

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

Record Net Profit of QAR 2,021 Million for the year ended 31 December 2019

29 January 2020, 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 2019. The Group reported a net profit of QAR 2,021 million as compared to QAR 1,674 million for the same period in 2018, an increase of 20.7%.

The Board of Directors proposed a dividend distribution to shareholders of QAR 0.2 per share i.e. 20% 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 for the year ended 31 December 2019 compared to the same period in 2018.

- Net profit of QAR 2,021 million, up by 20.7%
- Net operating profit up by 34% to QAR 3,119 million and net operating income of QAR 4,347 million, up by 23.9%
- Cost to income ratio of 28.3%, reduced from 33.4%
- Net provisions QAR 654 million, down by 21.8%, NPL ratio reduced from 5.6% to 4.9% and coverage improved from 78.6% to 82.1%
- Total assets of QAR 147.5 billion, up by 9.3%
- CET1 improved from 10.5% to 11.1% and total CAR improved from 15.5% to 16.4%
- Customer loans and advances of QAR 88.0 billion, up 4.0% led by growth in Government and Public Sector.
- 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 “Financial Technology Innovation Award 2019” for the 60 Seconds Online Remittance service and digital innovations
- Best Corporate Governance in Qatar 2019 award by World Finance.

Sheikh Abdulla bin Ali bin Jabor Al Thani, Chairman of the Board of Directors of Commercial Bank, said, “We are privileged to call Qatar our home with its strong governance framework and progressive institutions. The country continues to benefit from accelerating economic growth supported by government policies, in particular the prudent actions taken by the Ministry of Finance and the Qatar Central Bank. The World Bank projected Qatar’s GDP growth to reach to 3.2% in 2020.

“Commercial Bank, a leading financial institution in the country, sees great potential to support the government with its economic diversification agenda while also supporting local private enterprises with their banking needs. The Bank continues to invest in technology and people to deliver world class financing solutions in Qatar.”

Financial Performance

Mr. Hussain Alfardan, Commercial Bank’s Vice Chairman, added, “I am pleased to announce that 2019 has been a record-breaking year for Commercial Bank. We reported consolidated net profit of QAR 2.02 billion for the year, supported by the careful implementation of the Bank’s five-year strategic plan.

“During the year we reshaped our loan book and effectively managed the cost of our deposits supporting a 19.4% growth in net interest income. Our cost base was optimised by digitising our internal processes while we continued to leverage technology to drive the expansion of our transaction and cash management business.

“Commercial Bank has built a strong franchise in Qatar with a reputation for innovation and excellent customer service, and we will continue to build on these attributes as we move into 2020.”

Operating profit for the Group increased by 33.6% to QAR 3,119 million for the year ended 31 December 2019, compared to QAR 2,335 million achieved in the same period in 2018.

Net interest income for the Group increased by 19.4% to QAR 2,963 million for the year ended 31 December 2019 compared to QAR 2,482 million achieved in the same period in 2018. Net interest margin ('NIM') increased to 2.5% for the year ended 31 December 2019 compared to 2.1% achieved in the same period in 2018. The increase in margins is mainly due to lower cost of funds as we dynamically managed our liability book in a falling interest rate environment through a change in liability book mix. Within the asset book, the investment book yields improved.

Non-interest income for the Group increased by 34.8% to QAR 1,383 million for the year ended 31 December 2019 compared with QAR 1,026 million in the same period 2018. The overall increase in non-interest income was due to increase in net fee and commission income mainly from cards and transactional banking, foreign exchange earnings and income from investment securities.

Total operating expenses slightly increased at a Group level, up by 4.7% to QAR 1,228 million for the year ended 31 December 2019 compared with QAR 1,173 million in the same period in 2018. The increase was primarily driven by staff expenses on account of the IFRS 2 accounting of its performance rights (share options) granted to staff.

The Group's **net provisions** decreased by 21.8% to QAR 653.7 million for the year ended 31 December 2019, from QAR 835.5 million in the same period in 2018. The non-performing loan (NPL) ratio has reduced to 4.9% at 31 December 2019 compared to 5.6% in the same period 2018. The loan coverage ratio has increased to 82.1% at 31 December 2019 compared to 78.6% in the same period in 2018.

In addition, the Group impaired its associate United Arab Bank by QAR 413.9 million in 2019, on conversion from asset held for sale to an associate as the book value of UAB was higher than the industry standard model used for its valuation.

The Group balance sheet has increased by 9.3% at 31 December 2019 with total assets at QAR 147.5 billion, compared to QAR 134.9 billion in 2018. The increase was mainly in loans and advances and investment securities.

The Group's **loans and advances to customers** increased by 4.0% to QAR 88.0 billion at 31 December 2019 compared with QAR 84.6 billion in 2018. The increase was mainly in the government and public sector.

The Group's **investment securities** increased by 20.9% to QAR 26.8 billion at 31 December 2019 compared with QAR 22.2 billion in 2018. The increase is mainly in Government bonds.

The Group's **customer deposits** increased by 6.3% to QAR 76.3 billion at 31 December 2019 compared with QAR 71.8 billion in 2018, the increase is mainly in the current and call deposits.

Mr. Joseph Abraham, Commercial Bank's Group Chief Executive Officer, commented, "The excellent results for the year including the highest net profit achievement in the history of the Bank demonstrates the strong execution of Commercial Bank's five-year strategic plan. Growth was recorded across the board with consolidated net profit increasing 20.7% to a record-breaking QAR 2.02 billion for the year ended 31 December 2019, compared to the same period last year. The Bank improved its NIMs and extended its Transaction Banking capabilities, while net interest income increased by 19.4% to QAR 2.96 billion despite the low interest rate environment globally.

"Operating income for the year reached QAR 4.3 billion, up 23.9% compared to the same period last year. The growth was supported by the increase in net interest income as well as total fees and other income, as the Bank benefited from strong demand for its Transaction Banking and Cash Management products. Total fees and other income, which increased 34.8% to QAR 1.4 billion for the year ended 31 December 2019 compared to the same period last year, included a 39% increase in FX and trading income to QAR 281 million.

"Reiterating our commitment to efficiency and cost optimisation, we continued to invest in the digitisation of our processes and insourced key functions. Consequently, our cost to

income ratio improved to 28.3% down from 33.4% from a year earlier, contributing to a 33.6% increase in our operating profit for 2019 to QAR 3.1 billion.

“With a softening of interest rates globally, we focused on carefully managing our cost of funds by repricing our liability book and increasing our low-cost deposits. NIMs for the period increased to 2.5% from 2.1% for the same period last year as we increased our low-cost deposits and increased the proportion of our high yielding assets. Net loan provisioning including ECL declined 21.8% during 2019, supported by improved asset quality and increased recovery of NPLs and written off loans, contributing to the growth of our bottom line.

“Loans and advances were QAR 88.0 billion at the end of 2019, up 4.0% compared to the end of 2018 and customer deposits increased 6.3% to QAR 76.3 billion. Supported by the success of our Transaction Banking services, low-cost deposits grew 15% in 2019, contributing to the improvement in NIMs.

“Alternatif Bank reported a good set of results despite challenging market conditions and the depreciation of the Turkish lira by circa 21%. The bank reported an increase in net profit to QAR 100 million, up 10% compared to the previous year. Alternatif Bank grew customer deposits by 4% while loans and advances dropped by 3% at the end of the year, compared to the previous year.

“Our Associate, NBO, performed steadily during 2019, reporting a net profit of QAR 485 million. UAB has been reclassified from an asset held for sale to an associate, and we have taken a goodwill charge of QAR 413.9 million. A new CEO for UAB was appointed in March 2019 and we will be working to ensure that UAB achieves improved results through implementation of a new strategic plan.”