

**The Commercial Bank (P.S.Q.C.) Announces
Net Profit of QAR 402 Million for the Quarter Ended 31 March 2020**

21 April 2020, Doha, Qatar: The Commercial Bank (P.S.Q.C.) (“the Bank”), its subsidiaries and associates (“Group”) announced today its financial results for the quarter ended 31 March 2020. The Group reported a net profit of QAR 402 million as compared to QAR 440 million for the same period in 2019.

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

- Net profit of QAR 402 million
- Operating profit of QAR 730 million, up by 17.5%
- Cost to income ratio of 19.5% (normalized 27.1%), reduced from 30.9%
- Provisions on loans and advances to customers QAR 188 million, down by 9.2%
- Total assets of QAR 146.4 billion, up by 2%
- Customer loans and advances of QAR 88.8 billion, up by 3.2%.
- 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 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, “Qatar has again demonstrated its resilience and agility as it joins the international community in the fight against COVID-19. The government and Qatar Central Bank have introduced a raft of measures, including a QAR 75 billion stimulus package for the private sector and allocating QAR 3 billion to local banks as guarantees to ease liquidity and back the economic and finance sectors.

“Commercial Bank, with its strong balance sheet and market leading expertise, is committed to supporting the private sector during these challenging times and is adhering to all the government directives to contain the spread of COVID-19.”

Mr. Hussain Alfardan, Commercial Bank’s Vice Chairman, added, “Our current top priority is the health and wellbeing of our employees and customers, while ensuring business continuity and service delivery. To that effect we have instituted several measures across our business lines including splitting critical functions across multiple locations, working from home in compliance with the government’s directives, temperature screenings at our offices and select branches remaining open to provide crucial banking services for customers.

“Technology, particularly during these times, continues to perform a vital role in the Bank. Our early investments in the Bank’s digital platforms, such as our 60 seconds online remittances and remote cheque deposits, have enabled us to better serve our customers remotely whilst the digitization of our internal processes have allowed us to seamlessly transition to working from home.”

Operating profit for the Group increased by 17.5% to QAR 730 million for the quarter ended 31 March 2020, compared to QAR 622 million achieved in the same period in 2019.

Net interest income for the Group increased by 39.3% to QAR 809 million for the quarter ended 31 March 2020 compared to QAR 581 million achieved in the same period in 2019. Net interest margin increased to 2.5% for the quarter ended 31 March 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 69.2% to QAR 98 million for the quarter ended 31 March 2020 compared with QAR 319 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 37% to QAR 177 million for the quarter ended 31 March 2020 compared with QAR 278 million in the same period in 2019. Reduction in cost was mainly due to the IFRS 2 impact of the performance rights scheme due to the movement in the CB share price.

The Group's **net provisions for loans and advances** decreased by 9.2% to QAR 188 million for the quarter ended 31 March 2020, from QAR 207 million in the same period in 2019. The non-performing loan (NPL) ratio reduced to 5.0% in Q1 2020 compared to 5.6% in Q1 2019. The loan coverage ratio has increased to 84.6% in Q1 2020 compared to 80.3% in Q1 2019.

The Group balance sheet has increased by 2% as at 31 March 2020 with total assets at QAR 146.4 billion, compared to QAR 143.8 billion in March 2019. The increase was mainly in balances to banks, investments and loans and advances.

The Group's **loans and advances to customers** increased by 3.2% to QAR 88.8 billion in Q1 2020 compared with QAR 86 billion in March 2019. The increase was mainly in the government and services sectors.

The Group's **investment securities** increased by 13.9% to QAR 26.2 billion in Q1 2020 compared with QAR 23 billion in Q1 2019. The increase is mainly in Government bonds.

The Group's **customer deposits** decreased by 5.7% to QAR 77.4 billion in Q1 2020, compared with QAR 82.1 billion in March 2019. The decrease is mainly in time deposits however, the current and call accounts have increased due to the various cash management and digital products that the bank offers to its customers.

Mr. Joseph Abraham, Commercial Bank's Group Chief Executive Officer, commented, "Commercial Bank has implemented a large number of measures to protect the health and safety of our customers and employees, while continuing to support our customers during this challenging time. Enhanced hygiene procedures are in place throughout our offices and branches in line with official guidance and we have quickly enabled remote working, with 80% of staff and management currently working from home whilst we remain fully operational for all transactions.

"For our retail customers, the ongoing execution of our 5-year strategic plan in terms of digitization has placed Commercial Bank in a strong position to navigate the challenges posed by the COVID-19 pandemic by enabling our customers to self-service and transact remotely away from branches. We have waived fees on remittances and launched CB Smart payroll; a digital payroll and remittance service for both company and household workers.

"To support our corporate customers and the economy, we have postponed loan installments and interest payments for our SME clients and other corporates from affected sectors for six months, while a number of SME clients in particularly affected sectors such as tourism, entertainment and education are receiving concessionary interest rates for six months. We are also fully supporting the QDB initiative to provide loans at concessionary rates to cover companies for wages and rentals during this current period.

"The volatility in the markets impacted our consolidated net profit of QAR 402 million for the first quarter of 2020, which was down 8.5% compared to the same period last year. Net profit before associates and taxes increased by 35% to QAR 542 million during the period, supported by an expansion in NIMs and reduced net loan provisioning.

"The net profit includes the impact of circa QAR 200 million of unrealized mark to market movement in bond values impacting investment and trading income as a result of the

unprecedented volatility in the global markets. Post the quarter end, in the first 3 weeks of April with the improvement in financial markets we have already seen partial recovery of this unrealized mark to market movement.

“We repriced our liability book and increased our low-cost deposits to offset the softening of interest rates. Net interest income rose 39.3% to QAR 809 million, partially offsetting the decline in fees and other income during the first quarter of 2020 compared to the same period last year, as we proactively manage our cost of funding.

“Operating income for Q1 2020 reached QAR 907 million, increase by 1.0% compared to the same period last year, as the market sell off in the wake of COVID-19 resulted in mark to market impacts in our investment portfolio, causing a 69% reduction in total fee and other income during the period to QAR 98 million. We expect much of this to be recovered as the markets retrace and we have already seen positive impacts in April as the market recovers.

“We continue to manage our expense effectively as the Bank evolves and grows. Our initial investments in technology and digitization, which have been instrumental in our ability to swiftly adapt to the new environment during the COVID-19 pandemic, have allowed us to operate and serve our customers through a number of digital platforms. Operating expense for the first quarter of 2020 was QAR 177 million (normalized QAR 272 million) and our cost to income ratio fell to 19.5% on a reported basis and 27.1% on a normalized basis.

“Net loan provisioning declined 9.2% during the first quarter of 2020 compared to the same period last year, supported by improved asset quality, contributing to the growth of our bottom line. We have added the impacts of COVID-19 into our risk models and have factored this into our provisioning though the full extent of the COVID-19 will be seen as events unfold in the second and third quarters, however we will continue to manage the situation dynamically.

“Loans and advances were QAR 88.8 billion at the end of the first quarter of 2020, up 3.2% compared to the same quarter in the previous year and customer deposits decreased 5.7% to QAR 77.4 billion. However, supported by the success of our Transaction Banking services, low-cost deposits grew on an average basis by 15% in in Q1 2020 compared with Q1 2019, contributing to the improvement in NIMs.

“In Q1 2020 we completed the sale of Treasury shares in line with QFMA approvals and the resultant profit of QAR 111 million has been accounted in equity in line with IFRS reporting requirements.

“Alternatif Bank reported a good set of results despite challenging market conditions and the depreciation of the Turkish lira by circa 15%. The bank reported an increase in net profit to QAR 25 million, up 12% compared to the same period in the previous year, as net loan provisioning decreased 26%. Alternatif Bank’s customer deposits increased by 3% while loans and advances increased by 1%, compared to the same period previous year.

“Our associates reporting is based on management accounts as there is no/deferred requirement for Q1 reporting in their respective countries of operation.”