

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

### **Net Profit of QAR 1,432.3 Million for the Half Year Ended 30 June 2022**

**24 June 2022, Doha, Qatar:** The Commercial Bank (P.S.Q.C.) (“the Bank”), its subsidiaries and associates (“Group”) announced today its financial results for the half year ended 30 June 2022. The Group reported a net profit of QAR 1,432.3 million as compared to QAR 1,327.3 million for the same period in 2021.

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

- Net profit of QAR 1,432.3 million, up by 7.9%.
- Normalized operating income of QAR 2,551.8 million, up by 11.7% (+7.8% on reported basis).
- Operating profit of QAR 1,975.7 million, up by 15.9%.
- Normalized cost to income ratio of 22.6% (reported 25.1%), reduced from 25.3% (reported 30.3%).
- Strong capital adequacy ratio of 17.5%.
- Net loan provisions of QAR 501.8 million, up by 20.8% mainly on account of continued prudent provisioning.
- Total assets of QAR 176.4 billion, up by 8.8%.
- Customer loans and advances of QAR 101.2 billion, up by 0.6% from June 2021 and up 2.9% from March 2022.
- Customer deposits of QAR 89.3 billion, up by 8.5% from June 2021 and up 5.7% from March 2022.
- Best Bank for Corporate Banking in Qatar from Euromoney.
- The Most Outstanding Innovation in Fraud Detection award in the world from Global Finance.
- Most Innovative Customer Service Bank from International Finance Magazine.

**Sheikh Abdulla bin Ali bin Jabor Al Thani, Chairman of the Board of Directors of Commercial Bank, said,** “Qatar continued to demonstrate resilience in overcoming the challenges faced by the global economy to report economic growth of 2.5% in the first quarter of 2022 from a year earlier.

Driven by a robust legislative and regulatory framework created by the Qatar government and higher hydrocarbon export realizations, Qatar is projected to be the fastest growing economy in the GCC in 2023 and 2024. With the lead up to the World Cup on track and strong economic fundamentals this continues to support strong investor confidence in the Qatar economy which provides a strong operating environment for Commercial Bank.

**Mr. Hussain Alfardan, Commercial Bank’s Vice Chairman, added,** “Commercial Bank is making solid progress with its strategic plan, and the strong investor and financial counterpart confidence to the Bank has been recognized by the market through our recent USD 750 million Asian syndicated term loan facility, which was oversubscribed 2.35x. This confidence is validated by our constant ability to deliver innovative banking services and solutions to our customer base. Additionally, with the upcoming FIFA World Cup, which is expected to inject as much as USD 17 billion into the Qatari economy, Commercial Bank is well positioned to continue delivering growth.”

**Operating profit** for the Group increased by 15.9% to QAR 1,975.7 million for the six months ended 30 June 2022, compared with QAR 1,705.0 million achieved in the same period in 2021.

**Net interest income** for the Group increased by 10.0% to QAR 1,956.2 million for the six months ended 30 June 2022 compared with QAR 1,779.0 million achieved in the same period in 2021. Net interest margin increased to 2.8% for the six months ended 30 June 2022 compared with 2.6% achieved in the same period in 2021. The increase in margins is mainly driven by asset repricing due to rising interest rate environment.

**Normalized non-interest income** for the Group increased by 18.0% to QAR 595.6 million (+2.2% on reported basis) for the six months ended 30 June 2022 compared with QAR 505.0

million achieved in the same period in 2021. The overall increase in non-interest income was mainly due to higher FX and trading income.

**Normalized total operating expenses** decreased by 0.5% to QAR 576.2 million (-10.7% on a reported basis) for the six months ended 30 June 2022 compared with QAR 578.9 million in the same period in 2021.

The Group's **net provisions for loans and advances** increased by 20.8% to QAR 501.8 million for the six months 30 June 2022, from QAR 415.2 million in the same period in 2021. The increase in provisions was mainly due to continued prudent provisioning on NPL customers. The non-performing loan (NPL) ratio increased to 4.5% at 30 June 2022 from 4.1% at 30 June 2021. The loan coverage ratio decreased to 103.2% at 30 June 2022 compared with 112.1% at 30 June 2021, but increased from 100.2% in March 2022.

The Group balance sheet has increased by 8.8% as at 30 June 2022 with total assets at QAR 176.4 billion, compared with QAR 162.1 billion in June 2021. The increase was mainly in due from banks and investment securities.

The Group's **loans and advances to customers** increased by 0.6% to QAR 101.2 billion at 30 June 2022 compared with QAR 100.6 billion in June 2021. The overall loan growth was impacted by the government repayments of temporary overdrafts, despite growth in private sector loans by 7.2%.

The Group's **investment securities** increased by 16.1% to QAR 29.4 billion at 30 June 2022 compared with QAR 25.3 billion in the same period in 2021.

The Group's **customer deposits** increased by 8.5% to QAR 89.3 billion at 30 June 2022, compared with QAR 82.3 billion in the same period in 2021. Low cost deposits increased by 11.0% 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 positive set of results for the six months ended 30 June 2022, maintaining the momentum from the first quarter, as we make good progress on our strategy.

"The Group reported consolidated net profit of QAR 1.4 billion for the period, up 7.9% compared to the same period last year, mainly driven by an improvement in net interest income and increased contributions from our associates.

"Group net interest income for the six months ending 30 June 2022 increased by 10.0% to QAR 2.0 billion compared to the same period last year. The growth was driven mainly by asset repricing due to rising interest rate environment, reflecting positively on the interest income which was up 10.7%. Additionally, net interest margin improved to 2.8% from 2.6%.

"Normalized total fees and other income witnessed a healthy growth of 18.0% to QAR 595.6 million compared to the same period last year, mainly driven by an increase in FX and trading income. Investment income declined by QAR 122.6 million due to the heightened volatility in global capital markets. Despite this, normalized total operating income increased 11.7%.

"On normalized basis, the Group's cost-to-income ratio improved to 22.6% from 25.3% during the same period last year on the back of operating income growth.

"Consequently, operating profit in the first six months of 2022 increased by 15.9% to QAR 2.0 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 101.2 billion for the first six months of 2022, up 0.6% compared to the same period last year mainly driven by growth in private sector loans

mainly in commercial and services sectors. The overall loan growth was impacted by the government repayments due to the strong fiscal position.

“Customer deposits increased to QAR 89.3 billion, up by 8.5% compared to the same period last year. Low-cost deposits grew by 11.0%, which contributed positively to our net interest margin.

“The Domestic Bank improved its normalized cost to income ratio to 20.0%, down from 21.1% during the same period last year as the bank continues to focus on driving efficiencies through technology.

“Our associates continue to deliver better performance. Net profit from associates increased to QAR 106.4 million, up by 68.2% compared to the same period last year.

“During the period, the Group applied hyperinflationary accounting to Alternatif Bank in accordance with the requirements of International Accounting Standards (IAS) 29, which resulted in a non-cash “net monetary loss” of QAR 69.2 million reported in the Group’s income statement. This accounting adjustment was neutral on the Group’s total equity.

“Alternatif Bank reported net profit of QAR 84.0 million for the first half of 2022 compared to a net loss of QAR 13.8 million last year, mainly driven by an improvement in FX and trading income. With the hyperinflation adjustment, the net contribution of Alternatif Bank was QAR 58.6 million.”