The Commercial Bank (P.S.Q.C.)
Financial Results
For the period ended 31 March 2020

البنك التجاري
COMMERCIAL BANK

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	• Net profit decreased by 8.5% to QAR 402m. • NIMs improved to 2.5% from 2% in 1Q 2019. • Adverse unrealized mark to market movement in investment and trading income due to unprecedented volatility in global markets. • Operating profit of QAR 730 million, up by 17.5% • Best Cash Management Bank in Qatar award for the third year in a row, and Best Transaction Banking service in Qatar from "The Asian Banker" • Best Retail Bank in Qatar award for the third year in a row and the Best Remittance Product and Service in Asia Pacific, Middle East and Africa from "The Asian Banker"
Capital & Funding	• CET1 and Total Capital Ratios increased to 11.1% and 16.6% respectively as compared to 10.9% and 16.1% at 31 March 2019. • Funding in 1Q 20 was fairly stable as compared to December 2019 with an increase in the call and current accounts by 8.4%.
Reshaping Loan Book	• Consolidated loan book at QAR 88.8bn in March 2020, up 3.2% v March 2019. • To support our corporate customers and the economy, we have postponed loan installments and interest payments. • 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 3%, real estate and contracting sectors were down by 3% and 1% respectively as compared to March 2019.
Provisioning	• NPL ratio reduced to 5% in March 20 20compared to 5.6% in March 2019 due to cash recovery /settlement. Consequently, the loan coverage ratio (including ECL) increased to 84.6% as compared to 80.3% in March 2019. • Cost of Risk reduced to 83bps compared with 102bps in 1Q 2019.
Costs	• Consolidated Cost to Income ratio reduced from 30.9% to 19.5% (normalized 27.1%) and in Qatar from 27.4% to 13.9% (normalized 23.3%) by increase in operating income and reduction of costs through digitisation, automation and productivity enhancements. • Decrease in in staff costs is on account of IFRS 2 accounting for its share options granted to staff. • Our initial investments in technology and digitization, which have been instrumental in our ability to swiftly adapt to the new environment during the COVID-19 pandemic, have allowed us to operate and serve our customers through a number of digital platforms.
Subsidiaries & Associates	• Alternatif bank reported net profit of TL 40m (QAR 25m) for 1Q 2020 compared to TL 33m (QAR 22m) in 1Q 2019. • Our associates reporting is based on management accounts as there is no/deferred requirement for Q1 reporting in their respective countries of operation.

Progress against our 5-year plan :

QAR Million	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q4 2019 (Normalized)	Q1 2020 (Normalized)
Operating Income	900	947	1,006	1,494	907	1,010	1,002
Costs	278	274	272	404	177	286	272
Operating Profit	622	673	734	1,090	730	724	730
Net impairment	221	208	197	29	189	191	189
Associates Income	50	43	43	(524)	(134)	44	(134)
Net Profit	440	503	570	542	402	582	402
Lending Volume	86,023	84,823	89,095	88,009	88,773	88,009	88,773
Deposit Volume	82,054	76,898	74,294	76,297	77,364	76,297	77,364
NIM	2.0%	2.2%	2.4%	3.2%	2.5%	2.6%	2.5%
C/I Ratio	30.9%	29.9%	28.9%	27.0%	19.5%	28.4%	27.1%
COR (bps)	102	99	71	2	83	63	83
NPL Ratio	5.6%	4.9%	4.9%	4.9%	5.0%	4.9%	5.0%
Coverage Ratio	80.3%	96.2%	95.2%	82.2%	84.6%	82.2%	84.6%
CET 1	10.9%	11.0%	11.0%	11.1%	11.1%	11.1%	11.1%
CAR	16.1%	16.3%	16.2%	16.4%	16.6%	16.4%	16.6%
EPS (annualized)	0.37	0.43	0.50	0.47	0.34	0.51	0.34

Group Financial Performance – Quarter ended 31 March 2020

Group Profitability

QAR Million	Q1 2020	Q1 2019	%
Net interest income	809	581	39.3%
Non-interest income	98	319	-69.2%
Total costs	(177)	(278)	36.5%
Net provisions	(189)	(221)	14.4%
Associates income	(134)	50	-367.0%
Net profit after tax	402	440	-8.5%

Consolidated Balance Sheet

QAR Million	31.03.20	31.03.19	%
Total assets	146,404	143,829	1.8%
Loans & advances	88,773	86,023	3.2%
Investment Securities	26,204	22,999	13.9%
Customer Deposits	77,364	82,054	-5.7%
Total equity	20,624	19,736	4.5%

Performance Ratios

	31.03.20	31.03.19
ROAE	7.6%	8.9%
ROAA	1.1%	1.3%
NIM	2.5%	2.0%

Capital

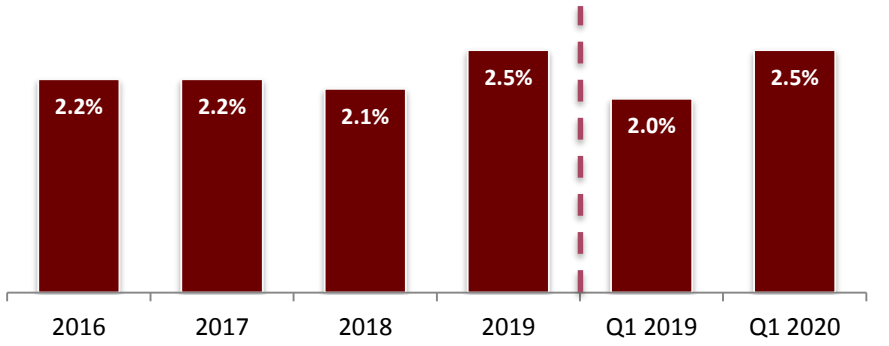
QAR Million	31.03.20	31.03.19
RWA (QAR million)	116,301	112,228
CET 1 ratio (Basel III)	11.1%	10.9%
Total Capital ratio (Basel III)	16.6%	16.1%

Earnings Performance – Quarter ended 31 March 2020

Profitability

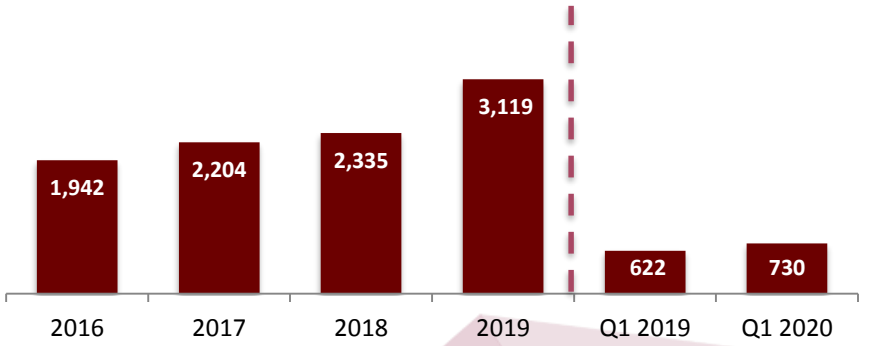
- Net interest income up by 39.3% to QAR 809m in Mar 2020 v Mar 2019.
  - NIM increased to 2.5% in Mar 2020 v 2.0% in Mar 2019.
  - Increase in margins is a result of proactive management of the cost of funding both in Qatar and Turkey.
- Non-interest income reduced to 98m compared to 319m in Mar 2019.
  - The overall decrease in non-interest income was mainly due to an adverse unrealized mark to market movement in investment and trading income as a result of the unprecedented volatility in the global markets.

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

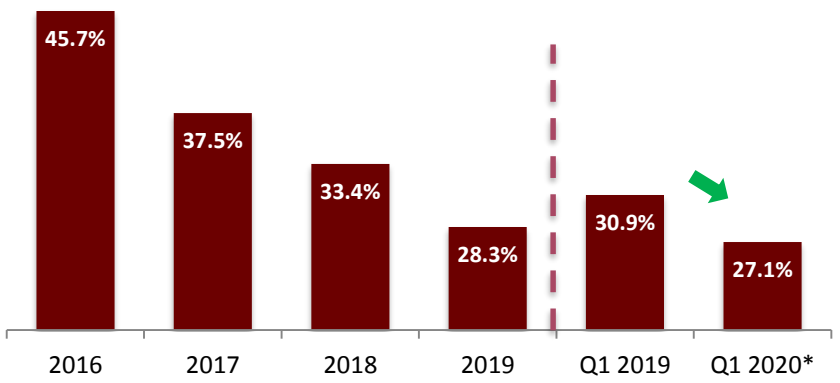


Cost to Income Ratio improves as cost efficiency measures take effect

Operating Expenses

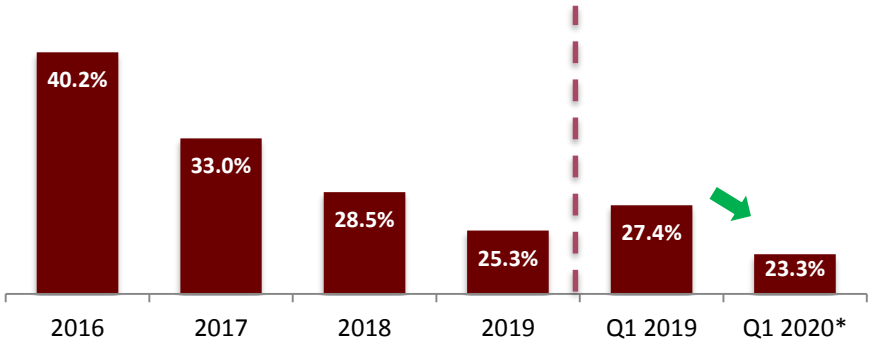
- Cost to income ratio lower at 19.5% (Normalized 27.1%) in Mar 2020 v 30.9% in Mar 2019 driven by a reduction in staff cost..
  - Staff costs reduced by 61.1% to QAR 66m in Mar 2020 v Mar 2019 mainly on account of the IFRS 2 impact of the performance rights scheme due to the movement in CB share price.
- Continued focus on digital processes and tight expense management.
- In Qatar, C/I Ratio reduced from 27.4% in Mar 2019 to 13.9% (Normalized 23.3%) in Mar 2020.
- Alternatif bank C/I Ratio increased from 39.7% in Mar 2019 to 43.1% in Mar 2020.

Cost to Income Ratio Consolidated



- *Q1 2020 represents Normalized C/I ratio

Cost to Income Ratio Domestic



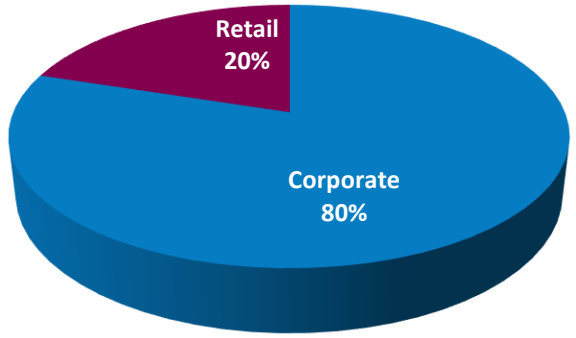
- Outsource service provider cost for 2017 was QAR 44m, which has now been brought in-house to subsidiary

Improved loan book structure

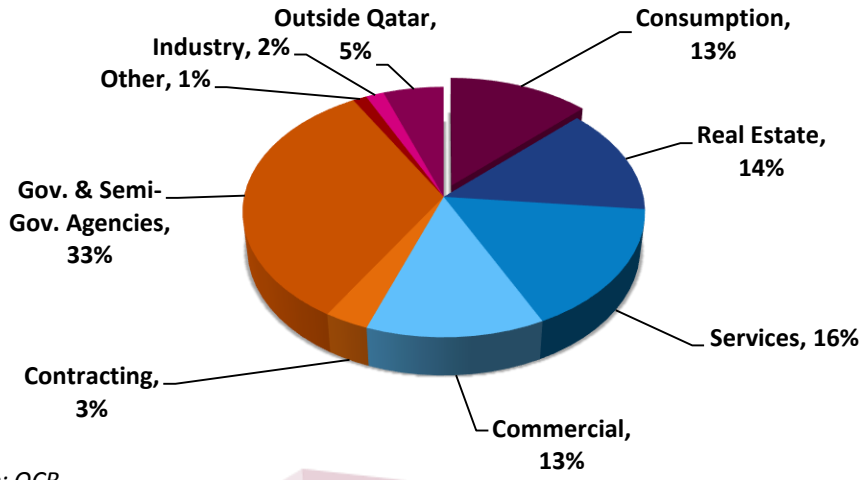
Summary

- Loans to customers at QAR 88.8bn, up 3.2% v Mar 2019.
- Growth in government and public sectors
- Reduction in real estate and contracting sectors
- Loan book diversified across sectors
- Corporate customers represent 80% of total loan book
- Focus continues on improving market share in Government and Public sector.

Loan book breakdown by division – March 2020



Qatari banks credit facilities breakdown by sector – Feb 2020



Source: QCB

Loan book breakdown by sector – March 2020

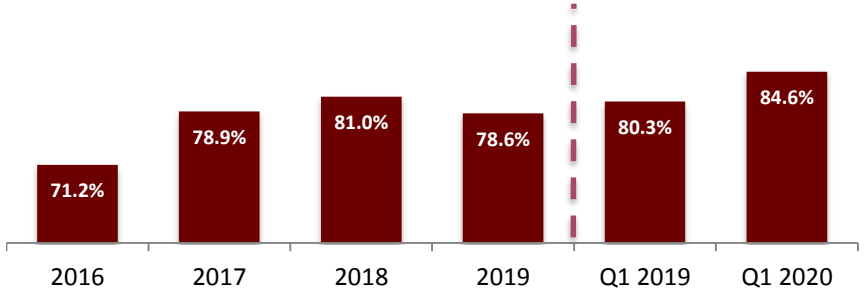
Sector	31.03.20	31.03.19
Govt and Public Sector	16%	13%
Industry	9%	8%
Commercial	13%	11%
Services	29%	31%
Contracting	4%	5%
Real Estate	21%	24%
Consumption	7%	7%
Other	1%	1%
	100%	**100%**

Asset Quality – 31 March 2020: Decrease in provision for loan losses

Summary

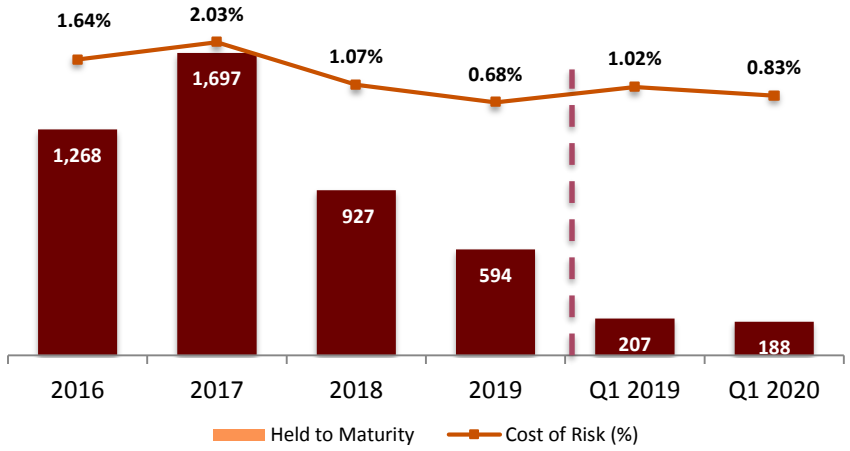
- Net impairment for loan loss of QAR 188m v QAR 207m in Mar 2019
  - QAR 84m for Wholesale
  - QAR 59m for Retail
  - QAR 45m for Alternatifbank
- NPL ratio reduced to 5.0% from 5.6% in Mar 2019
- Loan coverage at 84.6% v 80.3% in Mar 2019

Loan coverage ratio

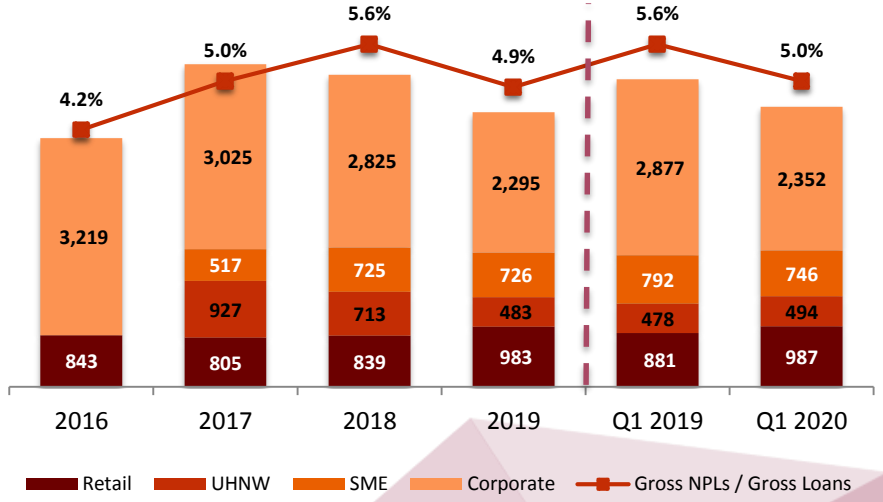


*** 2018 onwards includes ECL**

Net Provision for loan loss (QAR million)



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

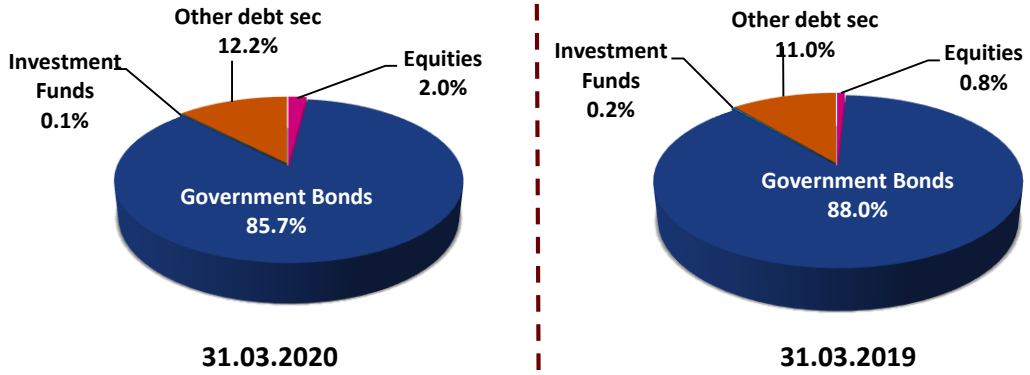


Investment Portfolio – 31 March 2020: High asset quality with 85.7% of the portfolio invested in HQLA Government Bonds

Summary

- Investment portfolio up 13.9% to QAR 26.2bn v Mar 2019
  - Driven by purchase of highly rated sovereign bonds.
  - Investments in highly rated Sovereign Bonds provides stability to the portfolio and makes it less volatile.
- 85.7% Government Bonds

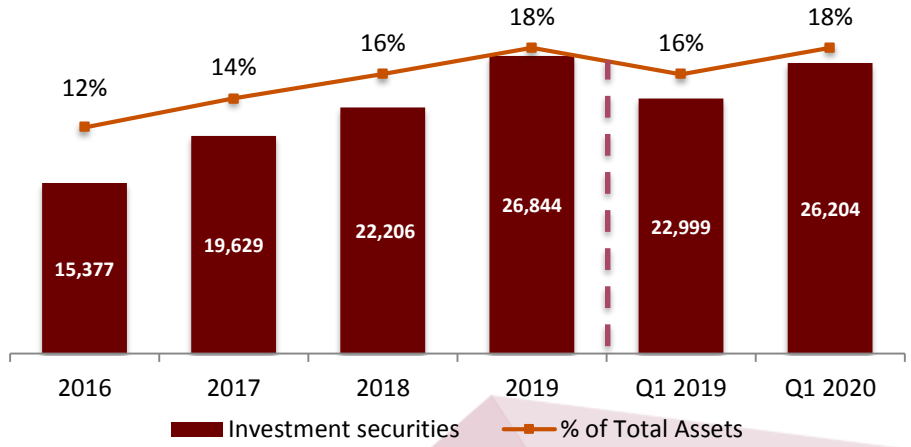
Investment portfolio – 31 March 2020 vs 31 March 2019



Investment portfolio by credit rating

Credit Rating	Portfolio Weight
AAA+ to A-	88%
BBB+ to BB-	4%
B+ to B-	7%
Unrated	1%

Investment portfolio evolution (QAR million)

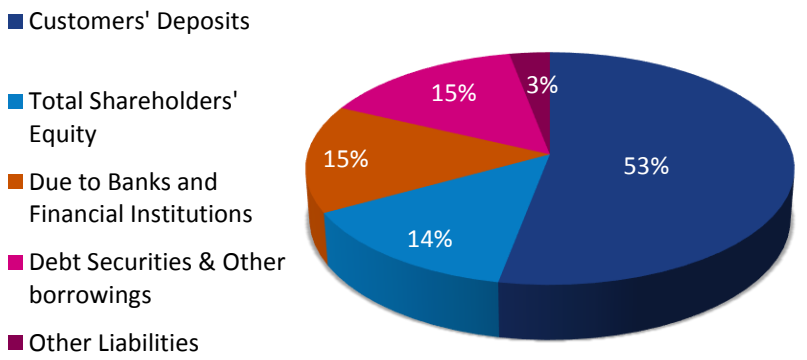


Funding : Continue to build up diverse sources of funding

Summary

- Customers' deposits down by 5.7% to QAR 77.4 bn in Mar 2020 v Mar 2019 representing 53% of the total balance sheet
- Well diversified funding mix
- Total equity represents 15% of funding mix

Total funding mix – 31 March 2020



Debt issued and other borrowed funds

Issuance Type (QARm)	Q1-2020	Q1-2019
Subordinated Notes	1,262	3,461
EMTN	7,159	9,653
Senior Notes	404	1,636
Other loans (including CPs)	13,145	10,539
Total	**21,970**	**25,289**

Commercial Bank credit ratings

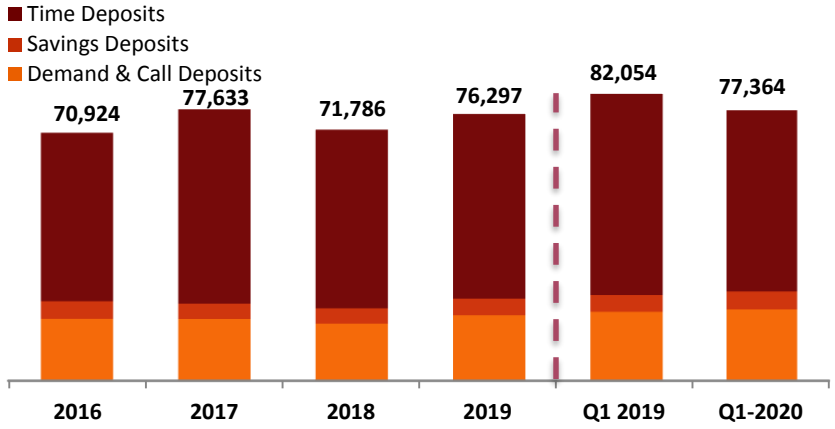
Rating Agency	Foreign Ccy Deposits/IDR		Bank Strength	Outlook	Date
	LT	ST			
Moody's	A3	Prime 2	ba1	Stable	Dec 19
Fitch	A	F1	bb+	Stable	Nov19
S&P	BBB+	A-2	bb+	Stable	Oct19

Well diversified deposit portfolio

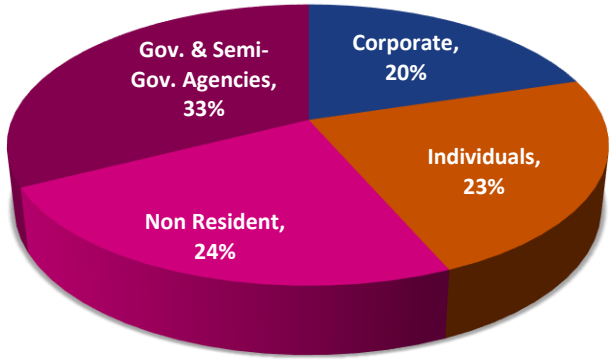
Summary

- Customer deposits down by 5.7% to QAR 77.3 bn v Mar 2019
- Diversified deposit mix with Government and Semi-Government at 25% , corporate at 31% and individuals at 32%
- Current and Savings accounts deposit composition remains stable at 33% of the deposit base.
- The mix of Qatar non resident deposit is 16%.

Customer deposits (QAR million)

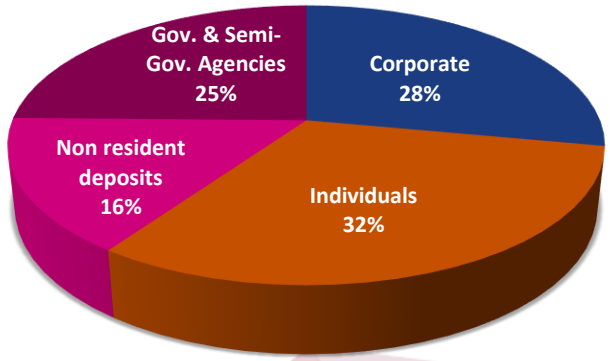


Qatari banks deposits breakdown by sector – Feb 2020



Source: QCB

Deposits by customer type – March 2020



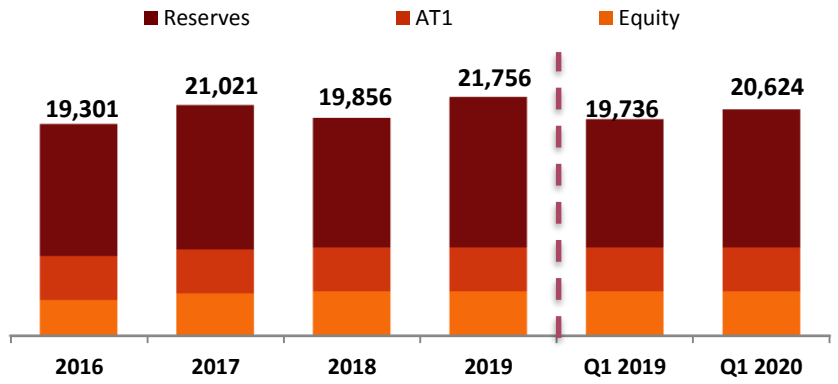
Capitalization Levels – 31 March 2020

Summary

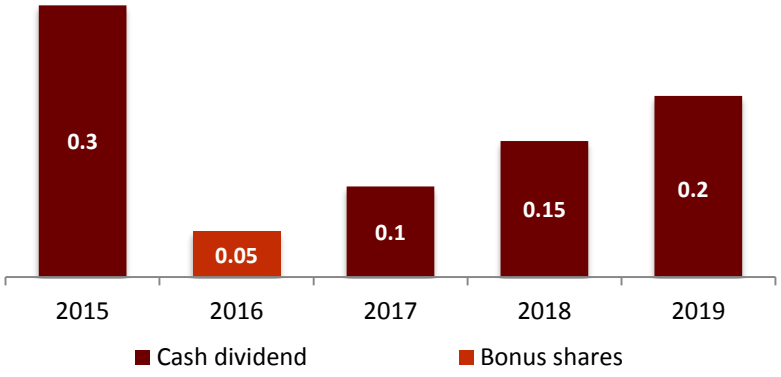
Total equity at QAR 20.6bn down by QAR 1.1 bn from Dec 2019, due to:

- Decrease in fair value reserves by QAR 0.6 bn on account of the unprecedented volatility in global markets
- Decrease in retained earnings by QAR 0.3 bn on account of dividend payment of 2019 adjusted by the profits of Q1 2020
- Decrease in foreign currency translation and other reserves by QAR 0.1 bn each
- Capital Adequacy Ratio at 16.6% (Basel III)

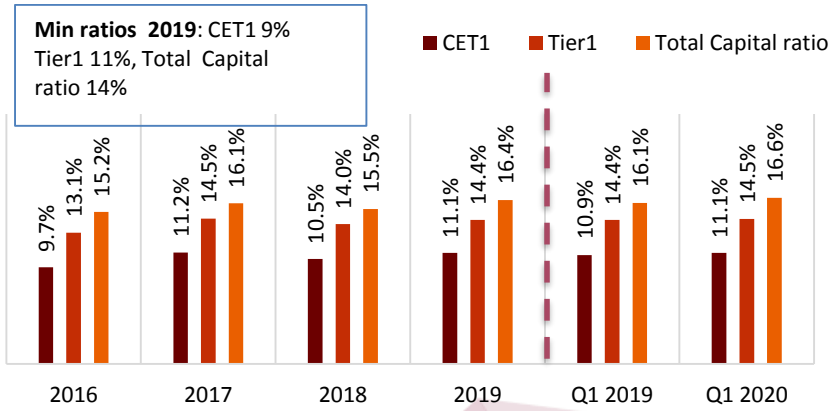
Total equity (QAR million)



Dividend distribution per share (QAR)



Capital Adequacy Ratio (Basel III)



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

MSCI →

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

FTSE Russell →

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

بورصة قطر
Qatar Stock Exchange →

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

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Commercial Bank Financial Performance – Quarter ended 31 March 2020 (CB Domestic)

Profitability

QAR Million	Q1-2020	Q1-2019	%
Net interest income	716	515	38.9%
Non-interest income	58	254	-77.1%
Total costs	(108)	(211)	49.0%
Net provisions	(143)	(159)	10.1%
Net profit	523	399	31.1%

Balance Sheet

QAR Million	31.03.20	31.03.19	%
Total assets	130,666	128,073	2.0%
Loans & advances	77,557	74,471	4.2%
Investment Securities	24,870	21,854	13.8%
Customer Deposits	68,479	73,238	-6.5%
Total equity	20,429	19,856	2.9%

Performance Ratios

	31.03.20	31.03.19
ROAE	9.9%	8.2%
ROAA	1.6%	1.3%
NIM	2.5%	2.1%

Capital

QAR Million	31.03.20	31.03.19
RWA (QAR million)	97,273	93,665
CET 1 ratio	10.8%	11.2%
Total Capital ratio	16.0%	15.7%

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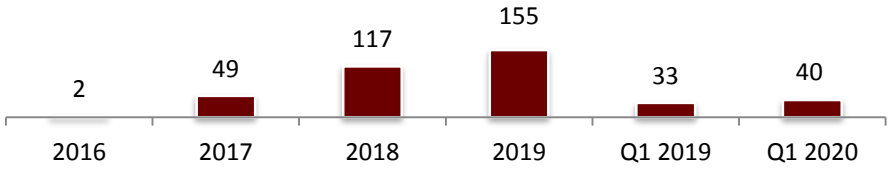
Alternatifbank Results – Quarter ended 31 March 2020

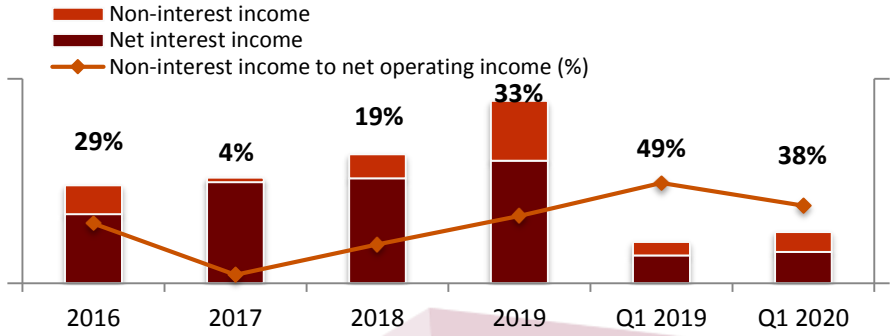
Alternatifbank of Turkey

- Net profit after tax at TL 40m v TL 33m in Mar 2019
- Operating income down by 5% to TL 220 m v Mar 2019
- Operating expenses down by 2% to TL 90m v Mar 2019
- Total Loan losses down by 11.5% to TL 80m v Mar 2019
- Loan book up by 19.7% to TL 20.2bn v TL 16.9bn in Mar 2019
- Customer deposits up by 21.7% to TL 16.0 bn v TL 13.1 bn in Mar 2019
- CB injected USD 50 million capital into Alternatif Bank in Q1 2020

Net Profit (TL million)



Net operating income (TL million)



Profitability

Debt issued and other borrowed funds		
TL million	**31.03.20**	**31.03.19**
Operating Income	220	232
Total Operating Expenses	(90)	(92)
Total Provision	(80)	(91)
Profit Before Tax	50	49
Tax Expenses	(10)	(16)
Net Profit	40	33

Balance Sheet

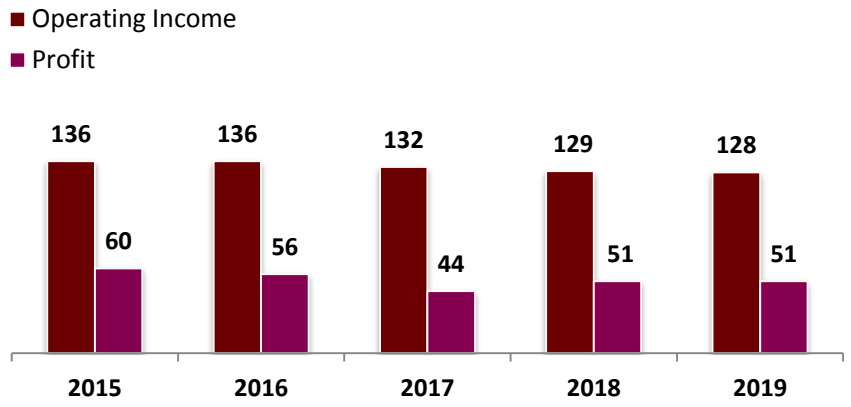
Debt issued and other borrowed funds		
TL million	**31.03.20**	**31.03.19**
Assets		
Cash and Balanceswith Cetral Bank	1,993	2,112
Due from banks	3,691	1,896
Loans and advances to customers	20,257	16,920
Total Investments	4,644	3,648
All Other Assets	2,118	2,032
Total Assets	**32,703**	**26,608**
Liabilities & Equity		
Due to banks	435	764
Customers' deposit	16,047	13,186
Other borrowed funds	12,827	9,430
Other Liabilities	1,069	1,173
Shareholders Equity	2,325	2,055
Total Liabilities and Equity	**32,703**	**26,608**

Associates' Performance - 31 March 2020

National Bank of Oman (NBO)

- Our associates reporting is based on management accounts as there is no/deferred requirement for Q1 reporting in their respective countries of operation. As these are listed entities, we have not disclosed their individual financials for Q1 2020 separately.

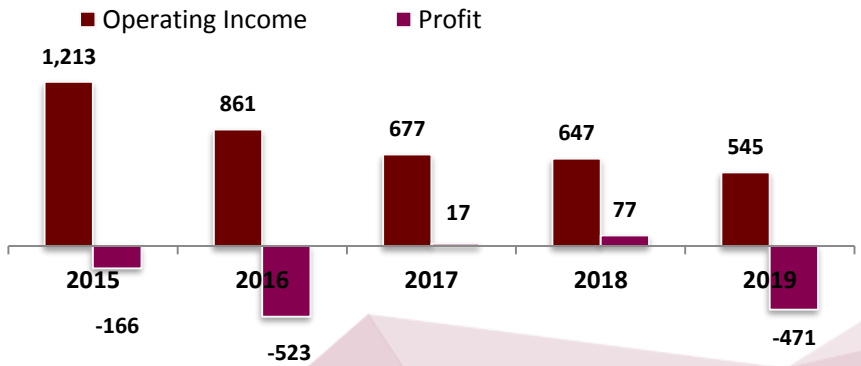
NBO Performance (OMR million)



United Arab Bank (UAB)

- Our associates reporting is based on management accounts as there is no/deferred requirement for Q1 reporting in their respective countries of operation. As these are listed entities, we have not disclosed their individual financials for Q1 2020 separately.

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