

The Commercial Bank (P.S.Q.C.) Announces

Net Profit of QAR 1,154.4 Million for the nine months ended 30 September 2020

25 October 2020, Doha, Qatar: The Commercial Bank (P.S.Q.C.) (“the Bank”), its subsidiaries and associates (“Group”) announced today its financial results for the nine months ended 30 September 2020. The Group reported a net profit of QAR 1,154.4 million as compared to QAR 1,479.0 million for the same period in 2019.

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

- Net profit of QAR 1,154.4 million, down by 21.9%
- Operating profit of QAR 2,306.6 million, up by 13.7%
- Cost to income ratio of 25.0% (normalized 26.4%), reduced from 28.9%
- Gross loan provisions of QAR 823.4 million, up by 13.5% primarily 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 487.1 million, down by 16.9%
- Total assets of QAR 143.1 billion, down by 1.7%
- Customer loans and advances of QAR 90.5 billion, up by 1.5%
- Successfully launched a senior unsecured five-year bond for USD 500 million. The issuance was oversubscribed 3.8 times and had one of the lowest prices by a Qatari FI issuer on a public transaction.
- Best Performing Bank in Qatar for 2020 from “The Banker”
- Best Digital Bank in Qatar for 2020 from “AsiaMoney Magazine”
- Most Innovative Digital Bank and Best Mobile Banking Application for 2020 from “International Finance Magazine”
- Best Consumer Digital Bank, Best Online Product Offering, Most Innovative Digital bank, Best Online Cash Management, Best Trade Finance Service, Best Mobile Banking App, Best in Social Media Marketing and Service in Qatar for 2020 from “Global Finance Middle East”
- Excellence in Leadership in the Middle East award for 2020 from “Euromoney”

- Best Cash Management Bank in Qatar award for the third year in a row, and Best Transaction Banking Service in Qatar for 2020 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 for 2020 from “The Asian Banker”

Sheikh Abdulla bin Ali bin Jabor Al Thani, Chairman of the Board of Directors of Commercial Bank, said, “Qatar has remained resilient through the COVID-19 pandemic, due to its strong leadership and the Government’s economic stimulus measures. Commercial Bank is implementing these measures in support of our customers and the Government, and we are currently one of the largest providers of loans to SMEs and sectors particularly affected by COVID-19 under the National Response Guarantee Programme.

“Commercial Bank’s achievements during the quarter were recognised by a number of publications and industry bodies and we have received several awards including: “Best Digital Bank” from AsiaMoney Magazine, “Best Retail Bank” in Qatar from the Asian Banker for the fourth consecutive year and “Best Performing Bank” in Qatar from The Banker.”

Mr. Hussain Alfardan, Commercial Bank’s Vice Chairman, added, “The strong execution of Commercial Bank’s five year strategic plan has been positively received by the market, as evidenced by the successful launch of our senior unsecured five-year bond worth USD \$500 million in September, which was oversubscribed 3.8 times. The new bond was at one of the lowest prices achieved by a Qatari FI issuer on a public transaction. This demonstrates the efforts we have made to manage our cost of funding in the prevailing low interest rate environment. We also attribute the success of the bond sale to Qatar’s economic strength and fiscal buffers, which have attracted positive views from global investors.”

Operating profit for the Group increased by 13.7% to QAR 2,306.6 million for the nine months ended 30 September 2020, compared to QAR 2,028.9 million achieved in the same period in 2019.

Net interest income for the Group increased by 19.8% to QAR 2,323.6 million (normalized 19.2% to QAR 2,311.6 million) for the nine months ended 30 September 2020 compared to QAR 1,938.9 million achieved in the same period in 2019. Net interest margin increased to 2.4% for the nine months ended 30 September 2020 compared to 2.3% 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 17.9% to QAR 751.0 million (normalized 10.3% to QAR 820.5 million) for the nine months ended 30 September 2020 compared with QAR 914.2 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 decreased by 6.8% to QAR 768.0 million (up 0.2% to QAR 825.6 million on a normalized basis) for the nine months ended 30 September 2020 compared with QAR 824.1 million in the same period in 2019.

The Group's **net provisions for loans and advances** decreased by 16.9% to QAR 487.1 million for the nine months ended 30 September 2020, from QAR 585.9 million in the same period in 2019. The non-performing loan (NPL) ratio decreased marginally to 4.8% at 30 September 2020 compared to 4.9% in the same period in 2019. The loan coverage ratio was at 94.5% at 30 September 2020. The reduction in net provisions is due to strong recoveries during the period. The underlying ECL provisions have increased due to the COVID 19 impact.

The Group balance sheet has decreased by 1.7% as at 30 September 2020 with total assets at QAR 143.1 billion, compared to QAR 145.6 billion in September 2019. The decrease was mainly due to investment securities and due from banks.

The Group's **loans and advances to customers** increased by 1.5% to QAR 90.5 billion at 30 September 2020 compared with QAR 89.1 billion in the same period in 2019. The increase was mainly in the commercial and services sectors.

The Group's **investment securities** decreased by 4.6% to QAR 25.8 billion at September 2020 compared with QAR 27.0 billion in the same period in 2019. The decrease is mainly due to maturities in Government bonds.

The Group's **customer deposits** decreased by 1.6% to QAR 73.1 billion at September 2020, compared with QAR 74.3 billion in the same period in 2019. The decrease is mainly in time deposits however, current and savings deposits have increased by 14% due to the various cash management and digital products that the bank offers.

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 has delivered a good set of results given the unusual environment in which we are operating. This is due to our prudent approach and our investments in digital technologies which have enabled us to rapidly adapt to an evolving environment during the COVID-19 pandemic.

"Net profit before associates and taxes increased by 22.3% to QAR 1.7 billion during the first nine months of 2020 compared to the same period last year, supported by growth in net interest income and improved recoveries during the period. Consolidated net profit for the period was down 22.0% to QAR 1.2 billion, due to increased impairment of our associate UAB and difficult

market conditions in Turkey which impacted Alternatif Bank's performance. The domestic Bank reported a net profit of QAR 1.7 billion for the first nine months of 2020, representing an increase of 23.9% compared to the same period last year.

"Group net interest income for the first nine months of 2020 increased 19.8% to QAR 2.3 billion (normalized 19.2%) compared to the same period last year, despite the current low interest rate environment, as we carefully managed our cost of funding to ensure interest expense declined faster than interest income. This helped offset declines in total fees and other income, which were down 17.9% to QAR 751.0 million (normalized 10.3% to QAR 820.5 million) during the period, driven by investment income volatility.

"Consolidated operating income increased 7.8% to QAR 3.1 billion (normalized 9.8%) during the first nine months of 2020 compared to the same period last year, supported by improved NIMs and our focus on cost optimisation. Commercial Bank's cost to income ratio improved to 25.0% (normalized 26.4%) from 28.9% for the same period last year, as we continue to invest in technology to streamline our operations and maintain current opex levels.

"Gross loan provisioning for the period increased 13.5% compared to the previous year, reflecting our prudent approach of factoring in the COVID-19 impact on our ECL models. This was partially offset by recoveries of QAR 326.7 million during the period, consequently net loan provisioning was QAR 487.1 million, down 16.9% compared to the same period last year.

"Group loans and advances were QAR 90.5 billion at the end of the first nine months of 2020, up 1.5% compared to the same period in the previous year, and customer deposits reduced to QAR 73.1 billion. Our focus on low cost deposits continues to yield results, with consolidated low-cost deposits growing 14.1% during the period, contributing to the improvement in NIMs.

"Alternatif Bank's performance for the first nine months of 2020 was impacted by the softening of the Turkish economy and 15.9% depreciation of the Turkish lira. Despite these challenges,

Alternatif Bank reported a profit of QAR 53.6 million during the period. The bank's customer deposits at the end of the period were QAR 8.6 billion and its loans and advances to customers were QAR 10.6 billion.

“The impact from our share of associates during the 9 months of 2020 was negative as we took an impairment on UAB in line with our guidance to bring the book value of the asset closer to its fair value.”