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# COMMERCIAL BANK OF QATAR

SPECIAL REPORT

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THE PLAZA

# THE BUSINESS YEAR COMMERCIAL BANK OF QATAR SPECIAL REPORT

**F**ounded in 1975, Commercial Bank of Qatar is the second-largest conventional bank in the country. In 2021, the net profit of the bank amounted to QAR2.3 billion, up 77.1% compared to 2020. This special report includes seven exclusive interviews with representatives from the bank's key personnel, focusing on the main features, such as digitalization, that have made CBQ one of the most dynamic financial institutions in the Qatari mar-

ket. Additionally, given Qatar's imminent hosting of the FIFA World Cup 2022, the words of the featured banking professionals address what Qatar's future could be like in its aftermath, which will be marked by the development of the North Field Expansion project, expected to take Qatar's LNG production capacity from 77 million tons per annum (MTPA) to 126 MTPA, as well as by the realization of Qatar National Vision 2030. ✖

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ISBN-13: 978-1-912498-89-5



ISBN 978-1-912498-89-5

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## MEASURE OF SUCCESS

Joseph Abraham  
GROUP CEO,  
COMMERCIAL BANK OF QATAR

**Commercial Bank of Qatar is an established brand across the region and is well positioned as a leading player in Qatar.**

### BIO

Joseph Abraham is a seasoned banking professional with experience in both developed and emerging markets. Before joining Commercial Bank, he was CEO of Australia and New Zealand (ANZ) Banking Group Indonesia based in Jakarta, a position he served in since 2008. Abraham has an MBA from Stanford Business School and has worked in Indonesia, Singapore, Hong Kong, Ghana, the UK, and India in regional banking roles with a successful track record covering general management, corporate banking, strategy, product management, and acquisitions and integrations.

### What is the strategic importance of environmental, social, and governance (ESG) investments for an economy like Qatar?

ESG issues in all their aspects will become increasingly important for countries and businesses across all sectors. This will be a matter for consideration by shareholders and investors in international markets, and also by regulatory agencies. Qatar is uniquely positioned because the economy has the capacity to be flexible. Qatar is showing its commitment to sustainability through different ways, as evidenced by HH The Emir attending COP26 and the recent establishment of the Ministry of Environment and Climate Change. Also, there has been an important agreement between Qatar and Rolls Royce in this direction to invest several billion dollars to develop green technology in Qatar and the UK and promote start-ups in the process. On another note, the new name of Qatar Energy shows an emphasis from Qatar on ESG at all levels. ESG is not just a matter of the environment, as it entails social and governance factors. Companies listed on the Qatar Stock Exchange (QSE) will be asked to optimize their ESG credentials. The same is happening in the government. Consequently, the Qatari economy is well positioned to not only further ESG, but also make a stronger sustainable transition. Regarding the banking sector, the carbon financial commitment is drawing considerable attention at the moment. Qatar has the fiscal wherewithal

and inclination to make all this happen to increase the potential for success on this front.

### What have been the recent major digitalization advancements by Commercial Bank?

Commercial Bank embarked on a steady digitalization journey five years ago and has since then adopted a highly creative approach to it. The future of banking lies at the intersection of technology, operations, and the client interface. The ability to respond quickly and be innovative in delivering client-centric offerings will be important, particularly as we face greater competition from sectors like fintech. About 10 years ago, we had outsourced our operations and technology to an offshore third-party provider. However, given the importance of technology to delivering client experience and innovation we created our own in-house subsidiary, Commercial Bank Innovation Services, to house our tech and operations. We can now apply technology to all our operations processes to improve risk, straight-through processing, speed, and, ultimately, the customer experience. Clients increasingly want to do everything seamlessly and easily without visiting a branch, so our aim is to make everything available on a mobile app. In this regard, Commercial Bank was the first bank in Qatar to introduce certain key features. For example, our clients can print off their credit cards at self-service machines instead of waiting for mail delivery. Additionally, we have focused attention to the payment ecosystem, which in the lead up to the FIFA World Cup must become entirely cashless. Commercial Bank came out with CB Pay, a convenient mechanism enabling merchants to receive payments through QR codes without the need for POS machines. Also, our relationship management is being digitalized through the creation of virtual video relationship managers. On a video call, clients are also able to transact with due regard to security by using voice and facial biometrics so that documents can be signed securely and other

transactions be done remotely, improving both security and the client experience.

**Given the recent mergers in Qatar, how would you classify the current competition landscape in the Qatari banking sector?**

Qatar has a strong, well-regulated banking environment and is home to the largest financial institution in the Middle East: Qatar National Bank. The market has witnessed notable consolidation that has created two of the largest Islamic banks in the region. On the conventional banking side, Commercial Bank is the second-largest bank in Qatar. The banking sector is strongly capitalized, with a Tier-1 ratio of about 18.5%. CET1 is close to 14% for the sector. This means Qatari banks are solid and well-positioned to compete, which is ultimately beneficial for the consumer. For us, competition comes from other banks and other players in the payment space among other areas. In this competitive environment, Commercial Bank is a strong player. For us it is a combination of focusing on innovation, which is the application of technology to core processes and client offerings, and making sure the client experience is extraordinary for the discerning consumer.

**What is your overall assessment of Commercial Bank's involvement in the FIFA-related projects and the successful hosting of the event by Qatar?**

In terms of direct contribution to the FIFA World Cup, there are the stadiums, for one of which Commercial Bank has been financing major contractors. The same is the case for the road-works being built, for which we have again contributed through our core business. Meanwhile, the hotel landscape of Qatar has completely changed, and Commercial Bank has financed many of these projects. More widely, the 2022 FIFA World Cup, particularly in a post COVID-19 world, will need to be completely cashless. No one wants to hand over a credit card now and simply wants to tap to pay, and we are one of the largest providers of tap-and-pay. Our terminals are located widely at merchants, and we are working with transport authorities, including taxis, to make them cashless. We are working closely with all the authorities to contribute to the cashless environment so no one entering Qatar has to carry or withdraw cash.

**What is your view on the performance of the Qatari economy after the FIFA World Cup?**

I am optimistic about the post-2022 future. The World Cup will place Qatar on the world stage in terms of visibility. The entire world has its eyes on Qatar, and that will raise awareness in the long term. On top of that, Qatar has a vision of leading in many areas such as sports, education, and innovation, and most likely tourism, too, will witness a boom after the World Cup and contribute to the target of hosting 6 million visitors by 2030, in addition to the 40 million people who travel through Qatar every year.

## Key financial highlights for the group (2021 vs 2020)

- Net profit of **QAR2,304.3 million**, up by 77.1%.
- Normalized operating income of **QAR4,771.4 million**, up by 12.4% (+20.4% on reported basis).
- Operating profit of **QAR3,621.1 million**, up by 15.3%.
- Normalized cost to income ratio of **24.1%** (reported 29.0%), reduced from 26.0% (reported 25.9%).
- Strong capital adequacy ratio of **18.1%** compared with 17.8% in 2020.
- Net loan provisions of **QAR1,099.4 million**, up by 31.4% mainly on account of continued prudent provisioning.
- Total assets of **QAR165.5 billion**, up by 7.7%.
- Customer loans and advances of **QAR98.0 billion**, up by 1.3%.
- Customer deposits of **QAR82.0 billion**, up by 8.1%.
- "Best in Social Media Marketing & Service" award in the World from Global Finance.

The recent successful F1 in Doha is an indicator of the strong commitment of Qatar to world-class sporting events. Also, Qatar has become more diverse in terms of its core economy, and its logistics, including ports, and will become a major transshipment point for the Gulf and further afield. Qatar is seeing an upward trend in self-sufficiency, logistics, and climate change technology and related investments. The economy today is much more resilient, and this, coupled with a project such as the North Field Expansion, will see Qatar continue to experience steady growth. Qatar's banking system and the Qatar economy have remained strong and resilient despite challenges during the last few years and has emerged stronger and more resilient. Finally, post 2022, Qatar is set to truly open up its economy to businesses by allowing 100% foreign ownership as well as permanent residency, which will create investment in property for those interested. That combination of the people, the wherewithal for investment, the attractiveness for tourism, the economic self-sufficiency, the improvement in logistics, plus a great future for the energy sector, means that Qatar is well on track. ✖



## BY THE NUMBERS

Rehan Ahmed Khan  
EGM, CHIEF FINANCIAL OFFICER,  
COMMERCIAL BANK OF QATAR

**Using a structured strategy to manage its liquidity, Commercial Bank of Qatar has been able to grow its revenue even in difficult times.**

### BIO

Rehan Ahmed Khan graduated from the London School of Economics with a bachelor's degree in economics. He trained with KPMG in London and is a member of the Institute of Chartered Accountants in England and Wales. He has 23 years banking experience with HSBC working in London, India, Malaysia, and Saudi Arabia. He joined Commercial Bank as CFO in 2013 and is a Director of Orient 1, CBQ Finance, CB Global, and CB Financial Services.

### What are the most important features of the bank as an effective finance organization?

The most important thing is to have a clear strategy for the bank that is well communicated to the key stakeholders and well understood within the organization. Once you have a strategy in place, right from the board of directors through to senior management, everyone knows what our key objectives are, and we can execute those. At the end of 2016, we set ourselves a five-year strategy, and I am pleased with the progress we have made on that. The strategy has always been based around our customers and their needs and expectations, and the rest of the strategy flows from that. That is something that we have been strong on in terms of our execution, and all our stakeholders understand this, ranging from regulators and rating agencies to analysts and shareholders. They all want to understand the direction of the financial institution and have appreciated the clarity of Commercial Bank of Qatar's communication.

### What internal and external challenges are being closely monitored to assure the attainment of Commercial Bank of Qatar's objectives?

Developments in the last few years have validated the early investment we made in automation and digitalization. That was an extremely important part of our five-year strategy. Having that in place when the pandemic broke out meant our customers were able to easily access automated banking channels without feeling any reduction in the standard of service. The well-being of our customers and staff has been vital for us in these last few years. Working from home, which many people

in Qatar were not used to before, happened almost seamlessly. All credit goes to the investments we made in IT, which enabled that to happen easily. We made sure we remained focused on the customer experience throughout that. With our branch network around the country, being able to work at different hours when required for our customers was a way for us to get through the last few years successfully.

### What is your assessment of CBQ's general financial position as the effects of COVID-19 are mitigated?

As a bank, it is important that we have liquidity and strong capital. When looking at the financial results of any institution, the questions are "are we strong on liquidity? Are we able to raise money or long-term funding? Do we have strong capital?" For us, the answer to all these is a yes. We had record profits in 2021. There is a great deal of economic activity in Qatar in the public and private sectors. What needs to be appreciated is that it goes far beyond the World Cup. A brand-new city is being built in front of our eyes, Lusail, where the finals will be held, there is investment in expressways and metro rail, and the airport is being expanded. These are the non-carbon projects going on. The North Field is being expanded so the amount of gas the country can produce over the coming years will multiply, which will generate more economic activity. From a financial point of view, we have been able to grow our revenue by focusing on the right products. Also, the bank is able to have more efficient processes because of technology. Our income is going up, and our ability to produce those higher volumes is falling on a per volume basis as well. Because of the pandemic, we have various risk models, so the amount of provisioning we do has been elevated. We adjust our models according to the economy and what we are seeing. Our cost of risk has been higher over the last few years, and that is something we see around the world in terms of the way banks have announced their results. We will watch that carefully as we emerge from the pandemic and see how the various sectors behave when we return to fairly normal circumstances. ✖



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