

The Commercial Bank (P.S.Q.C.) Announces
Net Profit of QAR 2,365 Million for the nine months ended 30 September 2023

17 October 2023, 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 2023. The Group reported a net profit of QAR 2,365.4 million as compared to QAR 2,201.3 million for the same period in 2022.

Key financial highlights for the Group compared to the same period in 2022

- Net profit of QAR 2,365.4 million, up by 7.5%.
- Operating income of QAR 4,222.3 million, up by 6.9%.
- Operating profit of QAR 3,144.1 million, up by 6.3%.
- Normalized cost to income ratio of 24.0% (reported 25.5%).
- Strong capital adequacy ratio of 16.4%.
- Total assets of QAR 159.9 billion, down by 7.1%.
- Customer loans and advances of QR 91.5 billion, down by 7.0% from Sept 2022.
- Customer deposits of QR 74.7 billion, down by 13.3% from Sept 2022.
- “The Most Innovative Bank” award in the Middle East by World Finance.
- “The Fastest Growing Brokerage House” award in Qatar by International Finance.

Sheikh Abdulla bin Ali bin Jabor Al Thani, Chairman of the Board of Directors of Commercial Bank, said, "Throughout the first nine months of 2023, Commercial Bank has maintained good financial and operational performance. Our ability to persevere and effectively execute our strategic plan is evident in Fitch's reaffirmation of our 'A-' rating with a positive outlook. This affirmation is driven by strong support from Qatari authorities and reflects Qatar's robust capacity to back its domestic banks.

Our commitment to investing in technology and innovation has earned us key awards, including "The Most Innovative Mobile Trading App" and "The Fastest Growing Brokerage House" awards in Qatar from International Finance, as well as "The Most Innovative Bank" award in the Middle East from World Finance. These recognitions highlight our dedication to delivering world-class services, and we remain committed to leveraging our success for the benefit of our stakeholders and a brighter future for all."

Mr. Hussain Alfardan, Commercial Bank's Vice Chairman, said, "We are pleased to announce Commercial Bank's strong performance in the first nine months of 2023, reflecting the positive trajectory of the Qatari economy and our commitment to operational excellence. Our growth in key segments has significantly contributed to robust financial results, underscoring our ability to effectively cater to our customers' needs.

As we move forward, our determination remains unwavering as we strive to establish Commercial Bank as a leading banking provider in the region. We eagerly anticipate another year filled with remarkable achievements, dedicated to furthering the growth and prosperity of Qatar's economy."

Operating profit for the Group increased by 6.3% to QAR 3,144.1 million for the nine months ended 30 September 2023 compared with QAR 2,958.9 million achieved in the same period in 2022.

Net interest income for the Group decreased by 1.3% to QAR 2,877.2 million for the nine months ended 30 September 2023 compared with QAR 2,914.5 million achieved in the same period in 2022. The overall decrease is due to Alternatif Bank, which has decreased by 43%. Net interest margin maintained at 2.70% for the nine months ended 30 September 2023.

Normalized non-interest income for the Group increased by 39.0% to QAR 1,260.0 million (+30.1% on reported basis) for the nine months ended 30 September 2023 compared with QAR 906.4 million achieved in the same period in 2022. The overall increase in non-interest income was mainly due to the higher investment income, as well as a rise in FX and trading income at Alternatif Bank.

Normalized total operating expenses increased by 15.2% to QAR 993.1 million (+9.0% on a reported basis) for the nine months ended 30 September 2023 compared with QAR 862.3 million in the same period in 2022 mainly due to inflation related expenses as well as one-off expenses in Turkey and Bank's continued digital investments.

The Group **balance sheet** decreased by 7.1% as at 30 September 2023 with total assets at QAR 159.9 billion, compared with QAR 172.1 billion in September 2022. The decrease was mainly due to decrease in loans and advances as well as decrease in cash and balances with central banks.

The Group's **loans and advances to customers** decreased by 7.0% to QAR 91.5 billion at 30 September 2023 compared with QAR 98.4 billion in the same period in 2022. The main reason for the decrease was Alternatif bank, whose loans decreased by QAR 2.8 billion, due to the Turkish lira depreciation and focused loan underwriting. Further, acceptances have decreased by QAR 1.2 billion, at domestic bank level.

The Group's **cash and balances with central banks** decreased by 33.0% to QAR 7.7 billion at 30 September 2023 compared with QAR 11.5 billion in the same period in 2022. The decrease was mainly due to decrease in balances held with QCB by QAR 3.6 billion in Qatar.

The Group's **investment securities** stood at QAR 29.8 billion at 30 September 2023, which is similar to QAR 29.9 billion at 30 September 2022.

The Group's **customer deposits** decreased by 13.3% to QAR 74.7 billion at 30 September 2023, compared with QAR 86.2 billion in the same period in 2022. The decrease is mainly in time deposits.

Mr. Joseph Abraham, Commercial Bank's Group Chief Executive Officer, commented, "In the first nine months of 2023, Commercial Bank has sustained its momentum while effectively executing our five-year strategic plan, leading to good financial performance. This achievement is notably highlighted by Fitch's reconfirmation of our 'A-' rating, coupled with a positive outlook for the Bank.

"During the period, the Group reported a consolidated net profit of QAR 2,365.4 million, reflecting an 7.5% growth when compared to the QAR 2,201.3 million achieved in the corresponding period of 2022. This increase is attributable to improved operating income, higher recoveries and improved performance of our associates and subsidiary. The net profit of the Domestic Bank grew by 3.8%, to QAR 2,094.0 million.

"The Group's net interest income for the period experienced a marginal 1.3% decline, amounting to QAR 2,877.2 million, as compared to the QAR 2,914.7 million recorded during the corresponding period in 2022. The domestic business reported a positive net interest income, which grew by 3.7%, to QAR 2,703.7 million. The overall decrease is due to Alternatif Bank, our Turkish subsidiary, which has decreased by 43%.

"The overall normalised fees and other income witnessed a notable uptick of 39.0%, reaching QAR 1,260.0 million, as compared to QAR 906.4 million in the corresponding period of 2022. This increase can be primarily attributed to the higher investment income, alongside a rise in FX and trading income within Alternatif Bank.

"During the period, the Group experienced a rise in its cost-to-income ratio, reaching 24.0% on a normalised basis, in contrast to the 22.6% (normalised) recorded in the first nine months of 2022.

This increase can be attributed primarily to the elevated operating expenses incurred at Alternatif Bank. In addition, the domestic costs have increased due to investment in nationals and pension fund changes along with continued investment in wealth management and technology, which is partly set off by decrease in branch cost. Furthermore, the consolidated operating profit showed an increase of 6.3%, totaling QAR 3,144.1 million, compared to QAR 2,958.9 million in the first nine months of 2022.

“Compared to the same period last year, there has been a 3.2% decrease in net provisions. Furthermore, the cost of risk has decreased to 93 bps as compared to 95 bps for the same period in 2022 due to higher recoveries.

“Compared to the same period last year, customer deposits have declined by 13.3%, reaching QAR 74.7 billion. This is in line with the decrease in loans and advances by 7.0%. Meanwhile, low-cost deposits remained relatively stable at QAR 31.5 billion, compared to QAR 31.4 billion in the first nine months of 2022.

“Our associates have displayed a solid performance, exemplified by a 36.7% increase in our share of associates, reaching QAR 227.0 million compared to QAR 166.1 million in the same period of 2022.

“The Group remains in adherence to the International Accounting Standards (IAS) 29, which require the application of hyperinflationary accounting for Alternatif Bank. As a result, a non-cash "net monetary loss" of QAR 225.5 million was recorded in the Group's income statement for the period as compared to QAR 98.5 million in the corresponding period in 2022.

“During the reporting period, Alternatif Bank witnessed a substantial upturn in net profit, achieving QAR 79.1 million in contrast to a loss of QAR 15.0 million in the corresponding period last year. This improvement can be attributed to an improved FX and trading income, which

experienced an increase of 785.8% to QAR 388.6 million, compared to QAR 43.9 million in the same period last year.