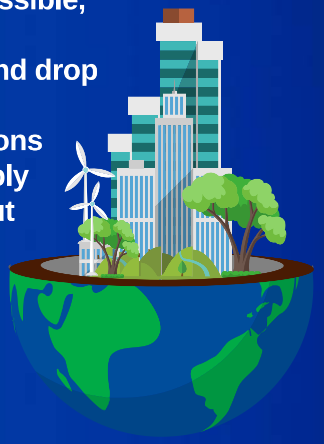
The Qatar perspective

The COVID-19 pandemic is having an unprecedented impact on financial markets globally including in Qatar, with implications for banking: businesses, employees, suppliers and customers. This has been coupled with the effects of the drop in oil prices, which together create a unique situation we live in today. While the State of Qatar government has taken a number of proactive measures to ensure that the financial system and wider economy are protected, as far as possible, from the effects of the COVID-19 pandemic and drop in oil prices, there are nevertheless implications that banks will inevitably face. This slide sets out some of these key challenges, along with a summary of possible considerations for banks in Qatar:



KPMG

Current challenges

Liquidity pressures

With the drop in oil price and COVID-19 pandemic liquidity pressures are expected in the short, medium and long term, particularly in USD, while the need to keep the economy moving remains.

Revenue compression

Given the recent interest rate cuts and subsidized lending expected from banks for the private sector, there will be a squeezing of margins and revenue compression faced by banks.

Credit quality

As businesses struggle with cashflow and profitability, and while real estate sector valuations and activity continue to be challenged, we expect to see an increase in non-performing loans and credit quality deterioration.

Operational risks

As a result of the new norms in working practices, both for employees and customers, there is greater operational risk being faced by banks, including cyber security and AML threats.

Digital acceptance

Banking operating models are evolving and becoming more digital as the situation demands, and this will require the pace of customer acceptance of such banking channels to also increase and move away from the historical preference for ‘in person’ banking.

Possible considerations

Customer interaction

Effective digital delivery of services, with minimal disruption to customer interaction, is essential while banks deal with staff shortages, office closures and other public health protection measures.

Scenario planning

Using scenario modelling and contingency planning expertise, incorporating the impact of COVID-19 and the drop in oil prices, to help make sound decisions in the face of a highly volatile operating environment.

Communication & transparency

As the business and the economic impacts of the crisis begin to bite, banks will need to ensure that they are communicating effectively with multiple stakeholders: employees, customers, shareholders and regulators.

Liquidity & capital analysis

Banks need to thoroughly understand their available capital and liquidity resources and to assess the resilience of these core pillars. They will need to maintain a balance between supporting the wider economy at a time of need, with governmental support, and ensuring their own stability.

Employees

How you treat your employees now will have a massive effect on their wellbeing, and consequently on their loyalty and productivity. Banks all over the world are making significant changes to working arrangements and this is helping them continue to deliver services to their customers.

Qatar perspective

While there are wide-ranging views on how this situation will affect the financial markets, one point over which there is unanimous agreement is that we will be dealing with the effects of the COVID-19 pandemic for the foreseeable future, and the banking sector as a whole will most certainly evolve as a result of this. Those banks that are agile, flexible and willing to transform business models will be the ones that succeed, and secure their financial strength for future growth, while those that rest on their laurels will be left behind in an increasingly more competitive sector.