and diversifying liquidity sources to minimize the increasing cost of funding.

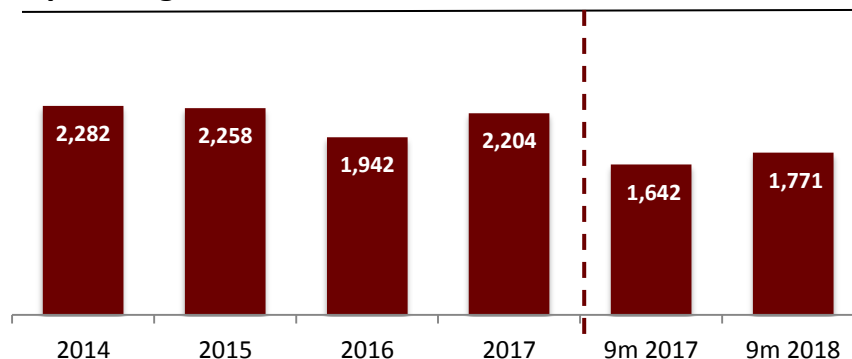
- ◆ Non-interest income down 7.8% to QAR 755m v YTD Sept 2018.
 - ◆ Investment portfolio income down by QAR 72.2m mainly due to a conscious decision to exit equities and alternative investments as well as due to negative mark to market on the bond portfolio driven by higher interest rates.
 - ◆ Net fee income increased 2.2% to QAR 569m with higher transaction banking fees and loan fees.
 - ◆ Net foreign exchange income up 6% to QAR 152m.

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



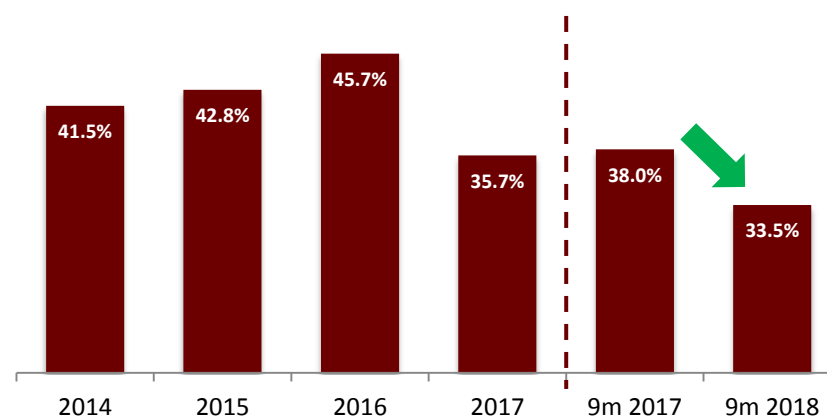
Cost to Income Ratio improves as cost efficiency measures take effect



Operating Expenses

- ◆ Cost to income ratio lower at 33.5% v 38.0% in YTD Sept 2017 driven by a reduction in staff costs and G&A expenses.
 - ◆ Staff costs reduce by 5.6% to QAR 514m in YTD Sept 2018 v YTD Sept 2017.
 - ◆ G&A expenses decreased led by professional fees, depreciation and tighter control across all general and administrative spend.
- ◆ Continued focus on digital processes and tight expense management.

Cost to Income Ratio



Cost reduction drivers – Alternatif bank (TL million)

QAR Million	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018
Alternatifbank					
Staff Costs	42	42	43	52	47
Depreciation, G&A expense	30	29	33	41	36
Total	72	71	76	93	83

* The above table excludes consolidation adjustments

Cost reduction drivers – Commercial Bank (QAR million)

QAR Million	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018
Commercial Bank					
Staff Costs	135	127	136	134	133
Staff Costs CB	133	124	129	126	122
Staff Costs subsidiaries	2	3	7	8	11
Depreciation, G&A expense *	110	112	97	91	88
Total	245	239	233	225	221

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

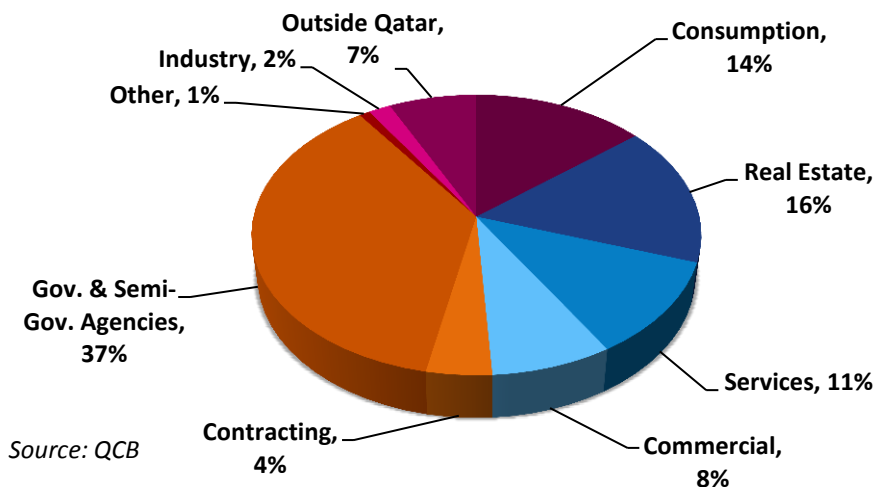
Improved loan book structure



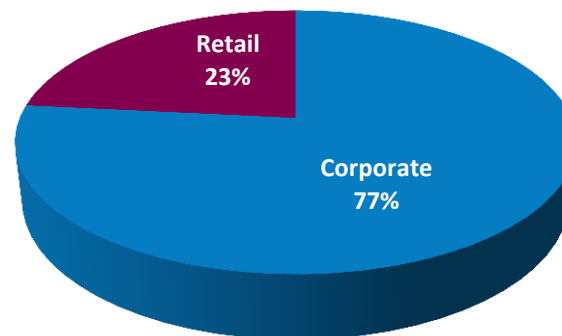
Summary

- ◆ Loans to customers at QAR 84.8bn, up 0.3% v Sept 2017. Domestic loan growth at 4%, however, this is offset by the TL depreciation and hence consolidated loan growth of 0.3% year on year.
 - ◆ Growth in Govt & Public sector, 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.

Qatari banks credit facilities breakdown by sector – Aug 2018



Loan book breakdown by division



Loan book breakdown by sector – September 2018

Sector	Sept. 18	Sept. 17
Govt and Public Sector	10%	8%
Industry	8%	7%
Commercial	9%	8%
Services	29%	27%
Contracting	8%	9%
Real Estate	26%	26%
Consumption	8%	12%
Other	2%	3%

* Excluding temporary overdraft of Government

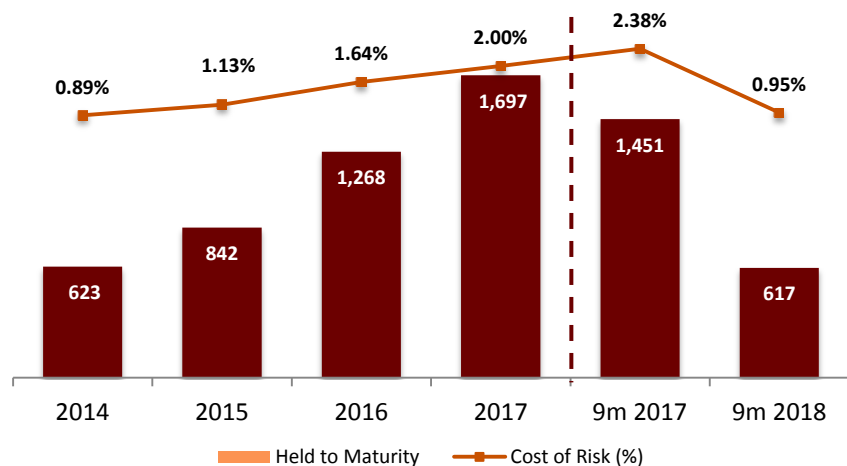
Asset Quality – 30 September 2018: Significant decrease in provision for loan losses as impairment on legacy portfolio reduces



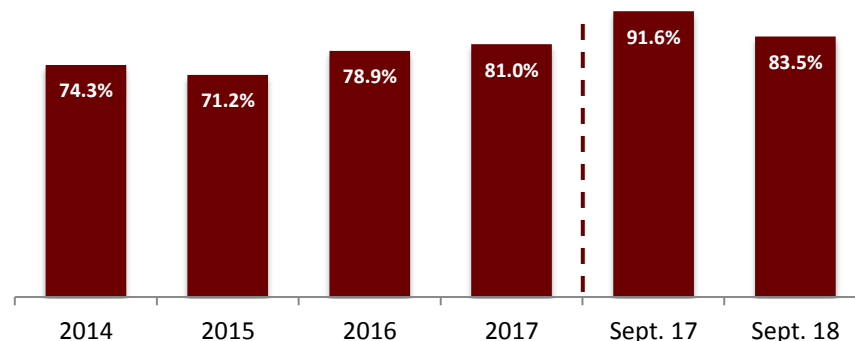
Summary

- ◆ Net Provision for loan loss of QAR 617m v QAR 1,451m in YTD Sept 2017
 - ◆ QAR 270m for Wholesale
 - ◆ QAR 150m for SME and QAR 52m for Retail
 - ◆ QAR 95m for Alternatifbank
- ◆ NPL ratio at 5.5% v 5.6% at Sept 2017
- ◆ Loan coverage at 83.5% v 91.6% at Sept 2017
- ◆ IFRS opening balance charge of QAR 1.5 bn

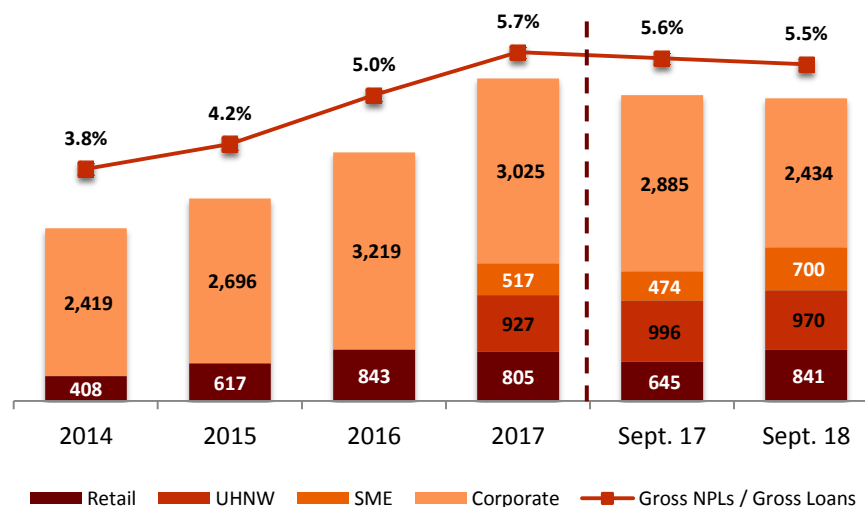
Net Provision for loan loss (QAR million)



Loan coverage ratio



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



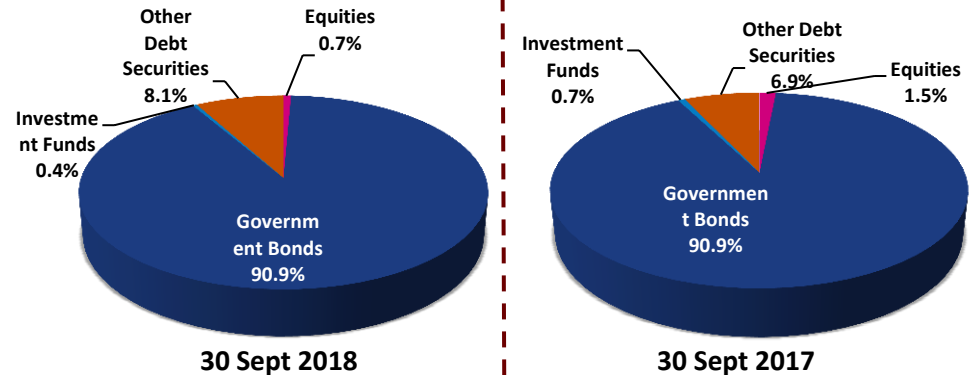
Investment Portfolio – 30 September 2018: High asset quality with 91% of the portfolio invested in HQLA Government Bonds



Summary

- ◆ Investment portfolio up 11.5% to QAR 21.5bn v Sept 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 72.2m v Sept 2017 mainly due to a conscious decision to exit equities and alternative investments as well as due to negative mark to market on the bond portfolio driven by increases in interest rates.

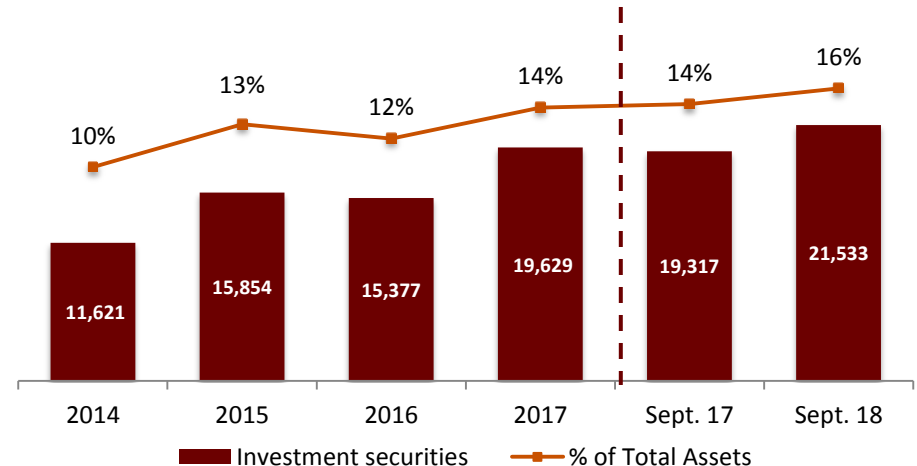
Investment portfolio – 30 Sept 2018 vs 30 Sept 2017



Investment portfolio by credit rating

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

Investment portfolio evolution (QAR million)



Funding : Continue to build up diverse sources of funding



Summary

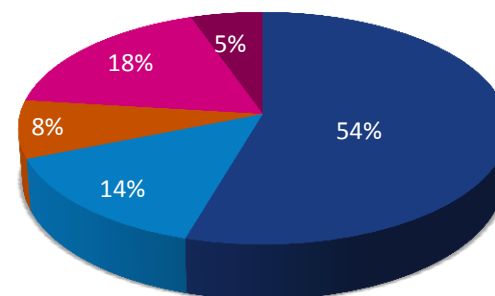
- ◆ Customers' deposits up 2.2% to QAR 74.9bn v Sept 2017 representing 54% of the total funding base
- ◆ Well diversified funding mix
- ◆ Shareholders' equity represents 14% of funding mix
- ◆ Swiss bond issuance of CHF 335m in March 2018.
- ◆ EMTN issuance of USD 500m in May 2018

Debt issued and other borrowed funds

Issuance Type (QARm)	9m 2018	9m 2017
Subordinated Notes	3,425	3,434
EMTN	7,910	5,428
Senior Notes	2,434	1,152
Other loans (including CPs)	11,907	11,467
Total	25,676	21,481

Total funding mix – 30 September 2018

- 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	bbb-	Stable	Jun 18
S&P	BBB+	A-2	bbb-	Negative	Jun 18

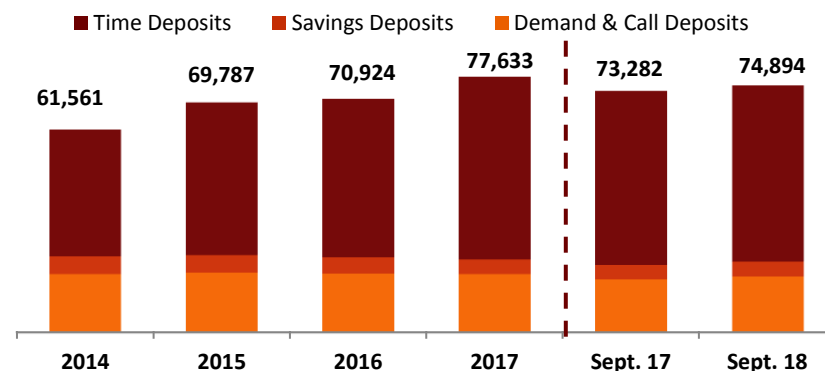
Well diversified deposit portfolio



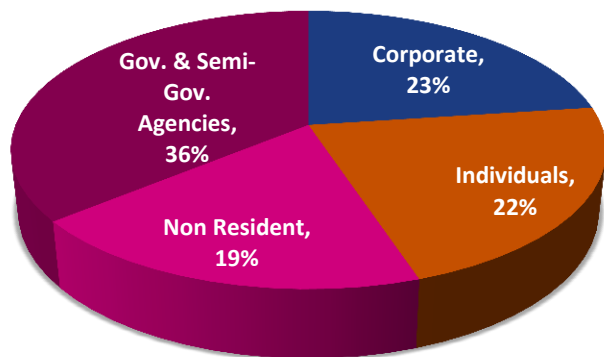
Summary

- ◆ Customers' deposits increased by 2.2% to QAR 74.9bn v Sept 2017
- ◆ Diversified deposit mix with Government and Semi-Government at 29% , corporate at 26% and individuals at 29%
- ◆ Current and Savings accounts deposit composition remains stable at 28.6 % of the deposit base.
- ◆ The mix of Qatar non resident deposit is 16%.

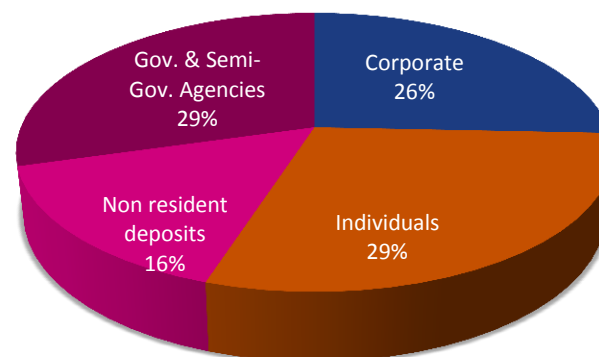
Customers' deposits (QAR million)



Qatari banks deposits breakdown by sector – August 2018



Deposits by customer type – September 2018



Source: QCB

Capitalization Levels – 30 September 2018



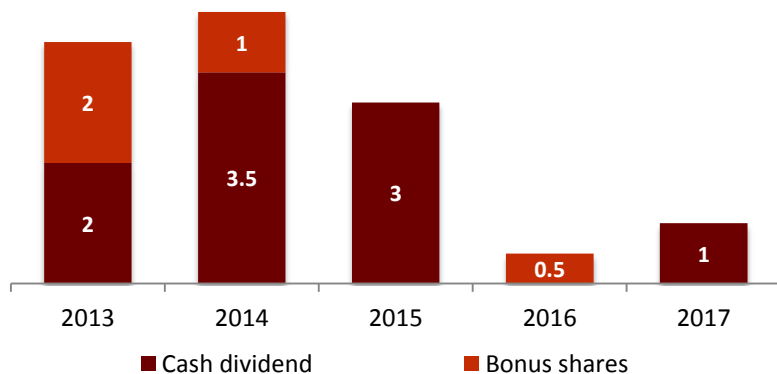
Summary

Total equity at QAR 19.7bn, down by QAR 1.3bn from Dec 2017, due to:

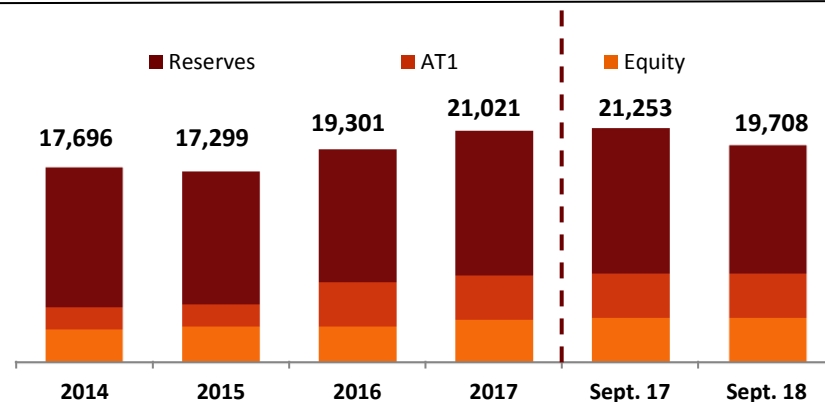
- ◆ Decrease in risk reserve by QAR 1.5bn from the opening balance adjustment for IFRS 9 implementation.
- ◆ Decrease from foreign currency translation reserve of QAR 594m due to TL depreciation.
- ◆ Increase in retained earnings by QAR 850m on account of profit for the period.

Capital Adequacy Ratio at 14.6% (Basel III)

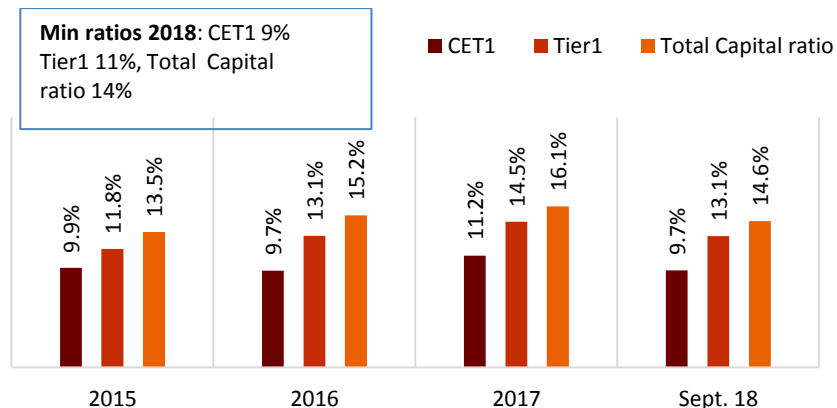
Dividend distribution per share (QAR)



Total equity (QAR million)



Capital Adequacy Ratio (Basel III)





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Commercial Bank Financial Performance – Nine Months ended 30 September 2018 (Domestic)



Profitability

QAR Million	9m 2018	9m 2017	%
Net interest income	1,668	1,561	7%
Non-interest income	686	778	-12%
Total costs	679	779	13%
Net provisions	522	1,378	62%
Net profit	1,153	182	534%

Balance Sheet

QAR Million	30.09.18	30.09.17	%
Total assets	122,346	116,876	5%
Loan & advances	73,839	71,101	4%
Financial investments	20,353	16,868	21%
Customers' deposits	66,325	64,202	3%
Total equity	19,730	21,686	-9%

Performance Ratios

	30.09.18	30.09.17
ROAE	7.5%	1.0%
ROAA	1.3%	0.2%
NIM	2.2%	2.2%

Capital

QAR Million	30.09.18	30.09.17
RWA (QAR million)	99,589	101,094
CET 1 ratio	10.0%	11.7%
Total Capital ratio	14.2%	15.8%



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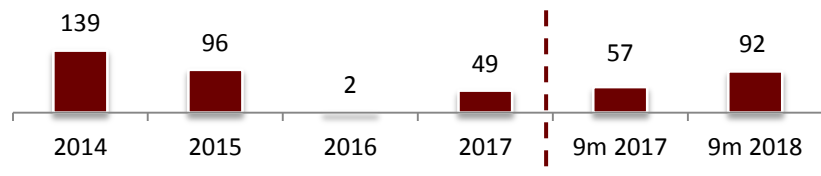
Alternatifbank Results – Nine Months ended 30 September 2018



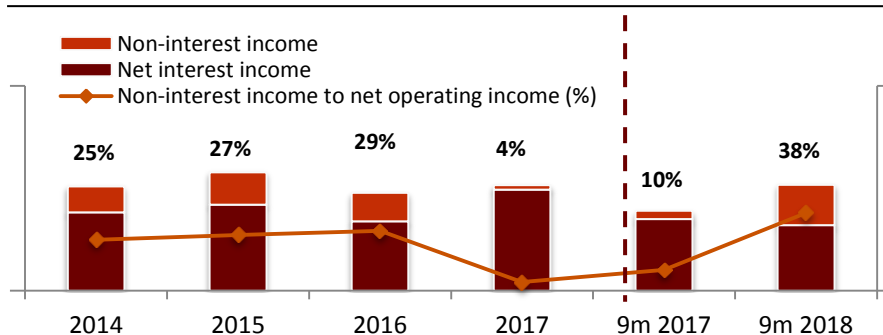
Alternatifbank of Turkey

- ◆ Net profit after tax at TL 92m v TL 57m in YTD Sept 2017
- ◆ Operating income up by TL 105m v YTD Sept 2017
- ◆ Operating expenses up by TL 38m v YTD Sept 2017
- ◆ Total Loan losses up by TL 31m v YTD Sept 2017
- ◆ Loan book up to TL 18.2bn v TL 13.0bn in Sept 2017
- ◆ Customers' deposits up to TL 14.3bn v TL 8.8bn in Sept 2017

Net Profit (TL million)



Net operating income (TL million)



Profitability

TL million	9m 2018	9m 2017
Operating Income	496	391
Total Operating Expenses	253	215
Total Provision	139	108
Profit Before Tax	104	68
Tax Expenses	12	11
Net Profit *	92	57

Balance Sheet

TL million	Sept. 18	Sept. 17
Assets		
Cash and Balances with Central Bank	2,506	2,070
Due from banks	2,328	431
Loans and advances to customers	18,165	12,973
Total Investments	3,906	2,395
Other Assets	2,562	1,005
Total Assets	29,467	18,874
Liabilities & Equity		
Due to banks	1,433	1,414
Customers' deposit	14,271	8,838
Other borrowed funds	10,315	6,243
Other Liabilities	1,727	735
Shareholders Equity	1,721	1,644
Total Liabilities and Equity	29,467	18,874

* Net Profit excludes TL 130m from MTM on AT1 capital that is eliminated on consolidation.

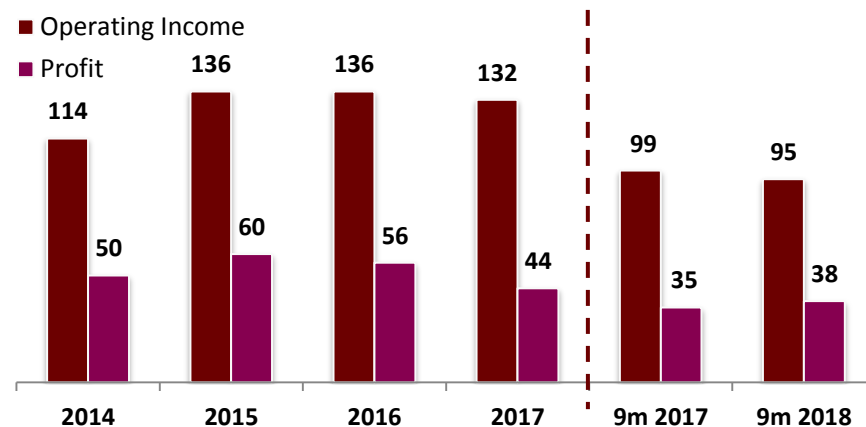
Associates' Performance – Nine Months ended 30 September 2018



National Bank of Oman (NBO)

- ◆ Net profit after tax at OMR 38m, up by 10% from OMR 34.5m in YTD Sept 2017
- ◆ Net operating income OMR 95m, down 3% from OMR 98.5m in YTD Sept 2017
 - ◆ Net interest income down 8% to OMR 65m
 - ◆ Non-interest income increased 7% to OMR 29.8m
- ◆ Net provisions OMR 5.1m, down by OMR 7.5m from OMR 12.6m in YTD Sept 2017
- ◆ Loan portfolio decreased by 4% at OMR 2.6bn v Sept 2017
- ◆ Customers' deposits remained stable at OMR 2.5bn v Sept 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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