

The Commercial Bank (P.S.Q.C.) Announces
Net Profit of QAR 2,304.3 Million for the year ended 31 December 2021

19 January 2022, Doha, Qatar: The Commercial Bank (P.S.Q.C.) (“the Bank”), its subsidiaries and associates (“Group”) announced today its financial results for the year ended 31 December 2021. The Group reported a net profit of QAR 2,304.3 million as compared to QAR 1,301.2 million for the same period in 2020.

The Board of Directors proposed a dividend distribution to shareholders of QAR 0.16 per share i.e. 16% of the nominal share value.

The financials and proposed dividend distribution are subject to Qatar Central Bank approval and endorsement by shareholders at the Bank’s Annual General Meeting.

Key financial highlights for the Group compared to the same period in 2020

- Net profit of QAR 2,304.3 million, up by 77.1%.
- Normalized operating income of QAR 4,771.4 million, up by 12.4% (+20.4% on reported basis).
- Operating profit of QAR 3,621.1 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 QAR 1,099.4 million, up by 31.4% mainly on account of continued prudent provisioning.
- Total assets of QAR 165.5 billion, up by 7.7%.
- Customer loans and advances of QAR 98.0 billion, up by 1.3%.
- Customer deposits of QAR 82.0 billion, up by 8.1%.
- “Best in Social Media Marketing & Services” award in the World from Global Finance.

- “Best Mobile Banking App” award for Corporate in the Middle East from the Global Finance.
- “Best Cash Management and Transaction Bank” award in Qatar from the Asian Banker.
- “Most Innovative Mobile Trading Application” award in Qatar from International Finance.

Sheikh Abdulla bin Ali bin Jabor Al Thani, Chairman of the Board of Directors of Commercial Bank, said, “During 2021, Qatar’s economy improved on the back off the country’s robust vaccination programme, significant strengthening of energy prices particularly gas and the continued investment in infrastructure in the lead up to the 2022 World Cup. Furthermore, GDP is expected to increase by over 4% in 2022, which will be supported by all the previously mentioned factors and complemented by the projected spike in tourism with the upcoming FIFA World Cup.

“During the past year, Commercial Bank has continued to focus on supporting the nation’s economy, through providing world-class banking solutions and innovative products, in line with the support programmes implemented by the Central Bank of Qatar. We believe that 2022 will offer significant opportunities in the market, that will present further growth for Commercial Bank.”

Mr. Hussain Alfardan, Commercial Bank’s Vice Chairman, added, “Our growth is testament to the continued investments in people, technology and infrastructure we have made in the business. As part of our commitment to support Qatar’s Vision 2030 and promote Qatar as a global hub for business, we continued to enhance our digital service offering, to ensure seamless banking for all our customers. In recognition of these efforts, Commercial Bank was awarded with several accolades over the course of the year recognizing our leading position in digital leadership, positioning us for further growth in 2022.”

Operating profit for the Group increased by 15.3% to QAR 3,621.1 million for the year ended 31 December 2021, compared with QAR 3,140.8 million achieved in the same period in 2020.

Net interest income for the Group increased by 19.4% to QAR 3,701.5 million for the year ended 31 December 2021 compared with QAR 3,100.1 million achieved in the same period in 2020. Net interest margin increased to 2.7% for the year ended 31 December 2021 compared with 2.4% achieved in the same period in 2020. Although asset yields have reduced, the increase in margins is mainly due to proactive management of the cost of funding.

Normalized non-interest income for the Group decreased by 7.4% to QAR 1,069.9 million (+23.1% on reported basis) for the year ended 31 December 2021 compared with QAR 1,155.8 million achieved in the same period in 2020. The overall decrease in non-interest income was mainly due to lower FX and trading income from Alternatif Bank driven by sharp increase in USD/TRY swap cost in 2021.

Normalized total operating expenses increased by 4.3% to QAR 1,150.3 million (+35.0% on a reported basis) for the year ended 31 December 2021 compared with QAR 1,103.2 million in the same period in 2020.

The Group's **net provisions for loans and advances** increased by 31.4% to QAR 1,099.4 million for the year ended 31 December 2021, from QAR 836.4 million in the same period in 2020. The increase in provisions was mainly due continued prudent provisioning on NPL customers. The non-performing loan (NPL) ratio increased to 4.7% at 31 December 2021 from 4.3% at 31 December 2020. The loan coverage ratio decreased to 97.4% at 31 December 2021 compared with 101.6% at 31 December 2020.

The Group balance sheet has increased by 7.7% as at 31 December 2021 with total assets at QAR 165.5 billion, compared with QAR 153.6 billion in December 2020. The increase was mainly due to increase in balances with Central Bank and loans and advances.

The Group's **loans and advances to customers** increased by 1.3% to QAR 98.0 billion at 31 December 2021 compared with QAR 96.7 billion in the same period in 2020. The increase was despite a reduction in the Government temporary borrowing in Q4 21 as it partly repaid its systemwide temporary borrowing. The increase was mainly in the commercial, services and government public sectors.

The Group's **investment securities** increased by 3.7% to QAR 26.7 billion at 31 December 2021 compared with QAR 25.8 billion in the same period in 2020.

The Group's **customer deposits** increased by 8.1% to QAR 82.0 billion at 31 December 2021, compared with QAR 75.8 billion in the same period in 2020. The increase is mainly in time deposits however, current and savings deposits have increased by 5.1% 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 solid results for the year ended 31 December 2021. The Group reported a net profit of QAR 2.3 billion for the period, up 77.1% compared to the same period last year primarily driven by improved net operating income in the domestic business and an improved contribution from associates.

"Net interest income grew 19.4% to QAR 3.7 billion compared with QAR 3.1 billion for the same period last year mainly due to higher average loans and a continued focus on low cost balances leading to an improvement in Net interest margin from 2.4% to 2.7%.

"Total fees and other income decreased by 7.4% to QAR 1.1 billion on a normalized basis (up by 23.1% on reported basis) compared to the same period last year mainly driven by lower FX and trading income from Alternatif Bank. However strong growth in loans and net interest income, in

the domestic Qatar business resulted in operating income showed a healthy growth of 12.4% on a normalized basis.

“Normalized operating expenses increased by 4.3%, however cost-to income ratio continued its improving trend to 24.1% for the year ended December 31, 2021 compared with 26.0% for the same period in 2020.

“Gross provisions were down by 4.4% mainly due to lower ECL charges for the year, however net provisions for the period increased by 12.0% mainly due to continued prudent provisioning on NPL customers and lower recoveries in 2021. NPL coverage ratio decreased to 97.4% compared with 101.6% for the comparative period.

“Group loans and advances were QAR 98.0 billion at the end of 2021, up by 1.3% compared to the same period in 2020, and customer deposits increased to QAR 82.0 billion, up by 8.1%. Low cost deposits increased by 5.1%, which has helped reduce the cost of funding and positively impacted our net interest margin which grew from 2.4% to 2.7%.

“Alternatif Bank’s performance for the year ended 31 December 2021 was impacted by the continued volatility in the Turkish market and the depreciation of the Turkish lira. The bank reported a net profit of QAR 23.7 million during the period compared with QAR 57.5 million for the same period in 2020.

“The contribution from our share of associates in 2021 improved by 79.8% compared to 2020 driven mainly by reduced impairments and better performances at UAB and NBO.”