

**The Commercial Bank (P.S.Q.C.) Announces**  
**Net Profit of QAR 1,301.2 Million for the year ended 31 December 2020**

**27 January 2021, Doha, Qatar:** The Commercial Bank (P.S.Q.C.) (“the Bank”), its subsidiaries and associates (“Group”) announced today its financial results for the year ended 31 December 2020. The Group reported a net profit of QAR 1,301.2 million as compared to QAR 2,021.0 million for the same period in 2019.

The Board of Directors proposed a dividend distribution to shareholders of QAR 0.1 per share i.e. 10% of the nominal share value.

The financials and proposed dividend distribution are subject to Qatar Central Bank approval and endorsement by shareholders at the Bank’s Annual General Meeting.

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

- Net profit of QAR 1,301.2 million, down by 35.6%.
- Operating income of QAR 4,237.1 million, down by 2.5% (however, up by 9.9% on normalized basis).
- Operating profit of QAR 3,140.8 million, up by 0.7% (+14.1% on normalized basis).
- Cost to income ratio of 25.9% (normalized 26.0%), reduced from 28.3% (normalized 28.7%).
- Strong capital adequacy ratio of 17.8% compared to 16.4% in 2019.
- Gross loan provisions of QAR 1,236.4 million, up by 51.6% primarily due to COVID-19 related model increases in ECL. This was offset by recoveries resulting in net provisions on loans and advances to customers at QAR 836.4 million, up by 40.7%.
- Total assets of QAR 153.6 billion, up by 4.1%.
- Customer loans and advances of QAR 96.7 billion, up by 9.9%.

- 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 Cash Management and Transaction Bank in Qatar for 2020 from the “Asian Banker”.
- Social Responsibility Award from “Arab Media Forum”.
- Best Performing Bank in Qatar for 2020 from “The Banker”.
- Most Innovative Digital Bank and Best Mobile Banking Application for 2020 from “International Finance Magazine”.
- Excellence in Leadership in the Middle East award for 2020 from “Euromoney”.
- Best Retail Bank in Qatar award for the fourth year in a row and the Best Digital Deposit Product 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 again demonstrated resilience with its successful management of the COVID-19 pandemic, thanks to the efforts of our leadership and the measures implemented to mitigate the pandemic’s health and economic impact on the country. Consequently, the International Monetary Fund (IMF) has predicted that Qatar’s GDP will grow 2.7% in 2021. The IMF also noted that the country’s prudent budgetary decisions will keep its fiscal gap in check.

“During these challenging times it has been a key priority for Commercial Bank to support the nation’s economy by postponing loan instalments and interest payments, providing corporates and SMEs in affected sectors with concessionary interest rates and participating in the National Response Guarantee programme. Commercial Bank remains committed to using its resources to bring world-class banking solutions and innovative products to Qatar in support of the private sector.”

**Mr. Hussain Alfardan, Commercial Bank’s Vice Chairman, added,** “The implementation of Commercial Bank’s five-year strategic plan has provided us with a strong platform from which to

respond to the COVID-19 pandemic. Our investments in technology enabled us to seamlessly transition to working from home during movement restrictions whilst providing our customers with uninterrupted access to our services through enhanced digital services. Furthermore, focusing on prudent risk management allowed us to manage our risk profile during these unusual times as recognised by Fitch Ratings which affirmed our 'A' long-term issuer default rating with a stable outlook for the Bank.”

**Operating profit** for the Group increased by 0.7% (+14.1% on normalized basis) to QAR 3,140.8 million for the year ended 31 December 2020, compared to QAR 3,118.6 million (normalized QAR 2,752.8 million) achieved in the same period in 2019.

**Net interest income** for the Group increased by 4.6% to QAR 3,100.1 million (+17.7% on normalized basis) for the year ended 31 December 2020 compared to QAR 2,963.2 million achieved in the same period in 2019. On normalized basis, net interest margin increased to 2.4% for the year ended 31 December 2020 compared to 2.3% (reported 2.5%) 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.

**Non-interest income** for the Group decreased by 17.8% to QAR 1,137.0 million (-6.8% on normalized basis) for the year ended 31 December 2020 compared with QAR 1,383.5 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 in H1 2020.

**Total operating expenses** decreased by 10.7% to QAR 1,096.4 million (-0.6% on a normalized basis) for the year ended 31 December 2020 compared with QAR 1,228.0 million in the same period in 2019.

The Group's **net provisions for loans and advances** increased by 40.7% to QAR 836.4 million for the year ended 31 December 2020, from QAR 594.4 million in the same period in 2019. The increase in provisions was mainly due to ECL model changes on account of COVID-19. The non-performing loan (NPL) ratio decreased to 4.3% at 31 December 2020 compared to 4.9% in the same period in 2019. The loan coverage ratio was at 101.6% at 31 December 2020. The underlying ECL provisions have increased due to the COVID-19 impact.

The Group balance sheet has increased by 4.1% as at 31 December 2020 with total assets at QAR 153.6 billion, compared to QAR 147.5 billion in December 2019. The increase was mainly due to loans and advances.

The Group's **loans and advances to customers** increased by 9.9% to QAR 96.7 billion at 31 December 2020 compared with QAR 88.0 billion in the same period in 2019. The increase was mainly in the commercial and government public sectors.

The Group's **investment securities** decreased by 4.0% to QAR 25.8 billion at 31 December 2020 compared with QAR 26.8 billion in the same period in 2019. The decrease is mainly due to maturities in Government bonds.

The Group's **customer deposits** decreased by 0.7% to QAR 75.8 billion at 31 December 2020, compared with QAR 76.3 billion in the same period in 2019. The decrease is mainly in time deposits however, current and savings deposits have increased by 24.8% due to the various cash management initiatives 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,** "It was a challenging environment brought on by the COVID-19 pandemic but the Bank demonstrated

resilience at the business and operating income level a result of the strong execution of our five-year strategic plan which enabled us to swiftly adapt to the new operating environment.

“The Group reported normalised operating profit of QAR 3.1 billion in 2020, up 14.1% compared to the previous year, driven by improved consolidated net interest income. On an actual basis consolidated operating profit was up by 0.7%. Consolidated net profit declined 35.6% to QAR 1.3 billion, impacted by impairments to our associate UAB and increased provisioning due to the COVID-19 pandemic, as well as difficult market conditions in Turkey which impacted Alternatif Bank.

“Group net interest income for the year ended 2020 increased by 4.6% to QAR 3.1 billion compared to the same period last year. Adjusting for the impact of IFRS 2, FY 2020 net interest income increased 17.7%. The improvement was driven by the effective management of our cost of funding to ensure that our cost of deposits declined faster than our asset yields. Consequently, despite a reduction in total fees and other income due to lower spends on credit cards due to reduced international travel, total operating income increased 9.9% on a normalized basis. On an actual basis, operating income for 2020 was QAR 4.2 billion compared with QAR 4.3 billion in the previous year.

“Total fees and other income declined 6.8% on a normalized basis in 2020 compared to the previous year, due to reduced card spends as mentioned above and also a reduction in investment income. The decline in investment income was partially offset by gains in FX and trading income as our remittance and trade services continued to expand. On an actual basis, total fees and other income in 2020 was QAR 1.1 billion.

“Normalised consolidated operating profit increased 14.1% in 2020 compared to the previous year. On an actual basis consolidated operating profit was stable at QAR 3.1 billion. Growth was driven by improving NIMs and our focus on cost optimisation. Commercial Bank’s cost to income

ratio improved to 25.9% from 28.3% in the previous year, as we continue to invest in technology and streamline our operations.

“Net provisioning in 2020 increased 56.6% compared to the previous year despite strong recoveries, reflecting our prudent approach of factoring in the COVID-19 impact on our ECL models. Due to these increased Covid model impacts, cost of risk was 95bps higher than the previous year of 68bps. Our NPL ratio improved to 4.3% in 2020 compared to 4.9% in the previous year due to resolution of certain cases.

“Group loans and advances were QAR 96.7 billion at the end of 2020, up 9.9% compared to the same period in the previous year supported by strong public sector borrowing. Our customer deposits were stable at QAR 75.8 billion whilst our focus on low cost deposits continues to yield results, with consolidated low-cost deposits growing 24.8% during the period, contributing to the improvement in NIMs.

“Alternatif Bank’s performance in 2020 was impacted by the softening of the Turkish economy and an 18.5% depreciation of the Turkish lira during the period. Despite these challenges, Alternatif Bank reported a profit of QAR 57.5 million during the year supported by a 11.0% improvement in operating expenses as the bank focused on driving efficiency. The bank’s customer deposits at the end of 2020 were QAR 8.9 billion and its loans and advances to customers were QAR 11.6 billion.

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