

The Commercial Bank (P.S.Q.C.) Announces
Net Profit of QAR 901 Million for the Half year Ended 30 June 2020

23 July 2020, Doha, Qatar: The Commercial Bank (P.S.Q.C.) (“the Bank”), its subsidiaries and associates (“Group”) announced today its financial results for the half year ended 30 June 2020. The Group reported a net profit of QAR 901.2 million as compared to QAR 948.2 million for the same period in 2019.

Key financial highlights for the Group compared to the same period in 2019

- Net profit of QAR 901.2 million, down by 5.0%
- Operating profit of QAR 1,527.2 million, up by 17.9%
- Cost to income ratio of 23.5% (normalized 26.5%), reduced from 29.9%
- Gross loan provisions of QAR 530.9 million, up by 3.5% due to COVID-19 related model increases in ECL. This was offset by strong recoveries resulting in net provisions on loans and advances to customers at QAR 225.2 million, down by 48.1%
- Total assets of QAR 143.7 billion, up by 1.8%
- Customer loans and advances of QAR 87.0 billion, up by 1.5%
- Excellence in Leadership in the Middle East award from Euromoney
- 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 fourth year in a row and the Best Remittance Product and Service in Asia Pacific, Middle East and Africa from “The Asian Banker”

Sheikh Abdulla bin Ali bin Jabor Al Thani, Chairman of the Board of Directors of Commercial Bank, said, “Through a combination of public health policy and social and economic measures, Qatar continues to demonstrate its ability to navigate the immediate challenges of the COVID-19 pandemic as it lays the foundations to thrive in a post COVID-19 future. This has been recognised by the major international rating agencies with Moody’s affirming Qatar’s ‘AA3’ rating with stable

outlook and Fitch affirming the nation's 'AA-' rating with a stable outlook, citing the government's robust response to limit the fiscal impact of the coronavirus pandemic.

"As a leading Qatari bank, Commercial Bank is committed to provide world class solutions to the private sector while supporting the government in its economic initiatives."

Mr. Hussain Alfardan, Commercial Bank's Vice Chairman, added, "The COVID-19 pandemic has accelerated the need for digital banking, and has affirmed our conviction that technology will change the way that people bank around the world. Our early investments in technology made it possible for us to manage our priorities of protecting the health and wellbeing of our employees and customers, while also ensuring business continuity. The automation of our internal processes and versatile technology allowed us to seamlessly transition our employees to working from home while our leading digital platforms enabled us to serve our customers remotely.

"The recent launch of CB PAY for Merchants, a product which enables customers to pay for goods and services through their mobiles, is yet another example of how we continue to deploy new technology solutions to support our customers' business activities through these challenging times as we look towards preparing for an increasingly digital future."

Operating profit for the Group increased by 17.9% to QAR 1,527.2 million for the half year ended 30 June 2020, compared to QAR 1,294.9 million achieved in the same period in 2019.

Net interest income for the Group increased by 28.0% to QAR 1,558.8 million on a normalized basis for the half year ended 30 June 2020 compared to QAR 1,217.9 million achieved in the same period in 2019. Net interest margin increased to 2.4% for the half year ended 30 June 2020 compared to 2.0% achieved in the same period in 2019. Although asset yields have reduced, the increase in margins is mainly due to proactive management of the cost of funding both in Qatar as well as Turkey.

Non-interest income for the Group decreased by 17.4% to QAR 519.3 million on a normalized basis for the half year ended 30 June 2020 compared with QAR 628.8 million achieved in the same period in 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.

Total operating expenses reduced by 0.1% to QAR 550.9 million on a normalized basis for the half year ended 30 June 2020 compared with QAR 551.7 million in the same period in 2019.

The Group's **net provisions for loans and advances** decreased by 48.1% to QAR 225.2 million for the half year ended 30 June 2020, from QAR 433.7 million in the same period in 2019. The non-performing loan (NPL) ratio increased marginally to 5.0% in H1 2020 compared to 4.9% in H1 2019. The loan coverage ratio was at 90.0% in H1 2020. The reduction in net provisions is due to strong recoveries in H1 2020. The underlying ECL provisions have increased due to the COVID 19 impact.

The Group balance sheet has increased by 1.8% as at 30 June 2020 with total assets at QAR 143.7 billion, compared to QAR 141.2 billion in June 2019. The increase was mainly in investments and loans and advances.

The Group's **loans and advances to customers** increased by 1.5% to QAR 87.0 billion in H1 2020 compared with QAR 85.7 billion in June 2019. The increase was mainly in the commercial and services sectors.

The Group's **investment securities** increased by 14.1% to QAR 26.8 billion in H1 2020 compared with QAR 23.5 billion in H1 2019. The increase is mainly in Government bonds.

The Group's **customer deposits** increased by 0.4% to QAR 77.7 billion in H1 2020, compared with QAR 77.4 billion in June 2019. The increase is mainly in current and savings deposits due to the various cash management and digital products that the bank offers to its customers.

All the 3 **rating agencies have affirmed** Commercial Bank's ratings and the outlook remains at Stable.

Mr. Joseph Abraham, Commercial Bank's Group Chief Executive Officer, commented, "Commercial Bank delivered a sustainable set of earnings for the first half of 2020, despite the challenging macroeconomic environment resulting from the COVID-19 pandemic. This is testament to the successful implementation of our 5-year strategic plan which has strengthened the Bank's foundation and placed us on a strong footing to navigate the current environment.

"Net profit before associates and taxes increased by 42.0% to QAR 1.2 billion during the period, supported by an expansion in NIMs and reduced net loan provisioning despite higher gross provisions, as we provisioned prudently for the COVID-19 impacts as the net provisions were benefited by strong recoveries. Our consolidated net profit declined 5.0% to QAR 901.2 million in H1 2020 as we took a prudent approach in the accounting of our associates.

"Net interest income grew 28.0% to QAR 1.6 billion during the first half of 2020 compared to the same period last year, offsetting the declines in total fees due to COVID-19 related concessions, as we effectively managed our cost of funds and increased the proportion of our low-cost deposits. Total fees and other income, down 17.4% on a normalized basis mainly on account of investment income volatility in H1 and COVID-19 related fee concessions in transactional banking.

"Operating profit during the first half of 2020 was QAR 1.5 billion, up 17.9% compared to the same period last year driven by the expansion in NIMs and ongoing cost optimisation initiatives. An integral part of our 5-year strategic plan has been an ongoing focus on investing in the

digitisation and automation of our core processes. This enabled us to quickly and seamlessly adapt to the new environment during the COVID-19 pandemic, in addition to optimising our cost base. Operating expenses reduced by 0.1% on a normalized basis and our cost to income ratio further improved to 26.5% on a normalized basis during the first half of 2020, compared to 29.9% for the same period last year.

“Gross loan provisioning during the year increased by 3.5% as we adopted a prudent approach while factoring in the COVID-19 impact on our ECL models. Overall, net loan provisioning declined 48.1% during the first half of 2020 compared to the same period last year due to increased recoveries during the period.

“Loans and advances were QAR 87.0 billion at the end of the first half of 2020, up 1.5% compared to the same period in the previous year, and customer deposits increased by 0.4% to QAR 77.7 billion. Our focus on low cost deposits continues to yield results, with low cost deposits growing 11.4% during the period, contributing to the improvement in NIMs.

“The Turkish economy has been impacted by the COVID-19 pandemic, affecting Alternatif Bank’s performance during the period. Whilst the Bank reported a 33% decrease in profit on a Turkish lira basis due to an increase in general provisioning on the foreign currency loan book due to the currency depreciation, it reported a net profit of QAR 38.5 million (H1 2019: QAR 64.2 million) during the first half of 2020. The Qatari Riyal results were impacted by the 13.1% depreciation of the Turkish lira. Alternatif Bank’s customer deposits increased by 16.9% while loans and advances increased by 23.1%, compared to the same period previous year.

“The impact from our share of associates during the first half of 2020 was negative as we took a prudent approach in their accounting.”