

The Commercial Bank (P.S.Q.C.) Announces
Net Profit of QAR 1,327.3 Million for the Half Year Ended 30 June 2021 and
Recommendation to Hold EGM to Increase the Foreign Ownership Threshold to 100%

27 July 2021, 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 2021. The Group reported a net profit of QAR 1,327.3 million as compared to QAR 901.2 million for the same period in 2020.

Key financial highlights for the Group compared to the same period in 2020

- Net profit of QAR 1,327.3 million, up by 47.3%.
- Normalized operating income of QAR 2,283.9 million, up by 9.9% (+22.5% on reported basis).
- Operating profit of QAR 1,705.0 million, up by 11.6%.
- Normalized cost to income ratio of 25.3% (reported 30.3%), decreased from 26.5% (reported 23.5%).
- Strong capital adequacy ratio of 18.4% compared to 17.3% in June 2020.
- Net provisions of QAR 444.6 million, up by 50.2% mainly on account of continued prudent provisioning. NPL ratio of 4.1% compared to 5.0% and coverage ratio 112.1% versus 90.0% previous year.
- Total assets of QAR 162.1 billion, up by 12.8%.
- Customer loans and advances of QAR 100.6 billion, up by 15.6%.
- Successfully issued a senior unsecured five-year bond of USD 700 million in May 2021.
- “Best Bank in Qatar 2021” award from the Global Finance international magazine.
- “Best Bank in Qatar 2021” award from Euromoney.
- “Most Innovative Customer Service Bank for 2021” award from International Finance Magazine.

Sheikh Abdulla bin Ali bin Jabor Al Thani, Chairman of the Board of Directors of Commercial Bank, said: “Qatar’s economy is expected to enter a period of accelerated growth, supported by a robust policy response from the government to mitigate the economic impact of COVID 19, the expansion of LNG production capacity and the upcoming football World Cup.

“At Commercial Bank we are committed to championing Qatar’s position as a place for innovative world-class banking solutions in the region. During Q2 2021, we received the “Visa Global Service Quality Award 2020” and the “Most Innovative Customer Service Bank for 2021” from International Finance Magazine - both awards being testament to our continuous efforts to providing the latest, most innovative banking solutions to our customers.”

Mr. Hussain Alfardan, Commercial Bank’s Vice Chairman, added, “We continue to see strong investor confidence in our business. The resilience of our business strategy and our continued focus on prudent risk management was recognised by Moody’s which re-affirmed our ‘A3’ rating for long-term deposits with a stable outlook for the long-term. We look forward to seeing growing investor demand in the region with the continued roll-out of vaccines and further stabilisation of markets to normal levels.”

Operating profit for the Group increased by 11.6% to QAR 1,705.0 million for the half year ended 30 June 2021, compared to QAR 1,527.2 million achieved in the same period in 2020.

Normalized net interest income for the Group increased by 14.1% to QAR 1,779.0 million (+13.3% on reported basis) for the half year ended 30 June 2021 compared to QAR 1,558.8 million achieved in the same period in 2020. On normalized basis, net interest margin increased to 2.6% for the half year ended 30 June 2021 compared to 2.4% achieved in the same period in 2020. Although asset yields have reduced, the increase in margins is mainly due to effective management of the cost of funding.

Normalized non-interest income for the Group decreased by 2.8% to QAR 505.0 million (+56.4% on reported basis) for the half year ended 30 June 2021 compared with QAR 519.3 million achieved in the same period in 2020. The overall decrease in non-interest income was mainly due to lower FX and trading income in our subsidiary Alternatif bank due to the challenging conditions in Turkey. This was partly offset by the recovery of investment income following the unprecedented volatility in global markets due to the COVID-19 pandemic, which adversely affected the comparative period in H1 2020.

Normalized total operating expenses increased by 5.1% to QAR 578.9 million (+57.6% on reported basis) for the half year ended 30 June 2021 compared with QAR 550.9 million in the same period in 2020 due to continued investment in technology for operational efficiency.

The Group's **net provisions for loans and advances** increased by 84.4% to QAR 415.2 million for the half year ended 30 June 2021, from QAR 225.2 million in the same period in 2020. The increase in provisions was mainly due to continued prudent provisioning. The non-performing loan (NPL) ratio decreased to 4.1% on 30 June 2021 compared to 5.0% in June 2020. The loan coverage ratio was at 112.1% in 30 June 2021 up from 90% in June 2020.

The Group balance sheet has increased by 12.8% on 30 June 2021 with total assets at QAR 162.1 billion, compared to QAR 143.7 billion in June 2020. The increase was mainly due to loans and advances.

The Group's **loans and advances to customers** increased by 15.6% to QAR 100.6 billion on 30 June 2021 compared with QAR 87.0 billion in the same period in 2020. The increase was mainly in the government & public sectors.

The Group's **investment securities** decreased by 5.6% to QAR 25.3 billion on 30 June 2021 compared with QAR 26.8 billion in the same period in 2020. The decrease is mainly due to maturities in Government bonds.

The Group's **customer deposits** increased by 6.0% to QAR 82.3 billion on 30 June 2021, compared with QAR 77.7 billion in the same period in 2020. Low cost deposits have increased by 23.1% due to the various cash management initiatives and digital products that the bank offers.

All **3 rating agencies have affirmed** Commercial Bank's ratings with a Stable outlook.

Mr. Joseph Abraham, Commercial Bank's Group Chief Executive Officer, commented: "Commercial Bank continued to deliver positive results for the six months ended 30 June 2021, reporting consolidated net profit of QAR 1.3 billion for the period up 47.3% compared to the same period last year which reflected positive business momentum and also impairments of UAB in the comparative period last year which impacted results. The positive business growth was reflected in operating profit before provisions which increased by 11.6% to QAR 1.7 billion for the first half of 2021.

"Profit before associates and taxes increased by 2.4% to QAR 1.3 billion during the period, contributing positively to our earnings for the first half of 2021. We continue to focus on improving the performance of our associates by driving operational efficiencies.

"Group net interest income increased by 13.3% to QAR 1.8 billion compared to the same period last year. The improvement was driven by asset growth and a strong focus on net interest margins which continued to improve from 2.4% to 2.6% particularly through effective management of our cost of funds.

"Normalized total fees and other income for the Group was QAR 505.0 million, a decrease of 2.8% compared to the same period last year primarily due to challenging market conditions in Turkey, impacting our subsidiary, Alternatif Bank.

"The domestic bank reported a 15.3% increase in total fees and other income on a normalised basis, driven by a recovery in our investment income.

“On a normalised basis, the Group's cost to income ratio improved to 25.3% in H1 2021 compared to 26.5% for the same period last year, which enabled us to increase our income whilst maintaining a stable cost base.

“Net provisioning increased by 50.2% to QAR 444.6 million, compared to the same period last year mainly on account of continued prudent provisioning which has further improved the NPL coverage ratio to 111.2% compared with 90.0% for the comparative period, despite lower recoveries in H1 2021 as compared to H1 2020.

“Business momentum was reflected in growth in loans and advances which were QAR 100.6 million at the end of H1 2021, up 15.6% compared to the same period in the previous year due to increased loan demand from new and existing customers. Our customer deposits grew 6.0% at QAR 82.3 billion whilst our focus on low cost deposits continued to yield results, with consolidated low-cost deposits increasing by 23.1% during the period, contributing to the improvement in NIMs.

“Our associate banks NBO and UAB contributed positively to our earnings for the first half of 2021. We continue to focus on improving the performance of our associates by driving operational efficiencies.”

“Alternatif Bank returned to profit during Q2 2021 which reduced the Q1 2021 loss of QAR 20.7 million which was caused by interest rate volatility to a lower loss of QAR 13.8 million for H1 2021.

Recommendation to Hold EGM to Increase the Foreign Ownership Threshold to 100%

The Board of Directors of the Bank decided, during the meeting held on July 27th 2021, in accordance with the laws and decisions applicable to foreign investment ownership in Qatar

shareholding companies, to make a recommendation to the shareholders to hold an extraordinary general assembly, on a day and time to be announced at a later stage, in order to amend the Articles of Association of the Bank to increase the foreign ownership threshold to 100%, subject to the approval of the concerned authorities and the extraordinary general assembly.