

The Commercial Bank (P.S.Q.C.) Announces
Net Profit of QAR 2,201.3 Million for the Nine Months Ended 30 September 2022

19 October 2022, Doha, Qatar: The Commercial Bank (P.S.Q.C.) (“the Bank”), its subsidiaries and associates (“Group”) announced today its financial results for the nine months ended 30 September 2022. The Group reported a net profit of QAR 2,201.3 million as compared to QAR 2,131.9 million for the same period in 2021.

Key financial highlights for the Group compared to the same period in 2021

- Net profit of QAR 2,201.3 million, up by 3.3%.
- Normalized operating income of QAR 3,821.1 million, up by 9.5% (+5.6% on reported basis).
- Operating profit of QAR 2,958.9 million, up by 12.8%.
- Normalized cost to income ratio of 22.6% (reported 25.1%), reduced from 24.8% (reported 29.8%).
- Strong capital adequacy ratio of 17.0%.
- Net loan provisions of QAR 706.5 million, up by 27.1% mainly on account of continued prudent provisioning.
- Total assets of QAR 172.1 billion, up by 4.1%.
- Customer loans and advances of QAR 98.4 billion, down by 2.6%.
- Customer deposits of QAR 86.2 billion, up by 6.9%.
- Nine prestigious awards from Global Finance including Best in Social Media Marketing and Consumer Services award in the world.
- Best Bank for Corporate Banking award in Qatar from Euromoney Awards for Excellence
- Most Innovative Customer Service Bank award in Qatar from International Finance Magazine
- Market Leader in Qatar in Digital Solutions, Corporate Banking, and Corporate Social Responsibility ranked by Euromoney Publication

Sheikh Abdulla bin Ali bin Jabor Al Thani, Chairman of the Board of Directors of Commercial Bank, said, “Commercial Bank’s financial performance in Q3 2022 is a reflection of Qatar’s strong economic indicators and parallels the nation’s positive growth trajectory.

In anticipation of the long-awaited 2022 FIFA World Cup, Qatar is projected to benefit greatly from a surge in tourism and investment, reaffirming the World Bank’s latest outlook for Qatar's economy as the fastest growing in the GCC. This is in addition to Qatar’s focus on leveraging its position as the foremost LNG producer to shield against global supply volatility.”

Mr. Hussain Alfardan, Commercial Bank’s Vice Chairman, added, “Commercial Bank has achieved another quarter of positive financial and operational performance, reflecting its resilience against global economic uncertainty. This is reinforced by the Bank’s continued investment in digital to deliver best-in-class services to clients and customers. The Bank also continues to benefit from Qatar’s strong economy and this should only increase with the onset of the 2022 FIFA World Cup and its positive impact on the country.”

Operating profit for the Group increased by 12.8% to QAR 2,958.9 million for the nine months ended 30 September 2022, compared with QAR 2,623.8 million achieved in the same period in 2021.

Net interest income for the Group increased by 10.5% to QAR 3,016.7 million for the nine months ended 30 September 2022 compared with QAR 2,730.2 million achieved in the same period in 2021. Net interest margin increased to 2.8% for the nine months ended 30 September 2022 compared with 2.6% achieved in the same period in 2021. The increase in margins is mainly driven by higher growth in interest income as compared to interest expense.

Normalized non-interest income for the Group increased by 5.9% to QAR 804.5 million (-7.7% on reported basis) for the nine months ended 30 September 2022 compared with QAR 759.7 million achieved in the same period in 2021. Although investment income is negative due to market volatility, the overall increase in normalized non-interest income was mainly due to higher FX and trading income.

Normalized total operating expenses decreased by 0.4% to QAR 862.3 million (+11.3% on a reported basis) for the nine months ended 30 September 2022 compared with QAR 866.2 million in the same period in 2021.

The Group's **net provisions for loans and advances** increased by 27.1% to QAR 706.5 million for the nine months 30 September 2022, from QAR 556.0 million in the same period in 2021. The increase in provisions was mainly due to continued prudent provisioning on NPL customers. Although non-performing loan (NPL) ratio increased to 4.5% at 30 September 2022 from 4.0% at 30 September 2021, NPL ratio remained the same from 30 June 2022. Loan coverage ratio decreased to 107.6% at 30 September 2022 from 115.9% at 30 September 2021, however it increased from 103.2% in June 2022.

The Group balance sheet has increased by 4.1% as at 30 September 2022 with total assets at QAR 172.1 billion, compared with QAR 165.3 billion in September 2021. The increase was mainly in due from banks and investment securities.

The Group's **loans and advances to customers** decreased by 2.6% to QAR 98.4 billion at 30 September 2022 compared with QAR 101.1 billion in September 2021. The overall loan book was impacted by the government repayments of temporary overdrafts, despite growth in private sector loans by 2.0%.

The Group's **investment securities** increased by 11.9% to QAR 29.9 billion at 30 September 2022 compared with QAR 26.7 billion in the same period in 2021 mainly due to increase in government bonds.

The Group's **customer deposits** increased by 6.9% to QAR 86.2 billion at 30 September 2022, compared with QAR 80.7 billion in the same period in 2021. Low cost deposits increased by 11.2% due to the various cash management initiatives and digital products that the Bank offers.

Mr. Joseph Abraham, Commercial Bank's Group Chief Executive Officer, commented,

"Commercial Bank reported a solid set of results for the nine months ended 30 September 2022, maintaining the momentum from the first half, as we make good progress on our strategy.

"The Group reported consolidated net profit of QAR 2.2 billion for the period, up 3.3% compared to the same period last year, driven mainly by an improvement in net interest income and increased contributions from our associates.

"Group net interest income for the nine months ending 30 September 2022 increased by 10.5% to QAR 3.0 billion compared to the same period last year. The growth was driven mainly by asset repricing due to a rising interest rate environment, reflecting positively on the interest income which was up 16.5%.

"Normalized total fees and other income witnessed a healthy growth of 5.9% to QAR 804.5 million compared to the same period last year, resulting in normalized total operating income increasing by 9.5%.

"On a normalized basis, the Group's cost-to-income ratio improved to 22.6% from 24.8% during the same period last year on the back of operating income growth.

“Consequently, operating profit in the first nine months of 2022 increased by 12.8% to QAR 3.0 billion compared to the same period last year.

“Net provisions are in line with the guidance provided on cost of risk as we continue our conservative provisioning approach.

“Group loans and advances were QAR 98.4 billion as at 30 September 2022, down 2.6% compared to the same period last year mainly on account of government repayments due to the strong fiscal position.

“Customer deposits increased to QAR 86.2 billion, up by 6.9% compared to the same period last year. Low-cost deposits grew by 11.2%, which contributed positively to our net interest margin.

“The Domestic Bank improved its normalized cost to income ratio to 19.8%, down from 20.7% during the same period last year as the bank continues to focus on driving efficiencies through technology.

“Our associates continue to deliver improving performance with net profit from associates increasing to QAR 166.0 million, up by 72.2% compared to the same period last year.

“Alternatif Bank reported net profit of QAR 131.3 million for the first nine months of 2022 compared to a net profit of QAR 2.5 million last year, mainly driven by higher net interest income. With the hyperinflation adjustment, the net contribution of Alternatif Bank was QAR 53.0 million”.